ZKTECO CO., LTD.

2026 Half Year Report

Announcement No.: 2026-071

August 2026

Section I Important Notes, Contents and Definitions

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

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

All directors have attended the board meeting to review this Half Year Report.

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

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

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

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Documents Available for Inspection

I. The original text of the 2026 Half Year Report signed by the Company’s legal representative and stamped by the Company;

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

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

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

Definitions

Terms	Refers to	Definitions
Company, the Company, ZKTeco	Refers to	ZKTECO CO., LTD.
ZKTeco Times	Refers to	Shenzhen ZKTeco Times Investment Co., Ltd., a controlling shareholder of the Company
JYHY	Refers to	Shenzhen JYHY Investment Enterprise (Limited Partnership), a shareholder of the Company
JYSJ	Refers to	Shenzhen JYSJ Investment Enterprise (Limited Partnership), a shareholder of the Company
LX Investment	Refers to	Dongguan LX Investment Partnership Enterprise (Limited Partnership), a shareholder of the Company
JYLX	Refers to	Shenzhen JYLX Consulting Enterprise (Limited Partnership), a shareholder of the Company
JYQL	Refers to	Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership), a shareholder of the Company
Guangdong ZKTeco	Refers to	ZKTeco (Guangdong) Co., Ltd., a wholly-owned subsidiary of the Company
Shenzhen ZKTeco	Refers to	Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., a wholly-owned subsidiary of the Company
Xiamen ZKTeco	Refers to	Xiamen ZKTeco Co., Ltd., a wholly-owned subsidiary of the Company
Longzhiyuan	Refers to	Shenzhen Longzhiyuan Technology Company Limited by Shares (later renamed Shenzhen Longzhiyuan Technology Co., Ltd.). The Company acquired 55% of its equity in 2025, and it became a controlling subsidiary of the Company and was included in the Company's consolidated financial statements.
Company Law	Refers to	Company Law of the People's Republic of China
Securities Law	Refers to	Securities Law of the People's Republic of China
Articles of Association	Refers to	Articles of Association of ZKTECO CO., LTD.
A shares	Refers to	RMB denominated ordinary shares
RMB, RMB '0,000	Refers to	RMB, RMB '0,000
Reporting Period	Refers to	January to June 2026
End of Reporting Period	Refers to	June 30, 2026
CV	Refers to	Computer Vision
BioCV	Refers to	Biometrics & Computer Vision
Biometrics	Refers to	A computer technology that utilizes the analysis of human biological characteristics to distinguish biological organisms. It is used for personal identification by a close combination of computer technology with high-tech methods such as optics, acoustics, biosensors, and biostatistics, and utilizing the inherent physiological characteristics of the human body (fingerprints, facial features, palm veins, iris, etc.) or behavioral characteristics (sound, gait, etc.)
Computer Vision	Refers to	Used to simulate biological vision using cameras, computers, and related equipment; simulate human visual abilities, capture and process three-dimensional information of the scene by using optical systems and image processing tools, understand and command specific devices to execute decisions
RF, RFID	Refers to	Radio Frequency Identification (RFID), a wireless communication technology that can identify specific targets and read and write relevant data through radio signals without establishing mechanical or optical contact between the identification system and specific targets
Internet of Things/IoT	Refers to	Used to connect any object to the network by using information sensing devices and following agreed protocols. The object exchanges and communicates information through information dissemination media to achieve intelligent recognition, positioning, tracking, supervision, and other functions
SMED	Refers to	Single Minute Exchange of Die, a process improvement method that minimizes the product die exchange time, production startup time, or adjustment time of the die. It can significantly

		shorten the time required for machine installation and die exchange setting
SaaS	Refers to	Software-as-a-Service, a software model that provides software applications through the Internet
MRP	Refers to	Material Requirement Planning, the process in which a production enterprise gradually derives the production and procurement plans for the components, raw materials, and other materials required for the production of the main product based on the production plan, the structure of the main product, and the inventory situation
SAM	Refers to	Secure Access Module, a module used for encrypting and decrypting identity card information
SMT	Refers to	Surface Mount Technology, a circuit assembly technology used to install surface mounted components without pins or with short leads on the surface of printed circuit boards (PCBs) or other substrates, and then solder and assemble them through methods such as reflow soldering or immersion soldering
PCBA	Refers to	Printed Circuit Board Assembly, the process of soldering components onto a PCB substrate to form a printed circuit board (PCB)
AI	Refers to	Artificial Intelligence
AIoT	Refers to	The Artificial Intelligence of Things
IoT	Refers to	Internet of Things
Rebate	Refers to	The rebate the Company provides to dealers based on the rebate policy and the completion of dealer performance
SDK	Refers to	Software Development Kit
BioCode	Refers to	Biometric feature code, converted from encrypted biometric features
MES	Refers to	Manufacturing Execution System, a production information management system for the shop floor of manufacturing enterprises.
QMS	Refers to	Quality Management System, the management system that directs and controls an organization in terms of quality. It is a systematic quality management model established within an organization to achieve quality objectives.
APS	Refers to	Advanced Planning and Scheduling system, an information management system used to optimize production planning and scheduling.
AIGC	Refers to	Artificial Intelligence Generated Content, the process of generating content using AI technologies, including text, images, audio, and video, etc.
HTTPS	Refers to	Hyper Text Transfer Protocol Secure, a protocol for secure communication on the World Wide Web and is the secure version of HTTP (Hypertext Transfer Protocol).
ChatGPT	Refers to	The large language model developed by the American company OpenAI.
SMB	Refers to	Small and Medium-sized Businesses.
EEG	Refers to	Electroencephalogram
fNIRS	Refers to	Functional Near-Infrared Spectroscopy

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

Section II Company Profile and Key Financial Indicators

I. Company Information

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

II. Contacts and Contact Information

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

III. Other Information

1. Company's Contact Information

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

□ Applicable ☑Not applicable

The registered address, office address, postal code, website, email address, etc. of the Company have not changed during the reporting period, as detailed in the 2025 Annual Report.

2. Information Disclosure and Place of the Report

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

☑Applicable □ Not applicable

Website of the stock exchange for disclosing the Half Year Report	Shenzhen Stock Exchange (http://www.szse.cn)

media and website for the disclosure of the Half Year Report	Securities Times, China Securities Journal, Shanghai Securities News, and CNINFO (http://www.cninfo.com.cn)
Storage location of the Company's Half Year Report	Office of the Company's Board of Directors No.32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China

3. Registration Change

Whether the registration changed during the reporting period?

□ Applicable ☑Not applicable

The Company's registration remained unchanged during the reporting period, as detailed in the 2025 Annual Report.

IV. Main Accounting Data and Financial Indicators

Does the Company need to retroactively adjust or restate accounting data from previous years

□ Yes ☑No

	Current reporting period	The same period last year	YoY change during the reporting period
Operating revenue (RMB)	1,098,427,084.69	929,258,759.50	18.20%
Net profit attributable to shareholders of listed companies (RMB)	79,664,695.17	93,235,556.28	-14.56%
Net profit attributable to shareholders of listed companies after deducting non-recurring profits and losses (RMB)	30,395,608.96	84,430,913.49	-64.00%
Net cash flows from operating activities (RMB)	50,492,267.08	169,183,153.56	-70.16%
Basic earnings per share (RMB/share)	0.3399	0.3999	-15.00%
Diluted earnings per share (RMB/share)	0.3370	0.3996	-15.67%
Weighted average return on net assets	2.29%	2.75%	-0.46%
	At the end of this reporting period	The end of the previous year	Increase or decrease at the end of this reporting period compared to the end of the previous year
Total assets (RMB)	4,940,631,801.95	4,954,810,629.48	-0.29%
Net assets attributable to shareholders of listed companies (RMB)	3,422,314,489.38	3,481,488,420.71	-1.70%

Companies with equity incentives and employee stock ownership plans may disclose net profit after deducting the impact of share-based payment.

Major Accounting Data	Current reporting period	The same period last year	YoY change during the current period (%)
Net profit excluding the	117,733,858.44	116,462,323.17	1.09%

impact of share-based payment (RMB)			

V. Differences in Accounting Data between Domestic and Foreign Accounting Standards

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

□ Applicable ☑Not applicable

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

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

□ Applicable ☑Not applicable

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

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

☑Applicable □ Not applicable

Unit: RMB

Item	Amount	Remarks
Losses and gains from disposal of non-current assets (including the offsetting portion of the provision for asset impairment)	-305,355.94	
Government subsidies included in current profits and losses (except those closely related to the normal business of the Company, which are in line with national policies and regulations, enjoyed according to determined standards, and have a continuous impact on the Company's profits and losses)	1,450,253.14	
Profits and losses from fair value changes arising from the holding of financial assets and financial liabilities by non-financial enterprises, as well as the gains and losses arising from the disposal of financial assets and financial liabilities except for effective hedging business related to the normal operation of the Company	51,514,708.53	Mainly the gains from changes in fair value - trading financial liabilities of RMB 43,636,660.50 recognized in the current period, which is an estimation of the fair value of contingent consideration based on the acquisition agreement of Longzhiyuan, taking full account of Longzhiyuan's actual and estimated performance commitment completion.
Reversal of the provision on receivables with impairment test conducted on an individual basis	610,111.71	
Share-based payment fees recognized in a lump sum due to the cancellation or	-1,793,200.00	

modification of the equity incentive plan		
Other non-operating revenues and expenses other than the above items	-2,105,756.04	
Less: income tax impact	634,446.71	
Minority interests impact (after tax)	-532,771.52	
Total	49,269,086.21	

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

□ Applicable ☑Not applicable

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

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

□ Applicable ☑Not applicable

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

Section III Management Discussion and Analysis

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

(I) Industry development overview

In the first half of 2026, driven by the iterative upgrades of AI, big data, and cloud computing technologies, the biometric industry has entered the multimodal perception development stage, with various biometric technologies continuously being implemented and applied. The industry's technical system has achieved a key upgrade, evolving from traditional identity recognition to a technical form deeply integrated with multimodal perception, computer vision, and AI. In business scenarios, it has upgraded from simply performing the basic function of identity verification to a new model of "identifying user identities, matching scene demands, and providing adaptive services". This gradually builds an empathetic experience ecosystem with intelligent response, scene adaptation, and immersive interaction capabilities, marking a critical stage for industry technical iteration and commercialization with improved quality and efficiency.

In the first half of 2026, the technical iteration process of the domestic multimodal perception (biometric) industry continued to accelerate, mutually empowering spatial intelligence technology, and continuously broadening downstream application scenarios. At the technical dimension level, multimodal biometric technology has completed its evolution from feature stacking to cross-modal deep fusion. Relying on multi-dimensional information fusion across sensors, features, and decisions, it enhances recognition accuracy and device anti-attack performance. Hardware architecture continues to innovate, optimizing device integration efficiency while reducing on-site deployment costs. Non-contact recognition technology is becoming increasingly mature, and hardware devices are iteratively upgrading towards miniaturization, mobility, and high throughput, further improving their adaptability to complex working conditions such as strong light and high-density crowds. As AI large models and edge intelligence technologies empower spatial intelligence scenarios, lightweight models and generative AI continuously iterate algorithms based on real-scene datasets. They can perform identity recognition, spatial dynamic perception, and intelligent device scheduling in scenarios such as government verification, building access control, industrial parks, and public venues, effectively reducing algorithm false positive rates and shortening end-side data transmission latency. Concurrently, the industry's privacy compliance framework is continuously improving, relying on technical means such as "feature template + dynamic encryption" transmission, data desensitization, and local storage to meet regulatory requirements related to personal information protection laws and regulations. Overall, multimodal fusion has become the mainstream development direction for the industry. Biometric and spatial intelligence technologies are deeply coupled, driving the industry to transform from a single identity verification tool into the underlying infrastructure for urban and building digitalization. Domestic substitution in key links such as core algorithms and dedicated AI chips is steadily advancing, and the level of independent control over the industry chain and supply chain continues to improve.

