

ZKTECO CO., LTD.

2022 Annual Report

Announcement No.: 2023-033

April 2023

Innovation Traversing the Cycle

A Letter to Shareholders

2022 is the first year of listing of ZKTECO.

We are well aware that listing is a new starting point for the development of ZKTECO, but we have been given higher expectations by our shareholders. The original intention and ideal of ZKTECO staff going public is to achieve sustainable development and become a respected innovative global enterprise in the field of "multimodal biometrics and multimodal computer vision". On behalf of the Board of Directors, I would like to express sincere gratitude to all colleagues, users, partners, especially institutional and individual investors of the Company!

As of December 31, 2022, ZKTECO has nearly 4,000 global employees, including over 1,100 overseas employees, 95% of whom are local people. There are 42 branches and subsidiaries in China, covering major provinces and regions. There are 40 subsidiaries overseas, and the Company's products are sold in more than 100 countries and regions worldwide. We have established R&D centers in Bangalore, Xiamen, Dalian, and Dongguan and Shenzhen, with over 1,100 R&D personnel. We have established manufacturing centers in China and Thailand, and invested in the construction of the "American Manufacturing Factory Construction Project" in the United States. In 2022, ZKTECO achieved a consolidated operating revenue of over RMB 1.9 billion, which is basically the same as in 2021; the net profit attributable to the parent company exceeded RMB 190 million, an increase of 12.47% compared to the same period last year. In the current complex international environment and macroeconomic situation, overseas business has achieved stable growth, covering the gaps in insufficient domestic business growth and ensuring the overall business stability.

Innovation Traversing the Cycle

We often say that not investing in original R&D means building a house in someone else's house. No matter how big your business is, it will be someone else's sooner or later. Innovation driving is the driving force behind the development of ZKTECO. In 2022, we invested nearly RMB 190 million in R&D, accounting for 9.8% of the Company's operating revenue.

ZKTECO is engaged in the core algorithm research and entrance scene empowerment, digital identity authentication, smart office and other businesses combining multimodal biometrics and computer vision. ZKTECO's technical team has developed core technical capabilities in technologies such as small data, multitasking,

and multimodality after years of technical accumulation. In 2022, we combined zero sample, single sample, and small sample learning to construct a relatively unified model, and also established a multimodal artificial intelligence (AI) research and direction of "small data and multitasking". Now, I would like to report on our strengthened core capabilities and platform R&D over the past year:

1. Our technical team continues to invest in the research of multimodal hybrid biometric recognition algorithms: combining traditional pattern recognition with AI algorithms, utilizing blockchain technology to unify physical and digital iris, physical and digital fingerprint, physical and digital palm vein, physical and digital human image related physical biometric features with digital identity recognition in two dimensions, and conducting in-depth research on electronic payment hardware wallets.

2. We have made a substantial breakthrough in multimodal small sample offline computer vision. We have upgraded from the traditional biometric "Who are you?" to "I not only know who you are, but also can push services for you, interact with you according to the scene, and provide value-added services through the cool interactive experience of digital consumers." Our new generation of digital signage is about to be loaded with ZKTECO based BioCV pre AI capability, which empowers smart retail and catering scenarios.

3. In Bangalore, India and Xiamen, we have collaborated with Amazon to develop the next-generation Internet of Things (IoT) platform Minerva, which we call the Minerva Platform. With its powerful End-Edge-Cloud capabilities, it showcases excellent digital service capabilities for devices, phones, cloud services, and third-party ecosystems. ZKTECO Interconnection, ZKTECO Cloud Commerce, and ZKTECO Cloud Chain based on the IoT platform base have been launched.

Adhering to Globalization Without Wavering

Some people say that globalization has come to an end, but we have to say that the 2.0 version of globalization has just begun, and new opportunities for innovation/intelligent manufacturing/services to go global have arrived. Only by possessing a modern governance system, strengthening core competitiveness and comprehensive capabilities, focusing on long-term development, valuing stakeholder relationships, compliance and trustworthiness, and coordinating risk management and development can teams continue to develop under the new version of globalization. We believe that development brings challenges and challenges bring difficulties. As long as we firmly believe that human development is the development of civilization and the continuous evolution of time and space, globalization will definitely be the best choice for humanity.

Facing the future, we deeply understand that the foundation of the spirit of craftsmanship is the focus of

craftsmanship. If there is only one choice, we will choose the power of honesty, because honesty will continue to elevate our self-awareness, allowing the desire for knowledge to stimulate the humility and curiosity of ZKTECO staff, in order to drive our never-ending growth and improvement.

Finally, thank all shareholders for their trust and support in the Company's management team! We will strive to achieve good results and not disappoint all investors through the integration and development of core technology innovation and main business innovation!

Chairman Che Quanhong

2022 Annual Report

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, accuracy, and complete.

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

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

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

The profit distribution proposal passed upon deliberation at the meeting of the Board of Directors is set out as follows: Based on the Company's current total share capital of 148,492,051 shares, the Company proposed to distribute cash

**dividend of RMB 3.5 (tax inclusive) per each 10 shares to all shareholders,
No bonus shares will be issued, and use capital reserve to increase 3 shares per
each 10 shares to all shareholders.**

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Documents Available for Inspection

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

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

III. All original copies of the Company's documents and the original drafts of the Company's announcements as disclosed on websites designated by the CSRC during the reporting period.

IV. Other relevant documents.

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

Definitions

Terms	Refers to	Definitions
Company, 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
ZK TIMES	Refers to	ZK TIMES CO., LIMITED, a wholly-owned subsidiary of the controlling shareholder ZKTeco Times
JYHY	Refers to	Shenzhen JYHY Investment Enterprise (Limited Partnership), a shareholder of the Company
JYSJ	Refers to	Shenzhen JYSJ Investment Enterprise (Limited Partnership), a shareholder of the Company
LX Investment	Refers to	Dongguan LX Investment Partnership Enterprise (Limited Partnership), a shareholder of the Company
JYLX	Refers to	Shenzhen JYLX Consulting Enterprise (Limited Partnership), a shareholder of the Company
JYQL	Refers to	Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership), a shareholder of the Company
Fuhai Juanyong	Refers to	Shenzhen Fuhai Juanyong I Venture Investment Fund (Limited Partnership), a shareholder of the Company
Yiwu Walden	Refers to	Yiwu Walden Yuanjing Venture Capital Center (Limited Partnership), a shareholder of the Company
Qingdao Walden	Refers to	Qingdao Walden Zhongxiang 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 Technology	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
Vietnam Subsidiary	Refers to	ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED
Romania Subsidiary	Refers to	ZKTECO ROMANIA S.R.L
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	2022
End of Reporting Period	Refers to	December 31, 2022
CV	Refers to	Computer Vision

Terms	Refers to	Definitions
BioCV	Refers to	Biometrics & Computer Vision
Biometrics	Refers to	A computer technology that utilizes the analysis of human biological characteristics to distinguish biological organisms. It is used for personal identification by a close combination of computer technology with high-tech methods such as optics, acoustics, biosensors, and biostatistics, and utilizing the inherent physiological characteristics of the human body (fingerprints, facial features, palm veins, iris, etc.) or behavioral characteristics (sound, gait, etc.)
Computer Vision	Refers to	Used to simulate biological vision using cameras, computers, and related equipment; simulate human visual abilities, capture and process three-dimensional information of the scene by using optical systems and image processing tools, understand and command specific devices to execute decisions
RF, RFID	Refers to	Radio Frequency Identification (RFID), a wireless communication technology that can identify specific targets and read and write relevant data through radio signals without establishing mechanical or optical contact between the identification system and specific targets
Internet of Things/IoT	Refers to	Used to connect any object to the network by using information sensing devices and following agreed protocols. The object exchanges and communicates information through information dissemination media to achieve intelligent recognition, positioning, tracking, supervision, and other functions
GA/T 1012-2019 Technical Specifications for Fingerprint collection and Comparison of Resident Identity Card	Refers to	The national standard for resident identity cards issued by the Ministry of Public Security in 2019, stipulating the requirements for fingerprint collection and comparison of resident identity cards, as well as the technical indicators and testing methods of fingerprint algorithms
GA450-2013 General Technical Requirements for Desktop Readers of the Resident ID Card	Refers to	The national standard for general technical requirements of ID card readers issued by the Ministry of Public Security in 2013, stipulating the technical requirements, test methods, inspection rules, marking, packaging, transportation and storage of desktop ID card readers
GA/T1011-2012 General Technical Requirements for Fingerprint Capture Device of the Resident ID Card	Refers to	The national standard for General Technical Requirements for Fingerprint Capture Device of the Resident ID Card issued by the Ministry of Public Security in 2012, stipulating the technical requirements, test methods, inspection rules, marking, packaging, transportation and storage of ID card fingerprint capture devices
2nd-Generation ID Card, Resident ID Card	Refers to	2nd-Generation Resident ID Card
IC Card	Refers to	Integrated Circuit Card, also known as Smart Card, having functions such as read-write, large capacity, and encryptability. It is mainly used in smart card systems, consumption systems, etc.
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

Terms	Refers to	Definitions
IP65	Refers to	A protection level for electrical equipment casings against foreign object intrusion, which can completely prevent dust from entering and wash with water without any harm
PUSH	Refers to	The active push technology on the server side, enabling the timely transmission of data updates, which is characterized by high efficiency and low terminal energy consumption
MRP Mode	Refers to	Material Requirement Planning, the process in which a production enterprise gradually derives the production and procurement plans for the components, raw materials, and other materials required for the production of the main product based on the production plan, the structure of the main product, and the inventory situation
SAM	Refers to	Secure Access Module, a module used for encrypting and decrypting identity card information
ISO14001	Refers to	International standards for environmental management systems developed by the International Organization for Standardization (ISO)
Frost & Sullivan	Refers to	Frost & Sullivan Consulting, an independent third-party industry research and analysis institution. The Company purchased the professional report "Independent Market Research of the Global and Chinese Biometric Industry" from Frost & Sullivan
SMT	Refers to	Surface Mount Technology, a circuit assembly technology used to install surface mounted components without pins or with short leads on the surface of printed circuit boards (PCBs) or other substrates, and then solder and assemble them through methods such as reflow soldering or immersion soldering
PCB	Refers to	Printed Circuit Board, a substrate used for assembling electronic components
PCBA	Refers to	Printed Circuit Board Assembly, the process of soldering components onto a PCB substrate to form a printed circuit board (PCB)
asmag	Refers to	A professional industry media company under the Messe Frankfurt Exhibition GmbH, aiming to provide market analysis, technical information, solution evaluation, industry forecasting, etc. for practitioners in smart security, smart life, smart transportation, smart buildings, IT communication, and networking
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
CMMI Certification	Refers to	Capability Maturity Model Integration Certification

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

Section II Company Profile and Key Financial Indicators

I. Company Information

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

II. Contacts and Contact Information

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

III. Information Disclosure and Place of the Report

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

IV. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	Baker Tilly China Certified Public Accountants (Special General Partnership)
Office address of the accounting firm	Areas A-1 and A-5, Building 68, No. 19, Chegongzhuang West Road, Haidian District, Beijing, China
Name of signing accountants	Li Ming, Wang Heli, Han Dongxi

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

Applicable Not applicable

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

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

Applicable Not applicable

V. Main Accounting Data and Financial Indicators

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

Yes No

	2022	2021	YoY Change	2020
Operating revenue (RMB)	1,918,559,191.76	1,955,286,516.10	-1.88%	1,801,404,719.51
Net profit attributable to shareholders of listed companies (RMB)	192,239,793.75	170,923,050.93	12.47%	186,199,319.87
Net profit attributable to shareholders of listed companies after deducting non-recurring profits and losses (RMB)	189,342,503.20	148,069,383.85	27.87%	176,933,283.12
Net cash flows from operating activities (RMB)	124,520,033.18	98,120,441.87	26.91%	144,750,016.32
Basic earnings per share (RMB/share)	1.5027	1.5347	-2.09%	1.7249
Diluted earnings per share (RMB/share)	1.5235	1.5347	-0.73%	1.7249
Weighted average return on net assets	9.39%	13.20%	-3.81%	17.86%

	At the end of 2022	At the end of 2021	Increase or decrease at the end of this year compared to the end of the previous year	At the end of 2020
Total assets (RMB)	3,655,960,456.30	2,082,923,037.22	75.52%	1,887,758,707.27
Net assets attributable to shareholders of listed companies (RMB)	3,057,467,189.68	1,372,534,346.38	122.76%	1,216,313,453.59

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

Yes No

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

Yes No

VI. Main Financial Indicators by Quarter

Unit: RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating revenue	432,406,206.03	492,708,744.13	478,423,074.51	515,021,167.09
Net profit attributable to shareholders of listed companies	29,319,200.73	40,946,021.23	63,927,831.56	58,046,740.23
Net profit attributable to shareholders of listed companies after deducting non-recurring profits and losses	25,767,460.21	48,235,370.95	60,059,763.70	55,279,908.34
Net cash flows from operating activities	-17,379,274.58	-4,535,927.52	20,242,256.25	126,192,979.03

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

Yes No

VII. Differences in Accounting Data under Domestic and Foreign Accounting Standards

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

Applicable Not applicable

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

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

Applicable Not applicable

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

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

Applicable Not applicable

Unit: RMB

Item	Amount in 2022	Amount in 2021	Amount in 2020	Remarks
Losses and gains from disposal of non-current assets (including the offsetting portion of the provision for asset impairment)	-353,911.28	-196,340.91	235,140.02	
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)	12,705,234.71	15,928,005.99	14,327,480.98	Mainly due to a slight decrease in government subsidies compared to the previous period
Capital occupancy fees charged to non-financial enterprises included in current profits and losses	50,026.13	45,991.54	351,467.39	
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	-5,791,116.41	9,453,151.11	1,781,679.15	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	-2,833,347.63	-695,883.75	-681,878.78	

Other profit and loss items that meet the definition of non-recurring profits and losses			-5,095,672.54	
Less: income tax impact	722,071.62	1,079,847.30	1,456,198.56	
Minority interest impact (after tax)	157,523.35	601,409.60	195,980.91	
Total	2,897,290.55	22,853,667.08	9,266,036.75	--

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Section III Management Discussion and Analysis

I. Industry situation of the Company during the reporting period

(I) Basic situation of the industry of the Company

The Company is an international enterprise in the field of multimodal "Computer Vision and Biometrics" (BioCV), and is a national high-tech enterprise specializing in providing smart entrance and exit management, smart identity verification, smart office products and solutions. The Company is mainly committed to integrating core biometric technologies such as fingerprints, palm veins, facial features, veins, and iris with computer vision, radio frequency, IoT, 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, and government affairs.

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

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

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

1. Global biometric industry situation in 2022

(1) Global market overview

In 2022, despite the influence of many factors such as domestic and international economic situation, Trade disputes between China and the United States, Russia-Ukraine conflict and so on, the global biometric technology application market would continue to develop at a high speed. In 2022, the global biometric market size would be USD 33.2 billion, and it is expected to reach USD 87.4 billion in 2028, with a compound annual growth rate of 17.36%. (Data source: IMARC Group)

(2) Global development of biometric technology

In the global biometric market structure, fingerprint recognition (58% share) and facial recognition (18% share) still dominate, followed closely by iris recognition (7% share), and vein recognition, voiceprint recognition, and signature recognition have also made some progress in market share. The multimodal biometrics driven by this has gradually become a true mainstream application due to its higher accuracy and reliability. (Data source: Chinese Academy of Industry Economy Research)

The performance of hybrid biometrics in the market is outstanding, especially in member self-service scenarios such as retail, catering, and FMCG chains. Multiple retailers around the world have launched self-service retail solutions, all of which combine hybrid biometrics identification with computer vision, greatly improving customers' offline shopping experience. AI showcases its skills in smart consumption scenarios from the virtual interaction between front-end perception smart devices and brands in four dimensions of sound, text, video, and image.

(3) The application situation of the global biometric industry

The main application entities in the international biometric market, sorted by market size, are: government (including police), military, finance and banking, consumer electronics, health, commercial security, and logistics.

The main application scenarios for global biometrics in 2022 are non-contact applications, mixed online and offline identity authentication, while others are still dominated by traditional applications, continuing the trend of application in recent years.

The market acceptance of biometric technology has also greatly improved. In May 2022, a survey led by VISA showed that 86% of consumers approve of using biometric technology for identity authentication and online payments, 70% of consumers gave the reason that biometric authentication is more convenient, and 46% of consumers believe that biometric authentication is much safer than various passwords. The increase in market acceptance has laid a solid foundation for the wider application of biometric technology in the future. Multiple banks have launched biometric payment credit cards, which have performed outstandingly in the international market. In addition, due to the surging trend of digital currency, the physical offline encryption "hardware wallets" of digital currency have all used biometric technology without exception, becoming a beautiful scenery.

The biometric technology develops towards diversification. According to a report by Grand View Research, a leading research organization in the United States, "Analyzing the Size, Share, and Trend of the Medical Biometric Market from the Perspective of Technology (Facial Recognition, Fingerprint Recognition, Iris Recognition, Vein Recognition) and Segmentation Prediction from 2013 to 2024". The report shows that the global medical biometric market is expected to reach USD 11.7 billion by 2024. According to CB Insights' Industry Analyst Consumer research, the global market for automotive biometric technology is expected to reach USD 303 million by 2024, with a compound annual growth rate of nearly 17%. Due to the significant differences in accuracy, security, stability, recognition speed, convenience, cost, power consumption, and other aspects among different biometric technologies, they also have their own unique characteristics and advantages and disadvantages in different application fields. We believe that the integration of multimodal biometric technology will be a major trend in the future. With the accelerated popularization of intelligent hardware technology and cloud computing applications, multimodal biometric technology has become one of the important technologies for the development of modern AI. Biometrics will have a broader market prospect, meet the business needs of various industries, serve socio-economic development, and further promote the construction of an honest society.

2. China's biometric industry situation in 2022

(1) Overview of China's biometric market

The size of China's biometric market has increased from RMB 12.7 billion in 2016 to RMB 32.6 billion in 2021, with a compound annual growth rate of 20.7%. The market size of China's biometric industry is expected to reach RMB 40 billion in 2022. (Data source: Frost & Sullivan)

(2) China's development of biometric technology

Multimodal biometric technology is a fusion application of various biometric technologies such as fingerprint recognition, facial recognition, palm vein recognition, iris recognition, voiceprint recognition, etc. Compared to single modal biometric systems, multimodal biometrics has significant advantages in recognition performance, accuracy, and reliability. In 2022, multimodal technology products have become mainstream in the Chinese biometric market. In recent years, the market's demand for non-contact technology and other related technologies has made the combination of multimodal biometrics with temperature measurement and scanning technology the biggest highlight of the application market in 2022.

(3) The application situation of the Chinese biometric industry

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

Identity authentication has always been a great necessity in today's society, and biometrics is the most convenient, secure, and reliable personal identity authentication technology. China's identity authentication has already expanded from public security needs

to various industries, with applications covering transportation, hotels, finance, social security, education, and healthcare. In 2022, we see the rapid growth of biometric authentication applications.

New types of infrastructure such as Industrial Internet, big data center, and basic IoT network continue to promote the wider application of entrance and exit management equipment and digital identity verification scheme mainly including hybrid biometrics in parks, communities, construction sites and other scenarios. These applications have shown a rapid growth momentum in recent years. The future deep integration of entrance and exit management and biometric technology, AI, IoT and cloud computing will become the development norm. The Report to the 20th National Congress of the Communist Party of China proposes to accelerate the construction of a strong online country and a digital China. Promoting the application of electronic resident ID cards is an important measure to build a digital China and improve government service capabilities. In recent years, in order to improve the level of convenient services, various industries in various regions have vigorously promoted the application of electronic ID cards in various scenarios such as finance, education, healthcare, social security, taxation, etc., bringing more convenience in digital lives of the people.

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

(III) Overview and development trends of major technologies in the industry in 2022

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

1. Overview and trends of global biometric technology development

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

The popularization and application of biometric technology in consumer electronics, such as applications in smartphones and other portable or wearable devices, as well as the use of smart door locks, smart homes, security devices, IoT, cars, game controllers and other products, are also a huge driving force for the development of biometric industry at present. Fingerprint recognition, facial recognition and iris recognition will, driven by these application needs, evolve iteratively towards miniaturized computing, low power consumption, low resource allocation, better robustness and ease of use, so that the application of these biometric technologies in consumer electronics will continue to improve rapidly.

Another obvious trend in the global biometric industry is the continuous restructuring, mergers and acquisitions, or strategic cooperation among industry enterprises, especially well-known ones. For example, in August 2021, Norwegian NEXT Biometrics, which has been focusing on fingerprint recognition technology, formed a strategic partnership with American Paravision, which focuses on facial recognition technology, to provide fingerprint recognition + facial recognition dual authentication fusion technology products to the market. In March 2022, LexisNexis Risk Solutions, a US company engaged in data management and analysis, as well as risk control and compliance technology, acquired BehavioSec, a Swedish company specializing in online behavior recognition. BehavioSec's technology can continuously track, analyze, and identify authentication through users' online behavior (habits of surfing the Internet and using apps, etc.). In addition to considering commercial interests, these mergers and acquisitions within and outside the industry also have a special driving role in the development of biometric technology: different technological resources are integrated, gradually matching reasonably through trial and error, and achieving high-quality combinations to promote technological development,

such as the strong combination of multimodal hybrid recognition in the above examples, and the continuous development and application of online behavioral characteristic recognition technology under capital support.

The impact on the market structure of biometric technology and applications in recent years will continue to expand. In the coming years, non-contact technologies such as non-contact fingerprint, facial recognition, iris recognition, palm vein recognition, voiceprint recognition, etc. will continue to win priority development opportunities and achieve better technological progress. Due to the development of AI technology, big data, and cloud computing, biometrics is closely combined with computer vision, and it has developed from simple identification to the empathetic experience ecology of scene interaction such as "Who are you? What kind of service should I provide for you?". Especially in retail, catering, healthcare, elderly care, and other interactive scenarios, there are huge applications.

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

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

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

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

At present, the security field is still the mainstream of traditional biometrics applications. Whether it is security giant, traditional biometrics manufacturer, or the rising CV unicorn in recent years, security has been placed in the most important product and application direction. Their massive investment has greatly promoted the development of domestic biometric technology and its applications. Intelligent monitoring, access control, and channel management are representative of domestic security applications.

Traditional physical security awareness is no longer sufficient to meet the current development of the biometric industry in the digital era. Due to the government's full investment in social security, the traditional security era of personal safety has come to an end. Instead, how to use the such dimensions as innovative technologies, products and services combining biometric technology and computer vision technology as OMO "empathetic micro scene ultimate experience" featuring "people-oriented, harmony of body and mind" for recognition. Especially in the fields of healthcare, retail, catering, transportation, education, government affairs, etc., there is enormous potential for application.

The digital transformation vigorously promoted by the strategy for domestic new types of infrastructure and the construction of "digital China" means that there will be a great construction need in the digital infrastructure. In addition, the metaverse world based on blockchain technology is connected in parallel with the real world, achieving the unity of identity and property rights, and promoting the blurring of boundaries between the real and virtual worlds, ultimately achieving complete integration. Whether it's digital China or the metaverse; whether in the real physical world or the virtual world, security considerations and accurate identity authentication will be a necessary requirement for geometrics progression. Biometric technologies such as facial recognition, fingerprint recognition, palm vein recognition, iris recognition, voiceprint recognition, as well as emerging behavioral recognition technologies such as network usage habits and payment habits, will be widely applied in the synchronous operation of the real and virtual worlds.

In addition, biometric technology is also one of the supporting technologies for AI, and it is natural to integrate and utilize biometrics in the field of AI, especially intelligent robots. The adoption of facial recognition, iris recognition, and voice/speech recognition will be the most common, and the combination and integration of these biometric technologies with core AI algorithms can form a new type of fast iterative path. With the continuous progress and successful marketization of intelligent robot products, their application scale will also grow rapidly.

Compared with major projects in the government and public service sectors where most of the applications are in foreign countries, the domestic biometric market is mainly applied in small commercial sectors. This difference in market structure means that there is

huge technological development space and application opportunities for key biometric technologies in related fields in China (such as fingerprint, facial recognition, and iris hybrid recognition technologies).

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

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

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

The Company is an international enterprise in the field of multimodal "Computer Vision and Biometrics" (BioCV), and is a national high-tech enterprise specializing in providing smart entrance and exit management, smart identity verification, smart office products and solutions. The Company is mainly committed to integrating core biometric technologies such as fingerprints, facial features, veins, and iris with computer vision, radio frequency, IoT, 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, and government affairs.

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

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


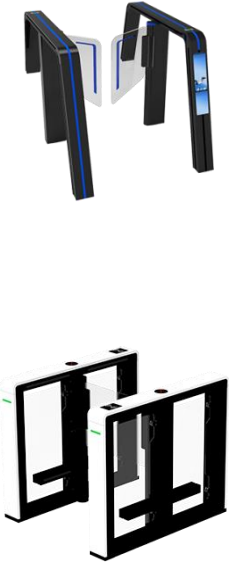
Item	2022		2021	
	Amount	Proportion	Amount	Proportion
I. Smart entrance and exit management products	139,671.52	72.99%	134,098.31	68.72%
II. Smart identity verification products	18,803.78	9.83%	29,308.65	15.02%
III. Smart office products	32,880.01	17.18%	31,722.12	16.26%
Total	191,355.31	100.00%	195,129.07	100.00%

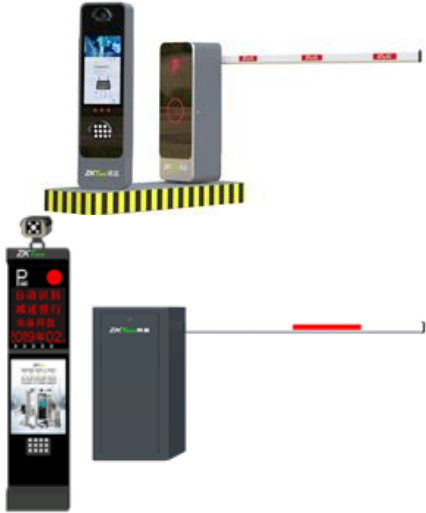


1. Smart entrance and exit management




(1) Smart terminal products and functions



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

Product Category	Product Name	Product Description	Product Image
Access control products	Access control	<p>The access control is a smart terminal that achieves single door access control permission verification and logical judgment through biometric information verification or radio frequency verification. According to different biometric verification methods, it can be divided into fingerprint, facial, finger vein, and palm 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>	
	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>	
	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>	

Product Category	Product Name	Product Description	Product Image
	Multimodal collection reader	<p>The multimodal collection reader is an inductive reader used to collect information such as the cardholder's face, fingerprint, QR code, RFID card, password, etc., and transmit it to the access controller and elevator controller. It is used in conjunction with software to achieve single or multiple door access control permission verification. The multimodal collection 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 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 also greatly improves the safety of control and the accuracy of passage data.</p>	

Product Category	Product Name	Product Description	Product Image
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>	
	Charging pile	<p>New energy vehicle charging piles can be fixed on the ground or walls, installed in public buildings (buildings, shopping malls, public parking lots, etc.), residential parking lots, and dedicated charging stations to provide charging and energy replenishment services for electric vehicles and hybrid vehicles. According to the output power of the charging pile, it is generally divided into various different power charging methods such as AC slow charging, DC fast charging, and overcharging to meet the charging needs of new energy vehicles in different scenarios. The Company's new energy vehicle charging pile is a 7kW AC charging pile, positioned for 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,</p>	

Product Category	Product Name	Product Description	Product Image
		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).	
Security inspection products	Walk through metal detector	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, channel management, and body temperature detection.	
	X-Ray Scanner	The screening machine is a detection device used to detect whether packages and other items contain specific prohibited items. The Company's screening machine products have X-ray image collection 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, video monitoring, and security management platform.	
Video surveillance	Entrance and exit video device	Entrance and exit video devices are mainly used to extract facial, vehicle, and object features from video streams, and to recognize, store, compare, retrieve, analyze, and alert them in smart cameras or smart boxes. The Company's video surveillance device can also achieve intelligent analysis such as facial recognition, personnel crossing boundaries, personnel invasion, vehicle crossing boundaries, vehicle parking violations, vehicle departure, personnel hovering, personnel crossing walls, personnel gathering, personnel fighting, personnel falling, personnel smoking, personnel running, personnel making phone calls, personnel checking mobile phones, and supports the platform to generate alarm prompts, suitable for various entrance and exit scenarios such as residential areas and campus areas.	

Product Category	Product Name	Product Description	Product Image
Smart lock	Biometrics smart lock	Smart locks are mainly used for opening and closing control of doors in homes, hotels, offices, and other areas. The Company's biometrics smart lock products have the function of extracting and comparing various information such as fingerprints, faces, RFID cards, etc. They can be managed through software, smart speakers, or apps, and are compatible with lock bodies in line with national standards, American standards, European standards, and Korean standards. They support WiFi, NB IoT, ZigBee, and Bluetooth communication methods.	
Visitor Terminal	Visitor Identity Verification Terminal	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.	

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

The ZKBio Access IVS V6000, based on multimodal biometric technology and computer vision 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

ZKBioV6600, based on multimodal biometric technology and computer vision 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 facial recognition, vehicle 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) ZKBioSmart Park Integrated Management Platform V8800






ZKBioV8800, based on multimodal biometric technology and computer vision 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 our 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 effective 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 capture device of the resident ID cards complies with the "Technical Specifications for Fingerprint collection and Comparison of Resident Identity Card" (GA/T 1012-2019) and the "General Technical Requirements for Fingerprint Capture Device 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.	

Product Category	Product Name	Product Description	Product Image
	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 comprehensive support for 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;	
	ID card reader	It complies with "General Technical Requirements for Desktop Readers of the Resident ID Card" (GA 450-2013), "Technical Specifications for Fingerprint collection and Comparison of Resident Identity Card" (GA/T 1012-2019), and "General Technical Requirements for Fingerprint Capture Device of the Resident ID Card" (GA/T 1011-2012). It is an ID card reader with fingerprint verification function, and can support the recognition and reading of the 2nd-generation ID Card, Foreign Permanent Resident ID Card and Residence Card for Hong Kong, Macao and Taiwan Residents. According to different application scenarios, the ID card reader can be divided into three types: desktop, built-in, and handheld. Desktop ID card reader can be directly connected to a computer for use, built-in ID card reader can be integrated into	

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

(2) One card solution Cube Identity Authentication Management System

The One card solution Cube Identity Authentication Management System is a "real person system" identity verification system independently developed by the Company based on multimodal biometric technology for "the integration of people and certificates". It consists of two parts: the Human Certificate One card solution Cube Terminal Software (APP) and the Identity Authentication Management Platform, integrating the Company's ZKLiveFace facial recognition algorithm and ZKFinger V15.0 ID card fingerprint

comparison algorithm. The software can read 2nd-generation ID cards, Hong Kong and Macao resident residence permit, foreign permanent residence permit and other certificate information, compare the fingerprint or face of the holder on the spot for the "integration of people and certificates", and accurately and quickly verify user identity information. One card solution Cube Identity Authentication Management Platform has functions such as intelligent device management, personnel management, and black/white list monitoring, which can achieve real-time and comprehensive multi-dimensional monitoring and analysis of devices, personnel, and data. Moreover, the One card solution Cube Identity Authentication Management System supports access to large capacity facial recognition servers, CTID Platform (Trusted Identity Authentication Platform), and million-level large capacity facial backend verification and public security 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 of the Ministry of Public Security. 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 enterprise personnel. The Company's biometrics attendance terminal can support multiple verification methods such as fingerprint, face, palm, RFID card, and password, and has personnel management functions such as self-service scheduling and report generation.	 The image shows three different models of attendance terminals. One is a white wall-mounted device with a small screen and a sensor. Another is a black wall-mounted device with a larger screen and a sensor. The third is a black circular floor-standing device with a screen and a sensor.
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.	 The image shows two consumer smart terminals. One is a white countertop device with a screen and a sensor. The other is a black handheld device with a screen and a sensor.

(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 computer vision, biometrics, 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 can 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	2022		2021	
	Amount	Proportion	Amount	Proportion
Distribution	128,494.05	67.15%	121,581.35	62.31%
Direct sales	62,861.26	32.85%	73,547.73	37.69%
Total	191,355.31	100.00%	195,129.07	100.00%

(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.

(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, increasing the difficulty of forging human biological characteristics and 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 access control and attendance recognition, real name verification in banks, telecommunications, public security, customs, etc. 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 currently 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.

3. 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 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 BioCV technology according to customer needs.

4. 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 smart scenes.

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

On February 27, 2023, the CPC Central Committee and the State Council issued the "Overall Layout Plan for the Construction of Digital China" (hereinafter referred to as the "Plan"), pointing out that building a digital China is an important engine to promote Chinese path to modernization in the digital era and a strong support to build a new competitive advantage of the country. The "Plan" will propose to ensure capital investment, innovate funding support methods, strengthen the overall guidance of various funds, play the role of the national industry finance cooperation platform, guide financial resources to support digital development, encourage and guide capital in the construction of digital China in a standardized manner, and build an investment and financing system with effective participation of social capital. According to the "Report on the Development of China's Digital Economy (2022)" released by the China Academy of Information and Communications Technology (CAICT), the scale of China's digital economy reached RMB 45.5 trillion in 2021, accounting for 39.8% of GDP, an increase of 9.5 pct compared to 2016. The CAICT predicts that the scale of China's digital economy will exceed RMB 60 trillion by 2025. The digital economy policies, including the "Plan", will catalyze the further development of new smart city projects. In the wave of digital economy, the Company, as the driver and practitioner of digitalization and intelligence, actively explores, builds and improves the computer vision field, multi-dimensional perception smart terminals, scene interactive robots, scene cloud service software, AR digital twins, digital identity cards and other track industry chains, forms a digital ecosystem integrating upstream, downstream and cross industries, and works with XN CAPITAL to jointly establish an ecological

innovation fund to accelerate product incubation, and assist in the ecological construction of the digital industry.

III. Analysis of Core Competitiveness

1. Technological and R&D advantages

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

After years of technological accumulation, the Company has formed a core technology architecture based on single biometric technology and multimodal biometric technology. In the field of single biometrics, the Company has developed and launched biometric technologies such as fingerprints, facial features, digital veins, palm veins, and iris. The Company's resident ID card fingerprint recognition algorithm has been recognized by regulatory authorities and is listed in the "Qualified List of Quality Consistency Evaluation and Inspection of Resident ID Card Fingerprint Application Algorithms". It is one of the seven manufacturers in the list. In the field of multimodal biometrics, the Company has developed and launched multimodal biometric technologies, including "fingerprint+facial recognition" technology, "facial+palm vein recognition" technology, "fingerprint+finger vein recognition" technology, "facial+iris recognition" technology, and "fingerprint+palm+facial recognition" technology, and has obtained 14 invention and utility model patents in the field of multimodal biometrics. The Company has mastered the core algorithms of biometrics and has a strong competitive advantage in the field of biometrics, as well as a comprehensive industry incubation ability that combines with various application technologies.

The Company combines basic R&D of biometrics with application R&D. As of December 31, 2022, the Company has obtained a total of 736 patents, including 106 invention patents and obtained a total of 629 computer software copyrights and 59 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 has first achieved the deployment of its biometric technology on edge and end devices with lower process requirements. Its outstanding advantages include three aspects: firstly, solving problems on edge and end devices without being constrained by the quality and stability of the network. Secondly, it can run on mid to low frequency chips (such as the ARM9 with 1G main frequency), which can reduce power consumption, save costs, and avoid high requirements for chip manufacturing processes, achieving autonomy and freedom in today's "chip war" environment. Thirdly, it can minimize the leakage and malicious attacks of sensitive information transmission and centralized storage links.

(3) Deep research on multimodal BioCV AI technology

The Company has gone from the "I'll tell you who you are" attribute of biometric technology to the multimodal BioCV AI attribute of combining computer vision and biometrics: "Who are you? What kind of service should I provide for you?". The Company's AIoT Minerva platform, based on smart retail scenarios and independent intellectual property rights, has launched a ZKDIGIMAX Level3 digital marketing solution for traditional small and medium-sized retailers. The system provides five core services (Minerva IoT platform, machine vision analysis platform, big data analysis platform, AIGC platform, advertising production and distribution platform) and corresponding smart terminals, relying on the IoT, big data, and cloud computing. The Company deeply cultivates smart retail, and uses machine vision analysis technology to reflect innovative value in the interaction value between people and scenes and the empowerment value of scenes; it creates a multi-dimensional intelligent business analysis based on the data lake, and establishes a new service provider of boundless all-round, full scene and full chain retail platform.

(4) 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 the end of 2022, the Company has 1,125 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.

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

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

2. Product array advantages

The Company's products include hardware and software products, connecting different product combinations through 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.

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 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 ZKTECO Shang'an Yuntong Smart Park Integrated Management Platform V8800, ZKTECO ZKBio Intelligent Integrated Management Platform V6600, and ZKBio 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.

During the reporting period, the Company's software development and information security capabilities were further strengthened. In 2022, XIAMEN ZKTECO successfully passed the CMMI5 certification, marking that the Company has reached the top international level in software industry in terms of software R&D capabilities, implementation service delivery, and project management level; XIAMEN ZKTECO has been awarded ISO/IEC 27701 and ISO/IEC 27017 dual system certificates after ZKTECO, marking the international recognition of the Company's R&D and software system in privacy and cloud security management and practical experience.

The Company's main products rely on core biometric 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 biometrics applications and provide customers with comprehensive and high-quality solutions.

3. Global marketing service network and localized service advantages

After years of development, the Company has accumulated rich experience in operating channel products, has a large number of customer resources, and has established a relatively complete global marketing service network system. Sales channels and service networks cover major cities in China and in multiple countries and regions around the world. Moreover, the Company actively expands its online sales channels and has established a comprehensive online marketing network on major e-commerce platforms and self built shopping malls. The integration and complementarity of international, domestic, online, and offline channels have formed a strong marketing service network advantage. As of December 31, 2022, the Company has established 28 branches, 14 subsidiaries, and 190 service outlets in 31 provinces, cities, and autonomous regions across China, with a sales and service system covering the whole country. 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. Internationally, the Company has established a total of 40 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). 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.

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.

IV. Main Business Analysis

1. Overview

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

2. Revenue and cost

(1) Composition of operating revenue

Composition of revenue

Unit: RMB

	2022		2021		YoY Change
	Amount	Proportion in operating revenue	Amount	Proportion in operating revenue	
Total operating revenue	1,918,559,191.76	100%	1,955,286,516.10	100%	-1.88%
By industry					
By product					
Smart office products	328,800,143.52	17.14%	317,221,174.05	16.22%	3.65%
Smart entrance and exit management products	1,396,715,150.30	72.80%	1,340,983,095.57	68.58%	4.16%
Smart identity verification products	188,037,838.90	9.80%	293,086,455.30	14.99%	-35.84%
Others	5,006,059.04	0.26%	3,995,791.18	0.20%	25.28%
By region					
Domestic sales	719,564,575.31	37.51%	960,861,621.68	49.14%	-25.11%
Overseas sales	1,198,994,616.45	62.49%	994,424,894.42	50.86%	20.57%
By sales model					
Distribution	1,284,940,494.64	66.97%	1,215,813,472.72	62.18%	5.69%
Direct sales	628,612,638.08	32.76%	735,477,252.20	37.61%	-14.53%
Others	5,006,059.04	0.26%	3,995,791.18	0.20%	25.28%

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

Applicable Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	YoY Change of revenue	YoY Change of operating cost	YoY Change of gross profit margin
By industry						

By product						
Smart office products	328,800,143.52	177,865,251.47	45.90%	3.65%	-21.06%	16.93%
Including: attendance products	195,518,911.80	116,662,078.37	40.33%	-18.92%	-34.31%	13.98%
Other products	133,281,231.72	61,203,173.10	54.08%	75.19%	28.28%	16.79%
Smart entrance and exit management products	1,396,715,150.30	782,410,874.04	43.98%	4.16%	3.03%	0.61%
Including: access control products	863,320,156.70	457,961,656.04	46.95%	-0.34%	1.20%	-0.81%
Other products	533,394,993.60	324,449,218.00	39.17%	12.36%	5.72%	3.82%
Smart identity verification products	188,037,838.90	105,362,993.92	43.97%	-35.84%	-35.59%	-0.22%
Including: biometrics sensor products	68,254,808.51	28,864,700.77	57.71%	-29.47%	-37.97%	5.79%
Card products	83,067,744.00	67,564,231.17	18.66%	-36.96%	-37.05%	0.11%
Other products	36,715,286.39	8,934,061.98	75.67%	-43.11%	-8.14%	-9.26%
Other products	5,006,059.04	0.00	100.00%	25.28%		0.00%
By region						
Domestic sales	719,564,575.31	495,969,957.35	31.07%	-25.11%	-26.90%	1.68%
Overseas sales	1,198,994,616.45	569,669,162.08	52.49%	20.57%	21.26%	-0.27%
By sales model						
Distribution	1,284,940,494.64	768,921,322.30	40.16%	5.69%	2.97%	1.58%
Direct sales	628,612,638.08	296,717,797.13	52.80%	-14.53%	-26.11%	7.40%
Others	5,006,059.04		100.00%	25.28%		0.00%

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

Applicable Not applicable

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

Yes No

Industry classification	Item	Unit	2022	2021	YoY Change
Computer, communication, and other electronic equipment manufacturing industry	Sales volume	Pcs./Set	2,836,800	3,824,457	-25.82%
	Production	Pcs./Set	2,777,191	3,818,020	-27.26%
	Inventory	Pcs./Set	468,679	528,288	-11.28%

Note: 1. The products in the above table include a small amount of purchased finished products.

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

Applicable Not applicable

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

Applicable Not applicable

(5) Composition of operating costs

Industry classification

Unit: RMB

Industry classification	Item	2022		2021		YoY Change
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Computer, communication, and other electronic equipment manufacturing industry	Raw materials	981,136,835.29	92.07%	1,040,281,596.92	90.59%	-5.69%
Computer, communication, and other electronic equipment manufacturing industry	Labor cost	29,057,564.72	2.73%	37,520,261.93	3.27%	-22.56%
Computer, communication, and other electronic equipment manufacturing industry	Manufacture cost	55,444,719.42	5.20%	70,494,310.44	6.14%	-21.35%
Total		1,065,639,119.43	100.00%	1,148,296,169.29	100.00%	-7.2%

Remarks

No major change

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

Yes No

S/N	Company Name	Establishment Date	Registered Capital	Percentage of Shares	Reason for Change
1	ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	January 21, 2022	4,550,000,000.00 VND	100.00%	New establishment on January 21, 2022
2	ZKTECO ROMANIA S.R.L	September 8, 2022	250.00lei	100.00%	New establishment on September 8, 2022

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

Applicable Not applicable

(8) Major customers and suppliers

Major sales customers of the Company

Total sales amount of the top five customers (RMB)	194,631,086.77
Proportion of the total sales amount to the annual total sales amount among the top five customers	10.15%
Proportion of related party sales to annual total sales among the top five customers	1.77%

Information of top five customers of the Company

S/N	Customer Name	Sales Amount (RMB)	Proportion to Annual Total Sales
1	Customer 1	67,068,273.47	3.50%
2	Customer 2	35,974,281.25	1.88%
3	TVCENLINEA.COM, SA DE CV.	33,887,845.85	1.77%
4	International Advance for technology and communication company	30,389,103.55	1.58%
5	ADWAA AL SHUGAA TRADING EST	27,311,582.65	1.42%
Total	--	194,631,086.77	10.15%

Other information of major customers

Applicable Not applicable

Main suppliers of the Company

Total procurement amount of the top five suppliers (RMB)	178,656,347.17
Proportion of the total procurement amount to the total annual procurement amount among the top five suppliers	20.40%
Proportion of related party procurement amount to annual total procurement amount among the top five suppliers	0.00%

Information of top five suppliers of the Company

S/N	Supplier Name	Procurement Amount (RMB)	Proportion to Annual Total Procurement Amount
1	Supplier 1	53,948,129.23	6.16%
2	Supplier 2	43,119,279.24	4.92%
3	Supplier 3	28,006,276.18	3.20%
4	Guangdong Kapaisi Technology Co., Ltd.	27,052,668.44	3.09%
5	Supplier 5	26,529,994.08	3.03%
Total	--	178,656,347.17	20.40%

Other information of major suppliers

Applicable Not applicable

3. Expenses

Unit: RMB

	2022	2021	YoY Change	Note of significant change
Selling expenses	361,264,181.17	302,351,568.76	19.48%	Mainly due to the growth of overseas sales business, an increase in employee compensation due to the increase in personnel in international business groups, as well as an increase in share-based payment fees and overseas market promotion fees for the current period
Administrative expenses	106,748,932.32	104,011,332.16	2.63%	No major change
Financial expenses	-40,928,834.96	14,758,616.81	-377.32%	Mainly due to exchange rate fluctuations leading to an increase in exchange earnings and an increase in interest income from capital deposits
R&D expenses	187,983,847.42	196,786,694.35	-4.47%	Mainly due to a decrease in investment in R&D materials in current period (due to chip supply shortages in the previous year, the Company switched to some product material plans, resulting in a higher investment in R&D materials)

4. R&D Investment

Applicable Not applicable

Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
BioCV VLM 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	In the research stage	1. Implement the construction and training of a multimodal vision large model, combined with image and text information, to achieve high-precision and efficient information recognition and understanding; 2. 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	1. Improving the core competitiveness 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-

Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
	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.		position in this field; 3. Based on this large model, improve the accuracy of facial recognition algorithms, participate in international authoritative competitions, and obtain good rankings; 4. Based on this large model, improve the accuracy of palm recognition algorithms and promote their commercialization; 5. Based on this large model, improve other biometrics algorithms and computer vision algorithms; 6. 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.	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; 5. By participating in international competitions, it can enhance the Company's influence and visibility in the international market, laying a solid foundation for expanding its business in the global market.
Continuous Capacity Building of the IoT Platform (Minerva Platform)	Continuously build IoT platforms in accordance with the Company's end/edge/cloud strategy.	Completed	Continue to build capabilities based on the IoT platform, including device connectivity, payment, subscription, and video based multimodal processing capabilities.	In the era of the Internet of Everything (IoE), providing infrastructure support for building a cloud/edge/end ecosystem and enhancing the competitiveness of IoT capabilities.
Armatura Credential management system	Using mobile phones as a digital credential solution.	Completed	Digital credential solutions; provide secure, efficient, and convenient solutions.	Lay out in digital credential scenarios to enhance product competitiveness.
Zlink (domestic version: ZKTECO Interconnection)	Based on the Company's core business of "smart office, smart entrance and exit, and smart identity recognition", focusing on the SMB small and medium-sized enterprise customer group, serve the long tail market, leverage the comprehensive three-dimensional advantages of ZKTECO frontend intelligent hardware+backend offline smart account service system+Minerva Cloud Platform PaaS+SaaS application, provide a "business premises management scenario+business management scenario+service scenario" solution for the small and medium-sized enterprise	In the research stage	1. Based on the base capacity of MinervaIoT 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 foundation and operational transformation for SaaS subscription services.	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 user

Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
	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.			data and scenario data, providing rich product R&D support for commercial transformation models.
Zlink Partner Portal (domestic version: ZKTECO Cloud Commerce)	ZKTECO Cloud Commerce focuses on creating industrial internet community platform tools such as product stores, solution stores, application stores, knowledge stores, and service stores, serving millions of B2B practitioners and end users. It helps partner enterprises continuously evolve throughout the entire chain of marketing, customer expansion, operational monetization, and online services, strengthens industrial collaborative growth, and achieves resource optimization and allocation. It is committed to becoming a trusted one-stop high-quality product and service provider for users, collaborating with service providers to develop from traditional operations to digital operations, and providing customers with high-quality products and services through a one-stop digital marketing service platform.	In the research stage	1. Establish the above data lake to lay the foundation for digital marketing value-added through the precipitation of user data, equipment data, application data, and scenario data. Build a private domain ecosystem based on IoT scenarios, establish operational strategies for both public and private domain traffic, connect the entire chain of customer acquisition, retention, transformation, repurchase, and fission, build a bridge for the digital marketing system, connect users, service providers, ZKTECO, and ecological platforms, and build new commercial competitiveness; 2. Construct an online ZKTECO Cloud Commerce marketing and service system and expand offline smart account marketing service experience center stores, to build a scenario based marketing empowerment system of "scenario+service+user+data".	1. Through the online use of marketing tools, the efficiency of marketing promotion can be improved for the intermediate service provider group, and the efficiency of the internal sales system in marketing management can be improved to save marketing costs; 2. Through the construction of digital marketing channels that integrate online and offline channels, the comprehensive layout of ZKTECO in the marketing network can be expanded, the business coverage and localized service accessibility can be improved, and the recognition of ZKTECO brand loyalty by end users in terms of comprehensive competitiveness can be enhanced.
CirrusDCS	A SaaS based enterprise level time management solution for the US market.	Completed	Integrate workday, synerion, prime point, 3M, etc. to provide enterprise level time management solutions for SaaS.	Actively promoting cloud services and operations, and enhancing product digitization capabilities
ZKBio CVSecurity V1	Relying on computer vision technology+hybrid biometric 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	In the research stage	Focusing on the actual needs of intelligence and scenario, based on the technology of behavior analysis, character analysis, vehicle recognition, intelligent scene algorithm, etc., implement 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	1. Relying on the accumulation and sedimentation of existing technology, it can quickly respond to market demand; 2. It can increase the share of products in enterprises, parks, shopping malls, hospitals, factories, construction sites and other scenes, integrate intelligent perception to improve precision

Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
	and solution by utilizing intelligent video analysis technology, based on facial recognition, 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, epidemic prevention, monitoring center, wide access, and system management.		management platform with intelligent security, collaborative efficiency, and scenario application, and enhance customers' intelligent perception and precise control capabilities in enterprises, parks, shopping malls, hospitals, factories, construction sites, and other venues.	management and control capabilities, and help the industry digital transformation; 3. It helps the Company further expand and consolidate its market position, bringing greater profits.
ZKTECO Zhilian Education Version V1.0	ZKTECO Zhilian is positioned to provide a digital light scene SaaS platform for K12, focusing on the education industry, exploring industry pain points, and refining industry specific functions such as access control, attendance, visitor, dormitory management, and venue appointment; realize the commercialization and monetization of sustainable paid subscriptions through a refined cloud service subscription model; provide intelligent education S (sales, service, operation) online integrated solutions for the Chinese region.	Completed	Focusing on the ability of ZKTECO AIoT platform for access control at the entrance and exit, go deep into the K12 education industry and create a small scene industry solution, use it in the student news push for parents when students get in and out of the school, dormitory check, campus place appointment and other fragmentation scene applications, realize the digital SaaS software subscription charging mode, purchase on demand, and pay on demand through the way of application service subscription charging.	<ol style="list-style-type: none"> 1. Relying on the Company's core technology, creating a digital solution for the SaaS vertical industry, and targeting the huge market stock of K12, which is a considerable market; 2. Collaborating with Tencent Wiki to deepen cooperation, and ensuring a good product experience, high market recognition, and high competitiveness; 3. Helping the Company to further explore and cultivate the SaaS industry, and serving as a benchmark and vanguard for the Company's value-added billing to SaaS, which is of great reference significance.
ZAM210 Palm Anti-counterfeiting and Recognition SDK V2.0	The Project aims to improve the performance and accuracy of the existing palm anti-counterfeiting and recognition algorithms on the ZAM210 platform, and promote the implementation of algorithm products	Completed	Improve the anti-counterfeiting and recognition accuracy of the palm on multiple platforms mainly through the integration of cross domain training technology, optimize algorithm performance, improve recognition speed and accuracy, reduce misjudgments, and make the algorithm suitable for multi skin color people in indoor, semi outdoor, and outdoor application scenarios by separately processing palm live detection and palm recognition algorithms when wide dynamic images are opened and closed.	<ol style="list-style-type: none"> 1. The Project will directly launch palm recognition products, joining the ranks of numerous biometrics products. However, palm recognition has non-contact and high safety characteristics, making it a very promising product; 2. As a non-contact, privacy insensitive, and high-precision recognition technology, it provides a vast technological space for the Company's future sustainable development; 3. As the first manufacturer of product-based visible light palm

Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				recognition algorithms in the industry, it has led a new direction of industry development.
Palmprint QR Code Recognition Reader EP40CPQV RD Ver 15	The Palmprint QR Code Recognition Reader EP40CPQV RD Ver 15 is a multimodal authentication terminal that is compatible with multiple verification methods and can be used in complex outdoor environments.	Completed	Achieve the transplantation of QR code image recognition algorithms that support camera acquisition mainly through research on palmprint recognition algorithms that support multi scene use, and complete the application on Bluetooth readers.	<ol style="list-style-type: none"> 1. Most of the reader products on the market cannot support Bluetooth functionality, and the Company's existing reader products also do not have Bluetooth functionality. Through the R&D of the Project, the function of supporting mobile Bluetooth cards is achieved, improving the competitiveness of the product; 2. The readers supported by the Company's QR code function all adopt an integrated QR code module, which requires a high cost. The Project is implemented through algorithm R&D, which can reduce the cost of the readers.
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 user experience.	In the research stage	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 biometrics, 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 biometrics, laying a solid foundation for the Company's future development in this field.
R&D of Technology and Device for Authentication 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	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 laying a foundation for the subsequent development of digital identity card products;

Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
	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.			4. Giving the Company a leading edge in the field of digital identity cards.
R&D of Non-contact Palm Recognition Technology Based on Multi-spectral Biometric Image Acquisition	The Project aims to develop a non-contact palm recognition system based on multi-spectral imaging technology, which can achieve multi-angle, long-distance, high-precision palm recognition and cross-platform palm registration functions. It is mainly used for non-contact identity recognition in various entrance and exit scenarios.	Completed	<ol style="list-style-type: none"> 1. Based on the Company's ability to develop palm recognition technology and guided by market demand, launch non-contact and high security palm recognition products to meet the different needs of enterprises/customers in different scenarios; 2. By combining multi-spectral technology with palm recognition algorithms, output different hardware intelligent solutions to address user height compatibility, twin recognition issues, high security and ease of use to enhance customer acceptance. 	<ol style="list-style-type: none"> 1. Leading the industry to gradually promote the application of new biometrics in smart access control, smart attendance, smart channels and other industries through the update of palm technology; 2. Enriching the product line and usage scenarios of biometrics panel machines, and improving the core competitiveness of the products; 3. Responding to the Company's strategic plan, and launching a strategic deployment of intelligent recognition terminals that meet market demand based on new platforms and technologies.
R&D of Structured Light Module for Face and Palm Hybrid Recognition Based on High Security and High Accuracy	The Project aims to develop a recognition module based on face, palm, and 3D structural anti-counterfeiting technology, achieving simultaneous recognition of face and palm. The 3D live projection system has over 30,000 speckle points, and can decode 1 million 3D coordinate point clouds and complete comprehensive and secure recognition of face and palm databases, widely used in the equipment of manufacturers of face and palm applications.	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, palm video attacks, synthetic video attacks, 2D laser photo and ordinary photo attacks, 3D palm attacks, injection attacks, etc.	The face anti-counterfeiting covers and meets the requirements of face attack risk and UnionPay face live detection of GB/T 38427.1-2019 issued by the Ministry of Public Security in July 2020, and improves palm anti-counterfeiting ability, effectively enhances the competitiveness of the Company's products, enhances economic benefits, and drives the sound development of the industry's intelligent access control and attendance industries towards high-end technology industries.
R&D of Core Technology Platform and Device for Access Controller Based on IoT Video	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 IoT platform,	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	<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

Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
Technology	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+gateway, 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+gateway; it is widely used in residential communities, commercial buildings, logistics parks and other scenarios.		events, alarms, and other functions, solving the problem of users' independent configuration of access control and video, and providing customers with a new choice.	control video products by highly integrating video and access control; 3. Providing new technological directions for access control video products and accumulating core technologies for the Company in building video access control capabilities.
R&D of Intelligent Video Access Control Technology and Smart Terminals Based on Wide Entrance and Exit Scenarios	The Project plans to develop intelligent video access control technology and smart terminals based on the wide entrance and exit scenario, especially the hardware product series that match the characteristics of ZKBio intelligent video access control. The system breaks through the core technology of video transmission, and the entire product framework can achieve functions such as voice interaction, visual visitor management, and mobile interaction. The characteristic is the innovative launch of an end-edge product series that combines the comprehensive characteristics of video and access control. On the edge	Completed	Through the high integration of intelligent video technology and access control technology, the intelligent video monitoring system is endowed with access control capabilities, while the access control management system is also endowed with intelligent video monitoring functions. Through technological innovation and application, more application scenarios with higher value and security are incubated in the field of entrance and exit equipped with the application of the ZKBio Intelligent Integrated Management Platform.	<ol style="list-style-type: none"> 1. Redefining the application form of entrance and exit scenarios; 2. Filling the gap of single image acquisition equipment in entrance and exit scenarios, and enriching the product series of entrance and exit; 3. Improving the management security and operational convenience of the entrance and exit system; 4. Improving the competitiveness of the product through innovation and integration, and consolidating the Company's advantageous position in the field of entrance and exit.

Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
	<p>computing side, it provides the ability to link NVR storage and access control based on the embedded LINUX platform, and provides the ability to access the third player software platform through the ONVIF protocol. It is mainly used in scenarios such as smart parks, smart communities, and smart offices.</p>			
R&D of Bimodal Facial Recognition Technology and Device	<p>The Project aims to develop the bimodal facial recognition technology based on independent intellectual property rights. While maintaining the current global facial recognition algorithm, it will mix the global mode near-infrared facial recognition algorithm to achieve double engine hybrid accurate facial recognition comparison, suitable for users in different regions around the world. In particular, for intelligent recognition equipment such as attendance, access control and channel, it realizes functions such as multi face detection, multi face tracking, face dual mode 2D live/3D live detection, mask detection, multi person recognition and high-capacity facial recognition. It is characterized by dual mode live detection and dual mode face hybrid recognition two-factor authentication, improving recognition security, 3D live security and anti-counterfeiting, and comprehensively identifying faces safely. It is mainly used in high-capacity facial applications such as smart office, smart</p>	Completed	<p>Relying on the strengths and advantages of independently developed visible light facial recognition technology and near-infrared facial recognition technology, formulate bimodal facial recognition technology standards, bring forth the new through the old, and achieve innovation in the use of large capacity and different regions of users; expand the technical solution to more application platforms, provide more solutions to clients, and improve the expansion of application scenarios.</p>	<p>While maintaining the current full color facial recognition algorithm by utilizing independent intellectual property bimodal facial recognition technology, a hybrid global mode near-infrared facial recognition algorithm is used to achieve double engine hybrid accurate facial recognition comparison, suitable for users with multiple skin tones and in different regions. Moreover, based on a combination of two-level facial algorithms and recognition thresholds and a secondary classification of recognition threshold, a dynamic facial self-learning function is implemented based on clustering algorithms. The same category of targets are stored in a pre-built database, achieving a "one person, one file" dynamic database, efficiently updating multiple facial samples, covering all ages, and recognizing accurately and quickly.</p>

Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
	access control, and smart passage.			

R&D personnel of the Company

	2022	2021	Change ratio
Number of R&D staff (ppl)	1,125	1,131	-0.53%
Proportion of R&D personnel	29.7%	29.5%	0.20%
Education background of R&D personnel			
Bachelor's degree	702	642	9.35%
Master's degree	66	56	17.86%
Age composition of R&D personnel			
Under 30 years old	620	673	-7.88%
30~40 years old	440	380	15.79%

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

	2022	2021	2020
R&D investment amount (RMB)	187,983,847.42	196,786,694.35	189,182,531.55
Ratio of R&D investment to operating revenue	9.80%	10.06%	10.50%
Amount of R&D expenditure capitalization (RMB)	0.00	0.00	0.00
Ratio of capitalized R&D expenditure to R&D investment	0.00%	0.00%	0.00%
Proportion of capitalized R&D expenditure to current net profit	0.00%	0.00%	0.00%

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

5. Cash flow

Unit: RMB

Item	2022	2021	YoY Change
Subtotal of cash inflows from operating activities	2,042,594,811.28	2,119,892,673.27	-3.65%
Subtotal of cash outflows from	1,918,074,778.10	2,021,772,231.40	-5.13%

operating activities			
Net cash flows from operating activities	124,520,033.18	98,120,441.87	26.91%
Subtotal of cash inflows from investing activities	101,984,070.59	623,208,947.14	-83.64%
Subtotal of cash outflows from investing activities	1,118,723,941.52	724,202,376.30	54.48%
Net cash flows from operating activities	-1,016,739,870.93	-100,993,429.16	-906.74%
Subtotal of cash inflows from financing activities	1,496,730,622.16	26,185,052.53	5,615.97%
Subtotal of cash outflows from financing activities	61,330,346.01	115,603,691.70	-46.95%
Net cash flows from financing activities	1,435,400,276.15	-89,418,639.17	1,705.26%
Net increase in cash and cash equivalents	561,319,832.34	-106,617,317.17	626.48%

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

Applicable Not applicable

- (1) In 2022, the net cash flow generated from operating activities increased by 26.91% year-on-year, mainly due to a decrease in payment for purchasing materials;
- (2) The decrease in the subtotal of cash inflows from investing activities is mainly due to the decrease in redemption of financial products in the current period;
- (3) The increase in the subtotal of cash outflows from investing activities is mainly due to the purchase of fixed-term CDs in the current period;
- (4) The net cash flow generated from investing activities decreased by 906.74% year-on-year, mainly due to a decrease in cash received from redemption of investments such as wealth management, and an increase in cash outflow from investment payments due to the purchase of financial products; the cash inflow from investing activities is smaller than the cash outflow from investing activities, resulting in a decrease in the net cash flow generated from investing activities;
- (5) The net cash flow generated by financing activities increased by 1705.26% year-on-year, mainly due to the increase in the Company's initial public offering and listing in August 2022, after the raised funds were received.

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

Applicable Not applicable

V. Non-main Business

Applicable Not applicable

Unit: RMB

	Amount	Proportion to Total Profit	Description of Reason	Sustainable or Not
Investment income	-2,429,189.18	-1.14%	Mainly due to the gains and losses generated from the purchase of financial products and the mature delivery of forward foreign exchange settlement and	No

			sales contracts	
Profits and losses from fair value changes	-701,013.10	-0.33%	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	-6,294,754.92	-2.95%	Mainly due to the provision for impairment of current inventory and provision for impairment of contract assets, etc.	No
Non-operating income	859,519.49	0.40%	Mainly due to government subsidies and other income received during the reporting period that are not related to production and operation	No
Non-operating expenditure	4,134,911.75	1.94%	Mainly due to expenses for disposal of obsolescence materials and disposal of non-current assets during the reporting period	No
Other income	17,849,018.68	8.38%	Mainly due to other income generated by government subsidies during the reporting period	No
Losses from credit impairment	-10,954,110.82	-5.14%	Mainly due to the provision of bad debt reserves for accounts receivable during the reporting period	No
Income from asset disposal	88,133.35	0.04%		No

VI. Analysis of Assets and Liabilities

1. Material changes of asset items

Unit: RMB '0,000

	At the end of 2022		At the beginning of 2022		Proportion increase or decrease	Description of major changes
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Monetary funds	191,294.50	52.32%	57,240.19	27.48%	24.84%	Due to fundraising increase for the Company's initial public offering and listing in 2022
Accounts receivable	40,349.79	11.04%	27,403.11	13.16%	-2.12%	Increase in overseas business, resulting in accounts receivable increase due to the relatively long collection cycle of

						overseas business
Contract assets	30.68	0.01%	70.97	0.03%	-0.02%	No major change
Inventories	34,828.06	9.53%	42,425.40	20.37%	-10.84%	Mainly raw materials. The supply of electronic raw materials in the market tends to stabilize in 2022, and enterprises will reduce their reserve and safety inventory of electronic raw materials; the inventory of goods has decreased due to the optimization of inventory management strategies driven by the domestic market.
Investment real estate		0.00%	0.00	0.00%	0.00%	No major change
Long-term equity investment	715.13	0.20%	762.96	0.37%	-0.17%	No major change
Fixed assets	44,685.75	12.22%	24,322.80	11.68%	0.54%	No major change
Construction in progress	5,704.13	1.56%	20,373.26	9.78%	-8.22%	Due to transfer to fixed assets for the current period by the Hybrid Biometrics IoT Intelligent Industrial Base Project and Xiamen Software Park Project
Right-of-use asset	5,064.07	1.39%	4,409.28	2.12%	-0.73%	No major change
Short-term loan	985.50	0.27%	0.00	0.00%	0.27%	No major change
Contract liabilities	5,883.88	1.61%	6,076.55	2.92%	-1.31%	No major change
Long-term loan	14.18	0.00%	22.62	0.01%	-0.01%	No major change
Lease liabilities	2,825.67	0.77%	2,267.86	1.09%	-0.32%	No major change
Trading financial asset	20,431.84	5.59%	2,844.47	1.37%	4.22%	Mainly due to the increase in financial products

High proportion of overseas assets

Applicable Not applicable

Specific content of assets	Cause of formation	Asset size	Location	Operation mode	Control measures to ensure	Income	Proportion of overseas assets to	Is there a significant impairment
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					asset security		the Company's net assets	risk
ZK TECHNOLOGY LLC	Controlling subsidiary	7,308.70	America	Overseas sales	Control by subsidiary	4,088.86	2.36%	No
ZKTECO CO., LIMITED	Wholly-owned subsidiary	37,886.25	Hong Kong	Overseas sales	Control by subsidiary	2,144.42	12.22%	No
ZKTECO SECURITY L.L.C	Wholly-owned subsidiary	8,218.34	Dubai	Overseas sales	Control by subsidiary	1,523.04	2.65%	No
Armatura Tech Co., Ltd.	Wholly-owned subsidiary	9,199.10	Thailand	Overseas sales	Control by subsidiary	844.91	2.97%	No
ZKTECO USA LLC	Controlling subsidiary	4,140.45	America	Overseas sales	Control by subsidiary	593.25	1.34%	No
ZKTECO PANAMA, S.A.	Controlling subsidiary	3,244.08	Panama	Overseas sales	Control by subsidiary	509.67	1.05%	No
ZK INTELLIGENT SOLUTIONS (PTY) LTD	Wholly-owned subsidiary	1,883.74	South Africa	Overseas sales	Control by subsidiary	602.66	0.61%	No
ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	Controlling subsidiary	4,009.90	India	Overseas sales	Control by subsidiary	359.14	1.29%	No
ZKTECO EUROPE SL	Controlling subsidiary	7,841.31	Europe	Overseas sales	Control by subsidiary	200.04	2.53%	No
Other explanations	The overseas assets are RMB 879,891,425.45 (currency: RMB), accounting for 24.07% of the total assets. The "Income Status" in the above table is a net profit indicator.							

2. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: RMB

Item	Beginning balance	Profits and losses from fair value changes in the current period	Cumulative changes in fair value recognized in equity	Impairment accrued in the current period	Purchase amount in the current period	Sales amount in current period	Other changes	Ending balance
Financial assets								
1. Trading financial assets (excluding derivative)	27,642,367.44	101,302.07			213,756.021.50	36,507,467.09	-673,817.87	204,318,406.05

financial assets)								
2. Derivative financial assets	802,315.17	-802,315.17						
Subtotal of financial assets	28,444,682.61	-701,013.10			213,756,021.50	36,507,467.09	-673,817.87	204,318,406.05
Total	28,444,682.61	-701,013.10			213,756,021.50	36,507,467.09	-673,817.87	204,318,406.05
Financial liabilities	0.00	0.00			0.00	0.00	0.00	0.00

Other changes

Trading financial assets (excluding derivative financial assets) Other changes are mainly due to changes in funds on the e-commerce platform Yu E Bao.

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

Yes No

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

Please refer to "Section X Financial Report VII. Notes to Consolidated Financial Statements 57. Assets with Restricted Ownership or Use Rights" in this report for details

VII. Investment Analysis

1. Overall

Applicable Not applicable

Investment in 2022 (RMB)	Investment in 2021 (RMB)	YoY
468,954,619.82	855,542,445.03	-45.19%

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	Accumulated Actual Investment Amount As of the	Source of Funds	Project Progress	Expected Income	Accumulated Realized Income As of the End of	Reasons for Not Achieving Planned Progre	Disclosure Date (if any)	Disclosure Index (if any)
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				Period	End of the Reporting Period				the Reporting Period	ss and Expected Benefits		
Hybrid Biometrics IoT Intelligent Industrial Base Project	Self-built	Yes	Plant and supporting facilities	34,941,582.50	208,266,664.30	Own funds, bank loans, and raised funds	Under construction	Not applicable	Not applicable	Not applicable		
Xiamen Software Park Phase III D09 Building 3 and Joint Underground Garage/Parking Lot Project	Others	Yes	Office building and supporting facilities	175,655.82	106,724,107.18	Own funds	Completed	Not applicable	Not applicable	Not applicable		
Total	--	--	--	35,117,238.32	314,990,771.48	--	--	Not applicable	Not applicable	--	--	--

4. Financial asset investment

(1) Securities investment

Applicable Not applicable

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

(2) Derivative investment

Applicable Not applicable

1) Derivative investments for hedging purposes during the reporting period

Applicable Not applicable

Unit: RMB '0,000

Types of derivative	Initial investment	Profits and losses from	Cumulative changes in	Purchase amount	Sales amount during the	Closing amount	Ratio of ending
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investments	amount	fair value changes in the current period	fair value recognized in equity	during the reporting period	reporting period		investment amount to the Company's net assets at the end of the reporting period
Forward foreign exchange settlement and sales	11,692.96	-80.23	0	20,230.80	31,923.76	0	0.00%
Total	11,692.96	-80.23	0	20,230.80	31,923.76	0	0.00%
Accounting policies and specific accounting principles for hedging business during the reporting period, as well as description on whether there have been significant changes compared to the previous reporting period	No significant change						
Description of actual profit and loss during the reporting period	During the reporting period, the actual loss of forward exchange settlement was RMB 6.4884 million.						
Description of hedging effect	In the daily operation process of the Company, foreign currency transaction is involved. In order to prevent exchange rate fluctuation risks, it is necessary for the Company to carry out foreign exchange derivative trading business related to daily operation needs according to specific circumstances to reduce the risk of exchange rate or interest rate fluctuations that the Company continues to face. The Company's forward foreign exchange settlement and sales business can achieve the goal of locking in business contract profits at most time points, without significant risks, which achieves the purpose of hedging.						
Source of funding for derivative investment	Own funds						
Risk analysis and control measures of derivatives positions	<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</p>						

<p>during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)</p>	<p>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>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>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 Company's accounting for the fair value of derivatives mainly focuses on the unexpired contracts for forward foreign exchange settlement and sales transactions signed between the Company and banks during the reporting period. Trading financial assets or trading financial liabilities are recognized based on the difference between the quoted price of the unexpired forward foreign exchange settlement and sales contract at the end of the period and the forward foreign exchange price.</p>
<p>Litigation situation (if applicable)</p>	<p>None</p>
<p>Special opinions of</p>	<p>Conducting forward foreign exchange settlement and sales can, to some extent, avoid risks in the foreign exchange market, reduce the impact of exchange rate fluctuations on the Company's operating performance, and</p>

independent directors on the Company's derivative investment and risk control	benefit all shareholders of the Company.
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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.

5. Use of raised funds

Applicable Not applicable

(1) Overall use of raised funds

Applicable Not applicable

Unit: RMB '0,000

Year of fundraising	Fundraising method	Total amount of raised funds	Total amount of raised funds used in this period	Accumulated total amount of raised funds used	Total amount of raised funds with changed purposes during the reporting period	Accumulated total amount of raised funds with changed purposes	Proportion of accumulated total amount of raised funds with change purposes	Total amount of unused raised funds	The purpose and destination of the raised funds that have not been used yet	Amount of raised funds idle for more than two years
2022	Initial public offering of stocks	145,729.84	37,798.3	37,798.3	3,347.7	3,347.7	2.30%	109,238.26	Stored in the bank's special account for fundraising and wealth management	0
Total	--	145,729.84	37,798.3	37,798.3	3,347.7	3,347.7	2.30%	109,238.26	--	0

Description of the overall use of raised funds

1. According to the approval of the "Reply CSRC to Approval for the Registration of Initial Public Offering of Stocks of ZKTECO CO., LTD." (ZJXK [2022] No. 926), the Company has publicly issued 37,123,013 RMB denominated ordinary shares (A shares) with a face value of RMB 1.00 per share, an issuance price of RMB 43.32 per share, and a total amount of raised funds of RMB 1,608,168,923.16. After deducting the issuance expenses (excluding value-added tax) of RMB 150,870,545.46, the actual net amount of raised funds is RMB 1,457,298,377.70. The receipt date of the raised funds is August 12, 2022. The availability of the raised funds has been verified by Baker Tilly China Certified Public Accountants (Special General Partnership) and a "Capital

Verification Report" (TZYZ [2022] No. 38658) has been issued.

2. All the raised funds mentioned above have been deposited in a special account for raised funds for management, and a regulatory agreement for raised funds has been signed with the sponsor and the commercial bank that deposited the raised funds.