The downstream smart business sector is accelerating its digital transformation with the help of multimodal perception and spatial intelligence technologies, demonstrating ample room for industry growth. In 2026, the domestic retail digitalization transformation and commercial display market size will continue to expand, with unmanned stores and smart store transformation sub-sectors maintaining high growth rates. The market business model is gradually moving away from mere hardware sales; an integrated solution of hardware terminal + SaaS platform + supporting O&M services has become the industry mainstream. Large models and AI visual technology are being implemented in offline physical scenarios, utilizing biometric technology for personnel identity verification and relying on spatial perception capabilities to achieve passenger flow monitoring, area-based control, and unmanned store O&M, helping offline stores reduce labor operation costs and promoting the intelligent upgrade of the retail industry.

Brain-computer interface, as a representative new quality productive force in the AI sector, has moved from the laboratory technology exploration phase into the commercialization window period. Driven by the synergistic effect of multiple underlying technologies, the industry has ample development momentum; currently, non-invasive solutions have become the mainstream consumer-grade technology route due to their safety and portability advantages. The industry strengthens user intent recognition stability by building a multimodal interaction framework; application scenarios are gradually expanding from traditional neuro-rehabilitation to immersive human-computer interaction fields such as smart education, smart office, and smart elder care. Coupled with national policy support for future industries, related industry standards and ethical norms are accelerating their implementation, and the upstream and downstream industry chain support and industrial synergy capabilities continue to improve.

(II) Overall layout of the Company's main business and core products during the reporting period

1. Business Overview

(1) Business overview

The Company is a globally leading smart space evolution service provider with AI cognition as its core driver. The Company applies multimodal BioCV (computer vision and biometrics) and AI cognitive space computing technologies to build a comprehensive perception system, promoting the transformation of space from static management to autonomous decision-making and evolution, and bringing comfortable, intelligent, safe and sustainable scene experiences to global customers. The Company has deeply laid out in the five strategic fields of smart space, smart office, digital identity authentication, smart business, and smart life, providing AI-empowered end-cloud integrated solutions to help customers achieve efficiency leaps and value reshaping in the digital era. ZKTeco, relying on its profound accumulation in algorithms, hardware, data, and scenario-based applications, has prospectively incorporated brain-computer interface into the Company's long-term strategic blueprint. The Company conducts technology R&D and scenario verification around areas such as work safety, health management, smart office, smart life, and human-computer interaction with focus on the integration of brain-computer interface and multimodal AI technologies.

In the first half of 2026, the Company continued to advance its strategic upgrade from a smart terminal and solution provider to an AI cognitive space intelligence enterprise. During the reporting period, the Company continued to deepen its strategic layout around smart space, smart office, digital identity authentication, smart business, and smart living, forming an end-cloud integrated product and solution system covering the "perception layer - intelligent computing layer - platform layer - application layer". This promotes the application of AI technology in various industry scenarios such as enterprise campuses, office buildings, education, healthcare, retail, and public services. At the same time, adhering to the philosophy of "technology for good", the Company actively explores future industry development directions and makes forward-looking layout in brain-computer interface and AI integration technology. Based on "chip-compute-cloud-application", it builds an innovative ecosystem, and relying on its independently developed ZKBrainScape brain-computer emotion large model, conducts technology research and application verification around scenarios such as medical rehabilitation, education and training, work safety, and consumer entertainment, exploring new modes of natural interaction between humans and intelligent systems.

The main business income of the Company's various business segments during the reporting period is as follows:

Unit: RMB '0,000

Item	January to June 2026		January to June 2025	
	Amount	Proportion	Amount	Proportion
I. Smart space	68,910.42	64.10%	68,617.14	74.13%
II. Smart office	17,696.16	16.46%	17,035.14	18.40%
III. Digital identity authentication	3,596.15	3.35%	4,016.31	4.34%
IV. Smart business	2,824.42	2.63%	2,894.13	3.13%
V. Smart living	14,474.73	13.46%	-	-
Total	107,501.88	100.00%	92,562.71	100.00%

(2) Core businesses

① Smart space products: Upgrading from "Digitalized Management" to "Spatial Intelligence"

Smart space is a core business direction for the Company's strategic development.

With the continuous maturation of generative AI, digital twin, IoT, and spatial computing technologies, traditional buildings, campuses, and urban spaces are transforming from "passive management" to "active intelligence". Leveraging years of accumulated capabilities in computer vision, biometric, smart terminal, and software platforms, the Company has built a new generation of smart space solutions centered on AI cognitive spatial computing.

By integrating multimodal BioCV, IoT sensing, digital twin, edge intelligence, and AI Agent technologies, the Company achieves real-time perception, intelligent analysis, and autonomous decision-making for key elements such as personnel, vehicles, equipment, and environment within spaces, promoting the upgrade of space management from traditional manual management to intelligent O&M.

Focusing on application scenarios such as enterprise campuses, office buildings, education, healthcare, and communities, the Company creates integrated solutions covering smart access, smart security, smart parking, smart environment, smart video, smart O&M, and other fields.

Through the synergy of ZKBio Smart Space Management Platform and Mars Wisdom AI Cognitive Space Platform, the Company promotes the upgrade of smart space from the traditional "system integration model" to the "AI-native space intelligence model", enabling spaces to possess continuous learning, dynamic optimization, and autonomous service capabilities.

During the reporting period, the Company continued to advance smart space product upgrades: promoting the integration of AI Agent capabilities into space management platforms; accelerating the commercialization of AI edge smart terminals; advancing application verification in key scenarios such as manufacturing campuses and enterprise campuses; and enriching solutions for industry sub-segments like smart campuses and smart schools.

② Smart office products: A new generation of digital productivity driven by AI intelligent agents

The smart office business is a new generation of intelligent office ecosystem created by the Company to meet the demands of enterprise digital transformation.

As enterprise digital transformation enters the intelligent stage, office systems are evolving from traditional process management towards AI-assisted decision-making and intelligent collaboration. Based on multimodal BioCV, AI Agent, cloud computing, and IoT technologies, the Company has created an integrated smart office solution covering scenarios such as attendance management, access control, visitor management, meeting management, consumption management, and device management.

Through AI intelligent agent technology, the Company promotes the evolution of office systems from "functional tools" to "intelligent assistants": automatically completing business process handling; providing intelligent analysis and decision recommendations; optimizing enterprise resource allocation; and enhancing organizational operational efficiency.

The Company continues to improve the ZKTeco Interconnection AIoT Cloud Ecosystem Platform, providing flexible, secure, and efficient digital service capabilities for SMEs and large organizations through an "edge-end-cloud + AI" technical architecture.

During the reporting period, the Company further promoted the integration of large AI models with office scenes, exploring applications of intelligent agents in business such as smart customer service, smart approval, smart scheduling, and smart visitor management, thereby facilitating the upgrade of enterprise office models towards intelligence and automation. Meanwhile, in collaboration with ecosystem partners such as Lark and WeCom, the Company continuously deepens smart office scene innovation around cutting-edge technologies like AI, IoT, and cloud computing, promoting the further integration of office platforms, spatial intelligence, and organizational operations, to help more enterprises build a safer, more efficient, and smarter digital office new ecosystem.

③ Digital identity authentication products: Building the infrastructure for a trusted digital world

Digital identity authentication business is one of the Company's core businesses for long-term development.

With the rapid development of the digital economy, trusted identity has become an important infrastructure connecting people with the digital world. Leveraging years of biometric technology accumulation and integrating multimodal BioCV, large models, and blockchain technologies, the Company has built a secure, accurate, and convenient digital identity authentication system, forming a complete business system covering multimodal biometric terminals, identity verification systems, industry identity authentication platforms, and smart identity application solutions. This system has been widely applied in scenarios such as education exams, medical services, public services, and enterprise campuses, providing customers with trusted, efficient, and secure identity authentication capabilities.

During the reporting period, the Company continued to drive biometric technology innovation, focusing on strengthening the R&D and industrial application of multimodal palm recognition technology, non-contact identity authentication technology, and high-security-level identity verification technology.

④ Smart business: AI-driven, leading business transformation

The Company's smart commercial business, leveraging AI, big data analysis, digital content, and smart terminal technologies, promotes the upgrade of traditional commerce from digital display to intelligent operation. The Company's ZKDIGIMAX smart commercial brand focuses on the needs of industries such as general retail and catering, and builds a smart commercial ecosystem of "hardware terminals + AI capabilities + operation services" by integrating AI visual analysis, digital signage, smart terminals, cloud platforms, and data analysis. The Company helps commercial clients achieve refined operations by using AI technology to analyze consumer behavior, optimize product displays, adjust marketing strategies, and improve operational efficiency.

During the reporting period, the Company continuously improved its ZKDIGIMAX Level 3 digital visual marketing solution, promoting the deep application of AI capabilities in commercial scenarios such as retail and catering.

⑤ Smart living products: Layout in outdoor smart products, expanding the smart home product matrix.

The Company's smart living products mainly cover outdoor smart products and smart home businesses.

Regarding outdoor smart business, Longzhiyuan, a subsidiary acquired by the Company in 2025, is a company specializing in audio-visual and optical equipment in the smart outdoor domain. It focuses on niche markets, aiming for smart living, and is dedicated to developing smart products related to daily life. Currently, Longzhiyuan's products primarily include two major series: outdoor products and smart home, with outdoor tracking cameras as its core product. Longzhiyuan's business encompasses ID design, software and hardware design, and manufacturing. While providing ODM services for multiple professional outdoor brands, it also sells its own branded products through overseas e-commerce channels. This acquisition expands the Company's smart living products into outdoor areas, enriching the product array in smart outdoor business scenarios.

The Company's smart home business covers products such as cameras, pet feeders, and smart cat litter box camera modules. Simultaneously, the Company is expanding brain-computer interaction related products around smart living scenarios, applying brain-computer perception, chip modules, and smart terminal capabilities to consumer electronics, human-computer interaction, and other lifestyle scenarios, further enriching the product forms and technological connotations of the smart living business.

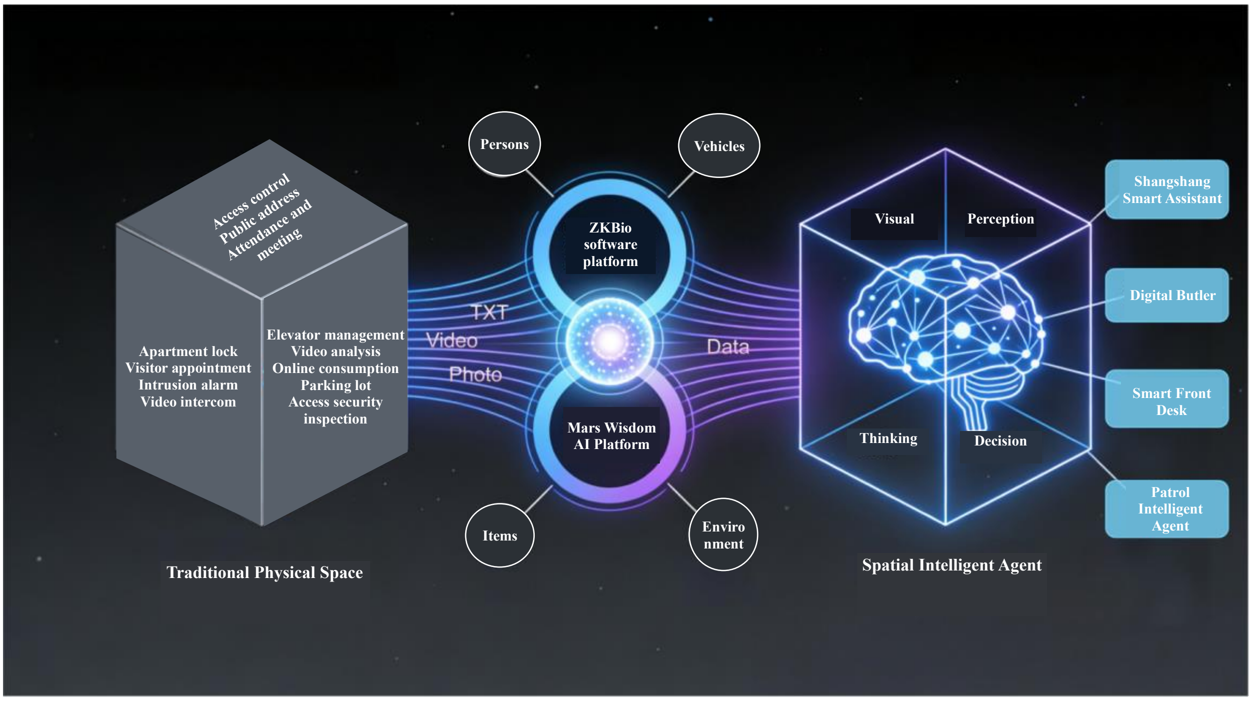
2. Comprehensive product system and cloud O&M service ecosystem

The Company leverages multimodal BioCV models and AI cognitive spatial computing as its core engine to build a full-stack technology system covering endpoint, edge, and cloud. This upgrades various smart terminals from single-perception devices to edge intelligent nodes capable of real-time inference and autonomous decision-making, while enabling model iteration, data governance, and large-scale service delivery through a cloud platform. Building on this foundation, the Company has established a unified technical base and application synergy across four major domains: smart space, smart office, digital identity authentication, and smart business. This drives the evolution of its product system from functional systems to task-driven AI agent networks, enabling the system with closed-loop capabilities of perception, understanding, decision-making, and execution. Concurrently, with cloud O&M services at its core, the Company builds a full lifecycle service system covering deployment, O&M, optimization, and upgrades. This accelerates the transformation of its business model towards SaaS and continuous services, and through global multi-scenario data accumulation, forms a "data-model-application" positive flywheel. The Company is building next-generation digital infrastructure based on spatial computing and multimodal intelligence, enabling the physical world to gradually evolve into computable, cognitive, and evolvable intelligent systems. This drives efficiency improvements, security upgrades, and operational model restructuring globally.