3. As of December 31, 2022, the Company has invested a total of RMB 377.983 million in raised funds, with a total of RMB 1.0923826 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 the investment direction of over-raised funds	Has the project been changed (including partial changes)	Committed total investment amount of raised funds	Adjusted total investment (1)	Investment Amount During the Reporting Period	Accumulated investment amount as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Date when the project reaches its expected conditions for use	Benefits achieved during this reporting period	Accumulated benefits achieved as of the end of the reporting period	Have the expected benefits been achieved	Has there been a significant change in the feasibility of the project
Committed investment projects											
1. Tangxia Production Base Construction Project	No	24,841.18	24,841.18				August 31, 2024	Not applicable	Not applicable	Not applicable	No
2. Hybrid Biometrics IoT Intelligent Industrial Base Project	No	43,689.94	43,689.94	23,421.27	23,421.27	53.61%	August 31, 2024	Not applicable	Not applicable	Not applicable	No
3. American Manufacturing Factory Construction Project	Yes	17,392.21	14,044.51	97.54	97.54	0.69%	August 31, 2026	Not applicable	Not applicable	Not applicable	No
4. R&D Center Construction	No	18,240.58	18,240.58	9,021.05	9,021.05	49.46%	August 31, 2024	Not applicable	Not applicable	Not applicable	No

Project												
5. Global Marketing Service Network Construction Project	No	26,802.01	26,802.01	5,258.44	5,258.44	19.62%	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		3,347.7					Not applicable	Not applicable	Not applicable	No	
Subtotal of committed investment projects	--	130,965.92	130,965.92	37,798.3	37,798.3	--	--	Not applicable		--	--	
Direction of over-raised fund investment direction												
Undetermined funds	No	14,763.92	14,763.92									
Subtotal of over-raised fund investment direction	--	14,763.92	14,763.92			--	--	Not applicable		--	--	
Total	--	145,729.84	145,729.84	37,798.3	37,798.3	--	--	Not applicable		--	--	
Describe the situation and	The planned investment for the "Tangxia Production Base Construction 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											

<p>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>	<p>living facilities. As of December 31, 2022, the Project has not yet started investment, and the difference between the actual use of the raised funds in the year of the investment project and the estimated use amount of the raised funds disclosed last time exceeds 30%.</p> <p>On January 18, 2023, the Company held the 23rd Session of the Second Board Meeting and the 17th Session of the Second Supervisory Board Meeting. On February 6, 2023, the Company held the Second Extraordinary General Meeting of 2023, and deliberated and approved the "Proposal on Changing the Investment Projects of Raised Funds, Changing the Special Account for Raised Funds, Increasing Capital and Providing Loans to Subsidiaries to Implement Investment Projects". This matter does not constitute a related party transaction. In order to further promote the development of the Company's business, accelerate production capacity planning and industrial layout, and improve the efficiency of the use of raised funds, the original investment project "Tangxia Production Base Construction Project" (hereinafter referred to as "the original investment project") has been changed to "ZKTECO Multimodal Biometrics Digitalization Industrial Base Construction Project" (hereinafter referred to as "the new investment project"), and the original investment project will no longer be constructed. The original investment project was constructed by the Company as the main entity, while the new investment project was constructed by Guangdong ZKTECO, a wholly-owned subsidiary of the Company, as the implementation entity. The total investment amount of the new investment project is RMB 431.8689 million. The new investment project uses the unused raised funds and over-raised funds of the original investment project, as well as the corresponding fund returns. Among them, the raised funds of the original investment 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 new investment project after approval by the shareholders' meeting. The insufficient part will be invested by Guangdong Zkteco with its own funds.</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 Due to Guangdong Zkteco's limited equipment and site scale after it mainly undertakes the Company's manufacturing functions, the small production scale, and the insufficient production capacity of injection molding, CNC, powder spraying, milling, chamfering, and oil injection processes, they shall be provided by other branches and subsidiaries and outsourcing manufacturers of the Company. 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. 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 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 new investment projects; 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>
<p>Description of significant changes in</p>	<p>Not applicable.</p>

project feasibility	
The amount, purpose, and progress of the over-raised funds	Applicable
	<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.</p> <p>As of December 31, 2022, the over-raised funds amounted to RMB 147.6392 million, of which RMB 147.6 million had been used to purchase structured deposits. The remaining over-raised funds were deposited in a special regulatory account opened by the Company for management.</p>
Changes in the implementation location of projects invested with raised funds	Applicable
	<p>Occurred during the reporting period</p> <p>The Company held the 17th Session of the Second Board Meeting and the 11th Session of the Second Supervisory Board Meeting on August 29, 2022, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Partial Raised Fund Investment Projects". The Company held the First Extraordinary General Meeting of 2022 on September 15, 2022, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Partial Raised Fund Investment Projects". The Company plans to adjust the implementation location of the "American Manufacturing Factory Construction Project" from "1600 Union Hill Rd, Alpharetta, GA 30005" to "6775 Meadow Ln, Alpharetta, GA 30005".</p>
Adjustment of implementation methods for projects invested with raised funds	Applicable
	<p>Occurred during the reporting period</p> <p>The Company held the 17th Session of the Second Board Meeting and the 11th Session of the Second Supervisory Board Meeting on August 29, 2022, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Partial Raised Fund Investment Projects". The Company held the First Extraordinary General Meeting of 2022 on September 15, 2022, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Partial Raised Fund Investment Projects". The Company plans to adjust the implementation location of the "American Manufacturing Factory Construction Project" from "1600 Union Hill Rd, Alpharetta, GA 30005" to "6775 Meadow Ln, Alpharetta, GA 30005". The project implementation method has been adjusted from self building on the old site to purchasing existing houses and buildings and renovating them on the new site.</p>
Advance investment and replacement of raised funds for investment projects	Applicable
	<p>The Company held the 19th Session of the Second Board Meeting and the 13th Session of the Second Supervisory Board Meeting on September 29, 2022, and deliberated and approved the "Proposal on Using Raised Funds to Replace Self Raised Funds for Pre-invested Raised Investment Projects and Paid Issuance Expenses". It is agreed that the Company will use the raised funds to replace the self raised funds of RMB 358.6078 million invested in the raised investment project and paid issuance expenses as of August 21, 2022, as well as the pre-paid issuance fees of RMB 13.8425 million (excluding value-added tax) with the self raised funds.</p> <p>The Company held the 18th Session of the Second Board Meeting and the 12th Session of the Second Supervisory Board Meeting on September 16, 2022, 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". During the implementation of the investment project "Tangxia Production Base Construction Project", "Hybrid Biometrics IoT Intelligent Industrial Base Project", "R&D Center Construction Project", and "Global Marketing Service Network Construction Project" involving salaries, social insurance premiums, housing provident fund, utility bills, and other expenses of domestic personnel, the Company shall pay the above expenses with its own funds. The Company will collect and calculate the above advance expenses incurred in each investment project on a monthly basis, and then transfer an equal amount of funds from the special account for raised funds to the fund account of the Company or the subsidiary that implements the investment project. The implementation location of the Company's investment project "American Manufacturing Factory Construction Project"</p>

	<p>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 December 31, 2022, 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 1.5223 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	<p>As of December 31, 2022, the balance of the Company's unused IPO raised funds is RMB 1.0923826 billion (including interest income and deducting handling fees), including RMB 404.1808 million of demand deposit deposited in the special account for raised funds, RMB 147.6 million of structured deposit purchased, and RMB 540.6018 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.</p>
Problems or other situations in the use and	None

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

Unit: RMB '0,000

Changed project	Corresponding original committed projects	The total amount of raised funds to be invested in the project after the change (1)	Actual investment amount during this reporting period	Actual accumulated investment amount as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Date when the project reaches its expected conditions for use	Benefits achieved during this reporting period	Have the expected benefits been achieved	Has there been a significant change in the feasibility of the project after the change
American Manufacturing Factory Construction Project	American Manufacturing Factory Construction Project	14,044.51	97.54	97.54	0.69%	August 31, 2026	Not applicable	Not applicable	No
Total	--	14,044.51	97.54	97.54	--	--	-	--	--
Description of reasons for changes, decision-making procedures, and information disclosure (by specific project)		<p>The Company held the 17th Session of the Second Board Meeting and the 11th Session of the Second Supervisory Board Meeting on August 29, 2022, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Partial Raised Fund Investment Projects". The Company held the First Extraordinary General Meeting of 2022 on September 15, 2022, and deliberated and approved the "Proposal on Changing the Implementation Location and Total Investment Amount of Partial Raised Fund Investment Projects". The Company plans to adjust the implementation location of the "American Manufacturing Factory Construction Project" from "1600 Union Hill Rd, Alpharetta, GA 30005" to "6775 Meadow Ln, Alpharetta, GA 30005". Due to the Company's use of purchased existing buildings and renovation at a new location, the total investment of the Project has been reduced by RMB 33.477 million after adjustment. The total investment of the Project has decreased from RMB 173.9221 million to RMB 140.4451 million.</p> <p>Reason for change: 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>For details, please refer to the "Announcement on Changing the Implementation Location and Total Investment Amount of Partial Raised Fund Investment Projects" (Announcement No. 2022-007) and the "Announcement on the Resolution of the First Extraordinary General Meeting of 2022" (Announcement No. 2022-010) published by the Company on CNINFO.</p>							

The situation and reasons for not achieving the planned progress or expected benefits (by specific project)	Not applicable
Description of significant changes in project feasibility after the change	Not applicable

VIII. Disposal of Significant Assets and Equity

1. Disposal of significant assets

Applicable Not applicable

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

2. Disposal of significant equity

Applicable Not applicable

IX. Analysis of Major Holding and Joint-stock Companies

Applicable Not applicable

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

Unit: RMB

Company Name	Company type	Main business	Registered Capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
ZKTECO CO., LIMITED	Subsidiaries	Sales of goods	104,469,000.00	378,862,535.78	207,247,756.21	412,265,924.65	25,161,850.67	21,444,241.36
ZK TECHNOLOGY LLC	Subsidiaries	Sales of goods	2,716,194.00	73,086,965.17	43,924,874.09	100,629,941.88	40,888,571.52	40,888,570.39
ZKTECO (GUANGDONG) CO., LTD	Subsidiaries	R&D, production, and sales of products and software	436,000,000.00	739,780,913.65	477,790,342.77	394,032,324.30	22,984,118.64	23,585,565.21
XIAMEN ZKTECO CO., LTD.	Subsidiaries	R&D, production, and sales of products and software	100,000,000.00	167,151,378.78	149,136,128.39	120,590,676.29	28,111,118.90	26,872,094.31

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

Company Name	Method of acquiring and disposing of subsidiaries during the reporting period	Impact on overall production, operation, and performance
ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company

ZKTECO ROMANIA S.R.L	New establishment	New establishment, with no significant impact on the overall production, operation, and performance of the Company
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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

X. Structured Entities Controlled by the Company

Applicable Not applicable

XI. Outlook for the Future Development of the Company

(I) Industry structure and trends

Since its establishment, the Company has been focusing on providing smart terminals with identity recognition and verification functions, industry application software and platforms for three main application scenarios, namely smart entrance and exit management, smart identity verification, and smart office using multimodal "Computer Vision and Biometrics" (BioCV) as the core technology.

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

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

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

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

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

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

The size of China's access control market has increased from RMB 8.4 billion in 2015 to RMB 13.3 billion in 2019, with a compound annual growth rate of 12.2%. With the continuous development of the construction industry, especially the rapid development of commercial intelligent buildings, as well as the promotion of the security industry and the further intelligent upgrading of access control products, the size of China's access control market is expected to grow from RMB 14.7 billion in 2020 to RMB 23.6 billion in 2024, with a compound annual growth rate of 12.6%.

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

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

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

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

In addition, with the requirements of the real name system for various public services and the increasing awareness of safety requirements in society, China's identity verification is currently developing from the initial public security needs to various industries, including aviation, railways, hotels, finance, campuses, and hospitals. With the extension and expansion of industry applications, the size of the biometric authentication market will continue to increase. The market size of China's biometric authentication industry has increased from RMB 1.8 billion in 2015 to RMB 3.2 billion in 2019, and is expected to reach RMB 8 billion by 2024.

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

(3) Application of biometric technology in the office field

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

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

With the application of biometric technology in various office smart devices such as attendance devices, meeting attendance devices, and visitor registration devices, the size of China's biometric office market has expanded. According to a report by Frost &

Sullivan, with the further development of various biometric technologies and their application in the office field, the size of China's biometric office market will further expand to RMB 2.8 billion by 2024 in the future, with an annual compound growth rate of 21.1%.

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

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

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

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

1. Overall development strategy of the Company

The Company is an international enterprise in the field of multimodal "Computer Vision and Biometrics" (BioCV), and is a national high-tech enterprise specializing in providing smart entrance and exit management, smart identity verification, smart office products and solutions. The Company is mainly committed to integrating core biometric technologies such as fingerprints, facial features, veins, and iris with computer vision, radio frequency, IoT, 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, and government affairs.

2. Specific plan for company development

(1) Technological development planning

- ① Continuously promote the deep integration of various products and software platforms, create a scenario data connectivity ecosystem, and enhance the scenario customization and delivery capabilities of software platforms

The Company will continue to deeply integrate multimodal BioCV with technologies such as AI and the IoT utilizing independent intellectual property rights to meet the diverse management needs of users. The Company will collaborate with global localization technical service personnel to deeply explore user personalized needs, enhance the scene customization and delivery capabilities of software platforms in major regions around the world, and provide more diverse scene customization services to target customers worldwide. Accelerating the implementation of technical solutions for smart retail business is an important task in 2023.

- ② Increase investment in core technologies of multimodal biometrics and deepen the integration of computer vision and biometric technology

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

- ③ Accelerate the upgrading of product globalization engineering design capabilities and agile production capabilities, and enhance engineering integration capabilities

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

(2) Market development plan

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

(3) Continuously promoting intelligent manufacturing plans

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

(4) Human resource development plan

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

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

(5) Information construction plan

The Company will accelerate the digital transformation and comprehensively promote the construction of information system. In 2023, the Company will steadily promote the construction of SAP system, help the digital upgrading of enterprise operation and management, build a strong ecosystem of digital transformation community, and effectively integrate enterprise management information system and process control system to realize the automation and standardization of business processes, and further improve the Company's management ability and work efficiency.

(III) Possible risks 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 2022, the Company's overseas sales revenue from countries and regions was RMB 1.1986693 billion, accounting for 62.64% of the Company's main business income. The Company's international business income accounted for a relatively large proportion.

Since 2017, 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, 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 the first phase of the economic and trade agreement has been reached between China and the United States, if trade disputes between China and the United States worsen in the future, it may have a certain adverse impact on the Company's product sales, which in turn will affect the Company's future business performance. In addition, the Company's international business accounts for a relatively large proportion of exports to developing countries such as India, Mexico, and Indonesia. Although the 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 significant changes occur in its political environment, economic prosperity, trade policies with China, tariff and non-tariff barriers, and industry standards in the future, it will have a negative impact on the Company's export business.

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

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

As of December 31, 2022, the Company has a total of 40 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 significant 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 2022, the Company's R&D expenses were RMB 187.9838 million, accounting for 9.8% of operating revenue. As of December 31, 2022, the Company has 736 patents, including 106 invention patents; 629 computer software copyrights and 59 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 2022, the Company achieved a revenue of RMB 1.2849405 billion through the distribution model, accounting for 67.15% of the Company's main business income in 2022.

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 431.6037 million, accounting for 22.50% 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 348.2806 million, accounting for 11.76% 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 4.07%. 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 continues to appreciate in the future, it will have a significant adverse impact on the Company's operating performance.

(4) Risk of exchange rate fluctuations in mainstream countries

Due to the high degree of internationalization of the Company, with the increase in interest rates in the United States, currencies in many mainstream 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 significant changes in the future market demand, industry structure, industrial policies or the global economic and political situation, it may prevent the smooth implementation of investment projects with raised funds as planned or prevent them from achieving expected returns.

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

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

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

Applicable Not applicable

Reception time	Reception location	Reception methods	Reception object type	Reception object	The main content of the discussion and the materials provided	Index of basic information of research
September 22, 2022	Quanjing "Investor Relations Interactive Platform" (https://ir.p5w.net)	Others	Others	Investors participating in the 2022 Guangdong listed company investor online collective reception day event	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn , Announcement date: September 23, 2022, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2022-001)
September 19, 2022	Web conference	Others	Institution	Guo Lei and Wang Zhuoli from Yinhua Fund Management Co., Ltd.; Li Muhua, Li Xuwei, and Qi Jiahong from Guotai Junan Securities Co., Ltd.; Gao Weixuan from Xinghua Fund Management Co., Ltd.; Zhu Zhanyu from China Post Life Insurance Company Limited; Guo Liangliang from Furong Fund Management Co., Ltd.; Qian Jinyu and Wang Xinyang from Huafu Securities Co., Ltd.; Wu Tong from China Merchants Securities Asset Management Co., Ltd.; Thompson Wu and Kayla Cai from UBS Securities Co., Ltd.	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn , Announcement date: September 23, 2022, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2022-002)
October 14, 2022	Web conference	Others	Institution	Zhang Yulong and Qiu Ji from China Securities Co., Ltd.; Liu Chunmao from Shanghai Binghe Asset Management Co., Ltd.; Meng Can from Shanghai Investment Consulting Branch of Guojin Securities Co., Ltd.; Zhang Chuchen from Golden Sun Securities Co., Ltd.; Sun Bo and Wei Linyi from Huatai United Securities Co., Ltd.; Xu Junfeng from TF Securities Co., Ltd.; Wu Donghao from Congrong Investment Management Co., Ltd., Shanghai; Liu Zhengke from Shanghai Haihan Investment (Group) Co., Ltd.; Zhang Yiman from Shanghai Harmony Huiyi Asset Management Co., Ltd.	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn , Announcement date: October 19, 2022, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2022-003)
November 2,	Company Meeting	Field	Institution	Institutional investors: Li Junhui from	See CNINFO	CNINFO

2022	Room	research		Shenwan Hongyuan Securities, Chen Xinli from Hansong Asset, Yang Hui from Saishuo Fund, Song Bingbing from Rongmai Asset, Tong Jin from Huaxia Jiashi Asset, and Liang Xing from Xiaozhong Capital Individual investor: Zhang Lei	(http://www.cninfo.com.cn)	http://www.cninfo.com.cn , Announcement date: November 3, 2022, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2022-004)
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Section IV Corporate Governance

I. Basic Situation of Corporate Governance

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

1. Shareholders and shareholders' meeting

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

2. The Company and the controlling shareholders

The Company has independent and complete business and independent management capabilities, which are separated from the controlling shareholders in terms of personnel, assets, finance, institutions, business, and other aspects. Each of them independently calculates and assumes responsibilities and risks. During the reporting period, major decisions of the Company were made by the board of shareholders and the Board of Directors in accordance with the law. The controlling shareholders exercised their shareholder rights through the board of shareholders, and there were no direct or indirect interventions beyond the shareholders' meeting in the Company's decision-making and operating activities. There were no violations of commitments, and there were no situations such as occupying company funds or requiring guarantees for them or others.

3. Directors and the Board of Directors

The Company's Board of Directors has 7 directors, including 3 independent directors. The number of directors and personnel composition meet the requirements of laws, regulations, and the Company's Articles of Association. All directors fulfill their duties with integrity, diligence, and conscientiousness, attend meetings on time, actively participate in training, and continuously improve their performance level. The Company's Board of Directors consists of four specialized committees: the Audit Committee, the Strategy and Development Committee, the Salary and Assessment Committee, and the Nomination Committee, and has formulated corresponding rules of procedure.

4. Supervisors and the Board of Supervisors

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

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

5. Performance appraisal and incentive and restraint mechanisms

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

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

The Company truthfully, accurately, timely, fairly, and completely discloses relevant information in strict accordance with relevant laws and regulations, as well as the requirements of the "Articles of Association" and the "Information Disclosure Management System". The secretary of the Board of Directors of the Company is designated to be responsible for information disclosure and investor relationship management, and to receive shareholders and answer investor questions; and the Securities Times, China Securities Journal, Securities Daily, Shanghai Securities News and CNINFO (WWW.CNINFO.COM.CN) are designated as the newspapers and websites for company information disclosure, ensuring that all shareholders of the Company have equal access to information.

7. Regarding stakeholders

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

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

Yes No

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

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

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

1. Asset Completeness

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

2. Personnel independence

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

3. Financial independence

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

4. Independence in organizations

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

5. Business independence

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

III. Horizontal Competition

Applicable Not applicable

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

1. General Meetings Convened during this reporting period

Meeting	Meeting Type	Proportion of participating investors	Convened Date	Disclosure Date	Resolution of the Meeting
Annual General Meeting of 2021	Annual General Meeting	100.00%	June 22, 2022		The following proposals were deliberated and approved: (I) "Proposal on the Work Report of the Board of Directors for 2021"; (II) "Proposal on the 2021 Work Report of the Board of Supervisors"; (III) "Proposal on the Financial Settlement Report for 2021"; (IV) "Proposal on the 2021 Profit Distribution Plan"; (V) "Proposal on the Remuneration of Directors and Senior Managers for 2022"; (VI) "Proposal on the Compensation of Supervisors for the Year 2022"; (VII) "Proposal on Applying for Comprehensive Credit Line from Banks and Handling Bank Loans"; (VIII) "Proposal on Confirmation of Daily Related Party Transactions in 2021"; (IX) "Proposal on Using Idle Self-owned Funds to Purchase Financial Products"; (X) "Proposal on Carrying out Forward Foreign Exchange Settlement and Sales in 2022".
The 1 st Extraordinary General Meeting of	Extraordinary General Meeting	73.66%	September 15, 2022	September 15, 2022	See CNINFO (www.cninfo.com.cn) "Announcement on the Resolution of the First Extraordinary General Meeting of 2022", Announcement No.: 2022-010

Meeting	Meeting Type	Proportion of participating investors	Convened Date	Disclosure Date	Resolution of the Meeting
Shareholders in 2022					
The 2 nd Extraordinary General Meeting of Shareholders in 2022	Extraordinary General Meeting	73.70%	October 17, 2022	October 17, 2022	See CNINFO (www.cninfo.com.cn) "Announcement on the Resolution of the Second Extraordinary General Meeting of 2022", Announcement No.: 2022-026

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

Voting Rights:

Applicable Not applicable

V. Arrangement for Differences in Voting Rights of the Company

Applicable Not applicable

VI. Governance of Red Chip Structured Companies

Applicable Not applicable

VII. Information about Directors, Supervisors, and Senior Managers

1. Basic information

Name	Position	Tenure status	Gender	Age	Commencement of term of office	Termination of term of office	Shares held at the beginning of the period (shares)	Shares increased during the period (shares)	Shares decreased during the period (shares)	Other changes in increase or decrease (shares)	Shares held at the end of the period (shares)	Reasons for changes in share increase or decrease
Che Quanhong	Chairman	Incumbent	Male	54	December 14, 2007	April 6, 2026	26,171,000	0	0	0	26,171,000	
Jin Hairong	Director and General Manager	Incumbent	Male	41	April 11, 2020	April 6, 2026	0	0	0	0	0	
Ma Wentao	Director and Deputy General Manager	Incumbent	Male	40	June 28, 2016	April 6, 2026	0	0	0	0	0	
Fu Zhiqian	Director	Incumbent	Male	39	June 28, 2016	April 6, 2026	0	0	0	0	0	
Dong Xiuqin	Independent director	Incumbent	Female	51	June 3, 2020	April 6, 2026	0	0	0	0	0	
Zhuo Shuyan	Independent director	Incumbent	Female	42	April 11, 2020	April 6, 2026	0	0	0	0	0	
Pang Chunlin	Independent director	Incumbent	Male	52	January 12, 2021	April 6, 2026	0	0	0	0	0	
Jiang Wenna	Employee Representative Supervisor, Chairman of the Board of Supervisors	Incumbent	Female	40	June 28, 2016	April 6, 2026	0	0	0	0	0	
Wu Xinke	Supervisor	Resigned	Male	41	April 11, 2020	April 7, 2023	0	0	0	0	0	
Liu Jiajia	Supervisor	Resigned	Female	39	June 28, 2016	April 7, 2023	0	0	0	0	0	
Li Zhinong	Technical Director and Deputy General Manager	Incumbent	Male	50	June 28, 2016	April 6, 2026	0	0	0	0	0	
Guo Yanbo	Secretary of the Board of Directors and	Incumbent	Female	42	April 15, 2020	April 6, 2026	0	0	0	0	0	

	Deputy General Manager											
Wang Youwu	CFO	Incumbent	Male	57	April 15, 2020	April 6, 2026	0	0	0	0	0	
Mu Wenting	Deputy General Manager	Incumbent	Female	36	September 16, 2022	April 6, 2026	0	0	0	0	0	
Wang Huineng	Supervisor	Incumbent	Male	35	April 7, 2023	April 6, 2026	0	0	0	0	0	
Yang Xianfeng	Supervisor	Incumbent	Male	38	April 7, 2023	April 6, 2026	0	0	0	0	0	
Total	--	--	--	--	--	--	26,171,000	0	0	0	26,171,000	--

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

Yes No

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

Changes of directors, supervisors and senior managers of the Company

Applicable Not applicable

Name	Positions	Type	Date	Reasons
Mu Wenting	Deputy General Manager	Appointment	September 16, 2022	New Appointment
Liu Jiajia	Supervisor	Resignation	April 7, 2023	Resignation upon expiration of term
Wu Xinke	Supervisor	Resignation	April 7, 2023	Resignation upon expiration of term
Wang Huineng	Supervisor	Elected	April 7, 2023	Newly appointed supervisor
Yang Xianfeng	Supervisor	Elected	April 7, 2023	Newly appointed supervisor

2. Positions and Incumbency

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

(1) Directors

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

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

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

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

of the Global Marketing Center in China from January 2013 to December 2018, Director of the Company from June 2016 to December 2018, and Director and Head of the Global Marketing Center in China from January 2019 to present.

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

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

Mr. Pang Chunlin, born in 1971, Chinese nationality, without permanent residency abroad, holds a master's degree and currently serves as an independent director of the Company. Mr. Pang served as an engineer at Oriental STAR Machine Manufacture Co., Ltd. from 1993 to 1996. From 1997 to 2000, he served as the Technical Manager of Murakami Shanghai Office. From 2000 to 2006, he served as the Deputy General Manager of Shenzhen Qingyi Photomask Limited. From 2007 to December 2017, he served as the Executive Director and Deputy Secretary General of the China Electronics Standardization Association. From November 2014 to March 2018, he served as an independent director of Zhuhai TOPSUN Electronic Technology Co., Ltd. From 2015 to December 2018, he served as the Deputy Secretary General of the Chinese Association of Automation. From September 2016 to June 2019, he served as the Director of Unicom Intelligent Network Technology Co., Ltd. From January 2015 to May 2021, he served as the independent director of Shenzhen Qingyi Photomask Limited. From February 2015 to present, he has served as the General Manager, Legal Representative and Executive Director of Chelian Innovation (Beijing) Science and Technology Center. From June 2018 to present, he has been serving as the Executive Director of Open Unmanned Farm Engineering Technology (Jiangsu) Co., Ltd. From 2010 to present, he has been serving as the Secretary General of the Telematics Industry Application Alliance. From December 2016 to present, he has been serving as the Secretary General of the Zhongguancun Telematics Industry Application Alliance. From November 2021 to present, he has been serving as the Legal Representative and Executive Director of the Whole Process Unmanned Operation Technology Promotion (Jiangsu) Co., Ltd. From December 2021 to present, he has served as a Director of Shanghai Pateo Electronic Equipment Manufacturing Co., Ltd. From May 2022 to present, he has served as a Director of Shenzhen Qingyi Photomask Limited. From February 2023 to present, he has served as an Executive Director of Qiaosuan Information Technology (Beijing) Co., Ltd.

(2) Supervisors

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

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

Mr. Wang Huineng, born in June 1987, Chinese nationality, without permanent residency abroad, holds a bachelor's degree and currently serves as the Manager of International Project and Ecological Cooperation Department of XIAMEN ZKTECO. Mr. Wang Huineng served as the Hardware Assistant Engineer, Testing Team Leader of the Pre-research Department, Software Testing Department Manager, and Testing Department Manager in Shenzhen ZKTeco from March 2010 to November 2013. From December 2013 to November 2017, he served as the Operations Director, General Manager of the Management Department, and Operations Director of the Biometric Card Business Unit of Xiamen Zkteco Biometric Identification Technology Co., Ltd. From December 2017 to November 2019, he served as the Operations Director and General Manager of Guizhou Zhongjiang Intelligent Technology Co., Ltd. From February 2019 to January 2021, he served as the Head of the International Security and Project Services Department of the International Business Group of the Company's Global Marketing Center. Since February 2021, he has been serving as the Manager of the Armatura Global Marketing Center and Project and Ecological Cooperation Department of ZKTeco International Business Group. Since April 7, 2023, he has been serving as the Supervisor of the Company.

(3) Senior managers

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

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

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

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

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

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

Employment in shareholder units

Applicable Not applicable

Positions held in other entities

Applicable Not applicable

Name	Name of other entities	Positions held in other entities	Commencement of the term	Termination of the term	Compensation and allowance from the other entities
Che Quanhong	ZK TIMES CO., LIMITED	Director	December 30, 2016	March 3, 2023	No
	Fujian Zhongkong Mining Co., Ltd.	Supervisor	March 26, 2008		No
Dong Xiuqin	School of Economics, Shenzhen University	Teacher	August 1, 1996		Yes
	Shenzhen Jingquanhua Technology Co., Ltd.	Independent director	January 10, 2019		Yes
	Shenzhen Longood Intelligent Electric Co., Ltd.	Independent director	October 12, 2018		Yes
	Colorlight Cloud Tech Ltd.	Independent director	February 3, 2021		Yes
	Shenzhen Riland Industry Co., Ltd.	Independent director	July 13, 2021		Yes
Zhuo Shuyan	Shanghai GF Law Firm (Shenzhen Branch)	Partner, Lawyer	July 1, 2015		Yes
	Guangzhou Aiji Food Co., Ltd.	Supervisor	October 1, 2013		No
	Zizi Zhongxing Health Culture (Shenzhen) Co., Ltd.	Supervisor	May 1, 2019		No
Pang Chunlin	Qingyi Photomask Limited	Director	May 12, 2022		Yes
	Chelian Innovation (Beijing) Science and Technology Center	General Manager, Legal Representative, Executive Director	February 1, 2015		No
	Telematics Industry Application Alliance	Secretary General	January 1, 2010		Yes
	Open Unmanned Farm Engineering Technology (Jiangsu) Co., Ltd.	Executive Director, Legal Representative	June 1, 2018		No
	Whole Process Unmanned Operation Technology Promotion (Jiangsu) Co., Ltd.	Executive Director	November 5, 2021		No
	Shanghai Pateo Electronic Equipment Manufacturing Co., Ltd.	Director	December 2, 2021		Yes
	Qiaosuan Information	Executive	February 15, 2023		No

	Technology (Beijing) Co., Ltd.	Director			
Guo Yanbo	Xinhuaixin (Xi'an) Information Technology Co., Ltd.	Supervisor	February 1, 2018	October 1, 2022	No

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

Applicable Not applicable

3. Remuneration of directors, supervisors, and senior managers

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

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

The actual payment of compensation for directors, supervisors, and senior managers: During the reporting period, the total compensation for directors, supervisors, and senior managers of the Company was RMB 6.0786 million.

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

Unit: RMB '0,000

Name	Positions	Gender	Age	Tenure status	Total pre-tax compensation received from the Company	Whether receiving remuneration from related parties of the Company
Che Quanhong	Chairman	Male	54	Incumbent	99.27	No
Jin Hairong	Director and General Manager	Male	41	Incumbent	49.47	No
Ma Wentao	Director and Deputy General Manager	Male	40	Incumbent	48.93	No
Fu Zhiqian	Director	Male	39	Incumbent	35.35	No
Dong Xiuqin	Independent director	Female	51	Incumbent	12	No
Zhuo Shuyan	Independent director	Female	42	Incumbent	12	No
Pang Chunlin	Independent director	Male	52	Incumbent	12	No
Jiang Wenna	Employee Representative Supervisor, Chairman of the	Female	40	Incumbent	16.68	No

	Board of Supervisors					
Wu Xinke	Supervisor	Male	41	Resigned	67.80	No
Liu Jiajia	Supervisor	Female	39	Resigned	42.65	No
Li Zhinong	Technical Director and Deputy General Manager	Male	50	Incumbent	63.1	No
Guo Yanbo	Secretary of the Board of Directors and Deputy General Manager	Female	42	Incumbent	46.96	No
Wang Youwu	CFO	Male	57	Incumbent	55.26	No
Mu Wenting	Deputy General Manager	Female	36	Incumbent	46.39	No
Total	--	--	--	--	607.86	--

VIII. Performance of Duties by Directors during the Reporting Period

1. The Board of Directors during this reporting period

Session	Convening Date	Disclosure Date	Resolution of the Meeting
The 13 th Session of the Second Board Meeting	February 11, 2022		Deliberation and approval of the "Proposal on the Participation of Some Senior Managers and Core Employees in the Strategic Placement of the Company's Initial Public Offering and Listing on the ChiNext"
The 14 th Session of the Second Board Meeting	March 28, 2022		Deliberation and approval of the "Proposal on the Financial Report of the Company from 2019 to 2021", the "Proposal on the Self Evaluation Report on the Effectiveness of Internal Control of the Company", the "Proposal on Increasing Capital to Subsidiaries", the "Proposal on Adjusting the Proposal on Some Senior Managers and Core Employees Participating in the Strategic Placement of the Company's Initial Public Offering and Listing on the ChiNext", and the "Proposal on the Management Measures for Year-End Benefit Awards of ZKTECO".
The 15 th Session of the Second Board Meeting	June 2, 2022		Deliberation and approval of the "Proposal on the Work Report of the General Manager for 2021", "Proposal on the Work Report of the Board of Directors for 2021", "Proposal on the Financial Settlement Report for 2021", "Proposal on the 2021 Profit Distribution Plan", "Proposal on the Remuneration of Directors and Senior Managers for 2022", "Proposal on Applying for Comprehensive Credit Line from Banks and Handling Bank Loans", "Proposal on Using Idle Self-owned Funds to Purchase Financial Products", "Proposal on Carrying out Forward Foreign Exchange Settlement and Sales in 2022", "Proposal on Confirmation of Daily Related Party Transactions in 2021", "Proposal on Appointing Representative on Securities Matters", and "Proposal on Convening the 2021 Annual General Meeting"
The 16 th Session of the Second Board Meeting	August 11, 2022		Deliberation and approval of the "Proposal on Opening a Special Account for Raised Funds and Signing a Supervision Agreement for Raised Funds", as well as the "Proposal on Revising the Relevant Governance System of the Company"
The 17 th Session of the Second Board Meeting	August 29, 2022	August 30, 2022	See CNINFO "Announcement on the Resolutions of the 17th Session of the Second Board Meeting" (Announcement No. 2022-003)

Session	Convening Date	Disclosure Date	Resolution of the Meeting
Meeting			
The 18 th Session of the Second Board Meeting	September 16, 2022	September 19, 2022	See CNINFO "Announcement on the Resolutions of the 18th Session of the Second Board Meeting" (Announcement No. 2022-011)
The 19 th Session of the Second Board Meeting	September 29, 2022	September 30, 2022	See CNINFO "Announcement on the Resolutions of the 19th Session of the Second Board Meeting" (Announcement No. 2022-018)
The 20 th Session of the Second Board Meeting	October 27, 2022		Deliberation and approval of the "Proposal on the Third Quarter Report of the Company in 2022"
The 21 st Session of the Second Board Meeting	November 16, 2022	November 17, 2022	See CNINFO "Announcement on the Resolutions of the 21st Session of the Second Board Meeting" (Announcement No. 2022-030)
The 22 nd Session of the Second Board Meeting	December 30, 2022	December 31, 2022	See CNINFO "Announcement on the Resolutions of the 22nd Session of the Second Board Meeting" (Announcement No. 2022-035)

2. Attendance of directors in Board Meetings and General meetings

Attendance of directors in board meetings and general meetings							
Name of director	Board meeting presence required in the reporting period (times)	Board meeting presence on site (times)	Board meeting presence by telecommunication (times)	Board meeting Presence through a proxy (times)	Board meeting absence (times)	Board meeting not attend in person for two consecutive times	Presence at shareholders' meetings (times)
Che Quanhong	10	4	6	0	0	N	2
Jin Hairong	10	9	1	0	0	N	3
Ma Wentao	10	10	0	0	0	N	3
Fu Zhiqian	10	9	1	0	0	N	3
Dong Xiuqin	10	4	6	0	0	N	3
Zhuo Shuyan	10	1	9	0	0	N	3
Pang Chunlin	10	0	10	0	0	N	3

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

Not applicable

3. Objections from Directors on Related Issues of the Company

Do directors raise objections to relevant matters of the Company

Yes No

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

4. Other descriptions for directors performing their duties

Whether the directors' suggestions regarding the Company have been adopted

Yes No

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

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

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

Committee Name	Members	Number of Meetings Held	Convening Date	Meeting Content	Important Opinions and Suggestions Proposed	Other Performance of Duties	Specifics of Objection (if any)
Audit Committee of the Board of Directors	Zhuo Shuyan, Dong Xiuqin, Fu Zhiqian	5	March 28, 2022	Deliberation and approval of the "Proposal on the Financial Report of the Company from 2019 to 2021" and the "Proposal on the Self Evaluation Report on the Effectiveness of Internal Control of the Company"	The Audit Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Audit Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts relevant proposals	None	None
Audit Committee of the Board of Directors	Zhuo Shuyan, Dong Xiuqin, Fu Zhiqian	5	May 23, 2022	Deliberation and approval of the "Proposal on the Financial Settlement Report for 2021", the "Proposal on the 2021 Profit Distribution Plan", the "Proposal on Applying for Comprehensive Credit Line from Banks and Handling Bank Loans", the "Proposal on Using Idle Self-owned Funds to Purchase Financial Products", the "Proposal on Carrying out Forward Foreign Exchange Settlement and Sales in 2022", and the "Proposal on Confirmation of Daily Related Party Transactions in 2021"	The Audit Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Audit Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts relevant proposals	None	None
Audit Committee	Zhuo Shuyan,	5	August 29, 2022	Deliberation and approval of the	The Audit Committee carries out work in strict	None	None

Committee Name	Members	Number of Meetings Held	Convening Date	Meeting Content	Important Opinions and Suggestions Proposed	Other Performance of Duties	Specifics of Objection (if any)
of the Board of Directors	Dong Xiuqin, Fu Zhiqian			"Proposal on the 2022 Semiannual Report and Abstract"	accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Audit Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts relevant proposals		
Audit Committee of the Board of Directors	Zhuo Shuyan, Dong Xiuqin, Fu Zhiqian	5	October 27, 2022	Deliberation and approval of the "Proposal on the Third Quarter Report of the Company in 2022"	The Audit Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Audit Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts relevant proposals	None	None
Audit Committee of the Board of Directors	Zhuo Shuyan, Dong Xiuqin, Fu Zhiqian	5	December 23, 2022	Deliberation and approval of the "Proposal on Renewing the Appointment of Accounting Firms"	The Audit Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Audit Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts relevant proposals	None	None
Salary and Assessment Committee of the Board	Jin Hairong, Pang Chunlin,	4	March 28, 2022	Deliberation and approval of the "Proposal on the Management Measures	The Salary and Assessment Committee carries out work in strict accordance with the	None	None

Committee Name	Members	Number of Meetings Held	Convening Date	Meeting Content	Important Opinions and Suggestions Proposed	Other Performance of Duties	Specifics of Objection (if any)
of Directors	Zhuo Shuyan			for Year-End Benefit Awards of ZKTECO"	"Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Salary and Assessment Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts all proposals according to the actual situation of the Company.		
Salary and Assessment Committee of the Board of Directors	Jin Hairong, Pang Chunlin, Zhuo Shuyan	4	May 23, 2022	Deliberation and approval of the "Proposal on the Remuneration of Directors and Senior Managers for 2022"	The Salary and Assessment Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Salary and Assessment Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts all proposals according to the actual situation of the Company.	None	None
Salary and Assessment Committee of the Board of Directors	Jin Hairong, Pang Chunlin, Zhuo Shuyan	4	September 29, 2022	Deliberation and approval of the "Proposal on the Company's Restricted Stock Incentive Plan 2022 (Draft) and its Abstract", and the "Proposal on the Company's Restricted Stock Incentive Plan Implementation Assessment Management Measures 2022"	The Salary and Assessment Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Salary and Assessment Committee of the Board of Directors". It is diligent and responsible, and after	None	None

Committee Name	Members	Number of Meetings Held	Convening Date	Meeting Content	Important Opinions and Suggestions Proposed	Other Performance of Duties	Specifics of Objection (if any)
					sufficient communication and discussion, unanimously adopts all proposals according to the actual situation of the Company.		
Salary and Assessment Committee of the Board of Directors	Jin Hairong, Pang Chunlin, Zhuo Shuyan	4	December 23, 2022	Deliberation and approval of the "Proposal on Providing Housing Borrowings for Employees and Developing the Management Measures for Employee Housing Borrowings"	The Salary and Assessment Committee carries out work in strict accordance with the "Company Law", the regulatory rules of the CSRC, the "Articles of Association", the "Rules of Procedure of the Board of Directors", and the "Implementation Rules of the Salary and Assessment Committee of the Board of Directors". It is diligent and responsible, and after sufficient communication and discussion, unanimously adopts all proposals according to the actual situation of the Company.	None	None
Nomination Committee of the Board of Directors	Che Quanhong, Pang Chunlin, Zhuo Shuyan	1	September 16, 2022	"Proposal on the Appointment of Senior Managers"	The Nomination Committee carefully reviewed the qualifications of the proposed senior managers and expressed unanimous agreement.	None	None

X. Performance of Duties by the Board of Supervisors

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

Yes No

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

XI. Employee of the Company

1. Number, Professional Structure and Educational Background of employees

Number of in-service employees of the parent company at the end of the reporting period	1,959
Number of in-service employees of the major subsidiaries at the end of the reporting period	1,829

Total number of in-service employees at the end of the reporting period	3,788
Total number of employees receiving salaries in current period	3,788
Number of retired employees requiring the parent Company and its subsidiaries to bear costs	18
Professional structure	
Type of professions	Number of employees
Production personnel	941
Sales personnel	1,305
Technical personnel	1,125
Financial personnel	126
Administrative personnel	291
Total	3,788
Education background	
Education background	Number of employees
PhD candidate	2
Master's degree	131
Bachelor degree	1,648
Other	2,007
Total	3,788

2. Remuneration policy

In order to accelerate the adaptation to the changes in the environment after going public, the Company has carried out a series of salary and performance management reforms. By using management accounting and management concepts as key measurement indicators, internal strategic goal decomposition and organizational performance acceptance as work requirements, the Company has achieved precise and efficient salary and performance management combining human resource policies with financial management plans.

In 2022, each organizational unit of the Company has completed the update and implementation of salary and performance management plans, deepened the R&D of job level salary system, promoted talent skills improvement through job qualification sequence, and further stimulated the vitality of the organization and employees. The organizational units have improved the granularity of marketing system and market strategy, clarified the dual goals of the team and market, implemented a tiered salary management strategy, coordinated operations, and built an ecological win-win situation. The Company is continuously committed to the goal of improving human efficiency, innovating and transforming in comprehensive budget management, special incentive plans, performance accounting automation, and salary management system introduction, leveraging the value of salary performance management, and building a goal management oriented atmosphere that prioritizes value creators.

3. Training plan

In 2022, with the Company going public, ZKTECO continued to strengthen internal talent training and development efforts, improved talent development mechanisms, consolidated training platforms, developed multi scenario talent training plans, strengthened the reserve of management and professional technical talents, and implemented talent protection for the Company's strategic realization and sustainable development.

In 2022, the Company conducted a total of 1153 special training sessions, and the total annual training hours increased by 28.97% quarter on quarter. The Company continued to deepen the business implementation of new training camps such as the "Red Heart

Class", accelerated the integration of fresh blood and improved human efficiency, and achieved rapid integration of new employees through comprehensive mentor management growth paths. Moreover, the Company has successively carried out special projects such as agile change training for middle and senior managers, information training, and project-based skill training, systematically improving the modern enterprise management concept of middle and senior managers, and flexibly using business management tools to achieve internal development and transformation. The Company accelerated its information transformation and resource investment, and accelerated organizational change and efficient operation of value processes through information system tools and talent training incubation. In terms of grassroots employees, the Company fully mobilized internal and external resources taking project-based skill training as the anchor point, combining with actual business needs, and systematically improved employees' professional and technical abilities from multiple dimensions, structures, and levels, thus achieving dual goals of talent development and value achievement.

4. Labor outsourcing

Applicable Not applicable

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

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

Applicable Not applicable

The Company's profit distribution policies stipulated in the "Articles of Association" are as follows:

(I) Argumentation procedure and decision mechanism of profit distribution policies

1. Research and demonstration procedure for profit distribution policies

When the Company formulates a profit distribution policy or needs to modify it due to significant changes in the external business environment or its own operating conditions, it shall take the interests of shareholders as the starting point, pay attention to protecting the interests of investors, and provide stable returns to investors. The Board of Directors shall fully demonstrate and listen to the opinions of independent directors, supervisors, senior managers of the Company, and public investors. For the modification of profit distribution policies, the reasons and rationality shall also be demonstrated in detail. In the process of researching and demonstrating the adjustment of profit distribution policies, the Company's Board of Directors can communicate and exchange with independent directors and small and medium-sized shareholders through telephone, fax, letter, email, and the investor relationship interaction platform on the Company's website, fully listening to the opinions and demands of independent directors and small and medium-sized shareholders, and promptly responding to the concerns of small and medium-sized shareholders.

2. Profit distribution policy decision-making mechanism

The Board of Directors shall make a plan for formulating or modifying profit distribution policies, which shall be approved by a majority vote of all directors and by more than half of independent directors. Independent directors shall express independent opinions on the formulation or modification of profit distribution policies. For the modification of profit distribution policies, the Board of Directors shall also provide detailed arguments and explanations in relevant proposals.

The Board of Supervisors of the Company shall review and revise the profit distribution policies formulated and modified by the Board of Directors, which shall be approved by a vote of more than half of the supervisors. If the Company has external supervisors (supervisors who do not hold positions in the Company), they shall be approved by a vote of the external supervisors and the external supervisors shall express their opinions.

When the formulation or modification of profit distribution policies is deliberated at the shareholders' meeting, it must be approved by more than two-thirds of the voting rights held by shareholders (including shareholder proxies) attending the meeting, and the relevant

shareholders' meeting shall provide convenience for public investors to participate in the formulation or modification of profit distribution policies by a combination of on-site voting and online voting.

(II) Profit distribution policies of the Company

1. The profit distribution principle of the Company: The Company implements an active profit distribution policy and attaches importance to reasonable investment returns for investors. The Company shall maintain the continuity and stability of its profit distribution policy, while taking into account the long-term interests of the Company, the overall interests of all shareholders, and the sustainable development of the Company. Profit distribution shall not exceed the scope of cumulative distributable profits and shall not harm the Company's ability to continue operating. The Board of Directors, Board of Supervisors, and board of shareholders of the Company shall fully consider the opinions of independent directors and public investors in the decision-making and argumentation process of profit distribution policies.

2. The form of profit distribution of the Company: The Company can distribute profits through cash, stocks, a combination of cash and stocks, or other methods permitted by laws and regulations, with priority given to cash dividends.

3. The specific conditions and proportions for the Company's cash dividend distribution:

(1) The conditions for cash dividends are:

① The distributable profits realized by the Company in the current year (i.e. the remaining after tax profits after the Company makes up for losses and withdraws provident fund) are positive, and the cash flow is abundant. The implementation of cash dividends will not affect the Company's subsequent continuous operation;

② The cumulative distributable profits of the Company are positive;

③ The audit institution shall issue a standard unqualified opinion audit report on the Company's financial report for that year;

④ The Company does not have any major investment plans or significant cash expenditures (except for fundraising projects).

A major investment plan or major cash expenditure refers to: the cumulative expenditure of the Company's planned external investment, acquisition of assets or purchase of equipment in the next twelve months, which reaches or exceeds 30% of the Company's latest audited total assets, or the cumulative expenditure of a Company's planned external investment, acquisition of assets or purchase of equipment in the next twelve months, which reaches or exceeds 50% of the Company's latest audited net assets and exceeds RMB 50 million.

(2) Proportion and timing of cash dividends:

In principle, the Company implements a profit distribution once a year and prioritizes the distribution of dividends in cash. The profits distributed in cash shall not be less than 10% of the distributable profits realized in the current year. The Board of Directors of the Company shall comprehensively consider factors such as industry characteristics, development stage, own business model, profitability level, and whether there are significant capital expenditure arrangements, distinguish the following situations, and propose differentiated cash dividend policies in accordance with the procedures stipulated in the Company's Articles of Association:

① If the Company is in a mature stage of development and there are no significant capital expenditure arrangements, the minimum proportion of cash dividends in this profit distribution shall reach 80%;

② If the Company is in a mature stage of development and there are significant capital expenditure arrangements, the minimum proportion of cash dividends in this profit distribution shall reach 40%;

③ If the Company is in a growth stage of development and there are significant capital expenditure arrangements, the minimum proportion of cash dividends in this profit distribution shall reach 20%;

If the development stage of the Company is difficult to distinguish but there are significant capital expenditure arrangements, they can be handled in accordance with the provisions of the preceding paragraph.

4. Conditions for distribution of stock dividends

When the Company is operating well and the Board of Directors believes that distributing stock dividends is beneficial to the overall interests of all shareholders of the Company, a stock dividend distribution plan can be proposed on the premise of ensuring sufficient cash dividend distribution. If the Company uses stock dividends for profit distribution, it shall fully consider whether the total share capital after the distribution of stock dividends is suitable for the Company's current business scale, profit growth rate, and

dilution of net assets per share, to ensure that the profit distribution plan is in line with the overall and long-term interests of all shareholders.

5. The interval between profit distribution periods: On the premise that the Company is profitable in the current year and the accumulated undistributed profits are positive, the Company shall make profit distribution at least once a year. The Company can make mid-term cash dividends based on actual operating conditions.

6. The review procedures to be followed for profit distribution:

The Board of Directors of the Company proposes and drafts the profit distribution plan of the Company in combination with the provisions of the Articles of Association, the Company's profitability, and the supply and demand of funds. The Board of Supervisors of the Company reviews the profit distribution plan and issues written opinions. After the independent directors of the Company express their independent opinions, they submit it to the shareholders' meeting for deliberation. The Board of Directors, Board of Supervisors, and board of shareholders of the Company shall fully listen to and consider the opinions of shareholders (especially small and medium-sized shareholders), independent directors, and supervisors in the research and decision-making process of the Company's profit distribution plan.

When the profit distribution plan is deliberated at the shareholders' meeting, the Company shall provide online voting methods for shareholders, actively communicate and exchange with shareholders, especially small and medium-sized shareholders, through various channels, fully listen to the opinions and demands of small and medium-sized shareholders, and promptly respond to the concerns of small and medium-sized shareholders. After the shareholders' meeting of the Company makes a resolution on the profit distribution plan, the Board of Directors of the Company must complete the distribution of dividends (or shares) within 2 months after the shareholders' meeting is held.

If the Company does not conduct cash dividends due to the aforementioned special circumstances, or if the Company meets the conditions for cash dividends in the current year but the Board of Directors does not submit a profit distribution plan to the shareholders' meeting in accordance with the established profit distribution policies, the Board of Directors shall provide a special explanation on the specific reasons for not conducting cash dividends, the purpose of retaining funds not used for dividends in the Company, and the use plan. After the independent directors express their opinions, they shall submit it to the shareholders' meeting for review, and disclose it on the media designated by the Company.

If a shareholder illegally occupies the funds of a listed company, the Company shall deduct the cash dividends distributed by the shareholder to repay the funds occupied.

7. Change in profit distribution policies: The Company shall strictly implement the cash dividend policy determined in the Company's Articles of Association and the specific cash dividend plan approved by the shareholders' meeting. The Company shall review the shareholder dividend return plan at least every three (3) years.

The Company's profit distribution policy is an important decision-making matter of the Board of Directors and board of shareholders, and cannot be adjusted arbitrarily. If it is necessary to adjust the profit distribution policy due to significant changes in the external business environment or its own operating conditions, the Company shall take protecting the rights and interests of shareholders as the starting point, and the Board of Directors shall conduct a special discussion, detailed argumentation and explanation of the reasons, fully listen to the opinions and demands of small and medium-sized shareholders, and submit a written argumentation report to the shareholders' meeting for special resolution approval after obtaining the consent of independent directors. When the shareholders' meeting considers changes in profit distribution policies, the Company shall provide shareholders with a voting platform in online form.

8. Disclosure of profit distribution policies

The Company shall disclose in detail the development and implementation of profit policies in regular reports, indicating whether they comply with the provisions of the Company's Articles of Association or the requirements of the shareholders' meeting resolution, whether the cash dividend standards and ratios are clear, whether the relevant decision-making procedures and mechanisms are complete, whether independent directors have fulfilled their duties and played their due role, and whether small and medium-sized shareholders have the opportunity to fully express their opinions and demands, and whether the legitimate rights and interests of small

and medium-sized shareholders have been fully protected. If adjustments or changes are made to profit distribution policies, it is necessary to provide a detailed explanation of whether the conditions and procedures for the adjustments or changes are compliant and transparent.

Special explanation of cash dividend policy	
Whether it complies with the provisions of the Company's Articles of Association or the requirements of the shareholders' meeting resolution:	Yes
Whether dividend standards and ratio are definite and clear:	Yes
Whether the relevant decision-making procedures and mechanisms are complete:	Yes
Whether independent directors performed their duties and played their due role:	Yes
Whether minority shareholders have the opportunity to fully express their opinions and demands, and whether their legitimate rights and interests have been fully protected:	Yes
If the cash dividend policy is adjusted or changed, whether the conditions and procedures are compliant and transparent:	Not applicable

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

Yes No Not applicable

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

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

Bonus issue per 10 shares (share)	0
Cash dividend per 10 shares (RMB) (tax inclusive)	3.5
Additional shares converted from capital reserves per 10 shares (share)	3
Total capital shares as the basis for the distribution proposal (share)	148,492,051
Cash dividend amount (RMB) (tax inclusive)	51,972,217.85
Cash dividend amount in other ways (such as repurchase of shares) (RMB)	0.00
Total cash dividends (including other ways) (RMB)	51,972,217.85
Distributable profit (RMB)	478,054,103.62
Proportion of total cash dividends (including other ways) to total profit distribution	100.00%

Cash dividend of the reporting period

If the Company is in a growth stage of development and there are significant capital expenditure arrangements, the minimum proportion of cash dividends in this profit distribution shall reach 20%

Detailed of profit distribution or plan for converting capital reserve into share capital

After the audit by Baker Tilly China Certified Public Accountants (Special General Partnership), the net profit attributable to the owners of the parent company in the 2022 consolidated statements of the Company was RMB 192,239,793.75, and the net profit realized by the parent company in 2022 was RMB 113,932,324.04. According to the provisions of the "Company Law" and the "Articles of Association", after withdrawing the statutory surplus reserve fund of RMB 11,393,232.40 from 10% of the parent company's net profit, the net profit available for distribution for the parent company in 2022 is RMB 102,539,091.64. As of the end of 2022, the accumulated undistributed profit of the Company's consolidated statements was RMB 788,571,917.98, while the accumulated undistributed profit of the parent company was RMB 478,054,103.62. According to the principle of profit distribution of whichever is lower in the consolidated statements or parent company's statements, the Company's profit available

for distribution to shareholders in 2022 is RMB 478,054,103.62.

According to the guidance of the CSRC on encouraging cash dividends for listed companies, the Company has formulated a profit distribution plan for 2022 as follows based on the current operating conditions and profitability of the Company, while ensuring the normal operation and long-term development of the Company, taking into account shareholder returns and company development, according to the "Regulatory Guidelines for Listed Companies No. 3 - Distribution of Cash Dividends of Listed Companies", the "Articles of Association", and the "Plan for Dividend Returns within Three Years after the Initial Public Offering and Listing of ZKTECO CO., LTD.": 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.

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

Applicable Not applicable

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

Applicable Not applicable

1. Equity incentives

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.

Equity incentives obtained by the directors and senior managers

Applicable Not applicable

Unit: share

Name	Post	Number of stock	Number of new	Exercisable shares	Number of exercise	Exercise price	Number of stock	Market price at the	Number of limite	Number of unloc	Number of newly	Grant price of	Number of limite

		options held at the beginning of the year	stock options granted during the reporting period	during the reporting period	exercised shares during the reporting period	of exercised shares during the reporting period (RMB /share)	options held at the end of the period	end of the reporting period (RMB /share)	exercised shares held at the beginning of the period	exercised shares in this period	granted restricted stocks in the reporting period	restricted stock (RMB /share)	exercised shares held at the end of the period
Jin Hairong	Director and General Manager	0	0	0	0	0	0	0	0	0	12,000	18.7	12,000
Fu Zhiqian	Director	0	0	0	0	0	0	0	0	0	11,000	18.7	11,000
Mu Wenting	Deputy General Manager	0	0	0	0	0	0	0	0	0	18,000	18.7	18,000
Total	--	0	0	0	0	--	0	--	0	0	41,000	--	41,000

Assessment and incentive mechanism of the senior managers

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

2. Implementation of employee stock ownership plan

Applicable Not applicable

3. Other employee incentive plan

Applicable Not applicable

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

1. Construction and Implementation of Internal Control

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

During the reporting period, the Company organized an internal control evaluation for 2022, and there were no significant or important deficiencies in internal control related to financial and non-financial reporting.

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

Yes No

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

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

During the reporting period, the Company established Vietnam Subsidiary and Romania Subsidiary in a newly established form, but did not add new subsidiaries through purchase.

As of December 31, 2022, the Company has 14 controlling subsidiaries domestically and 40 controlling subsidiaries overseas. Under the framework of the "Company Law", "Securities Law", and "Articles of Association", the Company has formulated internal management systems such as the "Subsidiary Management System of ZKTECO CO., LTD." and "Major Information Internal Reporting System" based on the actual situation of the Company, to ensure that the subsidiaries operate independently, manage independently, and conduct business in compliance with the requirements of the location/country under the overall plan of the Company. Meanwhile, the internal control management system of the Company has been implemented without affecting the independent operation and management of the subsidiaries, to ensure that the subsidiaries timely, truthfully, accurately, and completely report relevant major matters to the Company in strict accordance with laws and company regulations. There is no significant information that shall be disclosed but has not been disclosed, and there is no such situation where the subsidiaries lose control.

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

1. Self-evaluation report on Internal control

Disclosure date of the full text of the internal control evaluation report	April 28, 2023
Disclosure index of the full text of the internal control evaluation report	CNINFO (http://www.cninfo.com.cn)
The proportion of the total assets of the	100.00%

unit included in the evaluation scope to the total assets of the Company in the consolidated financial statements		
The proportion of operating revenue of the unit included in the evaluation scope to the operating revenue of the Company in the consolidated financial statements		100.00%
Deficiency Identification Criteria		
Category	Financial Reports	Non-financial Reports
Qualitative Criteria	<p>Significant deficiencies: control environment is ineffective; the supervision of internal control by the Company's Audit Committee and internal audit institutions is ineffective; discovering significant fraud by directors, supervisors, and senior managers; the Company has made significant corrections to the published financial statements; significant deficiencies that have been identified and reported to management have not been corrected within a reasonable time frame; other deficiencies that may affect the correct judgment of report users.</p> <p>Important deficiencies: failure to select and apply accounting policies in accordance with generally accepted accounting standards; invalid anti-fraud procedures and control measures; one or more deficiencies in the control of the final financial reporting process.</p> <p>Although the significant deficiency criteria have not been met, there is no reasonable guarantee that the financial statements prepared will achieve true and accurate objectives.</p> <p>General deficiencies: refer to other control deficiencies besides the significant and important deficiencies mentioned above.</p>	<p>Significant deficiencies: violation against national laws, regulations, or normative documents; lack of decision-making procedures or unscientific decision-making procedures, leading to significant errors; lack of institutional control or systematic failure of important businesses; the results of internal control evaluation, especially significant or important deficiencies, have not been rectified; other situations that have a significant impact on the Company.</p> <p>Important deficiencies: deficiencies in important business institutions or systems; important deficiencies in the results of internal control evaluation are not promptly rectified; other situations that have a significant negative impact on the Company, with a severity lower than significant deficiencies, but may still lead to the Company deviating from its control objectives.</p> <p>General deficiencies: refer to internal control deficiencies that do not constitute significant or important deficiencies.</p>
Quantitative Criteria	<p>Significant deficiencies: misstated amount $\geq 5\%$ of total operating revenue; important deficiencies: 2% of total operating revenue \leq misstated amount $< 5\%$ of total operating revenue; general deficiencies: misstated amount $< 2\%$ of total operating revenue</p>	<p>Significant deficiencies: loss amount $>$ RMB 10 million; important deficiencies: RMB 1 million $<$ loss amount \leq RMB 10 million; general deficiencies: loss amount \leq RMB 1 million</p>
Number of significant deficiencies in financial reports		0
Number of significant deficiencies in non-financial reports		0
Number of important deficiencies in financial reports		0
Number of important deficiencies in non-financial reports		0

2. Internal control Audit Report

Not applicable

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

Not applicable.

Section V Environmental and Social Responsibility

I. Significant Environmental Issues

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

Yes No

Administrative penalties for environmental problems during the reporting period

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

Refer to other environmental information disclosed by key pollutant discharge units

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

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

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

Applicable Not applicable

Reasons for not disclosing other environmental information

Not applicable

II. Social Responsibilities

(I) Investor 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 two extraordinary general meetings. The two extraordinary general meetings were held after the Company went public. The convening and voting procedures of the shareholders' meeting strictly follow the provisions of laws, regulations, and the Company's Articles of Association. After the listing, 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 major matters 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. In 2022, the Company collaborated with vocational colleges to carry out vocational skill level recognition training for electronic assembly workers and computer programmers in broadcasting and communication equipment, as well as vocational skill training for e-commerce live streaming+short video production and MOS office software. About 700 people participated in the training, and there were 42 new technicians.

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 to effectively safeguard and ensure the interests of employees, 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 to customers and creating greater value for society, partners, and customers, the Company continuously enhances its own value and works hand in hand with suppliers, partners, and customers to jointly create a healthy, long-term, stable, and win-win cooperation ecosystem, assisting in the sustainable development of the industry.

The Company adheres to the value concept of "working together to achieve win-win cooperation". With the aim of achieving multiple wins with partners and customers, and with integrity and reputation as the foundation of business, the Company constantly listens to the opinions of partners and customers, strives to improve product quality and actively implements the cooperation, openness, and win-win policy.

Moreover, the Company also 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 adheres to the code of ethics and conscientiously implements relevant national laws and regulations in ecological environment protection, energy consumption, and work safety. For many years, it has been committed to protecting and improving the natural environment, and adhering to people orientation, energy conservation, 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. In 2022, the Company sorted out the general industrial solid waste generated in the production process from the source, classified, collected and treated the waste to achieve more efficient resource utilization and less pollutant emissions, simultaneously increased investment in the environmental protection field, strengthened the management of hazardous waste warehouses, and gradually improved environmental supporting facilities. Guangdong Zkteco hired environmental stewards to classify, collect and treat waste, achieve more efficient resource utilization and less pollutant emissions, simultaneously increased investment in the environmental protection field, added one hazardous waste warehouse, and gradually improved environmental supporting facilities. To scientifically and efficiently carry out environmental pollution prevention and control work, the Company actively identified potential environmental pollution hazards, and formulated pollution prevention and control measures from the source. Meanwhile, it actively responded to various environmental protection measures issued by the Environmental Protection Bureau, 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. The Company was successfully awarded the second batch of environmental management demonstration enterprises in Dongguan City in 2022. The Company has no record of receiving significant administrative penalties for violating laws and regulations related to environmental protection and pollution prevention throughout the year.

In 2022, the Company actively built a safe enterprise, strengthened internal security prevention and control, strengthened work safety rules and regulations, investigated and treated accident hazards, conducted safety education and training, carried out accident prevention and emergency management, built a safe culture, and managed occupational health according to regulations. It was successfully awarded the titles of "Dongguan Safe Enterprise" and "Dongguan Safe Creation Standard Enterprise". The Company and Guangdong Zkteco were awarded the 2022 Dongguan Safe Creation Standard Enterprise.

(V) Public relations and social welfare undertakings

During the reporting period, the Company actively fulfilled its social responsibilities and duties, and participated in the construction of more than ten local cabin hospitals in Jilin, Anhui, Heilongjiang, Guangxi, and other regions. In July, the Company donated medical masks, disinfectants and other epidemic prevention materials to Lanzhou University to assist in its epidemic prevention work. Moreover, the Company and its subsidiaries actively organized employees to participate in community epidemic prevention work as volunteers.

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", "Epidemic Prevention Defenders", "Anti-fraud Propaganda", and "Employee Library Construction". Meanwhile, by giving movie tickets, health and epidemic prevention bags, and consumption vouchers to employees, the Company allowed them to widely participate in corporate social responsibility and public welfare undertakings, continuously enriching their leisure lives.

In addition, the Company also provided pedestrian and vehicle transportation solutions for the 2022 Winter Olympics service guarantee areas such as the Taizicheng Snow Town in Chongli, and actively assisted in the Smart Winter Olympics to create safe, convenient, and efficient travel experience.

III. Efforts Regarding of Poverty Alleviation and Rural Revitalization

In the 2022 "Guangdong Poverty Alleviation Day and Dongguan Charity Day" activity, the Company and Guangdong Zkteco respectively launched the donation of charity funds to "Dongguan Tangxia Charity Foundation" and "Dongguan Zhangmutou Charity Foundation" to help the rural revitalization of Guangdong Province, consolidated the achievements of poverty alleviation, promoted common prosperity, and contributed to the deep integration and symbiosis and common prosperity of tens of millions of people in Dongguan and the city.

Section VI Significant Events

I. Performance of Commitments

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

Applicable Not applicable

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

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

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

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

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

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

Causes of Commitment	Undertaking Party	Commitment Type	Commitment Content	Date of commitments	Term of commitments	Performance
			3. During the period when the Company serves as the controlling shareholder of ZKTECO, the Company will faithfully fulfill the above commitments and assume corresponding legal responsibilities. If the violation of the above commitments by the Company and other enterprises controlled by the Company results in damage to the interests of ZKTECO or the legitimate interests of other shareholders, the Company will bear corresponding compensation responsibilities in accordance with the law.			
IPO-related commitments	Che Quanhong	Commitment to standardize and reduce related party transactions	<p>1. U and/or enterprises controlled by me, jointly controlled with others, and with significant influence will make every effort to reduce related party transactions with ZKTECO and other enterprises under its control.</p> <p>2. For necessary and unavoidable related party transactions, I guarantee that the related party transactions will be conducted under normal commercial conditions, and do not require ZKTECO and enterprises under its control to provide any conditions superior to those given to third parties in fair market transactions. The related party transactions involved will comply with relevant laws and regulations, the "Articles of Association", and the "Related Party Transaction Management System", and other relevant provisions of the relevant documents. The Company will timely disclose information to ensure that the legitimate rights and interests of ZKTECO and other shareholders are not harmed through related party transactions;</p> <p>3. During the period when I serve as the actual controller of ZKTECO, the Company will faithfully fulfill the above commitments and assume corresponding legal responsibilities. If the violation of the above commitments by me and other enterprises controlled by me results in damage to the interests of ZKTECO or the legitimate interests of other shareholders, I will bear corresponding compensation responsibilities in accordance with the law.</p>	August 17, 2022	Long term	Strict performance
IPO-related commitments	Che Quanhong, Jin Hairong, Ma Wentao, Fu Zhiqian, Dong Xiuqin, Pang Chunlin, Zhuo Shuyan, Jiang	Commitment to standardize and reduce related party transactions	<p>1. I and my immediate family members/other enterprises controlled by me and my immediate family members will make every effort to reduce related party transactions with ZKTECO and other enterprises under its control.</p> <p>2. For necessary and unavoidable related party transactions, I guarantee that the related party transactions will be conducted under normal commercial conditions, and do not require ZKTECO and enterprises under its control to provide any conditions superior to those given to third parties in fair market transactions. The related party transactions involved will comply with relevant laws and regulations, the "Articles of Association", and the "Related Party Transaction Management System", and other relevant provisions of the relevant documents. The Company will timely disclose information to ensure that the legitimate rights and interests of ZKTECO and other shareholders are not harmed through related party transactions;</p> <p>3. I will faithfully fulfill the above commitments and bear corresponding legal responsibilities. If the violation of the above commitments by me and other enterprises controlled by me results in damage to the interests of ZKTECO or the legitimate interests of other shareholders, I will bear corresponding compensation responsibilities in accordance with the law.</p>	August 17, 2022	Long term	Strict performance

Causes of Commitment	Undertaking Party	Commitment Type	Commitment Content	Date of commitments	Term of commitments	Performance
	Wenna, Wu Xinke, Liu Jiajia, Wang Youwu, Li Zhinong and Guo Yanbo					
IPO-related commitments	ZKTeco Times and Che Quanhong	Shareholding and intention to reduce holdings	<p>1. The Company/I will strictly abide by the restrictions on the circulation of ZKTECO shares and the commitment to voluntary lockup issued by the Company/me, and strictly comply with the relevant provisions of laws, regulations, and normative documents. The Company/I will not reduce our holdings of ZKTECO shares during the lockup period.</p> <p>2. Within two years after the expiration of the lockup period promised by the Company/me, if the Company/I plan(s) to reduce our holdings of ZKTECO shares, the reduction price will not be lower than the issuance price at the time of the initial public offering of the shares (if ZKTECO experiences dividends, stock dividends, or capital gains during this period)</p> <p>For matters such as the conversion of the reserve into shares and other ex-right and ex-dividend matters, the issuance price shall be adjusted accordingly.</p> <p>3. After the expiration of the lockup period promised by the Company/me, the Company/I will reduce our holdings of ZKTECO stocks in strict accordance with the relevant provisions of the "Company Law", "Securities Law", CSRC, and stock exchange.</p> <p>4. If the Company/I obtain(s) (excess) income due to failure to fulfill the above commitments, the (excess) income shall belong to ZKTECO and shall be paid to the designated account of ZKTECO within five days of receiving the income. If the Company/I fail(s) to fulfill the above commitments and cause(s) losses to ZKTECO or other investors, the Company/I will bear compensation liability to ZKTECO or other investors in accordance with the law.</p>	August 17, 2022	Long term	Strict performance
IPO-related commitments	JYSJ, JYHY and LX Investment	Shareholding and intention to reduce holdings	<p>1. The enterprise will not reduce its holdings of ZKTECO stocks during the lockup period in strict accordance with the commitments issued by the enterprise regarding the circulation restrictions and voluntary lockup of its holdings of ZKTECO shares, and with the relevant provisions of laws, regulations, and normative documents.</p> <p>2. After the expiration of the lockup period promised by the enterprise, if the enterprise plans to reduce its holdings, it will notify ZKTECO of the reduction in accordance with the regulations of the CSRC and the Shenzhen Stock Exchange, and after the reduction is announced, it will reduce</p>	August 17, 2022	Long term	Strict performance

Causes of Commitment	Undertaking Party	Commitment Type	Commitment Content	Date of commitments	Term of commitments	Performance
			its holdings in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange. If the enterprise fails to fulfill the above commitments, it will agree to bear the legal liability arising from the violation of the above commitments.			
IPO-related commitments	ZKTECO	Commitment to stabilizing stock prices	<p>Within three years from the date of the official listing of the Company's stocks, if there is a situation where the closing price of the stocks for 20 consecutive trading days is lower than the latest audited net assets per share of the Company, it will meet the starting conditions of the stable stock price plan.</p> <p>When the closing price of the Company's stock for 20 consecutive trading days is lower than the latest audited net assets per share of the Company, it reaches the starting condition of the stable stock price plan. The Company shall convene a board meeting within 10 trading days to review specific plans for stabilizing the Company's stock price, clarify the implementation period of such specific plans, and initiate the implementation of specific plans for stabilizing the stock price within 5 trading days after the approval of such plans by the shareholders' meeting.</p> <p>When the Company meets the starting conditions for the stable stock price plan, the Company, controlling shareholders, directors (excluding independent directors), and senior managers will carry out the implementation in the following order:</p> <p>① Company repurchase; ② Increase in holdings by controlling shareholders; ③ Directors (excluding independent directors) and senior managers increase their holdings. Until the stopping conditions of the stable stock price plan are met.</p>	August 17, 2022	August 16, 2025	Strict performance
IPO-related commitments	ZKTeco Times, Che Quanhong, Jin Hairong, Ma Wentao, Fu Zhiqian, Wang Youwu, Li Zhinong and Guo Yanbo	Commitment to stabilizing stock prices	When the Company initiates a stock price stabilizing plan in accordance with the "Plan for Stabilizing the Stock Price within Three Years after Listing", it will fulfill corresponding obligations in accordance with the law in strict accordance with the requirements of the stock price stabilizing plan.	August 17, 2022	August 16, 2025	Strict performance

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

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

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

Causes of Commitment	Undertaking Party	Commitment Type	Commitment Content	Date of commitments	Term of commitments	Performance
		nts	initiate relevant work to compensate investors for losses. Investor losses are determined based on the amount determined through consultation with investors, or based on methods or amounts recognized by securities regulatory authorities or judicial authorities.			
IPO-related commitments	ZKTeco Times	Commitment on relevant binding measures in case of failure to fulfill commitments	<p>1. If the Company fails to fulfill the commitments disclosed in the prospectus, the specific reasons for the failure will be disclosed through ZKTECO's shareholders' meeting, securities regulatory authority, or designated channels of the Stock Exchange, as appropriate, and supplementary or alternative commitments will be proposed to ZKTECO's investors to protect their rights and interests as much as possible.</p> <p>2. If investors suffer losses in securities trading due to the Company's failure to fulfill relevant commitments, the Company will compensate the investors for the relevant losses in accordance with the law.</p> <p>3. If the Company fails to bear the aforementioned compensation liability, the shares of ZKTECO held by the Company shall not be transferred until the Company has fulfilled the aforementioned compensation liability, and ZKTECO has the right to deduct the cash dividends distributed to the Company for bearing the aforementioned compensation liability.</p> <p>4. During the period when the Company serves as the controlling shareholder of ZKTECO, if ZKTECO fails to fulfill the commitments disclosed in the prospectus and causes losses to investors, the Company promises to bear compensation liability in accordance with the law.</p>	August 17, 2022	Long term	Strict performance
IPO-related commitments	Che Quanhong	Commitment on relevant binding measures in case of failure to fulfill commitments	<p>1. If I fail to fulfill the commitments disclosed in the prospectus, the specific reasons for the failure will be disclosed through ZKTECO's shareholders' meeting, securities regulatory authority, or designated channels of the Stock Exchange, as appropriate, and supplementary or alternative commitments will be proposed to ZKTECO's investors to protect their rights and interests as much as possible.</p> <p>2. If investors suffer losses in securities trading due to my failure to fulfill relevant commitments, I will compensate the investors for the relevant losses in accordance with the law.</p> <p>3. If I fail to bear the aforementioned compensation liability, the shares of ZKTECO held by me shall not be transferred until I have fulfilled the aforementioned compensation liability, and ZKTECO has the right to deduct the cash dividends distributed to me for bearing the aforementioned compensation liability.</p> <p>4. During the period when I serve as the actual controller of ZKTECO, if ZKTECO fails to fulfill the commitments disclosed in the prospectus and causes losses to investors, I promise to bear compensation liability in accordance with the law.</p>	August 17, 2022	Long term	Strict performance
IPO-related commitments	Che Quanhong, Jin Hairong, Ma	Commitment on relevant binding measures	<p>1. If I fail to fulfill the public commitments made by myself in the prospectus of ZKTECO's initial public offering and listing on the ChiNext:</p> <p>(1) I will publicly explain the specific reasons for not fulfilling my commitments in the Company's shareholders' meeting and newspapers and magazines designated by the CSRC, and apologize to the Company's shareholders and public investors.</p>	August 17, 2022	Long term	Strict performance

Causes of Commitment	Undertaking Party	Commitment Type	Commitment Content	Date of commitments	Term of commitments	Performance
	Wentao, Fu Zhiqian, Dong Xiuqin, Pang Chunlin, Zhuo Shuyan, Jiang Wenna, Wu Xinke, Liu Jiajia, Wang Youwu, Li Zhinong and Guo Yanbo	in case of failure to fulfill commitments	(2) I will stop receiving my salary within 10 trading days from the date of the aforementioned event, and my shares directly or indirectly held in the Company (if any) shall not be transferred until I fulfill the relevant commitments. 2. If I fail to fulfill the relevant commitments, I will be liable for compensation to the Company or investors in accordance with the law.			
IPO-related commitments	ZKTECO	Commitment to repurchase shares for fraudulent issuance and listing	(1) The Company guarantees that there will be no fraudulent issuance of shares in this public offering and listing on the ChiNext. (2) If the securities regulatory authorities, stock exchanges, or judicial authorities determine that the Company has engaged in fraudulent issuance behavior, which has a significant substantive impact on determining whether the Company meets the issuance conditions stipulated by law, the Company will initiate the share repurchase procedure in accordance with relevant laws and regulations and the Company's Articles of Association within 5 working days after final determination by the securities regulatory authorities, stock exchanges, or judicial authorities to repurchase all new shares issued by the Company in this public offering.	August 17, 2022	Long term	Strict performance
IPO-related commitments	ZKTECO Times and Che Quanhong	Commitment to repurchase shares for fraudulent issuance and listing	(1) Guarantee that there will be no fraudulent issuance of shares in ZKTECO's public offering and listing on the ChiNext. (2) If the securities regulatory authorities, stock exchanges, or judicial authorities determine that ZKTECO has engaged in fraudulent issuance, the Company/I will initiate a share repurchase procedure within 5 working days after confirmation by the securities regulatory authorities, stock exchanges, or judicial authorities to repurchase all original restricted shares transferred by the Company/me.	August 17, 2022	Long term	Strict performance

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

Causes of Commitment	Undertaking Party	Commitment Type	Commitment Content	Date of commitments	Term of commitments	Performance
			<p>where shareholders of the Company engage in improper transfer of benefits through the Company's equity.</p> <p>The Company and its shareholders have promptly provided truthful, accurate, and complete information to the intermediary involved in this issuance, actively and comprehensively cooperated with the intermediary involved in this issuance to conduct due diligence, and truthfully, accurately, and completely disclosed shareholder information in the application documents for this issuance in accordance with the law, fulfilling the obligation of information disclosure.</p>			
IPO-related commitments	ZKTeco Times and Che Quanhong	Other commitments	If a lawsuit, arbitration dispute, or administrative penalty occurs due to the Company's involvement in the installation and use of unauthorized software, we voluntarily and jointly bear all economic consequences and losses for the Company, and will not seek compensation from the Company under any conditions or methods.	August 17, 2022	Long term	Strict performance
IPO-related commitments	ZKTeco Times and Che Quanhong	Other commitments	<p>1. If ZKTECO (including its predecessor) and its controlling subsidiaries fail to pay social insurance premiums and/or housing provident fund for employees in accordance with the law or in full, causing ZKTECO and/or its controlling subsidiaries to have a supplementary payment obligation or suffer any fines or losses, the Company/I will unconditionally and voluntarily bear such supplementary payment obligation, fines or losses to ensure that ZKTECO and its holding subsidiaries do not suffer any economic losses due to such matters.</p> <p>2. If ZKTECO (including its predecessor) and its controlling subsidiaries use labor employment methods in certain positions, causing ZKTECO and/or its controlling subsidiaries to suffer any fines or losses, the Company/I will unconditionally and voluntarily bear such fines or losses to ensure that ZKTECO and its controlling subsidiaries do not suffer any economic losses due to such matters.</p> <p>The aforementioned commitments are unconditional and irrevocable.</p> <p>The Company/I will bear any losses suffered by stakeholders as a result of violating the aforementioned commitments.</p>	August 17, 2022	Long term	Strict performance
IPO-related commitments	ZKTeco Times and Che Quanhong	Other commitments	If the Company is unable to continue using the defective property due to defects, or if the relevant government authorities require the demolition of the relevant property or impose penalties on the Company in the future, they will unconditionally bear all losses, costs, and expenses incurred by the Company arising therefrom.	August 17, 2022	Long term	Strict performance
Whether the commitment is fulfilled on time	Yes					

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

Applicable Not applicable

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

Applicable Not applicable

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

II. Illegal Provision of Guarantees for External Parties

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

During the reporting period, the Company added two new subsidiaries within the consolidation scope, namely ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED, the Vietnam Subsidiary established on January 21, 2022, with a registered capital of VND 4,550,000,000.00; ZKTECO ROMANIA S.R.L, the Romania Subsidiary established on September 8, 2022, with a registered capital of 250lei.