(1) Smart space business

ZKTeco is leveraging AI cognitive spatial computing as its core driving force, integrating the ZKBio software platform and the Mars Wisdom AI platform, to build a full-element multimodal perception and understanding system covering people, vehicles, objects, and the environment. On this technical foundation, the Company is upgrading its traditional system architecture, which centered on "physical space management", to a spatial intelligence system driven by data and models. This transforms space from a passive carrier responding to commands into a "spatial intelligent agent" capable of perception, understanding, and decision-making. By introducing an AI agent mechanism, space no longer merely performs management functions but can conduct autonomous analysis and dynamic optimization based on real-time data. This enables the synergistic evolution of security, access control, energy consumption, and service experience, thereby transforming traditional spaces into "user-oriented intelligent agents" with continuous learning and adaptive capabilities. This transformation not only redefines the interaction between people and space but also drives the upgrade of operational models from human-driven to intelligent-driven. While significantly enhancing operational efficiency and user experience, it provides a quantifiable and optimizable technical path for green, low-carbon, and sustainable development.

The comparison between traditional physical spaces and the Company's spatial intelligent agents in the smart space domain is shown in the figure below:



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

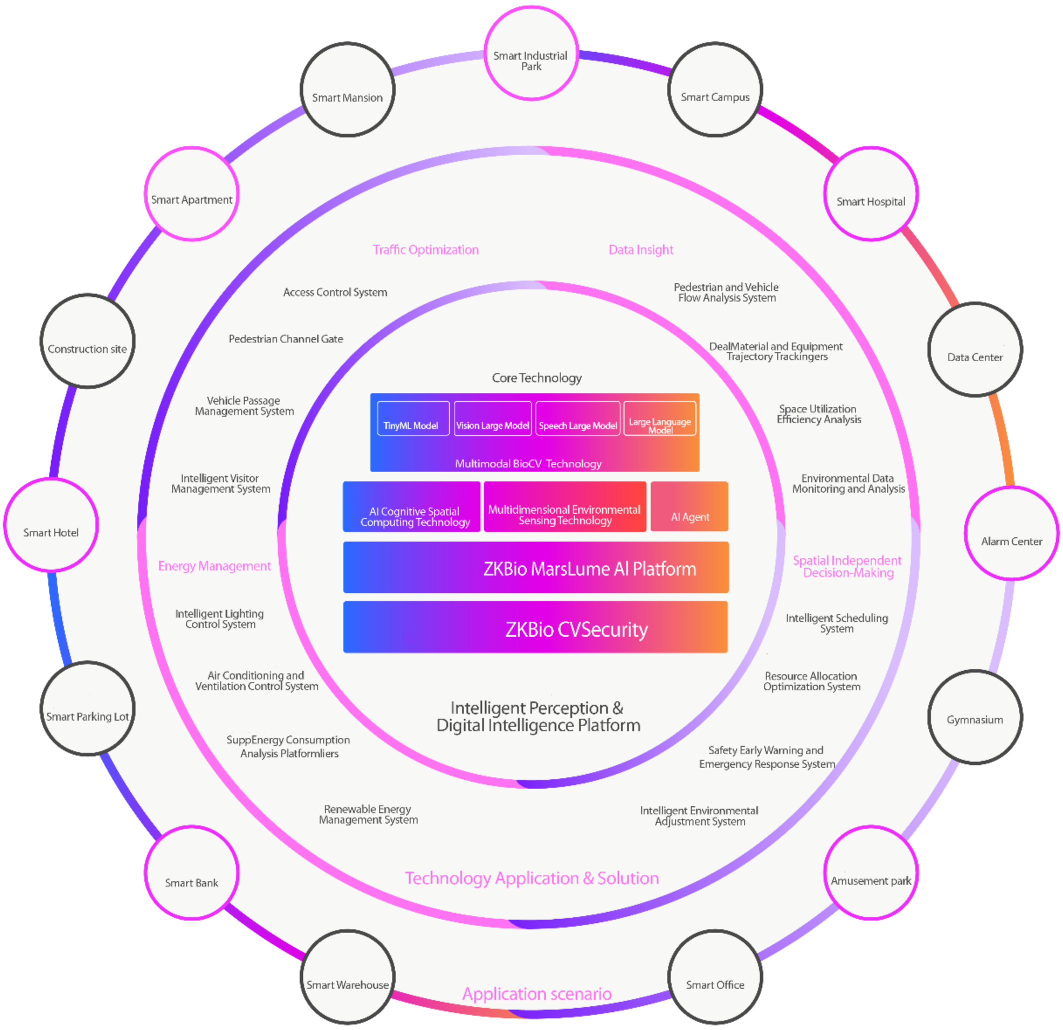
① Smart Space Business Products and Solutions - ZKBio Management Software Platform

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

As the platform's capabilities continue to evolve, the Company further introduced an AI Agent technology architecture, building an enterprise-level AI Agent platform and a "Smart Space Assistant" tailored for smart spaces. This capability, through natural language interaction and intelligent task orchestration, achieves intelligent collaboration across various business types, including campus management, space operations, and device control. This drives the transformation of space management from traditional system operations to conversational space management and AI Agent collaborative management. The platform can automatically complete office and space service processes such as visitor invitations, meeting space management, and permission and parking resource allocation. It also integrates with video sensing and IoT devices to enable capabilities like environmental control, anomaly analysis, and intelligent inspection. Concurrently, based on the platform's accumulated data, it generates campus operation analysis and management reports.

Leveraging AI Agent capabilities and its knowledge base system, the platform has also built a smart space digital employee system designed for O&M and security scenarios. This system, through knowledge base Q&A and SOP (Standard Operating Procedure) intelligent handling mechanisms, provides O&M and security personnel with event analysis and handling suggestions. It also supports linking with smart terminals, such as patrol robots, to execute inspection tasks, thereby further enhancing campus operation efficiency and safety management levels. Through the aforementioned technological upgrades, the ZKBio platform is gradually evolving into a spatial AI operating system for smart campuses and smart buildings, offering enterprises and urban spaces more efficient and intelligent digital management capabilities.

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



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

a. All-scenario integration:

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

b. Intelligent decision-making hub:

Relying on multimodal BioCV TinyML technology, IoT perception, and Mars Wisdom platform, it has constructed "one center" and "four intelligent defense lines":

●One center: Monitoring Center (including video alarms, real-time TV wall video, and custom dashboards);

➢The first line: Physical space access control is achieved through seamless passage (multimodal BioCV recognition for pedestrian and vehicle gates/channels);

➢The second line: Process supervision is strengthened through electronic fences and AI video perception (loitering detection/intrusion detection).

➢The third line: By integrating the access control and elevator control linkage mechanism, after identity verification through access control, the smart elevator dispatching system is activated to improve elevator operation efficiency, reduce stop time, and lower motor wear.

➢The fourth line: It provides post-event verification tools such as personnel trajectory tracking and vehicle feature search.

c. Ecological expansion capability:

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

d. Mobile and cloud capabilities:

The ZKBio platform now features the ZKBio APP and ZKBio Assistant mini-program, integrating core applications such as attendance, consumption, access, and visitor management in one stop, deeply merging mobile and cloud technical capabilities to provide users with a convenient and efficient one-stop smart service experience.

Building upon the continuous deepening of intelligent space security management capabilities, the platform further expands its intelligent inspection terminal matrix, adding air-ground collaborative patrol modules such as drones and robot dogs. Powered by Mars Wisdom Marslume AI as its intelligent engine, this module integrates AI visual recognition, multi-sensor perception, and autonomous path planning capabilities. It can conduct automated aerial and ground inspections of park perimeters, public areas, and key facilities, enabling abnormal behavior identification, security risk warnings, and rapid response to emergencies. By leveraging the complementary strengths of drones' high-altitude perspective and robot dogs' adaptability to complex terrain, the platform establishes a "air + ground" three-dimensional security inspection system. This effectively extends management radius, reduces manual inspection costs, and provides intelligent support for park patrols and security management, continuously enhancing operational efficiency and service quality.

② Access control products

In space management, entrance and exit management is a crucial component. ZKTeco's access control products are smart terminals that verify and logically judge the access rights of entrance and exit based on multimodal BioCV. Traditional access control products, depending on the biometric verification method, can be divided into single biometrics devices and multimodal recognition products combining multimodal BioCV methods. With the enhancement of product capabilities and changes in business models, the Company's access control products have iterated into three product forms: traditional products, cloud access control product entry points, and smart network edge products.

Traditional products: Smart identification access control terminals, extending video intercom applications and doorbell three-in-one capabilities, without the need for software management or private server deployment.

Cloud access control product entry points: Based on traditional access control products, users are free from software deployment, connecting to cloud servers to simplify maintenance.

Smart network edge products: Enhanced with AI capabilities, enabling front-end voice interaction and back-end multi-device collaboration, to achieve edge intelligence.

The Company's multimodal biometrics sensing terminal products are shown below:

During the reporting period, the hybrid recognition product solution was further optimized, launching the BK600 product. As an entry-level product, it supports multiple recognition technologies such as palm, face, fingerprint, and RF card, allowing more users to experience the convenience brought by new technologies.

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

The main intelligent video analysis access controller scenarios of the Company are shown below:

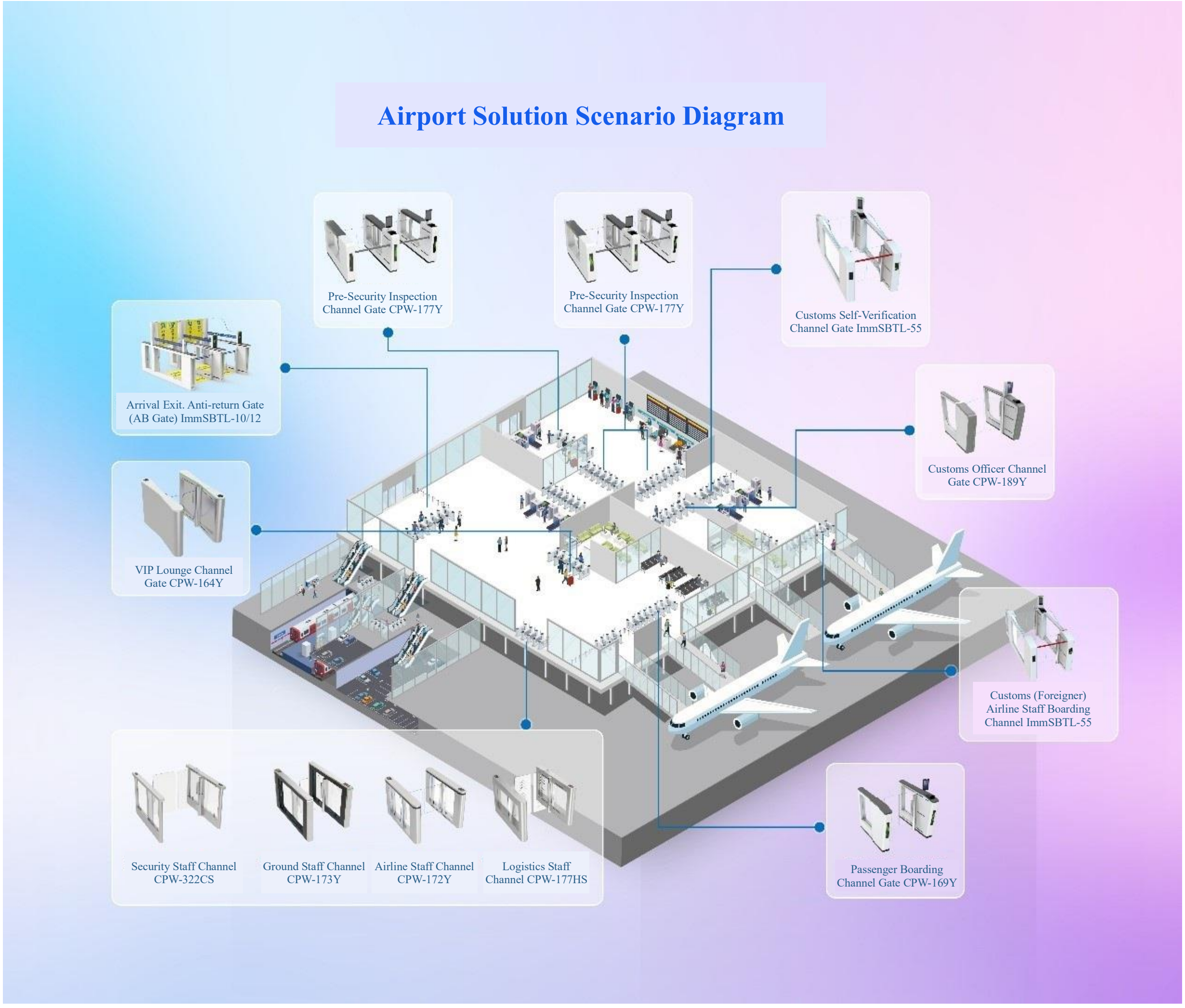
③ Channel products

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

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

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

The Company's access control application scenarios developed for airport environments are shown below:



④ Smart parking

To continuously build a complete smart space operation ecosystem, with smart parking and smart charging as core vehicle-related business segments, the Company continues to deeply cultivate its "cloud + edge + AI" core technology architecture, iterating and upgrading its integrated smart parking and charging solutions for all scenarios. The solution, with digital twin technology as its core support, achieves the digitization and intelligent transformation of all elements in parking lots, breaking down data barriers between physical and digital spaces. It establishes a smart management system for efficient collaboration among people, vehicles, charging piles, and parking spaces, enabling core functions such as self-service charging, smart payment, and cloud-based real-time global control in parking lots, thereby comprehensively enhancing the smart operation and management capability of parking lots.

Relying on its independently developed smart space central system, the Company deeply integrates core technologies such as high-definition license plate recognition, smart perception of parking space status, intelligent prediction of charging load, and AI visual recognition. Coupled with a full range of intelligent hardware, including smart license plate recognition devices, high-speed barrier gates, smart charging piles, and parking space sensing terminals, it constructs an integrated software and hardware smart parking and charging solution that covers all scenarios, adaptable to multi-scenario refined operation and management needs.

During the reporting period, the Company continued to promote the iteration of vehicle-related product technology and product category innovation, launching several new core smart vehicle products. This further enriched and improved its smart parking product matrix, continuously strengthening its core market competitiveness. In the first half of the year, it notably released innovative products such as the LPR8000-Y-LCD series license plate recognition all-in-one machines, PBS8000 series high-speed servo barrier gates, and EBM100 series non-motorized electric vehicle recognition all-in-one machines. These new series products leverage upgraded AI visual recognition, high-speed servo control, and precise smart perception technologies. They offer advantages such as high recognition accuracy, fast passage speed, strong adaptability, stable operation, and convenient O&M. They not only improve the management system for motorized vehicle parking and passage but also specifically address the shortcomings in the intelligent management of non-motorized vehicles.

As of now, the Company has formed a full-chain smart vehicle product system covering license plate recognition, smart barrier gates, vehicle identification, smart charging, and parking space control. This system is fully adaptable to diverse application scenarios such as administrative agencies, enterprises and institutions, industrial parks, commercial complexes, scenic spots, residential communities, and public charging stations, precisely matching the integrated and intelligent management needs for parking and charging in various scenarios. It assists operating units in various scenarios to achieve digital and refined operations, effectively increasing the utilization rate of parking spaces and charging piles, reducing manual and O&M costs, and achieving business goals of headcount reduction and efficiency improvement. At the same time, it comprehensively optimizes the parking and charging experience for vehicle owners' motorized and non-motorized vehicles, and perfects the smart space travel ecosystem layout.

The Company's integrated charging and parking management scenarios are as follows:

⑤ Smart security inspection

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

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

The Company's smart security inspection scenarios are shown below:

⑥ Broadcasting audio

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

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

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

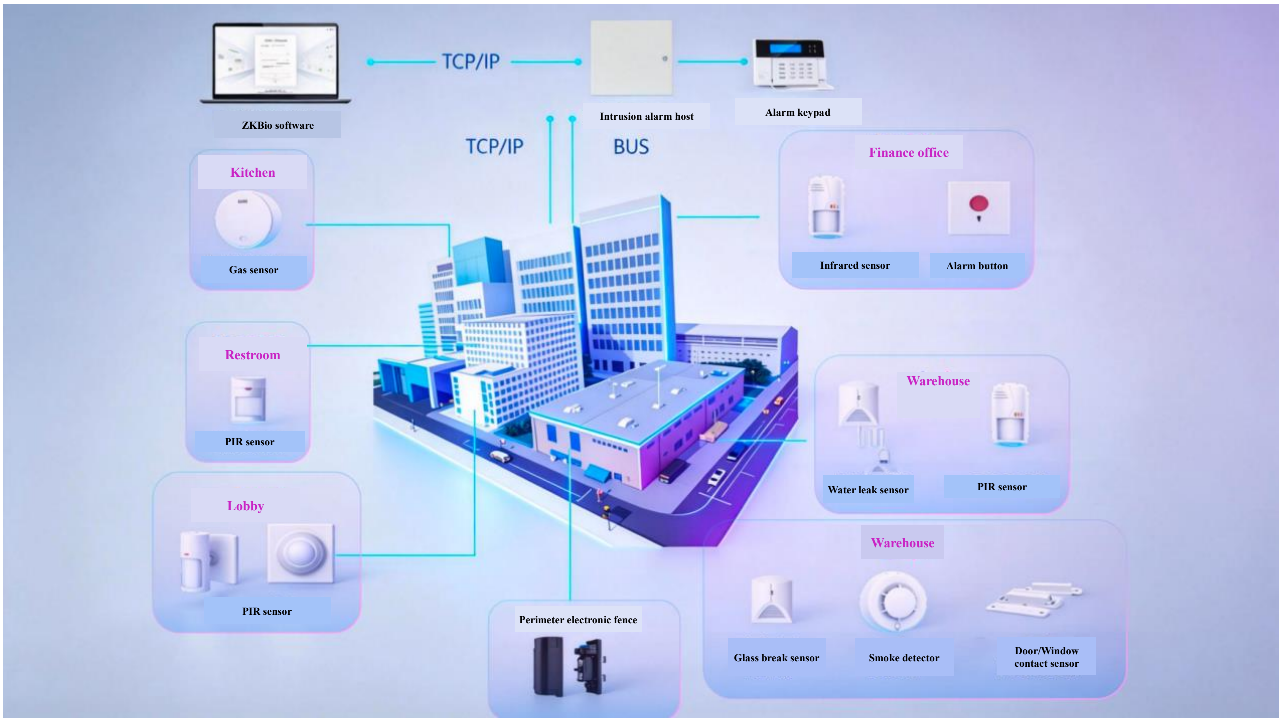
In addition, they support remote management and intelligent operation, facilitating maintenance and upgrades. They provide strong support for the management of smart building spaces.

The Company's broadcasting audio scenarios are as follows:

⑦ **Intrusion alarm**

In the smart building space, the intrusion alarm system plays a crucial role in safeguarding security. It integrates multiple detection technologies, such as infrared, microwave, sound waves, and vibrations, to ensure precise perception of abnormal situations. In terms of communication methods, it utilizes SBUS bus technology (Serial Bus, i.e., serial bus technology), which can be integrated into the ZKBio comprehensive software platform. Through the ZKBio software platform, seamless integration and linkage with sub-business systems such as video and access control can be achieved, forming an integrated security solution to meet the needs of different building environments, enhance overall security management levels, and provide a solid guarantee for the safe operation of smart building spaces.

The Company's intrusion alarm scenarios are as follows:



⑧ Smart environmental perception

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

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

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

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

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

⑨ Smart video

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

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

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

With the rapid development of AI technology, during the reporting period, the Company innovatively leveraged BioCV multimodal technology, BioCV computer vision perception technology, and its independently developed BioCV TinyML architecture to successfully launch the "super brain" for smart spaces—the Mars Wisdom AI platform. By fully integrating the empowerment of the Mars Wisdom AI platform with the smart video subsystem, the Company officially launched the RS Swiss Army Knife series AI edge servers. This series covers three-tier deployment architectures: end, edge, and server, including:

RS1: InBio CV160 AI access controller, device-side deployment, three-in-one of access control + video + storage, supports 1 access control channel + 4 intelligent analysis channels, can be expanded to 16 access control channels + 64 intelligent analysis channels through master-slave cascading, built-in software, zero server deployment;

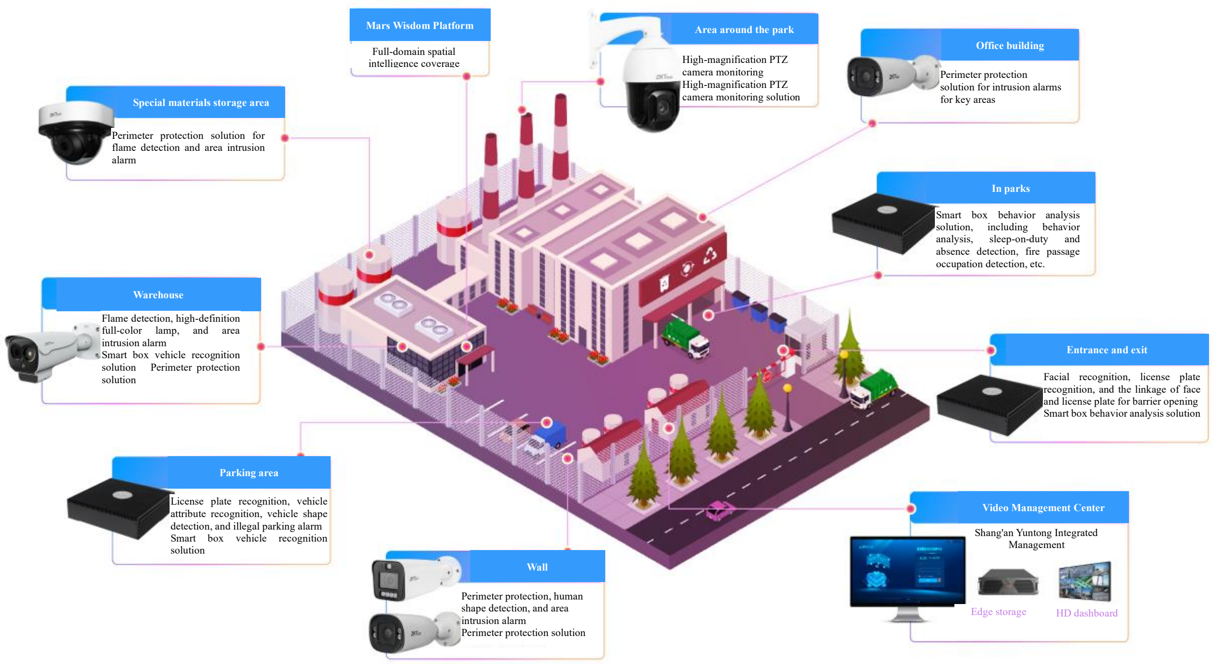
RS2: IVS-X2 AI intelligent analysis box, edge deployment, supports 8/16 intelligent analysis channels, and supports quick deployment by inputting text;

RS3: CV Server-200 AI cognitive space all-in-one machine, server-side deployment, supports 32 intelligent analysis channels, expandable to 96 channels, and supports text deployment and natural language quick search, built-in Mars Wisdom, ZKBio server, streaming media, and AI intelligent agent integrated management, private deployment, plug-and-play.