VIII. Appointment and Dismissal of Accounting Firms

Accounting firm currently employed

Name of domestic accounting firms	Baker Tilly China Certified Public Accountants (Special General Partnership)
Remuneration of domestic accounting firms (RMB '0,000)	130
Continuous years of audit services of domestic accounting firms	7
Name of certified public accountant (CPA) of domestic accounting firms	Li Ming, Han Dongxi, and Wang Heli
Continuous years of audit services provided by certified public accountant (CPA) of domestic accounting firms	7 years for Li Ming; 1 year for Han Dongxi and Wang Heli

Whether the accounting firm was changed in the reporting period

Yes No

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

Applicable Not applicable

IX. Delisting after the Disclosure of the Annual Report

Applicable Not applicable

X. Matters Related to Bankruptcy Reorganization

Applicable Not applicable

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

XI. Material Litigation and Arbitration

Applicable Not applicable

Basic information of litigation (arbitration)	Amount involved (RMB '0,000)	Is there an estimated liability formed	Progress of litigation (arbitration)	Litigation (arbitration) trial results and effects	Execution of litigation (arbitration) judgments	Disclosure Date	Disclosure Index
Patent dispute filed by Hanwang Technology Co., Ltd. against the Company and its subsidiary XIAMEN ZKTECO	11,048.6	No	In the first instance trial of the court, the other party applied for withdrawal of the case No. 1674, and the court has issued a withdrawal ruling	In the first instance trial of the court, no judgment has been made yet	In the first instance trial of the court, no judgment has been made yet	August 30, 2022	CNINFO (http://www.cninfo.com.cn) "2022 Semiannual Report of ZKTECO CO., LTD."
Unfair competition dispute filed by the Company against Zokon Industry	200	No	The second instance judgment of the Guangdong Higher People's Court rejected the appeal request of Zokon Industry and upheld the original judgment.	Zokon Industry compensated the Company and Shenzhen ZKTECO for the loss of RMB 2 million	The Company and Shenzhen ZKTECO submitted an "Application for Execution" to the Shenzhen Intermediate People's Court and was	August 30, 2022	CNINFO (http://www.cninfo.com.cn) "2022 Semiannual Report of ZKTECO CO., LTD."

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
					accepted by the Shenzhen Intermediate People's Court. Currently, the Company and Shenzhen ZKTECO have not received compensation from the other party		
Disputes filed by Zokon Industry over infringement of trademark rights and unfair competition against the Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd.	500	Yes (of which RMB 600,000 forms estimated liabilities)	The Shenzhen Intermediate People's Court, Guangdong Province has issued a civil judgment (2021) Y03 MC No. 5383; the Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. filed an appeal to the Guangdong Higher People's Court	The court ruled in the first instance that the Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. shall cease using "ZKTECO" on relevant platforms, and the Company shall pay RMB 500,000 for economic losses and reasonable right protection expenses to the other party. The Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd. shall pay RMB 100,000 for economic losses and reasonable right protection expenses to the other party. The Company shall publish a statement on its official website to eliminate any adverse effects caused to the other party. Due to the Company's appeal, the first	The Company filed an appeal, but the first instance judgment did not take effect	August 30, 2022	CNINFO (http://www.cninfo.com.cn) "2022 Semiannual Report of ZKTECO CO., LTD."

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
				instance judgment did not take effect			
Trademark infringement and unfair competition filed by the Company against Shenzhen MiCoin Electronic Technology Limited and Wen Xiaoxia	300	No	People's Court of Luohu District, Shenzhen issued a civil judgment	The court ruled that Shenzhen MiCoin Electronic Technology Limited shall immediately stop infringing on the Company's relevant registered trademark exclusive rights. Shenzhen MiCoin Electronic Technology Limited shall compensate the Company for economic losses and reasonable expenses of RMB 100,000, and Wen Xiaoxia shall be jointly and severally liable for the above-mentioned debts of Shenzhen MiCoin Electronic Technology Limited.	The other party has fulfilled the court judgment	August 30, 2022	CNINFO (http://www.cninfo.com.cn) "2022 Semiannual Report of ZKTECO CO., LTD."
Other lawsuits/arbitrations where the Company (including subsidiary companies in the consolidated financial statements) as the plaintiff fails to meet the disclosure	1,201	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case		

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
standards for major lawsuits							
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	81.92	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case		

XII. Punishment and Rectification

Applicable Not applicable

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

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

Applicable Not applicable

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

XIV. Significant Related-Party Transactions

1. Related-party transactions related to daily operations

Applicable Not applicable

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

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

Applicable Not applicable

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

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

Applicable Not applicable

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

4. Related Credit and Debt Transactions

Applicable Not applicable

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

5. Transactions with Related Financial Companies

Applicable Not applicable

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

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

Applicable Not applicable

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

7. Other Significant related party transactions

Applicable Not applicable

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

XV. Significant Contracts and Their Performance**1. Custody, contracting and leasing matters****(1) Custody**

Applicable Not applicable

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

(2) Contracting

Applicable Not applicable

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

(3) Leasing

Applicable Not applicable

Description of leasing

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

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

Applicable Not applicable

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

2. Significant guarantee

Applicable Not applicable

Unit: RMB '0,000

External guarantees provided by the Company and its subsidiaries (excluding guarantees provided to subsidiaries)										
Name of guarantee object	Disclosure date of guarantee limit related announcements	Guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Guarantee period	Whether it has been fulfilled	Whether to guarantee for related parties
Total approved external guarantee amount during the reporting period (A1)				Total actual amount of external guarantees incurred during the reporting period (A2)						
Total approved external guarantee amount at the end of the reporting period (A3)				Total actual external guarantee balance at the end of the reporting period (A4)						
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		25,000.00	December 16, 2019	0.00	Joint and several liability guarantee			15 years	No	No
Total approved guarantee amount for subsidiaries during the reporting period (B1)				100,000.00		Total actual amount of guarantee for subsidiaries during the reporting period (B2)		0.00		
Total approved guarantee amount for subsidiaries at the end of the reporting period (B3)				100,000.00		Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)		0.00		
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 approved guarantee amount for subsidiaries during the reporting period (C1)				Total actual amount of guarantee for subsidiaries during the reporting period (C2)						
Total approved guarantee amount for subsidiaries at the end of the reporting period (C3)				Total actual guarantee balance for subsidiaries at the end of the reporting period (C4)						
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)		100,000.00		Total actual amount of guarantees incurred during the reporting period (A2+B2+C2)						0.00
Total approved guarantee amount at the end of the reporting period (A3+B3+C3)		100,000.00		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)						0.00
Proportion of actual total guarantee amount (i.e. A4+B4+C4) to the Company's net assets				0.00%						
Including:										
Balance of guarantees provided to shareholders, actual controllers, and their related parties (D)				0.00						
Balance of debt guarantee provided directly or indirectly for guaranteed objects with an asset liability ratio exceeding 70% (E)				0.00						
Amount of the total guarantee exceeding 50% of net assets (F)				0.00						
Total amount of the above three guarantees (D+E+F)				0.00						
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						

3. Entrustment of others to manage cash assets

(1) Entrustment of financial management

Applicable Not applicable

Overview of entrusted financial management during the reporting period

Unit: RMB '0,000

Specific types	Source of funds for entrusted financial management	Amount of entrusted financial management	Outstanding balance	Overdue uncollected amount	Provision for impairment amount of overdue uncollected financial assets
Bank financial products	Fundraising	14,760.00	14,762.18	0.00	0.00
Bank financial	Own funds	5,571.68	5,593.22	0.00	0.00

products					
Bank financial products	Own funds	800.00	0.00	0.00	0.00
Bank financial products	Own funds	42.38	42.38	0.00	0.00
Other financial products	Own funds	101.44	34.06	0.00	0.00
Total		21,275.50	20,431.84	0.00	0.00

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

Applicable Not applicable

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

Applicable Not applicable

(2) Entrusted loan

Applicable Not applicable

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

4. Other Significant contracts

Applicable Not applicable

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

XVI. Other Significant Events

Applicable Not applicable

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

XVII. Significant Events of the Company's Subsidiaries

Applicable Not applicable

Section VII Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

	Before the change		Increase or decrease in this change (+, -)					After the change	
	Quantity	Proportion	Issue new shares	Bonus	Share transferred from capital reserve	Others	Subtotal	Quantity	Proportion
I. Restricted shares	111,369,038	100.00%	3,870,338				3,870,338	115,239,376	77.61%
1. Shares held by State									
2. Shares held by state-owned legal persons			6,996				6,996	6,996	0.00%
3. Shares held by other domestic enterprises	111,369,038	100.00%	3,858,100				3,858,100	115,227,138	77.60%
Including: shares held by domestic legal persons	85,198,038	76.50%	3,853,855				3,853,855	89,051,893	59.97%
Shares held by domestic natural persons	26,171,000	23.50%	4,245				4,245	26,175,245	17.63%
4. Foreign shareholding			5,242				5,242	5,242	0.00%
Including: shares held by overseas legal persons			5,158				5,158	5,158	0.00%
Shares held by overseas natural person			84				84	84	0.00%
II. Shares			33,252,67				33,252,67	33,252,675	22.39%

without trading restrictions			5				5		
1. RMB denominated ordinary shares			33,252,675				33,252,675	33,252,675	22.39%
2. Domestic listed foreign shares									
3. Overseas listed foreign shares									
4. Others									
III. Total shares	111,369,038	100%	37,123,013				37,123,013	148,492,051	100.00%

Reasons for changes in shares

Applicable Not applicable

Approved by the CSRC's "Reply to Approval for the Registration of Initial Public Offering of Stocks of ZKTECO CO., LTD." (ZJXX [2022] No. 926) to be registered and approved by the CSRC's "Notice on Listing of RMB Denominated Ordinary Shares of ZKTECO CO., LTD. on the ChiNext" (SZS [2022] No. 796), the Company issued 37,123,013 RMB denominated ordinary shares (A shares) to the public for the first time and was listed for trading on the Shenzhen Stock Exchange starting from August 17, 2022. After this issuance, the total share capital of the Company has increased from 111,369,038 shares to 148,492,051 shares.

Approval of changes in shares

Applicable Not applicable

The share change has been approved by the "Reply of CSRC to Approval for the Registration of Initial Public Offering of Stocks of ZKTECO CO., LTD." (ZJXX [2022] No. 926) to be registered and approved by the CSRC's "Notice on Listing of RMB Denominated Ordinary Shares of ZKTECO CO., LTD. on the ChiNext" (SZS [2022] No. 796).

Transfer of changes in shares

Applicable Not applicable

The initial registration of new shares was completed for the Company's initial public offering on August 15, 2022 at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd., and the "Initial Registration Confirmation of Securities" was obtained. The number of registered shares was 148,492,051, including 33,252,675 shares without trading restrictions and 115,239,376 shares with trading restrictions.

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

Applicable Not applicable

For financial indicators such as basic earnings per share and diluted earnings per share for 2022, please refer to "V. Main Accounting Data and Financial Indicators" in "Section II Company Profile and Key Financial Indicators".

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

Applicable Not applicable

2. Changes in restricted shares

Applicable Not applicable

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the period	Increase in restricted shares during the period	Number of shares released from trading restrictions in this period	Number of restricted shares at the end of the period	Reason for restrictions	Date of releasing from trading restrictions
Shenzhen ZKTeco Times Investment Co., Ltd.	45,000,000	0	0	45,000,000	Restricted shares before IPO	February 17, 2026
Che Quanhong	26,171,000	0	0	26,171,000	Restricted shares before IPO	February 17, 2026
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	10,852,000	0	0	10,852,000	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	0	0	10,708,500	Restricted shares before IPO	One quarter of the shares will be unlocked from August 17, 2023, until all shares are unlocked on August 17, 2026
Dongguan LX Investment Partnership Enterprise (Limited Partnership)	7,600,000	0	0	7,600,000	Restricted shares before IPO	August 17, 2025
Shenzhen JYLY Consulting Enterprise (Limited Partnership)	3,652,600	0	0	3,652,600	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 Fuhai Juanyong I Venture Investment Fund (Limited Partnership)	2,009,646	0	0	2,009,646	Restricted shares before IPO	August 17, 2023
Huaxin Yuanchuang(Qingdao)Investment Management	1,406,752	0	0	1,406,752	Restricted shares before IPO	August 17, 2023

Name of shareholder	Number of restricted shares at the beginning of the period	Increase in restricted shares during the period	Number of shares released from trading restrictions in this period	Number of restricted shares at the end of the period	Reason for restrictions	Date of releasing from trading restrictions
Co., Ltd. - Yiwu Walden Yuanjing Venture Capital Center (Limited Partnership)						
Huaxin Yuanchuang(Qi ngdao)Investme nt Management Co., Ltd. - Qingdao Walden Zhongxiang Equity Investment Center (Limited Partnership)	2,612,540	0	0	2,612,540	Restricted shares before IPO	August 17, 2023
Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership)	1,356,000	0	0	1,356,000	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	0	1,733,148	0	1,733,148	Restricted shares after IPO	August 17, 2023
Changjiang Wealth Asset Management - Bank of Nanjing - Changjiang Wealth - ZKTECO Employee Strategic	0	272,022	0	272,022	Restricted shares after IPO	August 17, 2023

Name of shareholder	Number of restricted shares at the beginning of the period	Increase in restricted shares during the period	Number of shares released from trading restrictions in this period	Number of restricted shares at the end of the period	Reason for restrictions	Date of releasing from trading restrictions
Placement No.2 Collective Asset Management Plan						
Offline issuance restricted shares	0	1,865,168	0	1,865,168	Restricted shares after IPO	February 17, 2023
Total	111,369,038	3,870,338	0	115,239,376	--	--

II. Issuance and Listing of Securities

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

Applicable Not applicable

Type of stocks and derivative securities	Issue Date	Issue Price (or Interest Rate)	Number of Issues	Listing Date	Listing approved amount (share)	Transaction Termination Date	Disclosure Index	Disclosure Date
Stock Category								
RMB denominated ordinary shares	August 8, 2022	43.32	37,123,013	August 17, 2022	37,123,013		CNINFO (http://www.cninfo.com.cn) "Announcement of IPO and Listing of a Stock on the ChiNext"	August 16, 2022

Description of securities issuance (excluding preferred shares) during the reporting period

Approved by the CSRC's "Reply to Approval for the Registration of Initial Public Offering of Stocks of ZKTECO CO., LTD." (ZJXK [2022] No. 926) to be registered and approved by the CSRC's "Notice on Listing of RMB Denominated Ordinary Shares of ZKTECO CO., LTD. on the ChiNext" (SZS [2022] No. 796), the Company issued 37,123,013 RMB denominated ordinary shares (A shares) to the public for the first time and was listed for trading on the Shenzhen Stock Exchange starting from August 17, 2022.

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

Applicable Not applicable

During the reporting period, the Company was approved to issue 37,123,013 RMB denominated ordinary shares for the first time. After the issuance, the total share capital of the Company increased from 111,369,038 shares to 148,492,051 shares.

At the beginning of the reporting period, the total assets of the Company were RMB 2.082923 billion, with liabilities of RMB 674.2179 million and an asset liability ratio of 32.37%. At the end of the reporting period, the total assets of the Company were RMB 3.6559605 billion, and the total liabilities were RMB 555.4681 million, with an asset liability ratio of 15.19%.

3. Internal employee shares

Applicable Not applicable

III. Shareholders and Actual Controllers

1. Number of shareholders of the Company and shareholding

Unit: share

Total number of ordinary shareholders at the end of the reporting period	26,367	Total number of ordinary shareholders at the end of the previous month before the disclosure date of the annual report	17,418	Total number of preferred shareholders with restored voting rights at the end of the reporting period (if any) (see Note 9)	0	Total number of preferred shareholders with restored voting rights at the end of last month before the disclosure date of the annual report (if any) (see Note 9)	0	Total number of shareholders holding special voting shares (if any)	0
Shareholding of 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 trading 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%	45,000,000		45,000,000				
Che Quanhong	Domestic natural persons	17.62%	26,171,000		26,171,000				
Shenzhen JYSJ Investment Enterprise (Limited)	Domestic non state-owned legal	7.31%	10,852,000		10,852,000				

Partnership)	persons							
Shenzhen JYHY Investment Enterprise (Limited Partnership)	Domestic non state-owned legal persons	7.21%	10,708,500		10,708,500			
Dongguan LX Investment Partnership Enterprise (Limited Partnership)	Domestic non state-owned legal persons	5.12%	7,600,000		7,600,000			
Shenzhen JYLY Consulting Enterprise (Limited Partnership)	Domestic non state-owned legal persons	2.46%	3,652,600		3,652,600			
Huaxin Yuanchuang(Qingdao)Investment Management Co., Ltd. - Qingdao Walden Zhongxiang Equity Investment Center (Limited Partnership)	Others	1.76%	2,612,540		2,612,540			
Shenzhen Fuhai Juanyong I Venture Investment Fund (Limited Partnership)	Domestic non state-owned legal persons	1.35%	2,009,646		2,009,646			
Changjiang Wealth Asset Management - Bank of Nanjing - Changjiang Wealth - ZKTECO Employee Strategic Placement No.1 Collective Asset Management Plan	Others	1.17%	1,733,148	1,733,148	1,733,148			

Huaxin Yuanchuang(Qingdao)Investment Management Co., Ltd. - Yiwu Walden Yuanjing Venture Capital Center (Limited Partnership)	Others	0.95%	1,406,752	1,406,752		
Strategic investors or general legal persons become the top 10 shareholders due to the placement of new shares (if any) (see Note 4)	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 one year after the Company goes public, and will be released from trading restrictions from August 17, 2023					
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. The fund managers of shareholders Qingdao Walden and Yiwu Walden are both Huaxin Yuanchuang(Qingdao)Investment 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 (if any) (see Note 10)	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			
Zhang Jiayue	400,081	RMB denominated ordinary shares	400,081			
Bank of Communications Co., Ltd. - Cinda Core Technology Hybrid Securities Investment Fund	262,100	RMB denominated ordinary shares	262,100			
Zhu Qizhong	234,149	RMB	234,149			

		denominated ordinary shares	
Zhong Song	186,200	RMB denominated ordinary shares	186,200
Hu Shidao	132,900	RMB denominated ordinary shares	132,900
Wang Chang	131,300	RMB denominated ordinary shares	131,300
Zheng Liang	114,000	RMB denominated ordinary shares	114,000
Che Junchuan	110,474	RMB denominated ordinary shares	110,474
Ji Wei	109,500	RMB denominated ordinary shares	109,500
Zhu Xianmin	101,000	RMB denominated ordinary shares	101,000
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 shareholders participating in margin trading (if any) (see Note 5)	Among the top 10 shareholders of shares without trading restrictions, Zhu Qizhong held a total of 234,149 shares of the Company at the end of the reporting period, including 0 share held through ordinary securities accounts and 234,149 shares held through a margin accounts of Zheshang Securities Co., Ltd. Hu Shidao held a total of 132,900 shares of the Company at the end of the reporting period, including 0 share held through the ordinary securities accounts and 132,900 shares held through a margin accounts of CITIC Securities Co., Ltd. Zhu Xianmin held a total of 101,000 shares of the Company at the end of the reporting period, including 20,800 shares held through the ordinary securities accounts and 80,200 shares held through a margin account of CITIC Securities Co., Ltd.		

Does the Company have voting right difference arrangements

Applicable Not applicable

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.

2. Controlling shareholder of the Company

Nature of controlling shareholder: controlled by natural person

Type of controlling shareholder: legal person

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

Changes in controlling shareholders during the reporting period

Applicable Not applicable

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

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

Nature of actual controller: domestic natural person

Type of actual controller: natural person

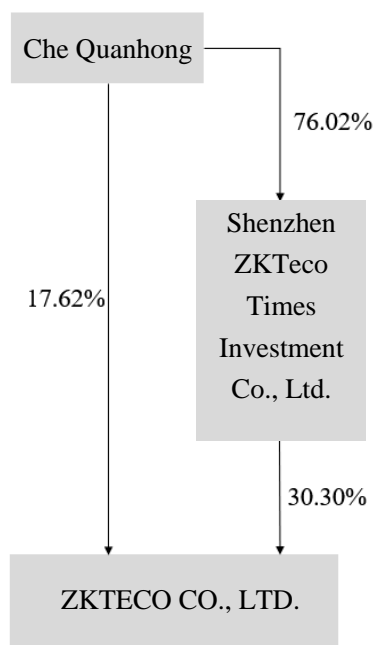
Name of actual controller	Relationship with actual controller	Nationality	Have you obtained residency in other countries or regions
Che Quanhong	Oneself	China	No
Main occupation and position	Che Quanhong is the Chairman of the Company. Please refer to "2. Appointment" in "II. Information on Directors,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

Changes in actual controller during the reporting period

Applicable Not applicable

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

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



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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

IV. Specific Implementation of Share Repurchase During the Reporting Period

Implementation progress of share repurchase

Applicable Not applicable

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

Applicable Not applicable

Section VIII Information of Preferred Shares

Applicable Not applicable

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

Section IX Bonds

Applicable Not applicable

Section X Financial Report

I. Audit Report

Audit opinion	Standard unqualified opinions
Audit report signing date	April 26, 2023
Audit institution name	Baker Tilly China Certified Public Accountants (Special General Partnership)
Audit Report No.	TZYZ [2023] No. 16207
Name of CPA	Li Ming, Wang Heli, Han Dongxi

Audit Report Text

I. Audit Opinion

We have audited the financial statements of ZKTECO CO., LTD. (hereinafter referred to as "ZKTECO"), including the consolidated and parent company's balance sheet as of December 31, 2022, the consolidated and parent company's profit statement, the consolidated and parent company's cash flow statement, the consolidated and parent company's Statement of Changes in Equity and notes to financial statements as of 2022.

In our opinion, the accompanying financial statements have been prepared in accordance with the provisions of the Accounting Standards for Enterprises in all material aspects and fairly reflect the ZKTECO's consolidated and parent company's financial position as of December 31, 2022, as well as the consolidated and parent company's operating results and cash flows as of 2022.

II. Basis of Opinion

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

III. Key Audit Matters

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

Key Audit Matters	How was this matter addressed in the audit
1. Revenue recognition	

Key Audit Matters	How was this matter addressed in the audit
<p>ZKTECO is mainly engaged in the R&D, design, production, sales, and service of biometric technology and related products. The operating revenue of ZKTECO in 2022 was RMB 1.9185592 billion. Due to the fact that operating revenue is a key performance indicator of ZKTECO and its significant amount, the authenticity of revenue and whether revenue is included in the appropriate accounting period have a significant impact on ZKTECO's operating results, and there may be potential misstatements. Therefore, we consider the recognition of operating revenue of ZKTECO as a key audit matter.</p> <p>Please refer to the accounting policies described in "(XXXII) Revenue" of "III. Important Accounting Policies and Estimates" in the notes to the financial statements, and "(XXXVIII) Operating Revenue and Operating Costs" of "VI. Notes to Main Items in the Consolidated Financial Statements".</p>	<p>Our main audit procedures for revenue recognition include but are not limited to:</p> <ol style="list-style-type: none"> 1. Understand, evaluate, and test the effectiveness of internal control design and operation related to sales and collection of ZKTECO; 2. Understand revenue recognition policies through interviews with management, examine relevant clauses of major customer contracts, analyze and evaluate whether the actual revenue recognition policies are appropriate, and review whether relevant accounting policies have been consistently applied; 3. Implement analysis procedures for operating revenue, analyze the rationality of changes in the sales structure of major products, compare with the gross profit margin of the same industry in the same period of history, analyze the changes in gross profit margin of major products and major customers, and review the rationality of sales revenue; 4. Confirm the sales revenue of major customers combined with the audit of accounts receivable, and perform substitution test on customers who have not responded to the letter; 5. Check the major customer contracts, sales outbound orders, acceptance certificates, logistics documents, customs declarations, invoices, and statements of accounts to verify the authenticity of ZKTECO's revenue confirmation; 6. Conduct cut-off tests on revenue transactions recorded before and after the balance sheet date, select samples to verify with relevant supporting documents for revenue recognition under each sales model, to evaluate whether sales revenue is recorded in the appropriate accounting period.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including

any significant deficiencies in internal control that we identify during our audit.

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

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

II. Financial Statements

1. Consolidated Balance Sheet

Prepared by: ZKTECO CO., LTD.

December 31, 2022

Unit: RMB

Item	December 31, 2022	January 1, 2022
Current assets:		
Monetary funds	1,912,945,031.97	572,401,913.99
Deposit reservation for balance		0.00
Lendings to banks and other financial institutions		0.00
Trading financial asset	204,318,406.05	28,444,682.61
Derivative financial assets		0.00
Notes receivable		0.00
Accounts receivable	403,497,924.27	274,031,114.44
Receivable financing		0.00
Prepayment	30,954,685.58	52,250,223.47
Premiums receivable		0.00
Reinsurance accounts receivable		0.00
Reserves for reinsurance contract receivable		0.00
Other receivables	34,207,287.53	29,330,524.65
Including: interest receivable		
Dividends receivable		
Buying back the sale of financial assets		0.00
Inventories	348,280,641.59	424,253,953.16
Contract assets	306,799.94	709,652.57
Held-for-sale assets		0.00
Non-current assets due within one year	10,025,638.89	0.00
Other current assets	17,861,354.81	98,141,690.30
Total current assets	2,962,397,770.63	1,479,563,755.19
Non-current assets:		
Loans and advances to customers	0.00	0.00
Debt investment	12,331,160.29	0.00
Other debt investment		0.00
Long-term receivables		0.00
Long-term equity investment	7,151,332.70	7,629,622.56
Other equity instrument investments		0.00
Other non-current financial assets		0.00
Investment real estate		0.00
Fixed assets	446,857,509.06	243,228,046.16

Construction in progress	57,041,298.90	203,732,622.44
Productive biological assets		0.00
Oil and gas assets		0.00
Right-of-use asset	50,640,675.59	44,092,782.36
Intangible assets	68,110,512.79	58,818,021.44
Development expenditures		0.00
Goodwill	496,386.40	454,413.86
Long-term deferred expenses	3,056,310.34	3,840,570.16
Deferred income tax assets	46,749,722.28	37,494,061.22
Other non-current assets	1,127,777.32	4,069,141.83
Total non-current assets	693,562,685.67	603,359,282.03
Total assets	3,655,960,456.30	2,082,923,037.22
Current liabilities:		
Short-term loan	9,855,000.00	0.00
Borrowings from the Central Bank		0.00
Borrowings from banks and other financial institutions		0.00
Trading financial liabilities	0.00	0.00
Derivative financial liabilities		0.00
Notes payable	68,293,818.22	165,377,838.17
Accounts payable	226,000,476.96	270,784,698.99
Advances from customer		0.00
Contract liabilities	58,838,840.39	60,765,507.83
Financial assets sold for repurchase		0.00
Deposit from customers and interbank		0.00
Acting trading securities		0.00
Acting underwriting securities		0.00
Payroll payable	58,940,852.80	40,802,407.70
Taxes and dues payable	22,621,805.04	22,572,377.36
Other payables	31,429,478.43	30,375,420.91
Including: interest payable		
Dividends payable		
Handling charges and commissions payable		0.00
Reinsurance accounts receivable		0.00
Liabilities held for sale		0.00
Non-current liabilities due within one year	23,718,225.39	21,577,228.14
Other current liabilities	21,173,620.79	35,139,007.81
Total current liabilities	520,872,118.02	647,394,486.91
Non-current liabilities:		
Reserves for insurance contracts	0.00	0.00
Long-term loan	141,757.54	226,216.85

Bonds payable		0.00
Including: preferred stock		0.00
Perpetual bonds		0.00
Lease liabilities	28,256,717.44	22,678,641.32
Long-term payables		0.00
Long-term payroll payable		0.00
Estimated liabilities	600,000.00	80,046.11
Deferred income	2,039,702.49	688,138.70
Deferred tax liability	3,557,844.83	3,150,369.30
Other non-current liabilities		0.00
Total non-current liabilities	34,596,022.30	26,823,412.28
Total liabilities	555,468,140.32	674,217,899.19
Owner's equity:		
Share capital	148,492,051.00	111,369,038.00
Other equity instruments		0.00
Including: preferred stock		0.00
Perpetual bonds		0.00
Capital reserve	2,061,172,912.28	636,363,658.40
Less: treasury stock		0.00
Other comprehensive income	5,255,222.65	-25,505,560.02
Special reserve		0.00
Surplus reserves	53,975,085.77	42,581,853.37
General risk reserves		0.00
Undistributed profits	788,571,917.98	607,725,356.63
Total owner's equity attributable to the parent company	3,057,467,189.68	1,372,534,346.38
Minority interests	43,025,126.30	36,170,791.65
Total owner's equity	3,100,492,315.98	1,408,705,138.03
Total liabilities and owner's equity	3,655,960,456.30	2,082,923,037.22

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

2. Balance Sheet of Parent Company

Unit: RMB

Item	December 31, 2022	January 1, 2022
Current assets:		
Monetary funds	1,356,208,501.46	343,848,536.85
Trading financial asset	147,962,384.55	3,191,855.39
Derivative financial assets	0.00	0.00
Notes receivable	0.00	0.00
Accounts receivable	584,894,333.69	520,008,670.12
Receivable financing	0.00	0.00
Prepayment	27,798,174.17	47,604,302.12
Other receivables	33,980,555.26	32,558,510.67
Including: interest receivable	122,433.25	23,475.57
Dividends receivable		

Inventories	201,604,881.25	309,661,216.83
Contract assets	297,021.59	709,652.57
Held-for-sale assets	0.00	0.00
Non-current assets due within one year	10,025,638.89	0.00
Other current assets	4,880,995.15	76,303,657.74
Total current assets	2,367,652,486.01	1,333,886,402.29
Non-current assets:		
Debt investment	10,670,541.33	0.00
Other debt investment	0.00	0.00
Long-term receivables	0.00	0.00
Long-term equity investment	781,906,396.17	400,533,404.13
Other equity instrument investments	0.00	0.00
Other non-current financial assets	0.00	0.00
Investment real estate	0.00	0.00
Fixed assets	66,876,094.68	73,705,386.95
Construction in progress	0.00	0.00
Productive biological assets	0.00	0.00
Oil and gas assets	0.00	0.00
Right-of-use asset	14,733,170.98	6,713,989.46
Intangible assets	8,082,316.47	8,252,055.59
Development expenditures	0.00	0.00
Goodwill	0.00	0.00
Long-term deferred expenses	1,312,121.13	2,002,963.06
Deferred income tax assets	27,628,722.59	21,092,826.98
Other non-current assets	0.00	1,392,572.17
Total non-current assets	911,209,363.35	513,693,198.34
Total assets	3,278,861,849.36	1,847,579,600.63
Current liabilities:		
Short-term loan	0.00	0.00
Trading financial liabilities	0.00	0.00
Derivative financial liabilities	0.00	0.00
Notes payable	71,337,129.13	165,173,019.04
Accounts payable	268,538,611.36	343,874,833.70
Advances from customer	0.00	0.00
Contract liabilities	29,070,869.80	34,667,171.33
Payroll payable	31,351,658.90	25,906,580.16
Taxes and dues payable	1,986,839.30	3,380,837.23
Other payables	86,241,351.29	55,709,905.60
Including: interest payable		
Dividends payable		
Liabilities held for sale	0.00	0.00
Non-current liabilities due within one year	7,376,143.83	4,857,294.59

Other current liabilities	17,999,117.66	30,853,864.51
Total current liabilities	513,901,721.27	664,423,506.16
Non-current liabilities:		
Long-term loan	0.00	0.00
Bonds payable	0.00	0.00
Including: preferred stock		
Perpetual bonds		
Lease liabilities	7,095,945.72	1,401,002.16
Long-term payables	0.00	0.00
Long-term payroll payable		
Estimated liabilities	600,000.00	80,046.11
Deferred income	543,212.69	688,138.70
Deferred tax liability	3,022,004.37	3,148,989.30
Other non-current liabilities	0.00	0.00
Total non-current liabilities	11,261,162.78	5,318,176.27
Total liabilities	525,162,884.05	669,741,682.43
Owner's equity:		
Share capital	148,492,051.00	111,369,038.00
Other equity instruments	0.00	0.00
Including: preferred stock		
Perpetual bonds		
Capital reserve	2,073,269,021.41	648,463,311.34
Less: treasury stock	0.00	0.00
Other comprehensive income	0.00	0.00
Special reserve		
Surplus reserves	53,883,789.28	42,490,556.88
Undistributed profits	478,054,103.62	375,515,011.98
Total owner's equity	2,753,698,965.31	1,177,837,918.20
Total liabilities and owner's equity	3,278,861,849.36	1,847,579,600.63

3. Consolidated Profit Statement

Unit: RMB

Item	2022	2021
I. Total operating revenue	1,918,559,191.76	1,955,286,516.10
Including: operating revenue	1,918,559,191.76	1,955,286,516.10
Interest income		
Premium earned		
Revenue from handling charges and commissions		
II. Total operating cost	1,699,753,810.25	1,783,004,977.99
Including: operating cost	1,065,639,119.43	1,148,296,169.29
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	19,046,564.87	16,800,596.62
Selling expenses	361,264,181.17	302,351,568.76
Administrative expenses	106,748,932.32	104,011,332.16
R&D expenses	187,983,847.42	196,786,694.35
Financial expenses	-40,928,834.96	14,758,616.81
Including: interest expenses	3,101,947.12	3,011,838.38
Interest income	28,810,088.84	5,483,270.16
Plus: other income	17,849,018.68	21,736,375.49
Investment income (loss expressed with "-")	-2,429,189.18	11,897,723.96
Including: income from investment in associates and joint ventures	2,660,914.13	2,603,284.16
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 "-")	-701,013.10	881,961.80
Losses from credit impairment (loss expressed with "-")	-10,954,110.82	-6,298,144.57
Losses from impairment of assets (loss expressed with "-")	-6,294,754.92	-4,051,801.08
Gains from disposal assets (loss expressed with "-")	88,133.35	116,626.39
III. Operating profit (loss expressed with "-")	216,363,465.52	196,564,280.10
Plus: non-operating revenue	859,519.49	1,220,517.59
Less: non-operating expenditure	4,134,911.75	2,233,328.03
IV. Total profit (loss expressed with "-")	213,088,073.26	195,551,469.66
Less: income tax expenses	9,035,711.77	8,971,478.90
V. Net profit (loss expressed with "-")	204,052,361.49	186,579,990.76
(I) Classification by business continuity		
1. Net profit from continuing operations (net loss expressed with "-")	204,052,361.49	186,579,990.76
2. Net profit from discontinued operations (net loss expressed with "-")		
(II) Classification by ownership		

1. Net profits attributable to shareholders of parent company	192,239,793.75	170,923,050.93
2. Minority shareholders' profit and loss	11,812,567.74	15,656,939.83
VI. Other comprehensive income - after tax	32,584,542.52	-18,782,844.09
Net of tax of other comprehensive income attributable to the owner of the parent company	30,760,782.67	-14,702,158.14
Other comprehensive income that cannot be transferred to profit or loss		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in the fair value of the Company's own credit risk		
5. Other		
(2) Other comprehensive income that will be reclassified into profit or loss	30,760,782.67	-14,702,158.14
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation difference of foreign currency financial statements	30,760,782.67	-14,702,158.14
7. Others		
After-tax net amount of other comprehensive income attributable to the minority shareholders	1,823,759.85	-4,080,685.95
VII. Total comprehensive income	236,636,904.01	167,797,146.67
Total comprehensive income attributable to owners of the parent company	223,000,576.42	156,220,892.79
Total comprehensive income attributable to minority shareholders	13,636,327.59	11,576,253.88
VIII. Earnings per share		
(I) Basic earnings per share	1.5027	1.5347
(II) Diluted earnings per share	1.5235	1.5347

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 organization: Fang Li

4. Parent Company's Profit Statement

Unit: RMB

Item	2022	2021
I. Operating revenue	1,542,538,719.71	1,930,289,437.03
Less: operating cost	1,144,810,483.95	1,498,995,492.43
Taxes and surcharges	7,105,264.81	6,837,708.26
Selling expenses	164,958,281.03	156,009,517.23
Administrative expenses	65,358,679.39	63,524,734.02
R&D expenses	133,296,955.01	155,106,767.10
Financial expenses	-45,203,220.06	5,238,524.87
Including: interest expenses	447,465.80	592,018.54
Interest income	25,178,318.31	5,023,001.70
Plus: other income	7,416,424.52	8,782,357.61
Investment income (loss expressed with "-")	34,313,370.27	47,372,537.96
Including: income from investment in associates and joint ventures	0.00	0.00
Derecognition of income for financial assets measured at amortized cost (loss expressed with "-")	0.00	0.00
Gains from net exposure hedging (loss expressed with "-")	0.00	0.00
Gains from changes in fair value (loss expressed with "-")	-752,215.42	842,493.32
Losses from credit impairment (loss expressed with "-")	-1,228,959.32	-2,778,609.03
Losses from impairment of assets (loss expressed with "-")	-1,832,657.66	-2,166,023.48
Gains from disposal assets (loss expressed with "-")	12,558.50	-13,029.02
II. Operating profit (loss expressed with "-")	110,140,796.47	96,616,420.48
Plus: non-operating revenue	758,163.67	1,100,260.62
Less: non-operating expenditure	3,619,836.60	1,802,723.63
III. Total profits (total losses expressed with "-")	107,279,123.54	95,913,957.47
Less: income tax expenses	-6,653,200.50	-11,625,930.01
IV. Net profit (net loss expressed with "-")	113,932,324.04	107,539,887.48
(I) Net profit from continuing operations (net loss expressed with "-")	113,932,324.04	107,539,887.48
(II) Net profit from discontinued operations (net loss expressed with "-")		
V. Net of tax of other comprehensive income		
Other comprehensive income that		

cannot be transferred to profit or loss		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in the fair value of the Company's own credit risk		
5. Other		
(2) Other comprehensive income that will be reclassified into profit or loss		
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation difference of foreign currency financial statements		
7. Others		
VI. Total comprehensive income	113,932,324.04	107,539,887.48
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2022	2021
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	1,914,391,818.50	2,000,579,616.76
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	51,679,360.47	59,496,855.48
Cash received from other operating activities	76,523,632.31	59,816,201.03
Subtotal of cash inflows from operating activities	2,042,594,811.28	2,119,892,673.27
Cash paid for purchase of goods and rendering of services	1,122,518,900.85	1,259,355,372.39
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	513,551,759.10	502,047,514.87
Payments of all types of taxes	80,036,076.98	58,919,055.97
Other cash payments relating to operating activities	201,968,041.17	201,450,288.17
Subtotal of cash outflows from operating activities	1,918,074,778.10	2,021,772,231.40
Net cash flows from operating activities	124,520,033.18	98,120,441.87
II. Cash flows from investing activities:		
Cash received from disinvestment	100,302,919.28	611,823,031.39
Cash received from investment income	1,111,481.30	11,174,641.57
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	569,670.01	211,274.18
Net cash received from disposal of subsidiaries and other business units	0.00	0.00
Cash received from other investing activities	0.00	0.00
Subtotal of cash inflows from investing activities	101,984,070.59	623,208,947.14
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	77,486,733.93	124,917,202.41
Cash paid for investments	1,034,748,807.59	599,284,851.76
Net increase in pledge loans		
Net cash paid to acquire subsidiaries and other business units	0.00	0.00
Cash paid for other investing activities	6,488,400.00	322.13
Subtotal of cash outflows from investing	1,118,723,941.52	724,202,376.30

activities		
Net cash flows from operating activities	-1,016,739,870.93	-100,993,429.16
III. Cash flows from financing activities:		
Cash received from investors	1,486,667,165.16	0.00
Including: cash received by subsidiaries from the absorption of minority shareholders' investments		0.00
Cash received from borrowings	10,063,457.00	26,022,352.53
Cash received from other financing activities	0.00	162,700.00
Subtotal of cash inflows from financing activities	1,496,730,622.16	26,185,052.53
Cash paid for debt repayments	467,504.08	65,908,465.24
Cash paid for distribution of dividends and profits or payment of interest	6,797,610.36	22,542,621.25
Including: dividends and profits paid to minority shareholders by subsidiaries	6,781,992.94	20,344,759.45
Cash paid for other financing activities	54,065,231.57	27,152,605.21
Subtotal of cash outflows from financing activities	61,330,346.01	115,603,691.70
Net cash flows from financing activities	1,435,400,276.15	-89,418,639.17
IV. Effect of exchange rate changes on cash and cash equivalents	18,139,393.94	-14,325,690.71
V. Net increase in cash and cash equivalents	561,319,832.34	-106,617,317.17
Plus: beginning balance of cash and cash equivalents	516,288,425.76	622,905,742.93
VI. Closing balance of cash and cash equivalents	1,077,608,258.10	516,288,425.76

6. Cash Flow Statement of Parent Company

Unit: RMB

Item	2022	2021
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	1,588,277,476.82	1,839,264,475.58
Refund of taxes and surcharges	46,142,202.38	47,242,788.54
Cash received from other operating activities	266,424,568.39	79,676,394.78
Subtotal of cash inflows from operating activities	1,900,844,247.59	1,966,183,658.90
Cash paid for purchase of goods and rendering of services	1,265,144,062.65	1,606,786,553.01
Cash paid to and for employees	245,811,321.01	294,405,883.26
Payments of all types of taxes	13,005,949.72	-5,647,380.91
Other cash payments relating to operating activities	326,385,829.93	189,128,141.21
Subtotal of cash outflows from operating activities	1,850,347,163.31	2,084,673,196.57
Net cash flows from operating activities	50,497,084.28	-118,489,537.67
II. Cash flows from investing activities:		
Cash received from disinvestment	62,764,651.20	507,886,558.75
Cash received from investment income	17,195,540.59	16,653,496.86
Net cash received from disposal of	2,874,752.46	135.00

fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Subtotal of cash inflows from investing activities	82,834,944.25	524,540,190.61
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	2,241,859.00	5,254,264.11
Cash paid for investments	1,139,688,242.70	512,980,521.67
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	6,488,400.00	
Subtotal of cash outflows from investing activities	1,148,418,501.70	518,234,785.78
Net cash flows from operating activities	-1,065,583,557.45	6,305,404.83
III. Cash flows from financing activities:		
Cash received from investors	1,486,667,165.16	
Cash received from borrowings		
Cash received from other financing activities		
Subtotal of cash inflows from financing activities	1,486,667,165.16	
Cash paid for debt repayments		10,556,071.01
Cash paid for distribution of dividends and profits or payment of interest		87,513.95
Cash paid for other financing activities	33,873,386.92	8,879,090.06
Subtotal of cash outflows from financing activities	33,873,386.92	19,522,675.02
Net cash flows from financing activities	1,452,793,778.24	-19,522,675.02
IV. Effect of exchange rate changes on cash and cash equivalents	3,470,318.23	-3,590,784.31
V. Net increase in cash and cash equivalents	441,177,623.30	-135,297,592.17
Plus: beginning balance of cash and cash equivalents	290,328,864.13	425,626,456.30
VI. Closing balance of cash and cash equivalents	731,506,487.43	290,328,864.13

7. Consolidated Statement of Changes in Equity

Amount in current period

Unit: RMB

Item	2022													Minority interests	Total owner's equity	
	Equity attributable to owners of the parent company															
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk reserves	Undistributed profits	Others	Subtotal			
	Preferred stock	Perpetual bonds	Others													

							me								
I. Endi ng bala nce of previ ous year	111, 369, 038. 00				636, 363, 658. 40		- 25,5 05,5 60.0 2		42,5 81,8 53.3 7		607, 725, 356. 63		1,37 2,53 4,34 6.38	36,1 70,7 91.6 5	1,40 8,70 5,13 8.03
P lus: chan ges in acco untin g polic ies															
correc tions of prior period error s															
merger of enter prise unde r the same contr ol															
others															
II. Begi nning bala nce of this year	111, 369, 038. 00	0.00	0.00	0.00	636, 363, 658. 40	0.00	- 25,5 05,5 60.0 2	0.00	42,5 81,8 53.3 7	0.00	607, 725, 356. 63	0.00	1,37 2,53 4,34 6.38	36,1 70,7 91.6 5	1,40 8,70 5,13 8.03
III. Amo unt incre ase/d	37,1 23,0 13.0 0	0.00	0.00	0.00	1,42 4,80 9,25 3.88	0.00	30,7 60,7 82.6 7	0.00	11,3 93,2 32.4 0	0.00	180, 846, 561. 35	0.00	1,68 4,93 2,84 3.30	6,85 4,33 4.65	1,69 1,78 7,17 7.95

decrease of the current period (decrease expressed with "-")																
(I) Total comprehensive income							30,760,782.67					192,239,793.75		223,000,576.42	13,636,327.59	236,636,904.01
(II) Capital invested and reduced by the owners	37,123,013.00	0.00	0.00	0.00	1,424,809,253.88	0.00	0.00	0.00	0.00			0.00	0.00	1,461,932,266.88	0.00	1,461,932,266.88
1. Common stock contributed by owners	37,123,013.00				1,420,017,536.47									1,457,298,377.70		1,457,298,377.70
2. Capital invested by holders of other equity instr														0.00		0.00

ments															
3. Amount of share-based payments recognized in equity					4,633,889.18								4,633,889.18		4,633,889.18
4. Others													0.00		0.00
(III) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,393,232.40	0.00	-11,393,232.40	0.00	0.00	-6,781,992.94	-6,781,992.94
1. Surplus reserves with drawal									11,393,232.40		-11,393,232.40		0.00		0.00
2. With drawal of general risk preparation													0.00		0.00
3. Distribution to owners (or shareholders)													0.00	-6,781,992.94	-6,781,992.94

4. Others														0.00		0.00
(IV) Internal carry over of owner's equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capital surplus transfer to capital (or equity capital)														0.00		
2. Surplus reserve transfer to capital (or equity capital)														0.00		
3. Surplus reserve offsetting losses														0.00		
4. Changes in defined benefit														0.00		

plans carried forward to retained earnings															
5. Retained income carried forward from other comprehensive income													0.00		
6. Others													0.00		
(V) Special reserve													0.00		
1. Withdrawal in this period													0.00		
2. Use in the current period													0.00		
(VI) Others													0.00		
IV. Endi	148,492,	0.00	0.00	0.00	2,061,17	0.00	5,255,22	0.00	53,975,0	0.00	788,571,	0.00	3,057,46	43,025,1	3,100,49

ng bala nce of curre nt perio d	051. 00				2,91 2.28		2.65		85.7 7		917. 98		7,18 9.68	26.3 0	2,31 5.98
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Amount of previous period

Unit: RMB

Item	2021														
	Equity attributable to owners of the parent company													Minority interests	Total owner's equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk reserves	Undistributed profits	Others	Subtotal		
	Preferred stock	Perpetual bonds	Others												
I. Ending balance of previous year	111,369,038.00				636,363,658.40		-10,803,401.88		31,827,864.62		447,556,294.45		1,216,313,453.59	44,933,064.57	1,261,246,518.16
Plus: changes in accounting policies															
Corrections of prior period errors															
Merger of enterprise under the															

same contr ol															
thers															
II. Begi nnin g bala nce of this year	111, 369, 038. 00	0.00	0.00	0.00	636, 363, 658. 40	0.00	- 10,8 03,4 01.8 8		31,8 27,8 64.6 2	0.00	447, 556, 294. 45	0.00	1,21 6,31 3,45 3.59	44,9 33,0 64.5 7	1,26 1,24 6,51 8.16
III. Amo unt incre ase/d ecrea se of the curre nt perio d (decr ease expr esse d with "-")	0.00	0.00	0.00	0.00	0.00	0.00	- 14,7 02,1 58.1 4	0.00	10,7 53,9 88.7 5	0.00	160, 169, 062. 18	0.00	156, 220, 892. 79	- 8,76 2,27 2.92	147, 458, 619. 87
(I) Total com preh ensiv e inco me							- 14,7 02,1 58.1 4				170, 923, 050. 93		156, 220, 892. 79	11,5 76,2 53.8 8	167, 797, 146. 67
(II) Capi tal inves ted and redu ced by the own ers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,23 2.65	6,23 2.65
1. Com mon														2,58 8.36	2,58 8.36

stock contr ibute d by own ers															
2. Capi tal inves ted by hold ers of other equit y instr ume nts															
3. Amo unt of share - base d pay ment s reco gniz ed in equit y															
4. Othe rs														3,64 4.29	3,64 4.29
(III) Profi t distributio n	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,7 53,9 88.7 5	0.00	- 10,7 53,9 88.7 5	0.00	0.00	- 20,3 44,7 59.4 5	- 20,3 44,7 59.4 5
1. Surp lus reser ves with draw al									10,7 53,9 88.7 5		- 10,7 53,9 88.7 5				
2. With															

drawal of general risk preparation																
3. Distribution to owners (or shareholders)														- 20,3 44,7 59.4 5	- 20,3 44,7 59.4 5	
4. Others																
(IV) Internal carry over of owner's equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capital surplus transfer to capital (or equity capital)																
2. Surplus reserve transfer to capital (or equity capital)																

al)															
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. With draw															

al in this period															
2. Use in the current period															
(VI) Others															
IV. Ending balance of current period	111,369,038.00	0.00	0.00	0.00	636,363,658.40	0.00	-25,505,560.02	42,581,853.7	0.00	607,725,356.63	0.00	1,372,534,346.38	36,170,791.65	1,408,705,138.03	

8. Statement of Changes in Equity of the Parent Company

Amount in current period

Unit: RMB

Item	2022											Total owner's equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Others	
		Preferr ed stock	Perpetual bonds	Others								
I. 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												
Correcti												

ons of prior period errors												
thers												
II. Beginn ing balanc e of this year	111,36 9,038. 00			648,46 3,311. 34				42,490 ,556.8 8	375,51 5,011. 98		1,177, 837,91 8.20	
III. Amou nt increas e/decre ase of the current period (decre ase expres sed with "- ")	37,123 ,013.0 0			1,424, 805,71 0.07				11,393 ,232.4 0	102,53 9,091. 64		1,575, 861,04 7.11	
(I) Total compr ehensi ve incom e									113,93 2,324. 04		113,93 2,324. 04	
(II) Capital investe d and reduced by the owners	37,123 ,013.0 0			1,424, 805,71 0.07				0.00	0.00		1,461, 928,72 3.07	
1. Comm on stock contrib uted by owners	37,123 ,013.0 0			1,420, 175,36 4.70							1,457, 298,37 7.70	
2. Capital investe d by												

holders of other equity instruments												
3. Amount of share-based payments recognized in equity					4,630,345.37							4,630,345.37
4. Others												
(III) Profit distribution								11,393,232.40	-	11,393,232.40		0.00
1. Surplus reserves withdrawal								11,393,232.40	-	11,393,232.40		0.00
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. Surplu s reserve transfe r to capital (or equity capital)												
3. Surplu s reserve offsetti ng losses												
4. Chang es in define d benefit plans carried forwar d to retaine d earnin gs												
5. Retain ed incom e carried forwar d from other compr ehensi ve incom e												
6. Others												
(V) Specia l reserve												
1.												

Withdrawal in this period												
2. Use in the current period												
(VI) Others												
IV. Ending balance of current period	148,492,051.00				2,073,269,021.41				53,883,789.28	478,054,103.62		2,753,698,965.31

Amount of previous period

Unit: RMB

Item	2021											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surpluses reserves	Undistributed profits	Others	Total owners' equity
		Preferr ed stock	Perpetual bonds	Others								
I. Ending balance of previous year	111,369,038.00				648,463,311.34				31,736,568.13	278,729,113.25		1,070,298,030.72
Plus: changes in accounting policies												
Corrections of prior period errors												
Others												
II. Beginning balance of this	111,369,038.00				648,463,311.34				31,736,568.13	278,729,113.25		1,070,298,030.72

year												
III. Amount increase/ decrease of the current period (decrease expressed with "-")									10,753 ,988.7 5	96,785 ,898.7 3		107,53 9,887. 48
(I) Total compre hensi ve incom e										107,53 9,887. 48		107,53 9,887. 48
(II) Capital investe d and redu ced by the owners												
1. Comm on stock contrib uted by owners												
2. Capital investe d by holder s of other equity instru ments												
3. Amou nt of share- based payme nts												

recogn ized in equity												
4. Others												
(III) Profit distrib ution								10,753 ,988.7 5	- 10,753 ,988.7 5			0.00
1. Surplu s reserve s withdr awal								10,753 ,988.7 5	- 10,753 ,988.7 5			0.00
2. Distrib ution to owners (or shareh olders)												
3. Others												
(IV) Interna l carryo ver of owner' s equity												
1. Capital surplus transfe r to capital (or equity capital)												
2. Surplu s reserve transfe r to capital (or equity capital)												

3. Surplu s reserve offsetti ng losses												
4. Chang es in define d benefit plans carried forwar d to retaine d earnin gs												
5. Retain ed incom e carried forwar d from other compr ehensi ve incom e												
6. Others												
(V) Specia l reserve												
1. Withdr awal in this period												
2. Use in the current period												
(VI) Others												
IV. Ending balanc	111,36 9,038. 00				648,46 3,311. 34				42,490 ,556.8 8	375,51 5,011. 98		1,177, 837,91 8.20

e of current period												
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III. Basic Information of the Company

ZKTECO CO., LTD. (hereinafter referred to as "ZKTECO", "the Company" or "Company") 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." (ZJXK [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.

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 April 26, 2023.

As of December 31, 2022, 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 accounting policies and estimates described in "Section X Financial Report V. Important Accounting Policies and Estimates".

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 "IX. 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
Aging Portfolio	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 the conditions are met simultaneously:

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

(2) Depreciation methods

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

(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

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 significant 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, Shopee). The Company confirms online self operated business revenue when sending out goods, either directly confirmed by consumers or automatically confirmed by the system's default delivery time and meeting the return period terms.

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

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

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

36. Changes of significant accounting policies and accounting estimates

(1) Significant accounting policy changes

Applicable Not applicable

1) Since January 1, 2022, the Company has implemented the provisions of "accounting treatment of products or by-products produced by enterprises before or during the R&D process of fixed assets reaching their expected conditions for use for external sales" in "Interpretation No. 15 of the Accounting Standards for Business Enterprises" issued by the Ministry of Finance. This accounting policy change has no impact on the Company's financial statements.

2) Since January 1, 2022, the Company has implemented the provisions of "judgment of loss contracts" in "Interpretation No. 15 of the Accounting Standards for Business Enterprises" issued by the Ministry of Finance. This accounting policy change has no impact on the Company's financial statements.

3) Since January 1, 2022, the Company has implemented the provisions of "relevant presentation of centralized fund management" in "Interpretation No. 15 of the Accounting Standards for Business Enterprises" issued by the Ministry of Finance. This accounting policy change has no impact on the Company's financial statements.

4) Since December 13, 2022, the Company has implemented the provisions of "accounting treatment of the income tax impact of dividends related to financial instruments classified as equity instruments by issuers" in "Interpretation No. 16 of the Accounting Standards for Business Enterprises" issued by the Ministry of Finance. This accounting policy change has no impact on the Company's financial statements.

5) Since December 13, 2022, the Company has implemented the provisions of "the accounting treatment for enterprises to modify cash settled share-based payments to equity settled share-based payments" in the "Interpretation No. 16 of the Accounting Standards for Business Enterprises" issued by the Ministry of Finance. This accounting policy change has no impact on the Company's financial statements.

(2) Changes in significant accounting estimates

Applicable Not applicable

37. Others**VI. Taxation****1. Main tax types and tax rates**

Tax Type	Tax Basis	Tax rates
VAT	Selling goods or providing taxable services	13.00%, 9.00%, 6.00%, 5.00%, 3.00%, and applicable value-added tax rate for overseas subsidiaries in their registered location
Urban maintenance and construction tax	Payable turnover tax amount	7.00%, 5.00%
Property tax	For ad valorem taxes, the remaining value after deducting 30% from the original value of the property in one go	1.2%
Education surcharge	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.	15.00%
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.	25.00%, 15.00%
ZKTECO DO BRASIL S.A.	25.00%, 15.00%
Limited Liability Company "ZKTeco biometrics and security"	20%
ZK TECHNOLOGY LLC	Not applicable
ZKTECO USA LLC	Not applicable
ZKTECO ARGENTINA S.A.	25.00%, 30.00%, 35.00%
ZKTeco Latam R&D S.A.	25.00%, 30.00%, 35.00%
ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	25.00%, 15.00%
ZKTECO COLOMBIA SAS	31%
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%, 15.00%, 0.00%
Armatura Tech Co., Ltd.	20%, 15.00%, 0.00%
ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI.	23.00%
ZKTECO (M) SDN. BHD.	24%
PT. ZKTECO BIOMETRICS INDONESIA	22.00%, 11.00%
Armatura Co., Ltd.	25.00%, 22.00%, 20.00%, 10.00%
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.	5.00%, 25.00%
ZKTECO SG INVESTMENT PTE. LTD.	17.00%, 4.25%
ZKTECO SINGAPORE PTE. LTD.	17.00%, 4.25%
ZK INTELLIGENT SOLUTIONS (PTY) LTD	28%
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%、15.00%
ZKTECO UK LTD	19%
ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	20%
ZKTECO ROMANIA S.R.L	16%

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%.

ZKCserv Technology Limited Co., Ltd., Dalian ZKTeo CO., Ltd., and Wuhan ZKTeco Perception Technology Co., Ltd. are taxpayers whose sales revenue from providing postal services, telecommunications services, modern services, and life services (hereinafter referred to as the four services) accounts for over 50.00% of the total sales revenue. According to the "Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform" (Announcement No. 39 of 2019 of the General Administration of Customs of the Ministry of Finance, State Administration of Taxation), from April 1, 2019 to December 31, 2021, an additional 10.00% of the current deductible input tax will be added to offset the payable value-added tax. According to the "Announcement of the Ministry of Finance and the State Taxation Administration on Relevant Value-Added Tax Policies for Promoting the Resolution of Difficulties so as to Develop the Difficulty-Ridden Industries in the Service Sector (Announcement No. 11 of the Ministry of Finance and the State Administration of Taxation in 2022)" issued on March 3, 2022, the implementation period of the above-mentioned value-added tax addition and deduction policy was extended to December 31, 2022.

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 2022.

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. 12 of the Ministry of Finance and the State Administration of Taxation, 2021), from January 1, 2021 to December 31, 2022, 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 half based on the preferential policies stipulated in Article 2 of the "Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises" (CS [2019] No. 13).

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. 12 of the Ministry of Finance and the State Administration of Taxation, 2021), from January 1, 2021 to December 31, 2022, the portion of ZKCserv Technology Limited Co., Ltd. that does not exceed RMB 1 million shall be subject to corporate income tax reduction by half based on the preferential policies stipulated in Article 2 of the "Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises" (CS [2019] No. 13).

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 relevant regulations such as the "Law of the People's Republic of China on Enterprise Income Tax", ZKCserv Technology Limited Co., Ltd. would enjoy a preferential corporate income tax rate of 15.00% for high-tech enterprises in 2022.

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 2022.

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 2022.

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. 12 of the Ministry of Finance and the State Administration of Taxation, 2021), from January 1, 2021 to December 31, 2022, 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 half based on the preferential policies stipulated in Article 2 of the "Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises" (CS [2019] No. 13).

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 relevant regulations such as the "Law of the People's Republic of China on Enterprise Income Tax", Wuhan ZKTeco Perception Technology Co., Ltd. would enjoy a preferential corporate income tax rate of 15.00% for high-tech enterprises in 2022.

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 2022 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 2022 was 23.00%.

PT. ZKTECO BIOMETRICS INDONESIA, an Indonesian subsidiary, applies the corporate income tax rate for the year 2022 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 2022 were 4.25% and 17.00% respectively; the income tax rate was 4.25% for those within SGD 100,000, and 17.00% for those exceeding SGD 100,000.

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%.

VII. Notes to Consolidated Financial Statements

1. Monetary fund

Unit: RMB

Item	Ending Balance	Beginning Balance
Cash on hand	2,646,715.85	2,185,396.69
Cash in bank	1,876,652,122.37	513,110,594.31
Other monetary funds	33,646,193.75	57,105,922.99
Total	1,912,945,031.97	572,401,913.99
Including: total amount deposited abroad	200,783,792.34	183,640,918.14
The total amount of funds with restrictions on use due to mortgage, pledge, or freezing	31,118,488.94	56,113,488.23

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.	5,488,562.65	47,529,677.45
ZKTECO CO., LIMITED	15,460,746.98	36,553,332.55
ZKTECO EUROPE SL	13,570,285.55	9,706,688.58
ZKTECO Investment Inc.	12,478,045.71	15,503,322.67
ZK TECHNOLOGY LLC	49,108,592.44	20,758,007.69
ZKTECO SECURITY L.L.C	17,077,386.32	5,486,378.03
Armatura Tech Co., Ltd.	33,067,155.46	1,616,592.97
Total	146,250,775.11	137,153,999.94

Note 3: As of December 31, 2022, the restricted funds include bank acceptance bill margin of RMB 30,551,118.11, funds in transit of RMB 557,108.80, frozen litigation funds of RMB 18.71, pledged guarantee time deposits of RMB 2,243.32, and non withdrawable funds of RMB 8,000.00 on e-commerce platforms. 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. Notes to Consolidated Financial Statements 57. "Assets with Restricted Ownership or Use Rights" for details. Except for the restricted funds mentioned above, there are no other restrictions on the use of funds such as mortgages or pledges.

Note 4: As of December 31, 2022, in the year-end balance of bank deposits, the principal ending balance of time deposits and CDs was RMB 798,921,471.11, and the accrued interest amount was RMB 5,296,813.82, which does not belong to cash and cash equivalents. Please refer to the supplementary information item of 55 Cash Flow Statement in this section 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	204,318,406.05	28,444,682.61
Including:		
Financial products	204,318,406.05	28,444,682.61
Including:		
Total	204,318,406.05	28,444,682.61

3. 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	5,430,619.60	1.26%	5,430,619.60	100.00%	0.00	2,933,930.38	1.00%	2,933,930.38	100.00%	0.00
Including:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	5,430,619.60	1.26%	5,430,619.60	100.00%	0.00	2,933,930.38	1.00%	2,933,930.38	100.00%	0.00
Receivable with combined provision for bad debt reserve	426,173,082.75	98.74%	22,675,158.48	5.32%	403,497,924.27	289,348,654.96	99.00%	15,317,540.52	5.29%	274,031,114.44
Including:										
Accounts receivable with consolidated provision for bad debt reserves according to the credit risk characteristics	426,173,082.75	98.74%	22,675,158.48	5.32%	403,497,924.27	289,348,654.96	99.00%	15,317,540.52	5.29%	274,031,114.44
Total	431,603,702.35	100.00%	28,105,778.08	6.51%	403,497,924.27	292,282,585.34	100.00%	18,251,470.90	6.24%	274,031,114.44

Bad debt reserve made individually: 5,430,619.60

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	408,557.71	408,557.71	100.00%	Expected non-recoverable
Zicom Electronic Securit	365,258.45	365,258.45	100.00%	Expected non-recoverable
Al Asma Technology LLC	346,077.38	346,077.38	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.	295,708.98	295,708.98	100.00%	Expected non-recoverable
SE DASSAULT SYSTEMES	241,994.64	241,994.64	100.00%	Expected non-recoverable
Northwood Investors LLC	240,696.58	240,696.58	100.00%	Expected non-recoverable
Gansu Fourth Construction Group Co., Ltd.	224,676.00	224,676.00	100.00%	Expected non-recoverable
Hainan Zhongkong IOT Technology Co., Ltd.	199,579.00	199,579.00	100.00%	Expected non-recoverable
VENDEMMIA COMERCIO INTERNACIONAL LTDA	197,665.93	197,665.93	100.00%	Expected non-recoverable
Tianjin Eagle Eye Biotechnology Co., Ltd.	193,330.00	193,330.00	100.00%	Expected non-recoverable
Wanqiao Information Technology Co.,Ltd.	165,900.00	165,900.00	100.00%	Expected non-recoverable
ASIA IDENTIFICATION AND SECURITY TECHNOLOGY COMPANY LIMITED	165,065.90	165,065.90	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	98,393.15	98,393.15	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
SECUZAA SECURITY SOLUTIONS LAB PRIVATE LIMITED	96,587.02	96,587.02	100.00%	Expected non-recoverable
Qianxinan Mengku	74,672.00	74,672.00	100.00%	Expected non-

Business Service Co., Ltd.				recoverable
INTELLISMART TECHNOLOGY INC.	73,253.66	73,253.66	100.00%	Expected non-recoverable
RBB Technologies Private Limited	61,422.97	61,422.97	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	36,880.41	36,880.41	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
SECURITY AND SERVICES REDSITE SPA	29,798.11	29,798.11	100.00%	Expected non-recoverable
SARL MICHEL HENRY LEPAUTE	29,041.06	29,041.06	100.00%	Expected non-recoverable
Iss Facility Services (Shanghai) Ltd.	28,152.00	28,152.00	100.00%	Expected non-recoverable
SMARTECH CO. LIMITED	24,537.26	24,537.26	100.00%	Expected non-recoverable
AVANTI SYSTEM D.O.O	20,264.55	20,264.55	100.00%	Expected non-recoverable
Others	235,692.70	235,692.70	100.00%	Expected non-recoverable
Total	5,430,619.60	5,430,619.60		

Bad debt reserve made by portfolio: 22,675,158.48

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Within 1 year (including 1 year)	408,059,760.11	20,402,987.89	5.00%
1-2 years (including 2 years)	17,356,998.56	1,735,699.87	10.00%
2-3 years (including 3 years)	314,076.21	94,222.85	30.00%
Over 3 years	442,247.87	442,247.87	100.00%
Total	426,173,082.75	22,675,158.48	

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	Book balance
Within 1 year (including 1 year)	408,148,527.11

1-2 years	19,594,239.86
2-3 years	1,938,043.20
Over 3 years	1,922,892.18
3-4 years	539,762.25
4-5 years	752,784.17
Over 5 years	630,345.76
Total	431,603,702.35

(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	2,933,930.38	2,496,689.22				5,430,619.60
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	15,317,540.52	7,357,617.96				22,675,158.48
Total	18,251,470.90	9,854,307.18				28,105,778.08

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

Unit: RMB

Item	Write-off amount
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Important accounts receivable verification status:

Unit: RMB

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

No actual verification of accounts receivable in the current period

(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	35,482,757.82	8.22%	2,015,235.85
Customer 2	22,352,110.08	5.18%	1,118,972.50
Customer 3	18,800,631.46	4.36%	940,031.57
Customer 4	17,317,602.50	4.01%	865,880.13
Customer 5	14,290,503.53	3.31%	714,525.18
Total	108,243,605.39	25.08%	

(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	30,444,433.08	98.35%	52,018,868.71	99.56%
1-2 years	343,416.74	1.11%	162,412.96	0.31%
2-3 years	135,428.00	0.44%	54,191.80	0.10%
Over 3 years	31,407.76	0.10%	14,750.00	0.03%
Total	30,954,685.58		52,250,223.47	

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	19,120,530.97	61.77
Supplier 2	1,851,292.25	5.98
Supplier 3	1,215,000.00	3.93
Supplier 4	797,232.83	2.58
Supplier 5	582,458.20	1.88
<u>Total</u>	<u>23,566,514.25</u>	<u>76.14</u>

Other explanations:

None

5. Other receivables

Unit: RMB

Item	Ending Balance	Beginning Balance
Other receivables	34,207,287.53	29,330,524.65
Total	34,207,287.53	29,330,524.65

(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	11,109,121.37	11,256,035.51
Guarantee deposit	14,623,016.19	13,530,037.20
Reserve funds and loans	8,156,672.47	7,528,831.95
Collection and payment on behalf of others	826,216.46	2,887,965.56
Withholding and paying social security and provident fund on behalf of others	1,664,032.00	1,999,527.03
Export tax refund	9,631,295.37	3,047,648.41
Others	694,798.92	479,634.01
Total	46,705,152.78	40,729,679.67

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, 2022	1,161,005.25		10,238,149.77	11,399,155.02
Balance as of January 1, 2022 in the current period				
Provision in current period	359,896.41		739,907.23	1,099,803.64
Canceled after verification in the current period			1,093.41	1,093.41
Balance as of December 31, 2022	1,520,901.66		10,976,963.59	12,497,865.25

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

 Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (including 1 year)	19,689,275.63
1-2 years	4,470,977.43
2-3 years	1,529,919.42
Over 3 years	21,014,980.30
3-4 years	9,890,703.33
4-5 years	9,786,089.34
Over 5 years	1,338,187.63
Total	46,705,152.78

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	6,012,062.77					6,012,062.77

provision for bad debt reserves						
Other receivables with provision for bad debt reserves based on a combination of credit risk characteristics	1,161,005.25	359,896.41				1,520,901.66
Other receivables with insignificant individual amounts but separate provision for bad debt reserves	4,226,087.00	739,907.23		1,093.41		4,964,900.82
Total	11,399,155.02	1,099,803.64		1,093.41		12,497,865.25

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

Unit: RMB

Company name	Amount reversed or recovered	Recovery method
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4) Other accounts receivable actually written off in the current period

Unit: RMB

Item	Write-off amount
Other receivables actually written off	1,093.41

Description for writing off other receivables:

The written off amount of RMB 1,093.41 in 2022 is due to the resignation of employees Zhu Chuanfeng and Zhou Xiao from Shandong Branch, who are expected to be unable to recover their other receivables, resulting in a change in the bad debt reserve for other receivables.

5) 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
Export tax refund	Export tax refund	9,631,295.37	Within 1 year	20.62%	
Shenzhen Zhongan Intelligent Control	Current account	7,772,552.26	2-3 years, more than 3 years	16.64%	6,012,062.77

Technology Co., Ltd.					
People's Government of Zhangmutou Town, Dongguan City	Guarantee deposit	4,800,000.00	Over 3 years	10.28%	
Shenzhen Zhikongtaike Biometric Technology Co., Ltd.	Current account	2,500,000.00	Over 3 years	5.35%	2,500,000.00
ADVANNOTECH (PTY) LTD	Current account	1,559,812.85	Within 1 year, 1-2 years, 2-3 years, more than 3 years	3.34%	1,430,875.19
Total		26,263,660.48		56.23%	9,942,937.96

6. Inventory

(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	95,807,941.08	2,700,265.89	93,107,675.19	145,842,116.37	1,948,228.96	143,893,887.41
Products in process	22,655,606.68		22,655,606.68	18,042,904.46		18,042,904.46
Inventory goods	233,342,447.37	11,987,915.23	221,354,532.14	255,809,845.70	9,158,980.79	246,650,864.91
Contract performance cost	240,067.45		240,067.45	35,165.36		35,165.36
Sending goods	9,566,960.12	80,028.51	9,486,931.61	14,290,033.04	344,218.77	13,945,814.27
Consigned processing materials	1,435,828.52		1,435,828.52	1,685,316.75		1,685,316.75
Total	363,048,851.22	14,768,209.63	348,280,641.59	435,705,381.68	11,451,428.52	424,253,953.16

(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	1,948,228.96	1,178,489.44		426,452.51		2,700,265.89

Inventory goods	9,158,980.79	7,966,419.27		5,137,484.83		11,987,915.23
Sending goods	344,218.77	80,028.51		344,218.77		80,028.51
Total	11,451,428.52	9,224,937.22		5,908,156.11		14,768,209.63

(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	329,942.12	23,142.18	306,799.94	760,307.01	50,654.44	709,652.57
Total	329,942.12	23,142.18	306,799.94	760,307.01	50,654.44	709,652.57

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

Unit: RMB

Item	Change amount	Reasons for changes

If the provision for bad debt reserve of contract assets 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

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	329,942.12	100%	23,142.18	7.01%	306,799.94	760,307.0	100.00%	50,654.4	6.66%	709,652.57
Including:										
Provision for impairment based on a general model of expected credit losses	329,942.12	100%	23,142.18	7.01%	306,799.94	760,307.0	100.00%	50,654.44	6.66%	709,652.57

Total	329,942.12	100%	23,142.18	7.01%	306,799.94	760,307.01	100.00%	50,654.44	6.66%	709,652.57
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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	-27,512.26	0.00	0.00	Provision of bad debts by aging portfolio
Total	-27,512.26	0.00	0.00	—

Other explanations:

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	0.00
Total	10,025,638.89	0.00

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				
Total	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	5,880,824.30	15,940,308.39
Prepaid income tax	10,774,743.22	7,503,839.57
Other prepaid taxes	1,205,787.29	1,523,756.55
Breakeven financial products within one year		60,000,000.00

Accrued interest on time certificates		853,874.43
Others		12,319,911.36
Total	17,861,354.81	98,141,690.30

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	11,997,192.94		11,997,192.94			
Bank CD - Interest	333,967.35		333,967.35			
Total	12,331,160.29		12,331,160.29			0.00

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				
Total	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, 2022 in the current period				

Changes in book balance with significant 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	
		Additio nal investm ent	Reduce d investm ent	Investm ent profit or loss recogni zed under equity method	Adjust ment to other compre hensive income	Change s in other equities	Cash dividen ds or profits declare d to pay	Impair ment provisi on	Others			
I. Joint ventures												
II. Joint venture												
PT. ZKTEC O SECUR ITY INDON ESIA	620,703 .28			- 561,520 .04						32,544. 10	91,727. 34	
CV Square d, Inc.	3,386,3 03.80			- 9,655.0 4						312,354 .23	3,689,0 02.99	
Silk ID System s Inc.	2,320,6 56.54			- 936,317 .17						173,017 .34	1,557,3 56.71	
ZKTEC O SMAR T CITY (THAI LAND) CO., LTD.	1,301,9 58.94			374,497 .57						136,789 .15	1,813,2 45.66	
Subtotal	7,629,6 22.56			- 1,132,9 94.68						654,704 .82	7,151,3 32.70	
Total	7,629,6 22.56			- 1,132,9 94.68						654,704 .82	7,151,3 32.70	

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	446,391,810.26	243,228,046.16
Disposal of fixed assets	465,698.80	
Total	446,857,509.06	243,228,046.16

(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	212,690,465.56	47,294,399.26	8,830,672.29	77,909,090.98	346,724,628.09
2. Increase in current period	207,130,146.86	8,240,597.04	1,779,644.79	15,658,140.46	232,808,529.15
(1) Purchase	13,222,043.52	7,914,612.32	1,603,855.45	12,003,297.16	34,743,808.45
(2) Transferred from construction in progress	190,401,599.38				190,401,599.38
(3) Increase in business merger					
(4) Differences in foreign currency statement translation	3,506,503.96	325,984.72	175,789.34	3,654,843.30	7,663,121.32
3. Decrease in current period	148,206.40	5,931,962.73	796,834.13	1,204,794.26	8,081,797.52
(1) Disposal or retirement	148,206.40	5,931,962.73	796,834.13	1,204,794.26	8,081,797.52
4. Ending balance	419,672,406.02	49,603,033.57	9,813,482.95	92,362,437.18	571,451,359.72
II. Accumulated depreciation					
1. Beginning Balance	28,132,635.40	22,136,008.03	7,033,739.10	46,194,199.40	103,496,581.93
2. Increase in current period	8,970,590.86	4,952,988.44	870,060.71	13,455,172.13	28,248,812.14
(1) Provision	9,103,955.78	4,892,521.67	766,104.94	10,253,290.87	25,015,873.26
(2) Foreign currency translation difference	-133,364.92	60,466.77	103,955.77	3,201,881.26	3,232,938.88
3. Decrease in current period	13,600.37	4,441,236.40	586,387.49	1,644,620.35	6,685,844.61
(1) Disposal or retirement	13,600.37	4,441,236.40	586,387.49	1,644,620.35	6,685,844.61
4. Ending balance	37,089,625.89	22,647,760.07	7,317,412.32	58,004,751.18	125,059,549.46
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	382,582,780.13	26,955,273.50	2,496,070.63	34,357,686.00	446,391,810.26
2. Beginning book value	184,557,830.16	25,158,391.23	1,796,933.19	31,714,891.58	243,228,046.16

(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	57,041,298.90	203,732,622.44
Total	57,041,298.90	203,732,622.44

(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	48,448,261.38		48,448,261.38	115,327,290.28		115,327,290.28
Multimodal Biometrics Digitalization Industrial Base	2,982,941.95		2,982,941.95			

Construction Project						
Equipment	5,610,095.57			5,610,095.57		
Xiamen Software Park Phase III D09 Building 3 and Joint Underground Garage/Parking Lot Project					88,405,332.16	88,405,332.16
Total	57,041,298.90			57,041,298.90	203,732,622.44	203,732,622.44

(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	115,327,290.28	34,941,582.50	101,820,611.40		48,448,261.38	97.30%	Under construction	2,359,113.42			Fundraising, self owned funds, bank loans
Xiamen Software Park Phase III D09 Building 3 and Joint Underground Garage/Parking Lot Project	114,698,740.62	88,405,332.16	175,655.82	88,580,987.98			93.05%	Completed				Own funds
Total	328,740,740.62	203,732,622.44	35,117,238.32	190,401,599.38		48,448,261.38			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	65,402,564.34		1,354,344.67	171,340.34	66,928,249.35
2. Increase in current period	35,161,549.05		255,718.94		35,417,267.99
(1) New lease	35,161,549.05		255,718.94		35,417,267.99
3. Decrease in current period	7,277,654.69		150,554.50	150,425.22	7,578,634.41
(1) Expiration of lease contract	1,073,139.54		60,440.02	150,425.22	1,284,004.78
(2) Lease change	276,062.57				276,062.57
(3) Termination of lease	5,928,452.58		90,114.48		6,018,567.06
4. Foreign currency translation differences	2,246,937.93		27,716.96	2,285.81	2,276,940.70
5. Ending balance	95,533,396.63		1,487,226.07	23,200.93	97,043,823.63
II. Accumulated depreciation					
1. Beginning Balance	22,250,112.08		502,298.46	83,056.45	22,835,466.99
2. Increase in current period	26,946,622.45		427,561.31	74,653.86	27,448,837.62
(1) Provision	26,946,622.45		427,561.31	74,653.86	27,448,837.62
3. Decrease in current period	4,657,528.24		119,577.67	150,425.22	4,927,531.13

(1) Disposal					
(2) Expiration of lease contract	1,073,139.54		60,440.02	150,425.22	1,284,004.78
(3) Lease change					
(4) Termination of lease	3,584,388.70		59,137.65		3,643,526.35
4. Foreign currency translation differences	1,027,499.48		17,653.20	1,221.88	1,046,374.56
5. Ending balance	45,566,705.77		827,935.30	8,506.97	46,403,148.04
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	49,966,690.86		659,290.77	14,693.96	50,640,675.59
2. Beginning book value	43,152,452.26		852,046.21	88,283.89	44,092,782.36

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	61,791,859.00			10,360,684.21	98,801.88	72,251,345.09
2. Increase in current period	10,242,154.37	0.00	0.00	2,474,389.75	5,812.66	12,722,356.78
(1) Purchase	9,663,684.22			2,664,708.63		12,328,392.85
(2) Internal R&D						
(3) Increase in business merger						
(4) Differences in foreign currency statement translation	578,470.15			-190,318.88	5,812.66	393,963.93

3. Decrease in current period						
(1) Disposal						
(2) Differences in foreign currency statement translation						
4. Ending balance	72,034,013.37			12,835,073.96	104,614.54	84,973,701.87
II. Accumulated amortization						
1. Beginning Balance	8,532,913.44			4,869,392.96	31,017.25	13,433,323.65
2. Increase in current period	1,569,914.10	0.00	0.00	1,850,383.69	9,567.64	3,429,865.43
(1) Provision	1,569,914.10			1,814,766.51	6,525.01	3,391,205.62
(2) Differences in foreign currency statement translation				35,617.18	3,042.63	38,659.81
3. Decrease in current period						
(1) Disposal						
(2) Differences in foreign currency statement translation						
4. Ending balance	10,102,827.54			6,719,776.65	40,584.89	16,863,189.08
III. Provision for impairment						
1. Beginning Balance						
2. Increase in current period						
(1) Provision						
(2) Differences in foreign currency statement translation						
3. Decrease in current period						
(1) Disposal						
(2) Differences in foreign currency statement translation						
4. Ending balance						
IV. Book value						
1. Ending	61,931,185.83			6,115,297.31	64,029.65	68,110,512.79

book value						
2. Beginning book value	53,258,945.56			5,491,291.25	67,784.63	58,818,021.44

The proportion of intangible assets formed through internal R&D of the company to the balance of intangible assets at the end of this period is 0.00%.