This series of AI edge servers not only supports the Company's independently developed BioCV TinyML models but also supports DeepSeek models with small parameters. It is capable of simultaneously processing multimodal data such as video, images, audio, and text, achieving full-element perception of "people, vehicles, objects, and environment". This provides real-time decision support for the management of comprehensive security solutions for IoT perception in smart space environments, thereby promoting the expansion of smart space business boundaries.

An integrated and comprehensive solution based on visual perception can be widely applied in various scenarios such as parks, communities, campuses, and enterprises. During the reporting period, the Company, in its smart video perception subsystem, primarily focused on developing and implementing solutions around the vertical niche scenario of smart parks, launching Mars Wisdom AI-powered intelligent algorithm solutions for production safety supervision and "Bright Kitchen" intelligent algorithm solutions, further delving into scenario-based demands for spatial intelligence, and continuously implementing successful projects.

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



⑩ Smart building space solution

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

The smart building space solution aims to achieve intelligent and efficient building operation by integrating multiple functional modules such as access control systems, visitor systems, elevator control systems, public broadcasting systems, parking systems, video perception systems, and intrusion alarm systems, along with full business integration and global linkage, thereby improving the building's safety and convenience. In addition, the smart building space solution supports emergency response mode, integrating smoke and fire detection systems, covering smoke detection, emergency notifications, broadcasting, and opening of escape routes. It ensures rapid response from fire occurrence to event handling and minimizes personnel and property losses in emergencies.

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

⑪ Smart apartment space solution

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

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

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

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

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

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

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

(2) Smart office business

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

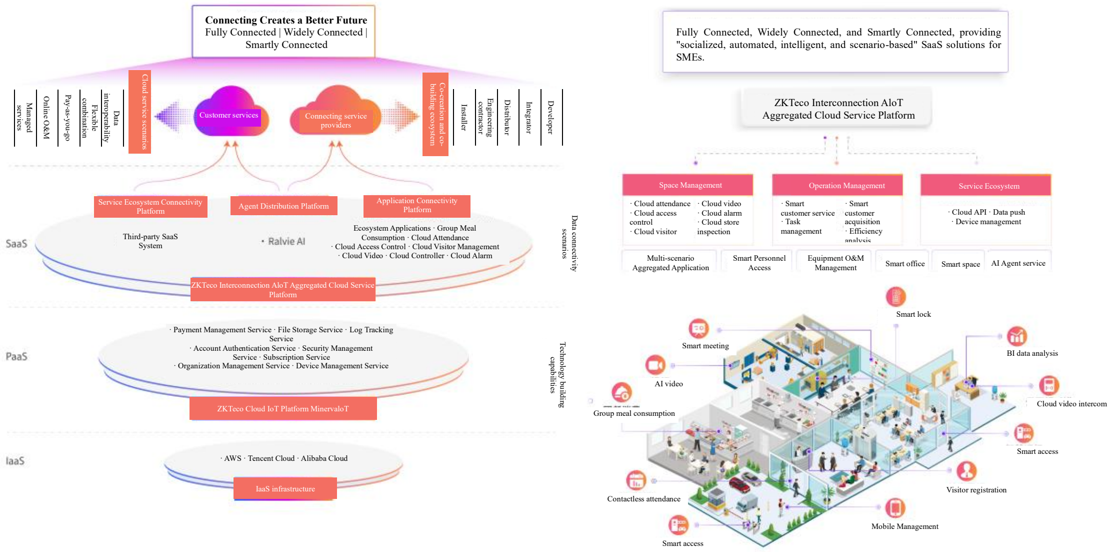
① ZKTeco Interconnection: AIoT Cloud Scene Ecosystem Platform

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

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

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

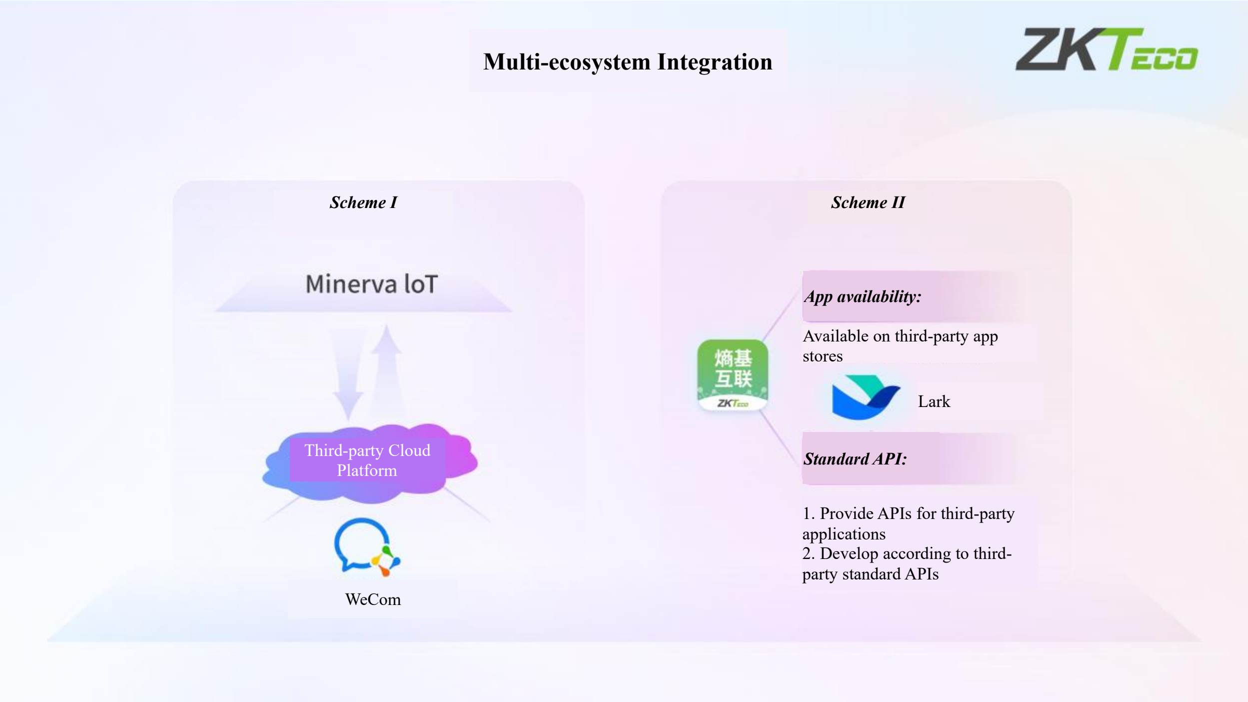
ZKTeco Interconnection



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

- Cloud attendance: Achieve remote attendance management and improve attendance efficiency;
- Cloud access control: Remotely control and manage access control systems to enhance security levels;
- Cloud visitor: Manage visitor information and improve visitor management efficiency;
- Cloud video intercom: Realize video intercom functions and enhance communication efficiency;
- Cloud video: Achieve video perception and intelligent management to enhance security prevention capabilities;
- Cloud consumption: Record and manage enterprise consumption data and provide consumption analysis reports;
- Cloud alarm: Security alarm system, achieving real-time monitoring of abnormal situations and timely issuance of alarm notifications;
- Cloud store inspection: Achieve remote store inspection management and monitor store operation conditions through digital means to improve management efficiency;
- Cloud device management: Facilitate device management and monitoring of device status to enhance O&M efficiency.
- Scenario-based intelligent agent construction: Through a self-developed Agent development platform, deeply integrating large model capabilities such as DeepSeek, Doubao, and ChatGPT, and combining with ZKTeco Interconnection's currently launched business functions, to build self-contained business intelligent agents, such as intelligent customer service, visitor appointment, approval workflow, precise scheduling, etc.

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



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

The characteristics of this business are detailed below:

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

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

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

Product value of ZKTeco Interconnection Cloud Scene Solution:

A. Product value provided to partners

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

B. Product upgrade provided to customers

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

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

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

D. Upgrade provided to ZKTeco

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

E. Ecosystem partners

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

During the reporting period, multiple industry benchmark projects for ZKTeco Interconnection Cloud Scene Solution were implemented: For project management scenarios in the construction industry, the Company's cloud attendance product supports integrated management of personnel attendance across regions and project levels, enabling enterprise headquarters to uniformly coordinate national project personnel attendance operations; for property management, the product achieves linked attendance across projects, compatible with various verification methods such as location check-in, facial recognition, and fingerprint recognition, and supports multi-project data aggregation and automated report output; for automotive chain operation scenarios, cloud access control relies on a business architecture of permission grouping, time-slot control, and personnel list matching to achieve precise configuration of access permissions for different area entrances and exits. The aforementioned scenario cases are commercial application demonstrations at the current stage, and market expansion still faces uncertainties such as industry competition, customer budgets, and project implementation cycles.

② ZKTeco Cloud Commerce: Digital and Intelligent Marketing Service Platform

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

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

The relevant functions are as follows:

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

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

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

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

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

The ZKTeco Cloud Commerce Digital Marketing Service Tool Ecosystem Closed-Loop Diagram is as follows:

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

③ Ralvie AI: Intelligent Time Management and Productivity Engine

Ralvie AI is an intelligent time management and productivity engine launched by the Company, positioned as an "Organizational Workload Structure Analysis Intelligent Agent". It evolves from "time management" to an "organizational and work intelligent agent", providing enterprises with decision support and resource optimization capabilities through deep integration of its AI capability hub with existing attendance hardware.

Ralvie AI's core concept: Let time work for you. It emphasizes empowerment over monitoring, focusing analysis on job roles and organizational levels. By enhancing data transparency, it improves management rigor, reduces subjective bias, and promotes collaborative growth for organizations and individuals under clear objectives.

Core functions of Ralvie AI:

A. Automatic work record and activity grouping

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

B. Intelligent project and time management

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

C. Intelligent work hours statistics and performance suggestions

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

D. AI-driven summary and mapping function

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

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

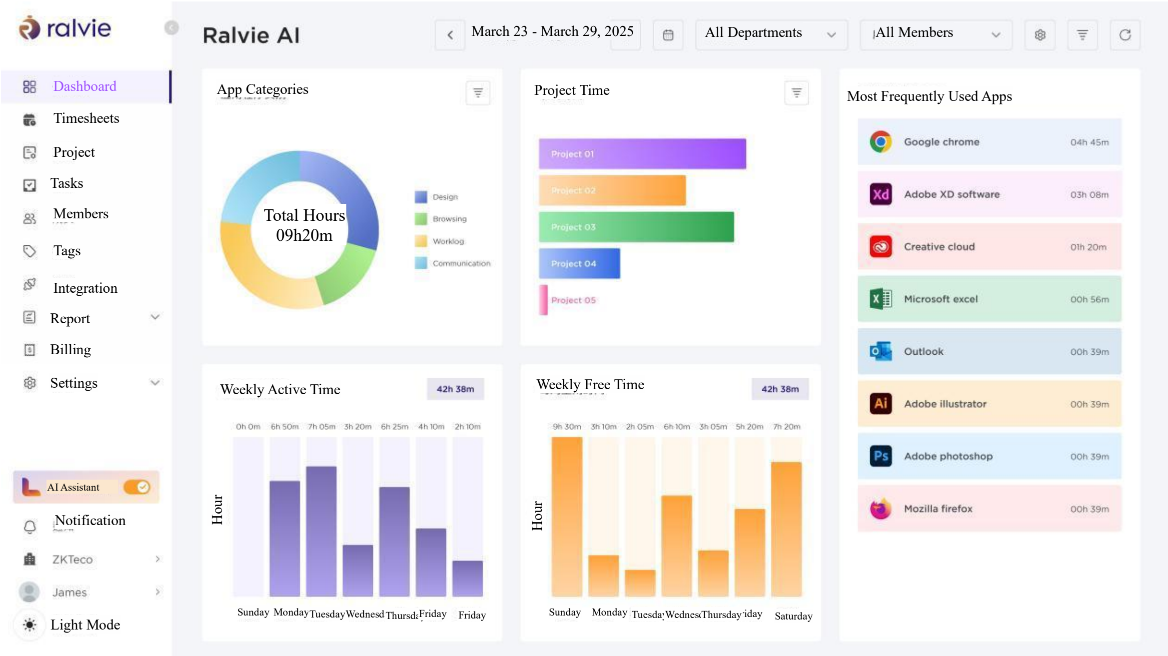
E. Visual reports and insight support

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

F. AI agent aggregation platform

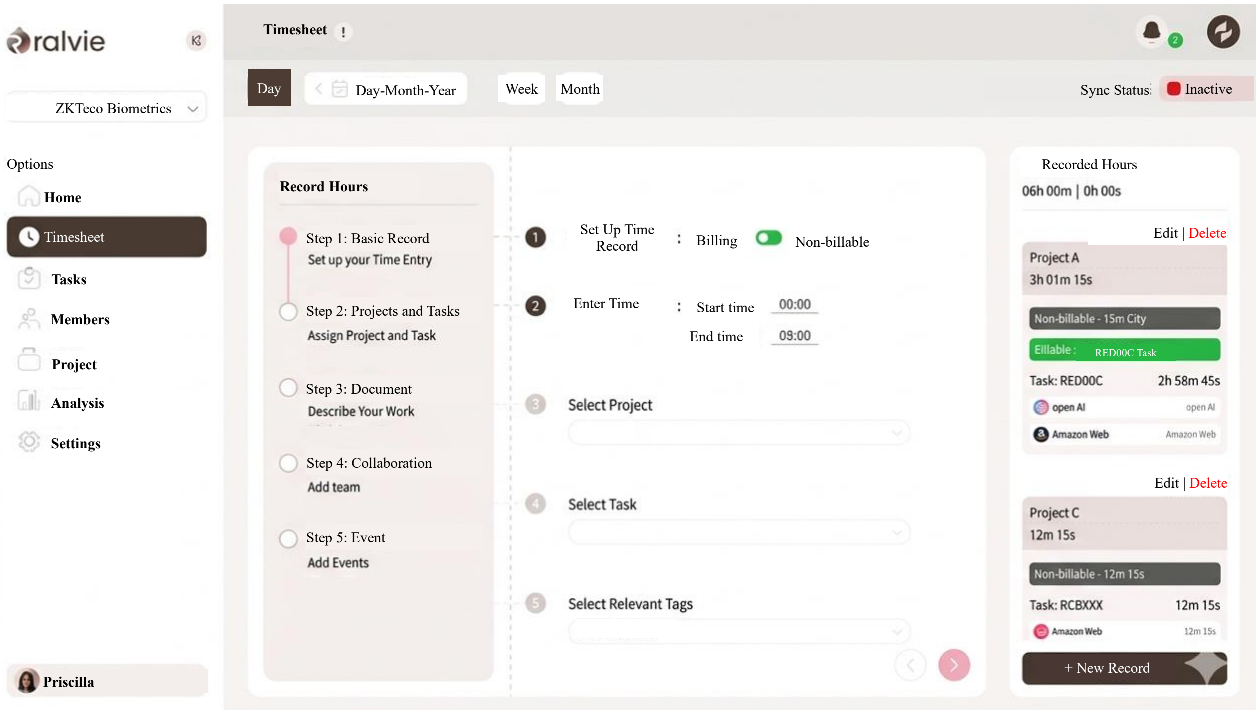
- ➢ Offer quickly subscribable and usable AI agent tools for managers or individual users, based on work scenarios and efficiency improvement needs.

The functional diagram of Ralvie AI is as follows:



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

The Ralvie AI Work Time Accounting Form Diagram is as follows:



Applicable scenarios of Ralvie AI: Comprehensive coverage of all types of work roles

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

Business model of Ralvie AI: Flexible support for individuals and enterprises

•Enterprise subscription version: Can be distributed in bulk. It centrally manages project progress and employee time.

•Personal subscription version: Suitable for freelancers and personal growth managers to use flexibly.

(3) Digital identity authentication business

Digital identity authentication business is one of ZKTeco's core business segments. The Company deeply integrates three core technologies: multimodal BioCV, large models, and blockchain, to build a precise, secure, convenient, and traceable full-scenario identity authentication system, laying a solid foundation of trust for the digital world and assisting various industries in achieving digital and intelligent upgrades for identity verification. Leveraging years of accumulated biometric technology expertise, the Company has developed a diversified product matrix and integrated solutions. By virtue of the uniqueness of biometric features, the deep learning and intelligent analysis capabilities of large models, combined with the decentralized and immutable characteristics of blockchain, it effectively addresses pain points in traditional identity authentication such as low efficiency, weak security, and susceptibility to forgery, ensuring the accuracy, security, and trustworthiness of identity verification, and comprehensively meeting the high-security identity verification needs across multiple sectors including government, enterprises, and public services.

① Smart terminal products

The Company's digital identity authentication product system is comprehensive, primarily covering four major categories: multimodal biometric products, reading machine products, trusted digital products, and industry smart terminal products, which can adapt to the differentiated needs of various industries and scenarios. During the reporting period, the Company continued to increase R&D investment and launched a new generation of multimodal palm recognition products. This product features comprehensive technological upgrades, integrating high-definition visible light cameras and near-infrared cameras, with a built-in high-performance algorithm chip, to achieve rapid acquisition and precise recognition of multimodal palm information. It boasts advantages such as strong anti-interference capabilities, fast recognition speed, and high adaptability. This palm recognition product can be deeply integrated with scenarios such as time and attendance, access control, and channel management, and is widely applied in areas like enterprise offices, park management, and public venues, providing users with secure, efficient, and convenient identity verification services. It further enriches the application scenarios of the Company's smart terminal products and enhances the product's market competitiveness.

② One Card Solution Cube Identity Authentication Management System

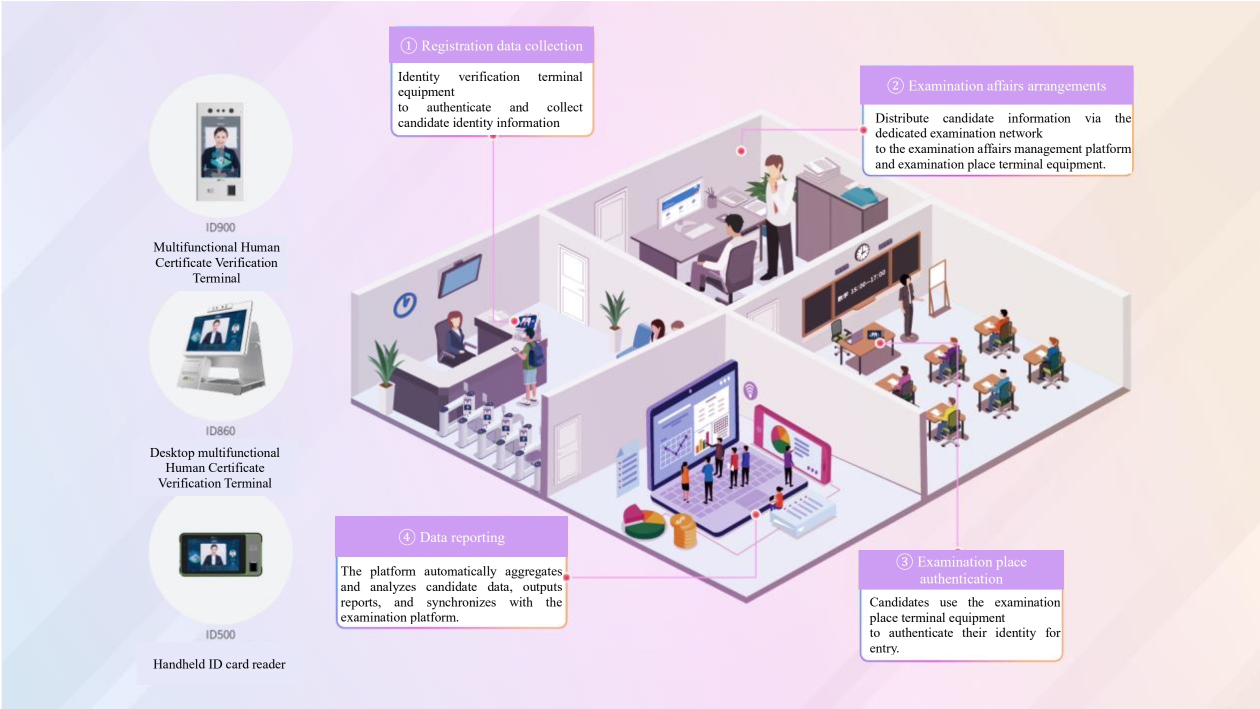
The One Card Solution Cube Identity Authentication Management System is a "real person system" identity verification system independently developed by the Company based on multimodal BioCV technology, addressing the core demand for "the integration of people and certificates" across various industries. It is composed of two parts: the One Card Solution Cube Terminal Software (APP) and the Identity Authentication Management Platform, forming an integrated architecture of "terminal collection + platform management". The system deeply integrates the Company's independently developed ZKLiveFace facial recognition algorithm and ZKFinger V15.0 ID card fingerprint comparison algorithm. The algorithm accuracy is at an industry-leading level, capable of quickly reading information from various valid certificates such as 2nd-generation ID cards, Residence Cards for Hong Kong, Macao and Taiwan Residents, and foreign permanent residence permits. It performs real-time comparison of "the integration of people and certificates" using biometric information (such as fingerprints and portraits) collected on site from the cardholder, accurately and quickly verifying the authenticity of user identity, effectively preventing issues like impersonation and certificate forgery.

The One Card Solution Cube Identity Authentication Management Platform has comprehensive functions such as intelligent device management, personnel information management, blacklist/whitelist monitoring, and data statistical analysis. It enables real-time, comprehensive, multi-dimensional monitoring and visual analysis of terminal devices, verification personnel, and verification data, facilitating clients to stay informed of verification dynamics and optimize management processes. Meanwhile, the system supports access to large-capacity facial servers, possessing backend facial verification capability for millions of faces. It can provide authoritative, trustworthy, stable, and secure identity authentication services to clients in different vertical sectors such as government, education, healthcare, and finance. It comprehensively covers the entire industry chain of "core algorithms + smart terminals + software platforms + scenario applications", providing clients with one-stop identity authentication industry solutions and further consolidating the Company's core competitiveness in the identity authentication field.

③ Industry scenario solutions

Based on its extensive identity verification product system and core technological advantages, the Company deeply integrates the actual needs of specific segmented scenarios in various industries, continuously incubating highly adaptable and easily implementable industry solutions. After years of dedicated effort, it has established identity verification systems for several major core scenarios, including smart examination affairs, smart healthcare, smart new student reception, smart visitor management, and identity authentication for plasma collection stations. These systems cover multiple high-security demand fields such as education, healthcare, and public services, having cumulatively served thousands of clients nationwide and gained widespread market recognition.

In terms of smart examination affairs, the Company focuses on the core need for candidate identity verification in various examination scenarios, creating a full-process smart examination affairs identity verification solution. This solution comprehensively covers the entire business closed-loop of pre-examination candidate information collection, in-examination identity verification, and post-examination data statistical analysis. This solution fully integrates the particularity of examination scenarios, balancing security and convenience. It can not only form a self-contained system and be directly deployed, meeting the rapid application needs of various examination places, but also seamlessly integrate with third-party standardized examination place construction solutions, adapting to examination scenarios of different scales and types (including college entrance examinations, senior high school entrance examinations, various professional qualification examinations, etc.). The solution offers core competitive advantages such as intelligence and convenience, flexible deployment, and accurate verification. It effectively addresses issues like low efficiency, proneness to errors, and difficult management in traditional examination affairs identity verification, assisting examination affairs work in achieving digital and standardized upgrades and ensuring fairness and impartiality in examinations. The Company's smart examination affairs application scenarios are shown below:



In the medical field, the Company addresses the unique and stringent requirements of identity verification in the medical industry, focusing on core scenarios such as newborn birth certificate processing, assisted reproduction management, outpatient registration, and inpatient admission, and has launched specialized smart healthcare identity verification solutions. This solution precisely matches the information collection and identity verification needs of various hospital windows, and can securely integrate with hospital HIS systems, electronic medical record systems, and third-party medical service systems, achieving seamless embedding of the identity verification functional module, without requiring extensive modifications to existing systems, thereby reducing hospital deployment costs. Through precise identity verification, the solution effectively prevents issues such as fraudulent medical visits and impersonation for certificate collection, ensuring patient information security and standardized medical services, helping major medical institutions optimize service processes and improve service quality, and providing patients with high-quality and compassionate medical services. Currently, related products and solutions have been deployed in hospitals of various levels across multiple provinces and cities nationwide, providing effective support for hospitals' standardized services and refined management.