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	155,865.20		14,396.70			170,261.90
ZK INVESTIMEN TOS DO BRASIL LTDA	298,548.66		27,575.84			326,124.50
Total	454,413.86		41,972.54			496,386.40

(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
170,261.90	ZKTECO (M) SDN. BHD.	2,266,182.71	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

326,124.50	ZK INVESTIMENTOS DO BRASIL LTDA.	-2,794,290.85	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
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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	3,206,728.36	1,680,213.00	2,418,621.12	-59,950.26	2,528,270.50
Renovation works	28,385.99		28,385.99		
Others	605,455.81	138,667.81	224,884.94	-8,801.16	528,039.84
Total	3,840,570.16	1,818,880.81	2,671,892.05	-68,751.42	3,056,310.34

Other explanations:

Other decreases are due to the foreign currency translation difference of RMB -44,640.03 for the subsidiary of the Company, ZKTECO CO., LIMITED, RMB -23,725.20 for the subsidiary of the Company, ZKTECO SG INVESTMENT PTE. LTD., and RMB -386.19 for the 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	32,373,054.68	5,178,158.90	25,095,270.57	3,809,044.38
Unrealized profits from internal transactions	75,228,978.61	14,665,616.31	70,041,956.77	13,427,824.71
Deductible losses	144,679,629.19	21,701,944.38	92,525,295.06	13,878,794.26
Provision for inventory write-down	9,624,621.36	1,622,622.89	7,830,527.27	1,337,195.29
Deferred income	2,039,702.49	305,955.37	688,138.70	103,220.81
Withholding rebates	19,110,934.94	2,746,709.94	32,705,608.65	4,895,445.70
Estimated liabilities	600,000.00	90,000.00	80,046.11	12,006.92
Changes in fair value of trading financial instruments			122,116.65	30,529.15
Share-based payments	2,925,355.23	438,714.49		

Total	286,582,276.50	46,749,722.28	229,088,959.78	37,494,061.22
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(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 assets	23,697,128.76	3,554,569.32	20,150,768.66	3,022,615.30
Changes in fair value of trading financial instruments	21,836.71	3,275.51	851,693.32	127,754.00
Total	23,718,965.47	3,557,844.83	21,002,461.98	3,150,369.30

(3) Details of unconfirmed deferred income tax assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Deductible temporary difference	67,025,921.94	9,395,061.84
Deductible losses	78,251,101.86	72,398,420.64
Total	145,277,023.80	81,793,482.48

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

Unit: RMB

Year	Closing amount	Opening amount	Remarks
2022		3,858,410.08	
2023	22,728,613.61	25,669,736.67	
2024	19,643,972.43	20,474,929.00	
2025	8,690,163.50	8,787,433.48	
2026	6,092,224.82	5,234,131.88	
2027 and beyond	21,096,127.50	8,373,779.53	
Total	78,251,101.86	72,398,420.64	

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	563,981.71		563,981.71	792,842.01		792,842.01
Prepaid equipment payment	563,795.61		563,795.61	3,276,299.82		3,276,299.82
Total	1,127,777.32		1,127,777.32	4,069,141.83		4,069,141.83

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	
Total	9,855,000.00	0.00

21. Notes payable

Unit: RMB

Category	Ending Balance	Beginning Balance
Bank acceptance bill	68,293,818.22	165,377,838.17
Total	68,293,818.22	165,377,838.17

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

22. Accounts payable

(1) Listing of accounts payable

Unit: RMB

Item	Ending Balance	Beginning Balance
Material payment	210,894,468.56	259,453,549.23
Equipment payment	3,130,476.79	3,928,161.64
Service fee	742,705.27	3,057,533.53
Project payment	10,886,449.82	3,435,840.95
Others	346,376.52	909,613.64
Total	226,000,476.96	270,784,698.99

(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	

23. Contract liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Within 1 year (including 1 year)	45,906,147.23	52,031,633.47
1-2 years (including 2 years)	5,800,889.87	5,632,887.77
2-3 years (including 3 years)	4,347,121.85	2,034,776.50

Over 3 years	2,784,681.44	1,066,210.09
Total	58,838,840.39	60,765,507.83

Amount and reasons for significant 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	——

24. 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	40,669,613.39	501,567,099.38	483,731,207.05	58,505,505.72
II. Post-employment welfare - defined contribution plan	132,794.31	31,972,348.87	31,779,445.30	325,697.88
III. Dismissal benefit		373,560.07	263,910.87	109,649.20
Total	40,802,407.70	533,913,008.32	515,774,563.22	58,940,852.80

(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	38,524,561.14	470,979,360.95	452,775,321.24	56,728,600.85
2. Employee benefits	69,355.84	7,787,463.41	7,701,162.83	155,656.42
3. Social insurance	713,586.90	16,565,224.26	16,934,355.63	344,455.53
Including: medical insurance premium	710,038.89	15,174,133.38	15,575,939.73	308,232.54
Work-related injury insurance premium	3,548.01	534,319.07	535,978.20	1,888.88
Birth insurance premium		856,771.81	822,437.70	34,334.11
4. Housing fund	49,866.85	5,751,465.84	5,720,900.84	80,431.85
5. Labor union expenditure and personnel education fund	1,312,242.66	439,091.09	554,972.68	1,196,361.07
6. Other short-term compensation		44,493.83	44,493.83	

Total	40,669,613.39	501,567,099.38	483,731,207.05	58,505,505.72
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(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	130,548.96	31,162,025.55	30,970,386.15	322,188.36
2. Unemployment insurance	2,245.35	810,323.32	809,059.15	3,509.52
Total	132,794.31	31,972,348.87	31,779,445.30	325,697.88

25. Taxes and dues payable

Unit: RMB

Item	Ending Balance	Beginning Balance
VAT	6,423,184.92	7,315,063.41
Enterprise income tax	12,861,731.77	11,932,330.13
Individual income tax	1,582,183.19	1,673,668.44
Urban maintenance and construction tax	423,601.95	435,166.28
Land use tax	8,200.43	9,032.33
Property tax	499,264.69	490,861.17
Education surcharge	449,094.47	433,283.70
Stamp duty	195,980.34	100,688.94
Others	178,563.28	182,282.96
Total	22,621,805.04	22,572,377.36

26. Other payables

Unit: RMB

Item	Ending Balance	Beginning Balance
Other payables	31,429,478.43	30,375,420.91
Total	31,429,478.43	30,375,420.91

(1) Interest payable

Unit: RMB

Item	Ending Balance	Beginning Balance
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Important overdue and unpaid interest:

Unit: RMB

Borrower	Overdue amount	Overdue reason
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(2) Dividends payable

Unit: RMB

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

(3) Other payables

1) List of other payables by nature of money

Unit: RMB

Item	Ending Balance	Beginning Balance
Employee reimbursement	6,747,819.07	5,745,154.97
Payment to be settled	9,597,128.66	9,256,722.02
Withholding and paying social security and provident fund on behalf of others	66,013.83	137,638.62
Current account	3,561,040.08	5,087,272.26
Collection and payment on behalf of others	208,657.13	1,875,440.89
Guarantee deposit	3,321,927.78	1,570,370.39
Others	7,926,891.88	6,702,821.76
Total	31,429,478.43	30,375,420.91

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	

27. Non-current liabilities due within one year

Unit: RMB

Item	Ending Balance	Beginning Balance
Long-term loans due within one year	54,873.94	208,232.85
Lease liabilities due within one year	23,663,351.45	21,368,995.29
Total	23,718,225.39	21,577,228.14

28. Other current liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Sales rebates payable	19,110,934.94	32,705,608.65
Tax to be transferred to output tax	2,062,685.85	2,433,399.16
Total	21,173,620.79	35,139,007.81

Changes in short-term bonds payable:

Unit: RMB

Bond	Face	Issue	Bond	Issue	Beginni	Current	Accruin	Amorti	Current	Ending
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name	value	Date	duration	amount	ng Balance	issue	g interest at face value	zation of excess and discount	repayment		Balance
Total											

29. Long-term loan

(1) Classification of long-term loans

Unit: RMB

Item	Ending Balance	Beginning Balance
Credit borrowings	141,757.54	226,216.85
Total	141,757.54	226,216.85

Explanation of long-term loan classification:

The 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 174,882.77 (equivalent to ZAR 425,175.00), with a loan term from June 14, 2022 to July 1, 2026. As of December 31, 2022, the loan balance was RMB 162,002.06, and the interest balance was RMB 34,629.42, of which RMB 54,873.94 will be repaid within one year.

Other explanations, including interest rate range:

30. Lease liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Lease payment amount	59,266,343.29	48,433,132.36
Unrecognized financing charges	-7,346,274.40	-4,385,495.75
Less: lease liabilities due within one year	-23,663,351.45	-21,368,995.29
Total	28,256,717.44	22,678,641.32

31. Estimated liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance	Cause of formation
Pending litigation	600,000.00	80,046.11	The main reason for the pending litigation on December 31, 2022 is the provision of 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	80,046.11	

32. Deferred income

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance	Cause of formation
Government subsidies	688,138.70	1,508,449.00	156,885.21	2,039,702.49	Financial allocation
Total	688,138.70	1,508,449.00	156,885.21	2,039,702.49	

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	255,930.49			58,999.06			196,931.43	Assets-related
Automation Project of Dongguan Bureau of Industry and Information Technology	373,244.98			60,596.78			312,648.20	Assets-related
Integration of Informatization and Industrializ	58,963.23			25,330.17			33,633.06	Assets-related

ation of Dongguan Bureau of Industry and Information Technology								
Subsidy for Exhibition Hall Decoration		550,000.00		2,676.40			547,323.60	Assets-related
Subsidy for Residency and Decoration		958,449.00		9,282.80			949,166.20	Assets-related
Total	688,138.70	1,508,449.00		156,885.21			2,039,702.49	Assets-related

33. Equity

Unit: RMB

	Beginning Balance	Increase/decrease in this change (+, -)					Ending Balance
		Issue new shares	Bonus	Convert provident fund into shares	Others	Subtotal	
Total Shares	111,369,038.00	37,123,013.00				37,123,013.00	148,492,051.00

Other explanations:

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 per share, an issuance price of RMB 43.32 per share, and a total amount of raised funds of RMB 1,608,168,923.06. After deducting additional external expenses directly related to the issuance of equity securities, such as sponsorship and underwriting fees, lawyer fees, audit and capital verification fees, and information disclosure fees, totaling RMB 150,870,545.46 (excluding tax), the net amount of funds raised by the Company this time is RMB 1,457,298,377.70, of which RMB 37,123,013.00 is included in the paid up capital and RMB 1,420,175,364.70 is included in the capital reserve (capital premium). The above raised funds have been verified by Baker Tilly China Certified Public Accountants (Special General Partnership) and a "Capital Verification Report" (TX Zi [2022] No. 38654) has been issued.

34. Capital reserve

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Capital premium (share capital premium)	568,049,963.23	1,571,045,910.16	150,870,545.46	1,988,225,327.93
Other capital reserves	68,313,695.17	4,633,889.18		72,947,584.35
Total	636,363,658.40	1,575,679,799.34	150,870,545.46	2,061,172,912.28

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

The increase in equity premium in the current period is due to the increase in capital reserves caused by the issuance of new shares in the IPO; the decrease in equity premium in the current period is due to the deduction of IPO related issuance expenses, resulting in a decrease in capital reserve.

The increase of other capital reserves in the current period is the increase of capital reserves caused by the recognition of share-based payment of Class II restricted stock.

35. 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	- 25,505,560.02	32,584,542.52				30,760,782.67	1,823,759.85	5,255,222.65
Translation difference of foreign currency financial statements	- 25,505,560.02	32,584,542.52				30,760,782.67	1,823,759.85	5,255,222.65
Total of other comprehensive income	- 25,505,560.02	32,584,542.52				30,760,782.67	1,823,759.85	5,255,222.65

36. Surplus reserves

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Legal surplus reserve	42,581,853.37	11,393,232.40		53,975,085.77
Total	42,581,853.37	11,393,232.40		53,975,085.77

37. Undistributed profit

Unit: RMB

Item	Current period	Previous period
Undistributed profits before adjustment at end of the previous period	607,725,356.63	447,556,294.45
Undistributed profit at the end of the adjustment period	607,725,356.63	447,556,294.45
Plus: Net profits attributable to parent company in this period	192,239,793.75	170,923,050.93
Less: withdrawal of legal surplus reserves	11,393,232.40	10,753,988.75
Undistributed profit at the end of the period	788,571,917.98	607,725,356.63

Details of undistributed profits at the beginning of the adjustment period:

- 1) Due to the retrospective adjustment of the "Accounting Standards for Enterprises" and related new regulations, the undistributed profit at the beginning of the period was affected by RMB 0.00.
- 2) Due to changes in accounting policies, the undistributed profit at the beginning of the period was RMB 0.00.
- 3) Due to significant accounting error correction, the undistributed profit at the beginning of the period was RMB 0.00.
- 4) Due to changes in the scope of consolidation caused by the same control, the undistributed profit at the beginning of the period was RMB 0.00.
- 5) The total impact of other adjustments on the undistributed profit at the beginning of the period was RMB 0.00.

38. Operating revenue and operating cost

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	1,913,553,132.72	1,065,639,119.43	1,951,290,724.92	1,148,296,169.29
Other businesses	5,006,059.04		3,995,791.18	
Total	1,918,559,191.76	1,065,639,119.43	1,955,286,516.10	1,148,296,169.29

Is the lower of net profit before and after deducting non-recurring profits and losses audited negative

Yes No

Revenue related information:

Unit: RMB

Contract classification	Division 1	Division 2	Operating revenue	Total
Goods type				

Including:				
Smart office products			328,800,143.52	328,800,143.52
Smart entrance and exit management products			1,396,715,150.30	1,396,715,150.30
Smart identity verification products			188,037,838.90	188,037,838.90
Others			5,006,059.04	5,006,059.04
Classification by region of operation				
Including:				
Domestic sales			719,564,575.31	719,564,575.31
Overseas sales			1,198,994,616.45	1,198,994,616.45
Market or customer type				
Including:				
Distribution			1,284,940,494.64	1,284,940,494.64
Direct sales			628,612,638.08	628,612,638.08
Others			5,006,059.04	5,006,059.04
Type of contract				
Including:				
Classification by time of transfer of goods				
Including:				
Classification by contract term				
Including:				
Classification by sales channel				
Including:				
Total				

Information related to performance obligations:

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

39. Tax and surcharges

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
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Urban maintenance and construction tax	3,193,940.53	3,383,157.54
Education surcharge	2,128,701.68	1,956,762.90
Property tax	2,846,813.65	1,566,506.09
Land use tax	106,384.86	108,048.67
Stamp duty	964,342.89	940,091.39
Local education surcharges	1,415,907.22	1,304,508.66
Other taxes and fees for overseas companies	8,365,735.32	7,509,738.46
Others	24,738.72	31,782.91
Total	19,046,564.87	16,800,596.62

40. Selling expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	236,617,683.30	194,610,846.15
Depreciation and amortization expenses	5,743,382.82	3,492,917.33
Exhibition and conference fees	6,391,411.66	3,398,732.98
Transport cost	1,662,004.78	1,653,675.58
Maintenance and testing fees	5,077,448.63	6,636,988.78
Sales and service expenses	14,982,316.55	12,832,511.75
Rental expenses	4,453,303.67	4,857,031.69
Business entertainment expenses	2,225,867.93	1,992,927.21
Travel expense	18,980,805.21	14,916,482.30
Office allowance	6,169,710.05	6,236,012.31
Insurance premium	5,209,135.96	3,871,638.11
Agency fees	8,428,564.29	8,870,534.28
Advertising expense	15,590,300.37	13,921,207.61
Amortization of right-of-use assets	13,459,130.31	12,698,179.62
Share-based payments	1,633,697.55	
Others	14,639,418.09	12,361,883.06
Total	361,264,181.17	302,351,568.76

41. Administrative expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	56,013,706.43	54,831,816.71
Taxes	1,454,391.49	1,172,886.70
Office allowance	3,796,088.25	3,505,538.58
Depreciation and amortization	9,165,472.53	8,269,451.83
Business entertainment expenses	1,656,274.22	2,214,183.13
Repair fee	521,617.42	654,048.11
Travel expense	1,681,329.66	843,083.56
Rent and utilities	3,913,363.05	3,069,751.75
Car expenses	1,648,594.21	1,442,524.43
Low-value consumables	198,337.81	376,801.10
Agency fees	7,357,020.27	5,845,165.39
Communications fee	1,496,049.38	1,315,016.65
Amortization of right-of-use assets	8,134,347.68	6,739,269.06
Share-based payments	763,691.57	
Others	8,948,648.35	13,731,795.16

Total	106,748,932.32	104,011,332.16
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42. R&D expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee remuneration	150,553,917.43	150,649,675.80
Depreciation and amortization expense	4,252,503.03	3,837,155.42
Office allowance	584,001.49	571,714.10
Travel expense	2,717,699.76	3,940,478.27
Business entertainment expenses	32,132.91	183,374.15
Rental fees and utilities	949,867.41	609,751.52
R&D material costs	8,240,298.32	15,539,180.87
Software and technical service fees	8,945,903.92	9,504,194.04
Testing and certification fees	1,817,748.28	2,720,152.57
Amortization of right-of-use assets	2,477,285.95	1,626,980.49
Share-based payments	1,288,530.21	
Others	6,123,958.71	7,604,037.12
Total	187,983,847.42	196,786,694.35

43. Financial expense

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expense	3,101,947.12	3,011,838.38
Less: interest income	28,810,088.84	5,483,270.16
Exchange loss (gain)	-16,566,918.67	15,964,218.14
Handling fee expenditure	1,346,372.88	1,312,205.70
Others	-147.45	-46,375.25
Total	-40,928,834.96	14,758,616.81

44. 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	17,703,715.35	21,593,745.63
Other items related to daily activities	145,303.33	142,629.86
Including: refund of individual income tax handling fee	145,303.33	142,629.86
Total	17,849,018.68	21,736,375.49

45. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income accounted by equity method	2,660,914.13	2,603,284.16
Investment income from disposal of long-term equity investment		3,959.39
Investment income obtained from	1,398,296.69	7,673,287.91

financial products		
Forward foreign exchange settlement and sales contract	-6,488,400.00	1,617,192.50
Total	-2,429,189.18	11,897,723.96

46. 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	-701,013.10	881,961.80
Including: income from changes in fair value generated by derivative financial instruments	-802,315.17	802,315.17
Total	-701,013.10	881,961.80

47. Credit impairment losses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt losses on other receivables	-1,099,803.64	-615,398.83
Impairment losses on debt investments	0.00	0.00
Impairment losses on other debt investments	0.00	0.00
Bad debt losses on long-term receivables	0.00	0.00
Bad debt losses on accounts receivable	-9,854,307.18	-5,682,745.74
Total	-10,954,110.82	-6,298,144.57

48. Asset impairment losses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Inventory depreciation loss and contract performance cost impairment loss	-6,322,267.18	-4,030,831.29
II. Impairment losses on contract assets	27,512.26	-20,969.79
Total	-6,294,754.92	-4,051,801.08

49. 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	6,255.32	84,180.07
Income from disposal of non-current assets - right-of-use assets	81,878.03	32,446.32
Total:	88,133.35	116,626.39

50. 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	850.14	619.10	850.14
Payment not required		249,949.12	
Penalty income	1,100.00	900.00	1,100.00
Others	857,569.35	969,049.37	857,569.35
Total	859,519.49	1,220,517.59	859,519.49

51. Non-operating expenditure

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring profit and loss
External donations	229,024.07	279,804.10	229,024.07
Loss in scrap of non-current assets	442,894.77	317,545.79	442,894.77
Extraordinary losses	2,234,814.59	1,257,460.12	2,234,814.59
Inventory loss	33.77	1,927.02	33.77
Penalty expenses	42,440.26	25,885.76	42,440.26
Others	1,185,704.29	350,705.24	1,185,704.29
Total	4,134,911.75	2,233,328.03	4,134,911.75

52. 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	17,540,609.91	20,792,527.89
Deferred income tax expense	-8,504,898.14	-11,821,048.99
Total	9,035,711.77	8,971,478.90

(2) Accounting profit and income tax expense adjustment process

Unit: RMB

Item	Amount incurred in the current period
Total profits	213,088,073.26
Income tax expenses calculated based on statutory/applicable tax rates	31,963,210.99
The impact of different tax rates applicable to subsidiaries	2,116,773.01
The impact of adjusting previous period income tax	-2,179,909.50
The impact of non-taxable income	-4,056,701.96
The impact of non-deductible costs, expenses, and losses	1,725,241.37
The impact of deductible losses on unrecognized deferred	-1,797,672.48

income tax assets in the prior period of use	
The impact of deductible temporary differences or deductible losses on unrecognized deferred income tax assets in the current period	4,892,770.89
Deduction of technology development expenses	-22,460,014.39
Equipment and appliances purchased by high-tech enterprises with additional deductions	-799,768.00
Salary paid for the placement of disabled individuals with additional deductions	-41,918.54
The impact of tax rate changes on the beginning deferred income tax balance	-166,273.73
Others	-160,025.89
Income tax expense	9,035,711.77

53. Other comprehensive income

Please refer to Note 35 Other Comprehensive Income for details.

54. 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	23,512,457.10	5,483,270.16
Received government subsidies	14,002,267.31	12,128,393.81
Current account	11,104,272.06	22,854,404.64
Restricted funds such as restricted guarantee deposit and funds in transit	27,155,933.36	17,968,601.54
Others	748,702.48	1,381,530.88
Total	76,523,632.31	59,816,201.03

(2) Other cash paid relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Expense payment	167,491,966.00	169,155,212.29
Current account	30,365,380.88	16,935,804.29
Restricted funds such as restricted guarantee deposit and funds in transit	1,870,861.48	5,790,560.99
Others	2,239,832.81	9,568,710.60
Total	201,968,041.17	201,450,288.17

(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
Differences in disposal of subsidiaries	0.00	322.13
Investment losses on forward foreign exchange settlement and sales	6,488,400.00	0.00
Total	6,488,400.00	322.13

(5) Other cash received related to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Financial loan discount	0.00	162,700.00
Total	0.00	162,700.00

(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	29,105,104.03	27,152,605.21
IPO issuance expense	24,960,127.54	0.00
Total	54,065,231.57	27,152,605.21

55. 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	204,052,361.49	186,579,990.76
Plus: provision for asset impairment	17,248,865.74	10,349,945.65
Depreciation of fixed assets, consumption of oil and gas assets and productive biological assets	25,015,873.26	21,364,725.94
Depreciation of right of use assets	27,141,695.03	25,199,873.34
Amortization of intangible assets	2,074,371.52	1,834,393.62
Long-term unamortized expenses	2,671,892.05	2,529,713.99
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	-88,133.35	-116,626.39
Loss on retirement of fixed assets (gains expressed with "-")	442,044.63	318,813.11
Loss from changes in fair value (gains expressed with "-")	701,013.10	-881,961.80
Financial expenses (gains)	-1,587,290.64	6,689,680.89

expressed with "-")		
Investment loss (gains expressed with "-")	6,223,097.99	-11,897,723.96
Decrease of deferred income tax assets (increase expressed with "-")	-8,912,373.67	-11,464,076.34
Increases of deferred income tax liabilities (decrease expressed with "-")	407,475.53	-356,972.64
Decrease of inventory (increase expressed with "-")	73,754,064.85	-96,376,676.86
Decreases of operational receivables (increase expressed with "-")	-71,663,669.41	-99,446,346.72
Increases of operating payables (decrease expressed with "-")	-157,595,144.12	64,820,859.90
Others	4,633,889.18	-1,027,170.62
Net cash flows from operating activities	124,520,033.18	98,120,441.87
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	1,077,608,258.10	516,288,425.76
Less: beginning balance of cash	516,288,425.76	622,905,742.93
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	561,319,832.34	-106,617,317.17

(2) Net cash paid for acquiring subsidiaries in the current period

Unit: RMB

	Amount
Cash or cash equivalents paid for business merger in the current period	0.00
Including:	
Less: cash and cash equivalents held by the Company on the date of acquisition	0.00
Including:	
	0.00
Including:	
	0.00

(3) Net cash received from disposal of subsidiaries in the current period

Unit: RMB

	Amount
Cash or cash equivalents received from the disposal of subsidiaries in the current period	0.00
Including:	
	0.00
Including:	
	0.00
Including:	
	0.00

(4) Composition of cash and cash equivalents

Unit: RMB

Item	Ending Balance	Beginning Balance
I. Cash	1,077,608,258.10	516,288,425.76
Including: Cash on hand	2,646,715.85	2,185,396.69
Bank deposit available for payment at any time	1,072,431,575.41	512,309,497.13
Other monetary funds available for payment at any time	2,529,966.84	1,793,531.94
III. Ending balance of cash and cash equivalents	1,077,608,258.10	516,288,425.76

56. 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:

57. Assets with restricted ownership or use right

Unit: RMB

Item	Ending book value	Reasons for restriction
Monetary funds	31,118,488.94	The bill deposit is RMB 30,551,118.11, the funds in transit are RMB 557,108.80, the frozen litigation funds are RMB 18.71, the restricted funds of e-commerce platform stores are RMB 8,000.00, and bank guarantees are provided to customers. A pledge right of RMB 2,243.32 is established for short-term time deposits;
Notes receivable	0.00	
Inventories	0.00	
Fixed assets	159,995,332.53	See other explanations
Intangible assets	44,838,016.80	See other explanations
Construction in progress - houses and buildings	51,431,203.33	

Debt investment	67,092.75	Provide bank guarantees to customers and establish pledge rights for long-term time deposits
Total	287,450,134.35	

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.

58. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Ending foreign currency balance	Conversion rate	Ending equivalent RMB Balance
Monetary funds			413,539,362.75
Including: USD	50,032,098.82	6.9646	348,453,555.49
EUR	2,520,314.03	7.4229	18,708,039.01
HKD	1,807,157.22	0.8933	1,614,279.32
GBP	125,560.03	8.3941	1,053,963.43
MYR	1,190,317.13	1.5772	1,877,323.76
INR	52,633,205.24	0.0841	4,427,859.70
COP	522,900,013.27	0.0014	750,756.71
MXN	5,425,823.11	0.3577	1,940,705.03
PEN	22,155.55	1.8388	40,740.47
TRL	1,805,666.43	0.3723	672,258.60
ZAR	15,720,818.57	0.4113	6,466,279.44
THB	13,603,795.48	0.2014	2,740,104.24
DNS	8,339,470.57	1.8966	15,816,619.07
IDR	932,327,503.96	0.0004	414,697.67
CLP	291,771,447.00	0.0081	2,372,529.39
ARS	1,740,312.63	0.0394	68,559.20
RUB	7,160,070.92	0.0942	674,250.74
UYU	1,789.00	0.1743	311.76

CRC	8,265.00	0.0118	97.45
GTQ	11.15	0.887	9.89
KRW	374,516,759.00	0.0055	2,068,467.68
Brasilia	695,288.55	1.3174	915,994.82
SGD	275,605.21	5.1831	1,428,489.36
KES	1,107,355.30	0.0564	62,498.27
PYG	436,700.00	0.0009	414.86
NGN	25,589,486.41	0.0156	398,187.00
VND	87,032,547.00	0.0003	25,662.44
AUD	211.15	4.7138	995.32
JPY	10,410,906.00	0.0524	545,094.22
DOP	323.00	0.1243	40.15
DZD	11,400.00	0.0507	578.26
Accounts receivable			375,632,825.84
Including: USD	46,172,805.04	6.9646	321,575,117.98
EUR	1,858,573.66	7.4229	13,796,006.42
HKD			
MYR	592,914.12	1.5772	935,122.03
INR	77,936,632.09	0.0841	6,556,554.38
COP	481,245,767.64	0.0014	690,951.39
MXN	27,364,180.73	0.3577	9,787,603.09
PEN	858,981.68	1.8388	1,579,528.40
TRL	2,208,272.77	0.3723	822,150.94
Brasilia	1,702,367.73	1.3174	2,242,752.35
ZAR	9,021,926.69	0.4113	3,710,894.49
THB	15,245,263.67	0.2014	3,070,732.10
CLP	357,425,945.00	0.0081	2,906,396.66
ARS	474,102.82	0.0394	18,677.17
KRW	862,384,222.00	0.0055	4,762,974.83
NGN	170,907,038.63	0.0156	2,659,410.97
SGD	90,380.93	5.1831	468,453.40
JPY	937,559.00	0.0524	49,088.71
VND	1,392,300.00	0.0003	410.53
Long-term loan			
Including: USD			
EUR			
HKD			
Other receivables			13,876,986.21
Including: USD	949,707.24	6.9646	6,614,331.04
EUR	106,271.17	7.4229	788,840.27

MYR	55,460.00	1.5772	87,469.44
INR	14,150,716.90	0.0841	1,190,453.61
COP	21,663,923.38	0.0014	31,104.10
MXN	3,714,195.77	0.3577	1,328,491.23
PEN	155,200.40	1.8388	285,388.44
TRL	58,854.25	0.3723	21,911.73
Brasilia	342,486.71	1.3174	451,202.67
ZAR	114,543.69	0.4113	47,114.05
THB	4,777,159.70	0.2014	962,225.25
IDR	30,000,000.00	0.0004	13,343.95
CLP	19,022,429.00	0.0081	154,680.22
ARS	1,269,152.43	0.0394	49,997.96
RUB	938,400.00	0.0942	88,367.41
KRW	75,940,000.00	0.0055	419,418.98
NGN	34,990,211.11	0.0156	544,467.64
SGD	62,033.78	5.1831	321,527.29
JPY	7,142,585.00	0.0524	373,971.47
KES	415,000.00	0.0564	23,422.28
PKR	651,868.02	0.0307	20,026.47
VND	200,877,220.00	0.0003	59,230.71
Accounts payable			7,287,559.14
Including: USD	356,094.21	6.9646	2,480,053.73
EUR	221.96	7.4229	1,647.59
MYR	11,207.99	1.5772	17,676.82
INR	6,666,664.06	0.0841	560,844.68
MXN	4,453,901.67	0.3577	1,593,068.77
PEN	22,080.35	1.8388	40,602.19
TRL	332.27	0.3723	123.71
Brasilia	260,276.18	1.3174	342,895.96
ZAR	13,742.50	0.4113	5,652.56
THB	10,100,360.60	0.2014	2,034,435.23
CLP	11,457,932.00	0.0081	93,169.78
RUB	28,985.82	0.0942	2,729.54
NGN	5,491,526.46	0.0156	85,451.28
KES	517,500.00	0.0564	29,207.30
Other payables			6,689,793.07
Including: USD	421,553.78	6.9646	2,935,953.46
EUR	158,180.74	7.4229	1,174,159.81
MYR	36,411.00	1.5772	57,426.07
INR	1,119,278.07	0.0841	94,161.21
COP	5,026,792.00	0.0014	7,217.25
MXN	990,205.33	0.3577	354,176.02

PEN	14,163.06	1.8388	26,043.59
TRL	27,012.42	0.3723	10,056.86
Brasilia	156,486.94	1.3174	206,160.78
ZAR	2,457,290.69	0.4113	1,010,731.61
THB	1,610,747.23	0.2014	324,439.99
CLP	30,576.00	0.0081	248.63
ARS	1,427,021.68	0.0394	56,217.18
KRW	13,293,043.00	0.0055	73,417.89
NGN	3,399,777.93	0.0156	52,902.48
SGD	8,839.79	5.1831	45,817.52
JPY	4,966,343.00	0.0524	260,027.79
VND	2,153,320.00	0.0003	634.93

(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	USD	Sales and procurement are mainly priced in USD
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

59. 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	5,143,783.97	Other income	5,143,783.97

Dongguan Economic and Information Technology Bureau "Human Replacement by Machine" Fund	563,900.00	Deferred income/other income	58,999.06
Subsidy for Residency and Decoration of Management Committee of Xiamen Torch High-Tech Industry Development Zone	958,449.00	Deferred income/other income	9,282.80
Subsidy for Exhibition Hall Decoration of Management Committee of Xiamen Torch High-Tech Industry Development Zone	550,000.00	Deferred income/other income	2,676.40
Stabilization allowance	337,478.73	Other income	337,478.73
Automation Project Subsidy of Dongguan Bureau of Industry and Information Technology	512,000.00	Deferred income/other income	60,596.78
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	25,330.17
Value added tax deduction of 10%	20,596.19	Other income	20,596.19
Employment value-added tax reduction	41,600.00	Other income	41,600.00
Rewards for high-tech enterprise recognition	50,000.00	Other income	50,000.00
Economic Development Bureau of Zhangmutou Town, Dongguan City - Issuing rewards, publicity subsidies, and verification of electronic consumption vouchers on behalf of others	50,000.00	Other income	50,000.00
2022 Innovation Enterprise R&D Investment Subsidy of Dongguan Science and Technology Bureau	1,000,000.00	Other income	1,000,000.00
Dongguan Enterprise Vocational Skill Level Recognition Award and Subsidiary	50,000.00	Other income	50,000.00
One-time job expansion subsidy	109,500.00	Other income	109,500.00
The 23rd China Patent Award and the 9th Guangdong Patent Award (China Patent Excellence Award)	500,000.00	Other income	500,000.00
2022 Dongguan "Double Growth Plan" Service Package Award of Dongguan	663,500.00	Other income	663,500.00

Finance Bureau Treasury Payment Center			
Subsidy Funds from Dongguan Administration for Market Regulation	489,906.38	Other income	489,906.38
Fujian Province Patent Award Bonus (National Patent Award Part)	200,000.00	Other income	200,000.00
Subsidies for enterprise R&D expenses	760,800.00	Other income	760,800.00
Development Award of Management Committee of Xiamen Torch High-Tech Industry Development Zone	100,000.00	Other income	100,000.00
Special Subsidiary for Encouraging Enterprise Application of the Management Committee of Xiamen Torch High-Tech Industry Development Zone	70,000.00	Other income	70,000.00
Support Fund for Increasing R&D Investment of the Management Committee of Xiamen Torch High-Tech Industry Development Zone	1,727,200.00	Other income	1,727,200.00
Contribution Award of Two Zones from the Management Committee of Xiamen Torch High-Tech Industry Development Zone	740,317.00	Other income	740,317.00
Supporting Expenses for the China Patent Award of Xiamen Municipal Market Supervision Bureau	100,000.00	Other income	100,000.00
Singapore Employment Support Scheme	258,163.62	Other income	258,163.62
One-time Training Subsidy for Retention of Workers of Social Security Bureau	1,202,550.00	Other income	1,202,550.00
2022 Employment Support Scheme	163,331.30	Other income	163,331.30
Government subsidies	97,648.46	Other income	97,648.46
Policy Funding for Software and Emerging Digital Industries	177,800.00	Other income	177,800.00
The 8th Guangdong Patent Award City Fund Supporting Award of Dongguan Administration for Market Regulation	200,000.00	Other income	200,000.00
2022 Provincial Special Fund for Promoting High Quality Economic Development of Bureau of Commerce of Dongguan City	955,805.29	Other income	955,805.29
2022 Dongguan Municipal Special Fund for Promoting	1,977,600.00	Other income	1,977,600.00

High Quality Development of Open Economy of Bureau of Commerce of Dongguan City			
Funds for the Second Batch of High-tech Enterprise Recognition and Support Projects in Shenzhen in 2020	100,000.00	Other income	100,000.00
Reduction and Exemption of Value-added Tax for Small-scale Enterprises	1,043.10	Other income	1,043.10
Graduates' Social Security Subsidies	14,048.70	Other income	14,048.70
The government encourages enterprises to recruit workers	7,500.00	Other income	7,500.00
Subsidy from the Social Security Bureau to replace work with training	15,540.00	Other income	15,540.00
Others	221,117.40	Other income	221,117.40
Total	20,432,499.14		17,703,715.35

(2) Return of government subsidies

Applicable Not applicable

Other explanations:

60. 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	ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	January 21, 2022	4,550,000,000.00 VND	100.00%	New establishment on January 21, 2022
2	ZKTECO ROMANIA S.R.L	September 8, 2022	250.00lei	100.00%	New establishment on September 8, 2022

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 INVESTMENTS 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		40.80%	by investment
11.7.4.ZKTECO UK LTD	UK	UK	Sales of goods		51.00%	by investment
11.8.ZKTECO PERU SOCIEDAD ANONIMA CERRADA	Peru	Peru	Sales services		100.00%	Acquisition
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.SOLUCIONES 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.ZKTECO USA LLC	America	America	Sales of goods		80.00%	by investment
11.14.2.Armatura Co., Ltd.	Korea	Korea	Sales of goods		100.00%	Acquisition
11.14.3.ZKTeco Japan Co., Ltd.	Japan	Japan	Sales of goods		100.00%	by investment
11.14.4.ARMATURA 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 INVESTIMENTOS DO BRASIL LTDA.	Brazil	Brazil	Established		99.68%	Acquisition
11.16.1.ZKTECO 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.NGTECO 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

(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%	12,266,571.14	6,003,135.00	12,377,983.42
ZKTECO USA LLC	20.00%	1,186,500.96	602,981.56	5,091,906.81

(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	71,976,229.04	1,110,736.14	73,086,965.18	28,686,703.92	475,387.16	29,162,091.08	38,480,227.87	1,626,274.66	40,106,502.53	18,769,618.77	1,082,596.98	19,852,215.75
ZKTECO USA LLC	40,257,368.66	1,147,107.78	41,404,476.44	15,808,239.19	272,710.13	16,080,949.32	39,495,462.40	260,280.75	39,755,743.15	19,234,764.28		19,234,764.28

Unit: RMB

Name of Subsidiaries	Amount incurred in the current period				Amount incurred in the previous period			
	Operating revenue	Net profit	Total comprehensive	Cash flow from	Operating revenue	Net profit	Total comprehensive	Cash flow from

			sive income	operating activities			sive income	operating activities
ZK TECHNOL OGY LLC	105,152,10 1.01	40,799,217. 21	43,681,037. 32	45,981,089. 51	101,111,25 8.64	44,047,329. 83	43,429,815. 32	43,764,684. 00
ZKTECO USA LLC	82,261,486. 98	5,833,234.6 4	7,950,859.0 5	2,703,493.0 3	78,571,421. 53	7,604,017.2 3	7,055,601.2 6	3,522,273.3 3

2. Equity in joint arrangements or associates

(1) Important joint ventures or associates

Name of joint venture or associate	Main business place	Registration place	Nature of business	Percentage of Shares		Accounting treatment methods for investments in joint ventures or associates
				Direct	Indirect	
Xinhuaxin (Xi'an) Information Technology Co., Ltd. (formerly: Xi'an Huaxin Smart Digital 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	9,875,903.92	7,505,312.72
Non-current assets	2,116,980.59	2,000,290.25
Total assets	11,992,884.51	9,505,602.97
Current liabilities	19,966,606.53	25,180,147.31
Non-current liabilities	337,468.89	768,902.69
Total liabilities	20,304,075.42	25,949,050.00
Minority interests		
Shareholders' equity attributable to the parent company	-8,311,190.91	-16,443,447.03
Net asset share calculated based on shareholding ratio	-1,652,796.67	-7,194,008.08
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	15,177,322.02	9,291,271.13
Net profit	-9,790,310.97	-15,264,718.40
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income		
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
Xinhuaxin (Xi'an) Information Technology Co., Ltd. (formerly: Xi'an Huaxin Smart Digital Technology Co., Ltd.)	-7,194,008.08	-4,970,212.81	-12,164,220.89
ZKTECO SOLUTIONS INC.	-870,537.55	332,410.07	-538,127.48
PT. ZKTECO SECURITY INDONESIA	0.00	-14,844.38	-14,844.38

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 58. 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		204,318,406.05		204,318,406.05
(1) Debt instrument investment		204,318,406.05		204,318,406.05
Total assets continuously measured at fair value		204,318,406.05		204,318,406.05
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 Chapter 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. 2. 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
Xinhuaxin (Xi'an) Information Technology Co., Ltd. (formerly: Xi'an Huaxin Smart Digital Technology Co., Ltd.)	Joint venture
Silk ID Systems Inc.	Joint venture

Other explanations:

On October 17, 2022, the amendment to the Articles of Association of Xinhuaxin (Xi'an) Information Technology Co., Ltd. stipulated that the shareholding ratio of ZKTECO CO., LTD. would be reduced from 43.75% to 19.8864%.

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
Liu Jiajia	Supervisor
Wang Youwu	CFO
Guo Yanbo	Secretary of the board
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 3.28% 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 Technology
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 3.28% 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	An enterprise with independent director Pang Chunlin serving as a 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 party	Content of related party transaction	Amount incurred in the current period	Approved transaction limit	Does it exceed the transaction limit	Amount incurred in the previous period
TVCENLINEA.COM SA DE CV	Purchasing goods	3,188,128.36	1,000,000.00	Yes	1,822,895.42
SB-TELECOMS AND DEVICES LIMITED	Purchasing goods	0.00	10,000.00	No	19,147.56
PSD SECURITY, S.L. (formerly PROFESSIONAL SOFTWARE DEVELOPMENT, S.L.)	Purchasing goods	2,338.21	0.00	Yes	0.00
ZKTECO SMART CITY (THAILAND) CO., LTD.	Purchasing goods	56,390.11	150,000.00	No	147,953.71
Silk ID Systems Inc.	Technology license fee	201,308.93	2,400,000.00	No	2,202,718.12
Xinhuaxin (Xi'an) Information Technology Co., Ltd.	Service fee	268,419.29	500,000.00	No	1,327,472.00
PT. ZKTECO SECURITY INDONESIA	Marketing expenses	426,544.55	0.00	Yes	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 2022 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 party	Content of related party transaction	Amount incurred in the current period	Amount incurred in the previous period
Xinhuaxin (Xi'an) Information Technology Co., Ltd.	Selling goods	0.00	62,690.26
PT. ZKTECO SECURITY INDONESIA	Selling goods	1,444,138.35	4,970,897.74
ZKTECO SMART CITY (THAILAND) CO., LTD.	Selling goods	1,755,587.44	1,431,378.13
TVCENLINEA.COM SA DE CV	Selling goods	33,887,845.85	12,813,452.99
SECURITALY S.R.L	Selling goods	1,283,988.28	1,159,346.23
PSD SECURITY, S.L. (formerly PROFESSIONAL SOFTWARE DEVELOPMENT, S.L.)	Selling goods	7,351,670.43	5,513,557.68
BIO CARD TECNOLOGIA S.R.L	Selling goods	0.00	80,770.41
SB-TELECOMS AND DEVICES LIMITED	Selling goods	0.00	484,403.22
ZKTECO SOLUTIONS INC.	Selling goods	11,418,513.01	4,219,211.23

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 leasee	Types of leased assets	Confirmed rental income in the current period	Rental income recognized in the previous period
PT. ZKTECO SECURITY INDONESIA	Houses and buildings	178,667.91	250,535.64

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	17,500.00	95,372.33	0.00	0.00	1,039,994.86	1,001,335.71	7,890.96	63,510.93	2,676.066.19	2,281,364.64
Xinhua xin (Xi'an) Information Technology Co., Ltd.	Houses and buildings	0.00	100,000.00	0.00	0.00	109,000.00	109,000.00	10,310.19	0.00	257,801.80	0.00
Total		17,500.00	195,372.33	0.00	0.00	1,148,994.86	1,110,335.71	18,201.15	63,510.93	2,933,867.99	2,281,364.64

Information of related leasing situation

(3) Related party fund borrowing and lending

Unit: RMB

Related party	Lending amount	Start Date	Due Date	Remarks
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Borrowing				
Lending				
ZKTECO SOLUTIONS INC.	348,230.00	March 28, 2021	March 27, 2023	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%. At the end of December 31, 2022, the exchange rate was 6.9646 for the loan, which was converted into RMB 348,230.00.

(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	6,078,614.43	5,870,852.50

6. Accounts receivable and payable to related parties

(1) Accounts receivable

Unit: RMB

Project Name	Related party	Ending Balance		Beginning Balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Accounts receivable	Guizhou Zhongjiang Intelligent Technology Co., Ltd.	334,800.21	334,800.21	334,800.21	334,800.21
Accounts receivable	PT. ZKTECO SECURITY INDONESIA	4,038,062.35	287,436.39	6,103,850.23	362,333.77
Accounts receivable	ZKTECO SOLUTIONS INC.	14,290,503.53	714,525.18	4,310,055.38	215,502.77

Accounts receivable	TVCENLINEA.COM SA DE CV	18,800,631.46	940,031.57	8,840,826.27	442,041.31
Accounts receivable	SECURITALY S.R.L	159,062.06	7,953.10	353,093.53	17,654.70
Accounts receivable	ZKTECO SMART CITY (THAILAND) CO., LTD.	453,023.76	22,651.19	45,608.38	2,280.40
Accounts receivable	PSD SECURITY, S.L. (formerly PROFESSIONAL SOFTWARE DEVELOPMENT,S.L.)	2,833,385.37	141,669.27	1,947,048.56	97,352.48
Accounts receivable	BIO CARD TECNOLOGIA S.R.L	0.00	0.00	213,455.89	21,345.59
Other receivables	Guizhou Zhongjiang Intelligent Technology Co., Ltd.	397,428.70	397,428.70	397,428.70	397,428.70
Other receivables	ZKTECO SOLUTIONS INC.	366,547.87	36,132.41	325,990.43	16,299.54
Other receivables	Liu Jiajia	20,893.80	0.00		
Prepayment	SB-TELECOMS AND DEVICES LIMITED	11,980.50	0.00	11,936.39	0.00

(2) Accounts payable

Unit: RMB

Project Name	Related party	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.	52,496.86	38,926.65
Contract liabilities	BIO CARD TECNOLOGIA S.R.L	0.00	9,136.38
Contract liabilities	SB-TELECOMS AND DEVICES LIMITED	17,717.25	79,944.26
Contract liabilities	ZKTECO SMART CITY (THAILAND) CO., LTD.	0.00	400,389.82
Accounts payable	Silk ID Systems Inc.	0.00	233,217.97
Accounts payable	SB-TELECOMS AND DEVICES LIMITED	12,612.61	0.00
Accounts payable	ZKTECO SMART CITY (THAILAND) CO., LTD.	1,379.34	0.00
Accounts payable	TVCENLINEA.COM SA DE CV	428,030.88	91,119.59
Accounts payable	Xinhuaxin (Xi'an) Information Technology Co., Ltd.	268,420.07	0.00
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	0.00
Other payables	Wu Xinke	18,525.84	0.00

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 Company in this period	2,655,900.00
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

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 managers, 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.

2. Equity settled share-based payments

Applicable Not applicable

Unit: RMB

Method for determining the fair value of equity instruments on the grant date	Grant in 2022: 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	4,633,889.18
The total amount of expenses recognized for equity settled share-based payments in this period	4,633,889.18

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.

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.

Item	Fair value per share	Number of shares	The amount of share-based payment generated this time	Amortization total month	Amortization month for 2022	Recognized amount of capital reserve in 2022
November 16, 2022	20.08	1,327,950.00	24,943,777.60	12	1.5	3,117,972.18
	20.61	1,327,950.00	24,254,672.40	24	1.5	1,515,917.00
<u>Total</u>		<u>2,655,900.00</u>	<u>49,198,450.00</u>	-	-	<u>4,633,889.18</u>

In summary, the total amount of share-based payments that the Company should recognize is RMB 49,198,450.00, and the amount included in the 2022 share-based payments is RMB 4,633,889.18.

3. Cash settled share-based payments

Applicable Not applicable

4. Modification and termination of share-based payment

None

5. Others

None

XIV. Commitment and Contingency

1. Significant commitments

Significant commitments on the balance sheet date

As of December 31, 2022, the Company has no significant commitments that need 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 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 Zhongan Intelligent Control, due to conflicts between the Company's and Zhongan Intelligent Control's business philosophy, after mutual consultation, the Company withdrew from Zhongan Intelligent Control 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 Zokon Industry 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 and Shenzhen ZKTeco 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 and Shenzhen ZKTeco from the effective date of the judgment; compensate ZKTECO and Shenzhen ZKTeco 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.ifacelock.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 and Shenzhen ZKTeco (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 Zokon Industry 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 Zokon Industry; other litigation requests from ZKTECO and Shenzhen ZKTeco will be rejected. ZKTECO and Shenzhen ZKTeco 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, Zokon Industry filed an appeal to the Guangdong Higher People's Court, requesting the revocation of the judgments (1), (2), (3), (4), and (5) 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 (6) of the civil judgment (2019) Y 03 MC No. 1932 shall be revised to reject all litigation requests from ZKTECO and Shenzhen ZKTeco, and ZKTECO and Shenzhen ZKTeco 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 Zokon Industry and upholding the original judgment.

On November 3, 2022, Zokon Industry 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 (1), (3) and (5) of the civil judgment (2019) Y 03 MMC No. 1932 made by the Shenzhen Intermediate People's Court, Guangdong Province, while maintaining the judgments (2) and (6); the judgment (4) was legally revised as: Shenzhen Zokon Industry Development Co., Ltd. shall compensate Shenzhen ZKTeco and ZKTECO 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 Zokon Industry.

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 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 shall bear joint and several liability for the payment obligations determined in the judgments (2) and (3); 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, filed an appeal to the Intermediate People's Court of Guiyang City, request to maintain the judgments (1), (2), (3), and (6) of the civil judgment (2020) Q 0115 MC No. 2786 issued by the People's Court of Guanshanhu District, Guiyang City; revoke the judgments (4) and (5) 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, 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.

5. Disputes filed by Zokon Industry over infringement of trademark rights and unfair competition against the Company and Shenzhen Xinjiacheng Intelligent Technology Co., Ltd.

On April 22, 2021, Zokon Industry 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 Zokon Industry 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 Zokon Industry for economic losses and pay reasonable rights protection expenses of RMB 100,000; (4) The defendant ZKTECO 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 Zokon Industry. 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; (5) Reject other litigation requests from Zokon Industry.

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 Zokon Industry 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 Higher People's Court held a trial on April 11, 2023, and as of the date of approval of the financial report, no second instance judgment has been made.

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, 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 Hanwang Technology's patent rights, 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.

As of the date of approval of the financial report, no judgment has been made for Hanwang Technology filing a lawsuit against the Company and its subsidiary XIAMEN ZKTECO regarding patent infringement with case number of (2021) J 73 MC No. 1673, 1675-1679, and 1616-1617.

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 Zokon Industry.

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.

As of the date of approval of the financial report, the Beijing Intellectual Property Court has not yet made a judgment.

3. Others

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. The Company and PT Digital Mediatama Maxima Tbk. (hereinafter referred to as "DMMX") jointly invested and established ZKDIGIMAX PTE. LTD. (hereinafter referred to as "ZKDIGIMAX") in Singapore through the wholly-owned subsidiary of Singapore, ZKTECO SG INVESTMENT PTE.LTD. (hereinafter referred to as "ZKTECO SG INVESTMENT"). The registered capital of ZKDIGIMAX is USD 20 million, of which ZKTECO SG INVESTMENT subscribed USD 16 million and DMMX subscribed USD 4 million. The subsidiary of the Company, ZKTECO SG INVESTMENT PTE. LTD., holds 80% of the shares, while the minority shareholder PT Digital Mediatama Maxima Tbk. holds 20% of the shares.</p> <p>2. 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 Hefei Xingniu Private Equity Fund Management Co., Ltd. (hereinafter referred to as "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</p>	0.00	
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	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.		
Equity transfer	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 per share. After the transfer, LEE KYU WHAN held 10% of the shares in Armatura Co., Ltd.	0.00	

2. Profit distribution

Unit: RMB

Proposed profits or dividends to be distributed	96,519,832.85
Profit distribution plan	The Company has formulated a profit distribution plan for 2022 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. This plan needs to be submitted to the Company's Board of Directors for review and then submitted to the shareholders' meeting for approval before implementation.

3. Description of other events after the balance sheet date

Bank deposits of US subsidiaries and affiliated enterprises

Item 1: SIGNATURE Bank Deposit Matters

On the afternoon of March 12, 2023, the US Treasury, Federal Reserve Board, and Federal Deposit Insurance Corporation issued a joint statement announcing the closure of Signature Bank on the grounds of "systemic risk". As of December 31, 2022, the balance

of bank deposits with the Signature Bank by the sub-subsidiary of the Company, ZK Technology LLC was USD 6,741,223.45, the balance of bank deposits with the Signature Bank by the sub-subsidiary of the Company, ZK INVESTMENTS INC was USD 138,809.04, and the balance of bank deposits with the Signature Bank by the sub-subsidiary of the Company, ZKTECO USA LLC was USD 405,301.08.

The bank deposit of USD 1,000,000.00 deposited by the sub-subsidiary of the Company, ZK Technology LLC, with the Signature Bank was transferred to Columbia Bank on March 13, 2023, and USD 3,000,000.00 was transferred to Magyar Bank from March 15-16, 2023.

The Federal Deposit Insurance Corporation issued a statement on March 19, 2023, stating that it has reached an agreement with Flagstar Bank, a wholly-owned subsidiary of New York Community Bancorp Inc., to sell the majority of the Signature Bank's deposit business and a portion of its loan business. From March 20, 2023, all 40 branches of the Signature Bank will be managed by Flagstar Bank. This transaction does not include approximately USD 4 billion in deposits related to the digital banking business of the Signature Bank. In addition, the approximately USD 60 billion loan business of the Signature Bank is still under the management of the Federal Deposit Insurance Corporation and is awaiting disposal.

On March 20, 2023, New York Community Bancorp Inc. announced that its subsidiary, Flagstar Bank, acquired some assets and assumed some of the liabilities originally owned by New York Signature Bank through the Federal Deposit Insurance Corporation. The transaction has been approved by relevant regulatory authorities and has been completed. The name of Signature Bank is changed to Flagstar Bank.

As of April 17, 2023, the balance of bank deposits with the Signature Bank by the sub-subsidiary of the Company, ZK Technology LLC was USD 3,279,634.05, the balance of bank deposits with the Signature Bank by the sub-subsidiary of the Company, ZK INVESTMENTS INC was USD 342,587.04, and the balance of bank deposits with the Signature Bank by the sub-subsidiary of the Company, ZKTECO USA LLC was USD 340,960.38.

The sub-subsidiaries of the Company, ZK Technology LLC, ZK INVESTMENTS INC and ZKTECO USA LLC, do not involve deposits related to digital banking business deposited with the Signature Bank. The Signature Bank has been acquired by Flagstar Bank, and New York Community Bancorp is the parent company of Flagstar Bank. As of December 31, 2022, New York Community Bancorp had assets of USD 90.1 billion, loans of USD 69 billion, deposits of USD 58.7 billion, and total shareholder equity of USD 8.8 billion. The Company believes that there is no restricted risk in the deposits deposited by its sub-subsidiaries, ZK Technology LLC, ZK INVESTMENTS INC and ZKTECO USA LLC, with the Signature Bank.

Item 2: First Republic Bank Deposit Matters

On March 15, 2023, two of the world's three major rating agencies downgraded First Republic Bank, and S&P Global downgraded the issuer credit rating of First Republic Bank from "A-" to "BB+", categorizing it as speculative or "junk"; Fitch Group has also downgraded its rating from "A-" to "BB". On March 16, 2023, First Republic Bank announced a suspension of payment of common stock dividends. On the same day, 11 major US banks announced that they would inject USD 30 billion in deposits into First Republic Bank to alleviate the liquidity crisis. On March 17, 2023, another credit rating agency, Moody's, also downgraded the rating of First Republic Bank to "junk", on the ground of "rapid deterioration of the operating environment". On April 7, 2023, First Republic Bank stated in a document submitted to regulatory authorities that it would suspend the payment of quarterly cash dividends on preferred shares and stated that this was a "prudent measure to address regulatory oversight".

As of December 31, 2022, the balance of bank deposits with the First Republic Bank by the sub-subsidiary of the Company, ARMATURA LLC was USD 326,242.44, the balance of bank deposits with the First Republic Bank by the sub-subsidiary of the Company, ZKTECO Investment Inc. was USD 278,401.99, and the balance of bank deposits with the First Republic Bank by the sub-subsidiary of the Company, ZKTECO USA LLC was USD 41,632.42.

As of April 17, 2023, the balance of bank deposits with the First Republic Bank by the sub-subsidiary of the Company, ARMATURA LLC was USD 173,820.62, the balance of bank deposits with the First Republic Bank by the sub-subsidiary of the Company, ZKTECO Investment Inc. was USD 203,291.94, and the balance of bank deposits with the First Republic Bank by the sub-subsidiary of the Company, ZKTECO USA LLC was USD 5,047.50.

The First Republic Bank has received USD 30 billion in deposits from 11 large banks in the United States, further enhancing and diversifying its financial position. Currently, all unused liquidity funds exceed USD 70 billion, and more liquidity can be obtained through the Federal Reserve's announced "Bank Term Financing Plan". In addition, each deposit account of the Company has a deposit balance of less than USD 250,000 in the First Republic Bank. The Company believes that there is no restricted risk in the deposits deposited by sub-subsidiaries ARMATURA LLC, ZKTECO Investment Inc. and ZKTECO USA LLC with the First Republic Bank.

Applying for Comprehensive Credit Line from Banks and Handling Bank Loans

The "Proposal on Applying for Comprehensive Credit Line from Banks and Handling Bank Loans" formulated by the Company (this proposal still needs to be reviewed by the shareholders' meeting): 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 (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 controlling subsidiaries. The above credit extensions include credit, mortgage, guarantee, and margin. The term of this comprehensive credit line 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 XYXXZE 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 XYXXZYT 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.

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.

Using idle own funds to purchase financial products

The "Proposal on Using Idle Self-owned Funds to Purchase Financial Products" formulated by the Company (this proposal still needs to be reviewed by the shareholders' meeting): In order to improve the efficiency of using idle self-owned funds of the Company, while meeting the normal operation of the Company and its subsidiaries and ensuring fund safety, some idle self-owned funds will be used to purchase highly safe and liquid financial products, in order to improve the efficiency of using the Company's own funds, and increase the Company's investment income. The maximum amount of idle self-owned funds that the Company and its subsidiaries plan to use for purchasing financial products shall not exceed RMB 1 billion. The above funds will be recycled within the validity period of the resolution. The term of this investment is from the date of approval at the 2022 annual general meeting to the time of the 2023 annual general meeting.

Carry out forward foreign exchange settlement and sales business

The "Proposal on Carrying out Forward Foreign Exchange Settlement and Sales in 2023" formulated by the Company (this proposal still needs to be reviewed by the shareholders' meeting): Due to the relatively high proportion of the Company's export business, the Company's exported goods are mainly settled in USD. Given the increasing volatility of the foreign exchange market, in order to reduce the impact of exchange rate fluctuations on the Company's operating performance, the Company and its subsidiaries plan to carry out forward foreign exchange settlement and sales transactions in 2023. The Company plans to conduct forward foreign exchange settlement and sales business with an amount not exceeding the equivalent of USD 50 million in 2023. Within the above limit, it can be used in a circular rolling manner. The validity period of this authorization shall be from the date of approval by the Board of Directors to the date of convening the board meeting or shareholders' meeting to review the amount of forward foreign exchange settlement and sales business for the next year.

Change the implementation location and total investment amount of some raised fund investment projects, and adjust some construction contents

The "Proposal on Changing the Implementation Location and Total Investment Amount of Some Raised Fund Investment Projects, and Adjusting Some Construction Contents" formulated by the Company (this proposal still needs to be reviewed by the shareholders' meeting): The Company originally planned to purchase the property at "6775 Meadow Ln, Alpharetta, GA 30005" to build American Manufacturing Factory Construction Project. Due to the continuous rise in real estate prices in Georgia, the original planned purchase price of the factory building has been constantly adjusted. The adjusted purchase cost of the building has increased by more than 40% compared to the Company's initial budget, which has hindered the Company's purchase plan for the factory building. At the same time, the Company has been actively seeking suitable locations for the implementation of the American Manufacturing Factory Investment Project, but has not been able to find suitable properties for the construction of the investment project. Given the importance and urgency of implementing the US investment project, as well as considering various factors such as supply chain stability and security, the Company plans to adjust the implementation location of the US investment project from "6775 Meadow Ln, Alpharetta, GA 30005" to "1600 Union Hill Rd, Alpharetta, GA 30005", and to implement the US factory construction project from purchasing factory buildings to building new facilities on the US subsidiary's own premises. After adjustment, the total investment added for 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.

XVI. Other Important Events

1. Others

1. On July 6, 2022, the Company and HSBC Bank (China) Company Limited extended the "Facility Letter" issued on August 11, 2020, with the new letter number CN11002483543-220601. The credit grantor provided 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.

2. On June 22, 2022, the Company approved the resolution of 2021 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 1.8 billion in 2022 (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 2022 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 2021 annual general meeting to the time of the 2022 annual general meeting.

3. On November 15, 2022, the Company and Dongguan Branch of China Merchants Bank Co., Ltd. signed a supplementary "Credit Agreement" numbered 769XY2022038068 and "Bank Acceptance Cooperation Agreement". According to the "Credit Agreement", the credit grantor provided the Company with a credit line of RMB 100 million (including revolving and/or one-time

lines), and the credit business types include but are not limited to payment for goods/order loans, trade financing, bill discounting, commercial bill acceptance, commercial acceptance bill confirmation/discounting, international/domestic letter of guarantee, customs tax payment guarantee, and other various credit businesses. The credit period of this "Credit Agreement" starts from November 15, 2022 and ends on November 14, 2023.

4. On November 25, 2022, the subsidiary of the Company, ZKTECO (GUANGDONG) CO., LTD, signed a "Bank Acceptance Agreement" numbered DY (0019) 2022 CD Zi No. 005165 with Dongguan Branch of Bank of Dongguan Co., Ltd., granting the Company a credit line of RMB 62.5 million, with a valid period from November 18, 2022 to November 17, 2024, and Dongguan Bank agreed to accept bills of exchange opened within this credit line. ZKTECO (GUANGDONG) CO., LTD must open a deposit account with Dongguan Bank and pay a deposit of 20% of the face amount of the bill of exchange before acceptance. After this Agreement takes effect, the unused amount in the "Bank Acceptance Agreement" numbered DY (9973) 2021 CD Zi No. 032547 shall become invalid.

5. On January 24, 2022, the Company signed a "Bank Acceptance Agreement" numbered DY (9973) 2022 CD Zi No. 001127 with Dongguan Branch of Bank of Dongguan Co., Ltd. Dongguan Bank granted the Company a credit line of RMB 112.5 million for bank acceptance bill business, with a valid period from January 12, 2022 to December 7, 2023. Dongguan Bank agreed to accept bills of exchange issued by the Company within this credit line, and the Company must open a deposit account with Dongguan Bank and pay a deposit of not less than 20% of the total amount of the bill of exchange before acceptance.

6. On April 14, 2022, the Company signed a "Credit Line Agreement" numbered GED476790120220020 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 10, 2023.

7. 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.

8. In August 2022, Dongguan Tangxia Sub-branch of Industrial Bank Co., Ltd. issued the "Comprehensive Service 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 pilot 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).

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	3,224,671.15	0.54%	3,224,671.15	100.00%		2,026,840.53	0.38%	2,026,840.53	100.00%	0.00
Including:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	3,224,671.15	0.54%	3,224,671.15	100.00%		2,026,840.53	0.38%	2,026,840.53	100.00%	0.00
Receivable with combined provision for bad debt reserve	590,426,593.17	99.46%	5,532,259.48	0.94%	584,894,333.69	525,512,924.95	99.62%	5,504,254.83	1.05%	520,008,670.12
Including:										
Related Party Portfolio	492,232,071.11	82.92%			492,232,071.11	421,917,983.74	79.98%			421,917,983.74
Accounts receivable	98,194,522.06	16.54%	5,532,259.48	5.63%	92,662,262.58	103,594,941.21	19.64%	5,504,254.83	5.31%	98,090,686.38

le with consolidated provision for bad debt reserves according to the credit risk characteristics										
Total	593,651,264.32	100.00%	8,756,930.63	1.48%	584,894,333.69	527,539,765.48	100.00%	7,531,095.36	1.43%	520,008,670.12

Bad debt reserve made individually: 3,224,671.15

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	408,557.71	408,557.71	100.00%	Expected non-recoverable
Zicom Electronic Securit	365,258.45	365,258.45	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	197,665.93	197,665.93	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	98,393.15	98,393.15	100.00%	Expected non-recoverable
Guizhou Zhongjiang Intelligent Technology Co., Ltd.	77,919.46	77,919.46	100.00%	Expected non-recoverable
Qianxinan Mengku Business Service Co., Ltd.	74,672.00	74,672.00	100.00%	Expected non-recoverable

INTELLISMART TECHNOLOGY INC.	73,253.66	73,253.66	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	36,880.41	36,880.41	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
Others	15,329.09	15,329.09	100.00%	Expected non-recoverable
Total	3,224,671.15	3,224,671.15		

Bad debt reserve made by portfolio: 5,532,259.48

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Within 1 year (including 1 year)	91,834,976.67	4,591,748.84	5.00%
1-2 years (including 2 years)	5,895,254.81	589,525.48	10.00%
2-3 years (including 3 years)	161,864.88	48,559.46	30.00%
Over 3 years	302,425.70	302,425.70	100.00%
Total	98,194,522.06	5,532,259.48	

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	Book balance
Within 1 year (including 1 year)	584,084,680.04
1-2 years	7,182,125.21
2-3 years	987,195.33
Over 3 years	1,397,263.74
3-4 years	70,004.12
4-5 years	700,525.86
Over 5 years	626,733.76
Total	593,651,264.32

(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	Redeem/redem	Others	

			reversal	ption		
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	2,026,840.53	1,197,830.62				3,224,671.15
Accounts receivable with significant individual amounts and separate provision for bad debt reserves	0.00	0.00				0.00
Accounts receivable with consolidated provision for bad debt reserves according to the credit risk characteristics	5,504,254.83	28,004.65				5,532,259.48
Total	7,531,095.36	1,225,835.27				8,756,930.63

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

Unit: RMB

Item	Write-off amount
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Important accounts receivable verification status:

Unit: RMB

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

No actual verification of accounts receivable in the current period:

(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	211,405,773.46	35.61%	
Customer 2	153,563,269.68	25.87%	
Customer 3	29,740,217.56	5.01%	

Customer 4	16,560,423.10	2.79%	
Customer 5	14,290,503.53	2.41%	714,525.18
Total	425,560,187.33	71.69%	

(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.

2. Other receivables

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest receivable	122,433.25	23,475.57
Other receivables	33,858,122.01	32,535,035.10
Total	33,980,555.26	32,558,510.67

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest on related party loans	122,433.25	23,475.57
Total	122,433.25	23,475.57

2) Significant overdue interest

Unit: RMB

Borrower	Ending Balance	Overdue time	Overdue reason	Whether impairment occurred and its judgment basis
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Other explanations:

There were no significant overdue interests during each reporting period.

3) Provision for bad debt reserves

Applicable Not applicable

(2) Other receivables**1) Classification of other receivables based on nature of payment**

Unit: RMB

Payment nature	Closing book balance	Opening book balance
Current account	26,728,933.46	30,383,061.90
Guarantee deposit	1,910,792.36	1,957,542.84
Reserve funds and loans	3,231,834.22	2,490,576.88
Collection and payment on behalf of others	286,952.43	2,131,114.24
Withholding and paying social security and provident fund on behalf of others	960,569.04	1,415,315.06
Export tax refund	9,631,295.37	3,047,648.41
Total	42,750,376.88	41,425,259.33

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, 2022	53,395.95		8,836,828.28	8,890,224.23
Balance as of January 1, 2022 in the current period				
Provision in current period	-395.95		2,426.59	2,030.64
Balance as of December 31, 2022	53,000.00		8,839,254.87	8,892,254.87

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

 Applicable Not applicable

As of December 31, 2022, the Company's individual provision for bad debt reserves is: ① The equity transfer payment of RMB 2,500,000.00 from Shenzhen Zhikongtaike Biometric Technology Co., Ltd. is expected to be unrecoverable; ② The operating capital of RMB 6,012,062.77 paid by the Company to Shenzhen Zhongan Intelligent Control Technology Co., Ltd. in previous years is expected to be unrecoverable. The Company considers fully withdrawing bad debt reserves out of caution.

Disclosure by aging

Unit: RMB

Aging	Book balance
Within 1 year (including 1 year)	15,916,616.20
1-2 years	14,792,826.76
2-3 years	409,311.13
Over 3 years	11,631,622.79
3-4 years	2,747,578.23

4-5 years	8,133,140.36
Over 5 years	750,904.20
Total	42,750,376.88

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	53,395.95	-395.95				53,000.00
Other receivables with insignificant individual amounts but separate provision for bad debt reserves	2,824,765.51	2,426.59				2,827,192.10
Total	8,890,224.23	2,030.64				8,892,254.87

4) Other accounts receivable actually written off in the current period

Unit: RMB

Item	Write-off amount

Other major receivable written off:

Unit: RMB

Company name	Nature of other accounts receivable	Write-off amount	Write-off reason	Verification and cancellation programs that have	Whether the payment is incurred due to related

				been performed	transactions
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Description for writing off other receivables:

No other accounts receivable actually written off in the current period;

5) 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
Export tax refund	Export tax refund	9,631,295.37	Within 1 year	22.53%	
Shenzhen Zhongan Intelligent Control Technology Co., Ltd.	Current account	7,772,552.26	2-3 years, more than 3 years	18.18%	6,012,062.77
Wuhan ZKTeco Perception Technology Co., Ltd.	Current account	6,580,000.00	Within 1 year, 1-2 years	15.39%	
Shenzhen Zhikongtaike Biometric Technology Co., Ltd.	Current account	2,500,000.00	Over 3 years	5.85%	2,500,000.00
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	Current account	1,941,963.89	1-2 years	4.54%	
Total		28,425,811.52		66.49%	8,512,062.77

6) 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;

7) 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	781,906,396.17		781,906,396.17	400,533,404.13		400,533,404.13
Total	781,906,396.17		781,906,396.17	400,533,404.13		400,533,404.13

(1) Investment in subsidiaries

Unit: RMB

Investee	Beginning balance (book value)	Increase or decrease in the current period				Ending balance (book value)	Ending balance of impairment provision
		Additional investment	Reduced investment	Impairment provision	Others		
Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	12,608,518.14					12,608,518.14	
Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	2,000,000.00	11,694.58				2,011,694.58	
ZKTECO CO., LIMITED	117,693,732.00	15,847,754.20				133,541,486.20	
XIAMEN ZKTECO CO., LTD.	100,000,000.00	650,998.35				100,650,998.35	
Xiamen Zkteco Biometric Identification Technology Co., Ltd.	38,986,734.80					38,986,734.80	
ZKCserv Technology Limited Co., Ltd.	510,000.00					510,000.00	
ZKTECO (GUANGDONG) CO., LTD	100,000,000.00	336,416,752.35				436,416,752.35	
Dalian ZKTeo Co., Ltd.	3,000,000.00	75,306.01				3,075,306.01	
Xi'an ZKTeco Co., Ltd.	36,392.25	42,171.37				78,563.62	
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	5,100,000.00					5,100,000.00	
Hubei ZKTeco Co., Ltd.	3,510,000.00	708.76				3,510,708.76	
ZKTECO SG INVESTMENT PTE. LTD.	17,088,026.94	28,193,827.50				45,281,854.44	
ZKTeco Sales Co., Ltd.		133,778.92				133,778.92	
Total	400,533,404.13	381,372,992.04				781,906,396.17	

(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
		Additio nal investm ent	Reduce d investm ent	Investm ent profit or loss recogni zed under equity method	Adjust ment to other compre hensive income	Change s in other equities	Cash dividen ds or profits declare d to pay	Impair ment provisi on	Others		
I. Joint ventures											
II. Joint venture											

4. Operating revenue and operating cost

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Main business	1,540,809,415.40	1,144,810,483.95	1,926,344,535.04	1,498,995,492.43
Other businesses	1,729,304.31		3,944,901.99	
Total	1,542,538,719.71	1,144,810,483.95	1,930,289,437.03	1,498,995,492.43

Revenue related information:

Unit: RMB

Contract classification	Division 1	Division 2	Operating revenue	Total
Goods type				
Including:				
Smart office products			270,233,255.69	270,233,255.69
Smart entrance and exit management products			1,127,833,440.78	1,127,833,440.78
Smart identity verification products			142,742,718.93	142,742,718.93
Others			1,729,304.31	1,729,304.31
Classification by region of operation				
Including:				
Domestic			715,744,784.88	715,744,784.88
Overseas			826,793,934.83	826,793,934.83
Market or customer type				
Including:				
Distribution			1,360,717,434.43	1,360,717,434.43
Direct sales			180,091,980.97	180,091,980.97
Others			1,729,304.31	1,729,304.31
Type of contract				
Including:				
Classification by time of transfer of goods				
Including:				

Classification by contract term				
Including:				
Classification by sales channel				
Including:				
Total				

Information related to performance obligations:

None

Information related to the transaction price allocated to the remaining performance obligations:

The corresponding revenue amount for performance obligations that have been signed but have not yet been fulfilled or fully fulfilled at the end of this reporting period is RMB 0.00.

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	40,000,000.00	39,000,000.00
Investment income from financial products	801,770.27	6,755,345.46
Forward foreign exchange settlement and sales contract	-6,488,400.00	1,617,192.50
Total	34,313,370.27	47,372,537.96

6. Others

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	-353,911.28	
Government subsidies included in current profits and losses (except those closely related to the normal business of the Company, which are in line with national policies and regulations and continue to be enjoyed in accordance with certain standards or quotas)	12,705,234.71	Mainly due to a slight decrease in government subsidies compared to the previous period

Capital occupancy fees charged to non-financial enterprises included in current profits and losses	50,026.13	
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	-5,791,116.41	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	-2,833,347.63	
Less: income tax impact	722,071.62	
Minority interest impact	157,523.35	
Total	2,897,290.55	--

Specific situation 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	9.39%	1.5027	1.5235
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	9.25%	1.4796	1.5005

3. Differences in accounting data under domestic and foreign accounting standards

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

Applicable Not applicable

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

Applicable Not applicable