In terms of smart freshman orientation, the Company is guided by the core business of university freshman orientation and registration, creating a comprehensive smart orientation management solution covering the entire process, achieving front-end and back-end integrated linkage between the orientation Human Certificate Verification Terminal and the orientation registration management platform. The solution comprehensively covers all stages, including information collection before freshman enrollment, identity verification and registration during enrollment, and information archiving and management after enrollment, effectively addressing pain points in university orientation such as concentrated personnel, cumbersome processes, and data silos, achieving vertical data connectivity and efficient collaboration among various departments involved in orientation, significantly improving the overall efficiency and service quality of orientation work. This solution can be customized according to the operating scale and management model of different universities, meeting the differentiated needs of various universities for new student admission identity verification and comprehensive management, and has become the preferred solution for the digital upgrade of university welcoming processes.

Regarding smart visitor management, the Company focuses on the pain points of visitor management in scenarios such as industrial parks, office buildings, government agencies, and enterprise factories. The smart visitor identity authentication solution developed by the Company builds a full-process visitor management system of "appointment registration + identity verification + access control + full-process traceability", achieving digitalization, intelligence, and standardization of visitor management, while balancing security and visitor experience. The solution supports both online appointment (WeChat Mini Program, enterprise official account) and offline on-site registration modes. Visitors can upload certificate information in advance to complete appointments. On-site, they can quickly complete "the integration of people and certificates" verification through multimodal biometrics (facial recognition, fingerprint, ID card), eliminating the need for tedious manual registration. The system can be linked with access control and channel devices, automatically granting corresponding area access permissions based on visitor appointment permissions, monitoring visitor movement trajectories in real time, and automatically revoking permissions after visitors leave. Meanwhile, the solution can seamlessly integrate with enterprise OA systems and park management systems, enabling interoperability between visitor data and internal management data, and supporting visitor information archiving, querying, and statistical analysis, facilitating managers to accurately grasp visitor dynamics and strengthen security management. Currently, this solution has been widely applied in various industrial parks, office buildings, and government agencies, effectively addressing issues such as low efficiency, non-standardized registration, and significant security risks in traditional visitor management, thereby enhancing the security level and service quality of these venues. The Company's smart visitor business scenario diagram is as follows:

For identity authentication at plasma collection stations, in response to relevant regulatory requirements from the National Health Commission, the Company has exclusively developed an identity authentication solution for plasma collection stations, specifically addressing the identity verification pain points in the plasma collection industry. This solution covers key nodes throughout the entire process of plasma donor registration and filing, health check-ups, and plasma collection, establishing a four-fold security defense line of "certificate verification + biometric features + liveness detection + full-process traceability" to eliminate illegal plasma donation activities and ensure the safety of plasma sources and the rights and interests of plasma donors. The solution adopts proprietary multimodal BioCV technology, integrating functions such as ID card authenticity verification, facial liveness detection, and fingerprint/palm print matching. It adapts to complex lighting environments at plasma stations, with matching accuracy and speed meeting the retrieval demands of a million-level plasma donor database. It can seamlessly integrate with the plasma apheresis information system (PAIS), achieving automated full-process identity verification. Verification data is stored on the blockchain and is traceable, helping plasma stations achieve 100% compliance with regulatory standards. Currently, the solution has been implemented in multiple plasma stations nationwide, effectively standardizing the plasma supply order and ensuring the quality of plasma raw materials.

(4) Smart business services

The Company adopts "AI+" as its core strategy, iteratively applying TinyML and BioCV core technologies to products in retail scenarios, empowering end-users, and continuously launching superior overall solutions to enhance customer experience.

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

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

Smart business scenario solutions

A. Digital marketing solution for chain retail scenarios

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

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

Intelligent solutions for retail scenarios have five core capabilities:

a. Brand promotion and customer acquisition: Increase customer traffic through product or brand promotion, and quickly implement promotional plans in a timely manner.

b. Product recognition: Smart electronic scales enable product recognition, allowing for quick weighing and settlement at the checkout counter.

c. Shelf area interactive promotion: A complete set of smart shelves to enable customers' attention to products within the scene and their recognition of advertisements and promotional schemes.

d. Product price management: Product prices can be dynamically displayed for members/non-members according to promotional schemes.

e. Business data analysis: Provide diverse analysis reports displaying real-time customer traffic, area popularity, trajectory movements, dwell time, and other data, thereby achieving more scientific product display and presentation.

B. Zero-carbon kiosk solution

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

The application scenario diagram of this solution is as follows:

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

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

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

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

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

(5) Smart living products

The Company's smart living products mainly cover outdoor smart products and other businesses.

① Regarding outdoor smart business, Longzhiyuan, a subsidiary acquired by the Company in 2025, is a company specializing in audio-visual and optical equipment in the smart outdoor domain. It focuses on niche markets, aiming for smart living, and is dedicated to developing smart products related to daily life. Currently, Longzhiyuan's products primarily include two major series: outdoor products and smart home, with outdoor tracking cameras as its core product. Longzhiyuan's business encompasses ID design, software and hardware design, and manufacturing. While providing ODM services for multiple professional outdoor brands, it also sells its own branded products through overseas e-commerce channels. This acquisition expands the Company's smart living products into outdoor areas, enriching the product array in smart outdoor business scenarios.

② Regarding other businesses, relying on its technological accumulation in AI, multimodal perception, bio-signal analysis, and human-computer interaction, the Company has made forward-looking layout in the brain-computer interface track, continuously exploring the integrated application of BCI and AI technologies. During the reporting period, the Company focused on R&D of non-invasive brain-computer interface technology, specifically making breakthroughs in four major technical directions: electroencephalogram (EEG) signal acquisition and analysis, intelligent interpretation of neural data, multimodal perception fusion, and the construction of brain-computer emotional cognitive models.

At the application level, the Company primarily focuses on the potential for brain-computer interface technology implementation in four major scenarios:

●Medical rehabilitation: Exploring innovative applications such as brain state assessment and rehabilitation assistance, covering areas such as depression intervention, sleep improvement, cognitive rehabilitation, and brain health screening;

●Education and training: Deepening the understanding of learning status and intelligent assistance, with a focus on concentration training, cognitive load monitoring and adaptive learning systems;

●Work safety: By using brain state perception technology to identify risk states such as fatigue and inattention in real time, it provides intelligent safety assurance for high-risk industrial scenarios;

●Consumer entertainment: Focusing on mindfulness meditation, mood regulation, sleep management, and wearable EEG devices.

As of now, the relevant technologies are still in the research and development and application verification stage, and the progress of commercialization is uncertain. Investors are advised to pay attention to investment risks.

3. Global business layout and in-depth expansion

The Company has established a business layout of "core business deep cultivation + innovative business expansion + global market coverage". The five core business segments have formed a mature commercialization system, innovative businesses have achieved technical verification and scenario pilots, and the global marketing and service network has achieved localized implementation and operation.

Core businesses: The five major areas of smart space, smart office, digital identity authentication, smart business, and smart life have completed full-scenario product and solution layouts, covering dozens of vertical industries such as government and enterprises, retail, education, healthcare, and transportation.

Global layout: A grid-based global layout of "headquarters + branches/subsidiaries + service outlets" has been formed. As of June 30, 2026, the Company has established 27 branches and 15 subsidiaries domestically, and 62 controlling subsidiaries overseas, located in 33 countries and regions worldwide, achieving globalized and localized synergy in R&D, production, sales, and services.

(III) The Company business model

1. Procurement model

(1) Procurement execution

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

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

The Company mainly adopts the MRP procurement model. The Planning Department of the Company's Manufacturing Center, based on the production plan and Bill of Materials (BOM), calculates and analyzes raw material requirements, prioritizes them, allocates resources in conjunction with existing inventory, and subsequently derives the procurement plan for raw materials required for production. For some common materials, the Company sets a minimum safety stock threshold, establishes an inventory early warning mechanism, and implements dynamic replenishment.

(2) Supplier selection and management

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

In the daily procurement process, in order to ensure the quality of the Company's raw material supply, except for the SAM (security module) involved in the card business, which can only be purchased from Xingtang Communication Technology Co., Ltd., the only supplier selected by the Ministry of Public Security, the Company usually selects two or more suppliers that meet the Company's certification standards for the main raw materials for supply. The Company will also strengthen the management of suppliers by signing relevant "Supply Quality Agreement" and conducting monthly and annual reviews. Suppliers who fail the monthly assessment will undergo interviews and on-site guidance. For suppliers who show no quality improvement after three consecutive months of guidance, new project quotations and prototyping will be stopped, their cooperation share will be reduced, or they will be included in the backup and elimination supplier management program.

2. Production model

From the perspective of process characteristics, the Company's smart terminal products are mainly produced by the production methods of processing and assembly. According to the different production planning methods, the production method can be divided into two production models: Make to Stock (MTS) and Make to Order (MTO). In MTS, the Company makes production plans based on historical sales data and sales strategies for standardized products, and maintains an appropriate amount of finished goods inventory to respond quickly to market demands. In contrast, in MTO, the Company organizes production based on customer orders, taking into account the customers' personalized demands for product types, model specifications, and performance. The finished products are directly delivered to customers without the need for finished goods inventory, thus avoiding inventory overstock and enhancing customer satisfaction.

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

3. Marketing and management models

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

(1) Distribution model

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

(2) Direct sales model

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

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

(IV) Market position and brand influence of the Company's products during the reporting period

Leveraging its core technological advantages, a full-scenario product system, and global service capabilities, the Company firmly ranks among the industry's top tier, with continuously improving brand influence and market recognition.

During the reporting period, the Company was honored with the "Top 10 Channel Gate Brands of 2025-2026", "Top 10 License Plate Recognition Brands of 2025-2026", and "Top 10 Smart Pedestrian and Vehicle Access Brands of 2025-2026" by Smart CRK Headliner, Tingchongquan and www.86crk.com-Smart Access & Parking Charging Portal; honored with "Vice President Unit of Shenzhen Smart Security Chamber of Commerce" by Shenzhen Smart Security Chamber of Commerce; honored with "Second Council Member of FSAISE" by FSAISE; honored with "Vice President Unit of China Shenzhen Security & Protection Industry Association" by China Shenzhen Security & Protection Industry Association; and honored with the "2026 Excellent Partner for Co-building Consumer Security Ecosystem Award" by the CPSE Organizing Committee. ZKTECO USA LLC's Certus cloud access control solution was awarded the "2026 Secure Campus Awards" - ACCESS CONTROL, CLOUD-BASED MANAGEMENT category special award by Campus Security Today, an international authoritative security industry media. The product's innovative strength and value in campus scenarios were highly recognized by authoritative figures in the American industry. ZKTECO SECURITY L.L.C was awarded the "Government Security Solution Provider of the Year" at the GovTech Innovation Forum & Awards 2026 hosted by TahawulTech, a leading Middle East technology media. ZKTeco obtained the renewed "GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System Certification" and "ISO/IEC 27001:2022 Information Security Management System Certification". During the reporting period, the subsidiary ZKTECO BIOMETRICS INDIA PRIVATE LIMITED obtained six ISO system certifications, including ISO/IEC 27001 Information Security Management System, ISO/IEC 27017 Security Controls for Cloud Services, ISO/IEC 27018 Protection of Personally Identifiable Information in Public Clouds, ISO/IEC 27701 Privacy Information Management System, ISO/IEC 20000-1 IT Service Management System, and ISO 9001 Quality Management System.

ZKTeco’s three major brands, ZKTeco, ARMATURA, and ZKDIGIMAX, simultaneously passed the audit by the international authoritative certification body SGS, obtaining IEC 62443-4-1:2018 Cybersecurity certification for industrial automation control systems, and securing three IECEE CB scheme certification certificates at once.

Guangdong Zkteco obtained the renewed "GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System Certification" and was recognized as an SRDI SME by the Department of Industry and Information Technology of Guangdong Province.

XIAMEN ZKTECO obtained the renewed National High-tech Enterprise Certificate from Xiamen Science and Technology Bureau, Xiamen Municipal Finance Bureau, and Xiamen Tax Service, State Taxation Administration.

(V) Key performance drivers

1. Continuous breakthroughs in multimodal BioCV technology

In-depth development of multimodal BioCV technology: Multimodal BioCV technology is accelerating its evolution from traditional single biometrics capabilities towards a highly secure and robust composite identity recognition system, becoming the mainstream technical path amidst continuously upgrading information security demands. ZKTeco continues to achieve key breakthroughs in the multimodal BioCV field, building a new generation of multimodal palm recognition technology system by integrating the advantages of visible light palm recognition and palm vein recognition, performing multi-dimensional deep analysis of palm shape, texture, and vein patterns, significantly improving recognition accuracy while strengthening anti-spoofing capability and security boundaries. The Company continuously optimizes its multimodal recognition algorithm system, dynamically adjusting fusion strategies and weight distribution based on different application scenarios and business needs, achieving flexible collaboration from the feature layer to the decision layer. Related products have been widely applied in diverse scenarios such as employee attendance, smart access control, and smart payment, providing users with identity authentication solutions of higher accuracy and security.

The accelerated popularization of non-contact biometric technology: Non-contact biometric technology is accelerating its popularization and gradually becoming an important form of next-generation identity interaction. Benefiting from advantages such as efficiency, hygiene, and optimized user experience, palm vein recognition, as an emerging non-contact biometric technology, is rapidly becoming a key focus in the industry due to its high discretion and strong anti-replication capability. ZKTeco actively participates in the formulation of group standards related to non-contact palm recognition, promoting the application and deployment of this technology in high-security scenarios such as finance. Concurrently, the Company is advancing its patent layout and technology reserves for non-contact fingerprint capture devices, building multi-dimensional technical barriers. Simultaneously, the Company continuously strengthens its facial recognition technology capabilities, leveraging AI algorithm optimization and enhanced liveness detection capabilities, enabling it to deliver higher value in scenarios such as real-name verification, intelligent monitoring, and risk early warning, further perfecting its multi-level identity security system.

Deeper integration of multimodal BioCV technology in mobile terminals: In the field of mobile terminals, multimodal BioCV technology is accelerating its development towards portability and integration. ZKTeco uniformly encodes multimodal biometric features such as fingerprints, facial features, and palms into BioCode, which is then integrated into mobile devices in the form of a QR code. This enables efficient carrying and convenient invocation of identity information, enhancing user experience while ensuring authentication security. Building on this, the Company continues to explore the deep integration of mobile-end multimodal BioCV technology with application scenarios such as mobile payment and smart office. This promotes the extension of identity authentication capabilities from single functions to cross-scenario applications, creating a more efficient, convenient, and secure integrated mobile identity experience for users.

2. Deep empowerment of AI technology across all scenarios

Multimodal large models are accelerating their transition from perception layer capabilities to cognition and decision-making layer capabilities, becoming the core technical path for driving AI to achieve deep understanding and intelligent reasoning. ZKTeco is seizing the opportunities presented by AI technology evolution, continuously iterating its self-developed BioCV VLM/LLM multimodal large model system, and deeply integrating the Mars Wisdom AI cognitive computing platform, general large models, and edge AI technologies. This integration builds an integrated cloud-edge-device technical foundation, connecting algorithmic capabilities with all business scenarios, and promoting the upgrade of the Company's core technology from traditional "identity recognition" to a "full-domain cognitive service" system. Relying on this composite technical architecture, the Company deeply applies cutting-edge AI capabilities in the core domain of multimodal BioCV. While significantly improving recognition accuracy and response efficiency, it achieves multi-dimensional modeling and in-depth analysis of dynamic behavior trajectories, complex environmental features, and scene interaction relationships, breaking through the limitations of single-point perception in traditional visual recognition, and building a new generation of identity verification and scene analysis system with full-domain perception and intelligent judgment capabilities.

At the same time, the application of AI technology in smart spaces, smart office, digital identity authentication, and smart commerce continues to deepen, becoming an important engine driving business efficiency and value creation. ZKTeco achieves the automation and intelligence of security and operational processes through AI technology, significantly improving overall operational efficiency. In smart commerce scenarios, based on in-depth mining and intelligent analysis of multi-source data, it provides enterprises with more forward-looking decision support capabilities. By combining natural language interaction technology, it builds intelligent Q&A and service systems, widely applied in scenarios such as smart reception and intelligent customer service, significantly optimizing user experience and improving operational efficiency, and promoting the continuous evolution of enterprises from digital to intelligent operational models.

3. Dual drivers of policy and market

National industrial policies continue to provide support: Based on the "Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China" and the "Overall Layout Plan for the Construction of Digital China", the "Measures for the Security Management of the Application of Facial Recognition Technology", effective from June 2025, further regulate industry development. This, coupled with the continuous advancement of Digital China construction and the implementation of the "AI+" initiative, creates a more compliant and broader development environment for the industry in which the company operates. At the same time, the draft "15th Five-Year Plan" outline explicitly includes brain-computer interfaces as a key focus for future industrial foresight. The Ministry of Science and Technology has clarified that during the "15th Five-Year Plan" period, it will strengthen scientific and technological research in areas such as brain-computer interfaces. Coupled with the issuance of relevant implementation opinions by seven departments to promote the innovative development of the brain-computer interface industry, this provides new opportunities for the extended development of the industry. The Company responds to the call of policies, continuously increasing R&D investment in core technologies such as multimodal BioCV and multi-dimensional sensing smart terminals. At the same time, relying on the relevant technological layouts of its subsidiaries, it explores the integrated application of brain-computer interfaces and multimodal BioCV technologies, aligning with policy compliance requirements, accelerating product iteration, and contributing to the construction of the digital industry ecosystem.

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

Global biometric technology, with the continuous iteration and upgrade of elements such as AI, chips, and algorithms, coupled with the increasing demand for security authentication across various industries, sees its application scenarios continuously expanding. In governments and law enforcement agencies, biometric technology is used for border control, national ID programs, and public safety, improving the overall security and efficiency of government operations. In the banking and financial sectors, with the increasing application of biometric technologies such as palm vein, identity theft and fraud risks are further reduced. In healthcare, industrial, and other sectors, biometric technology is deeply integrated into various scenarios, ensuring security while improving management efficiency. Furthermore, the integration of biometrics with self-service and AI agents continues to increase, balancing convenience and security, and driving global market demand growth.

II. Analysis of Core Competitiveness

(I) Core technology system

As of June 30, 2026, the Company and its consolidated subsidiaries collectively have 1,303 patents, including 246 invention patents; 866 computer software copyrights and 89 work copyrights, as well as strong sustained innovation capabilities. As of the end of the reporting period, the Company has actively participated in the formulation of 41 national and local industry standards, grasping the direction of technological development, and laying out product R&D in advance to ensure a leading position in market competition. The Company's core technological advantages are demonstrated in the following aspects:

1. Multimodal BioCV fusion technology

ZKTeco has been deeply engaged in the field of multimodal BioCV and smart perception for many years, building a comprehensive multimodal BioCV technology system covering all categories of recognition modalities, including fingerprint, palm (palmprint + palm vein), facial, iris, and finger vein. The Company's independently developed core algorithms combine high precision, high speed, and high security. They maintain excellent recognition performance even in special scenarios with complex lighting or harsh environments, demonstrating profound technological accumulation.

In terms of hardware and core technology innovation, the Company has made a breakthrough by adopting an ultra-wide-angle binocular camera architecture, enabling palm recognition and facial recognition to share the same hardware acquisition device. This efficiently integrates bimodal capabilities and significantly enhances device integration efficiency. Specifically, palm recognition employs a hybrid solution of palmprint + palm vein, relying on near-infrared imaging technology to capture vein information, combined with palmprint texture details to form a dual security guarantee, and is complemented by image enhancement algorithms to optimize feature acquisition in complex environments. Facial recognition adopts a near-infrared + visible light hybrid mode, flexibly adapting to all-scenario lighting. In low-light environments, dedicated algorithms restore key details to ensure recognition stability.

The facial and palm live detection modules are simultaneously upgraded, utilizing RGB+IR bimodal fusion and deep learning algorithms. This effectively defends against spoofing attacks such as photos, videos, and 3D masks, maintaining stable discrimination capabilities even in low-light environments through detail restoration algorithms. Concurrently, the Company has launched a cross-platform adaptation solution, fully supporting mobile terminals such as HarmonyOS, Android, and iOS, as well as various desktop and dedicated device terminals. By employing unified feature template extraction and encryption standards, secure interoperability across devices is achieved, eliminating the need for users to register repeatedly. Furthermore, the transmission process only conveys feature templates, not raw biometric data, which, combined with dynamic encryption and decentralized storage technologies, fully safeguards user privacy and data security.

At the algorithm optimization level, we innovatively integrate deep learning with traditional pattern recognition algorithms. Deep learning addresses challenges posed by complex scenarios and high-dimensional data, while traditional pattern recognition ensures system operational efficiency, achieving an optimal balance between recognition accuracy and speed. This significantly enhances the system's generalization capability and reliability, further solidifying our industry technical advantages.

2. Mars Wisdom AI Cognitive Computing Platform

AI is driving the leap of smart spaces from "automation" to "intelligence". The Company's independently developed Mars Wisdom AI platform is an AI cognitive space computing platform built for the era of spatial intelligence, aiming to empower spaces with understanding and decision-making capabilities through AI technology.

The Mars Wisdom AI platform is based on multimodal data fusion, integrating technical capabilities such as computer vision, large language models (LLM), multimodal large models (VLM), AI Agent, and edge intelligent computing, to build an intelligent closed loop covering "perception-understanding-reasoning-execution".

The platform can comprehensively analyze people, objects, events, and environmental states within a space, and output intelligent decision-making suggestions based on business rules and AI models. For example, in campus operation scenarios, the platform can identify abnormal behaviors, personnel flow trends, and space utilization efficiency through AI visual analysis; in office scenes, it can combine personnel, equipment, and environmental data to achieve smart office assistance; in manufacturing scenarios, it can assist enterprises in improving production environment management, safety management, and operational efficiency.

During the reporting period, the Company continued to upgrade the capabilities of the Mars Wisdom AI platform, promoting the evolution of AI capabilities from single-point applications to platform-based capabilities, and implementing them in large manufacturing parks, commercial, and other scenarios.

In the future, the Company will further promote the integration of the Mars Wisdom AI platform with businesses such as smart space, smart office, and digital identity authentication, building an important technical infrastructure for the company in the AI era.

3. AIoT technology

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

4. BCI technology

ZKTeco establishes a core EEG interface technology system through multimodal AI and edge-cloud synergy, empowering a new future for human-computer interaction. This technology system, based on non-invasive brain-computer interaction, with multimodal AI integration as its core, and supported by edge-cloud integration, focuses on livelihood scenarios such as improving educational concentration, early screening for neurological diseases, rehabilitation assistance, and smart elder care. It deeply integrates biosensing, edge computing, and brain science, laying a solid foundation for the transition of BCI technology from laboratories to large-scale civilian applications.

ZKTeco's EEG interface technology system adheres to a safe, non-invasive approach. Based on the precise acquisition of microvolt-level weak EEG signals, it develops flexible sensor arrays and lightweight wearable hardware, balancing signal stability, wearing comfort, and portability, making it adaptable to daily long-term monitoring and large-scale popular applications. Leveraging the Company's long-term technological accumulation in multimodal BioCV, the system innovatively achieves multi-dimensional integrated perception of EEG, EOG, EMG, iris and retinal images, and clinical health data. This breaks through industry bottlenecks such as single-modal signals being susceptible to interference and limited recognition accuracy. Through deep learning and correlated feature mining, it achieves stable analysis of concentration, relaxation, emotional states, fatigue levels, and movement intentions.

(II) Scenario-based R&D model, achieving precise alignment of technology with scenarios

The Company uses a scenario-based R&D model driven by "technology foundation + scenario traction" as its engine, with an integrated edge-cloud R&D technology ecosystem as its foundation. Centered around the core needs of various scenarios, it builds specialized business capability platforms, deeply integrating core technologies with specific scenarios. This achieves rapid industrialization of technological achievements and scenario-based innovation, creating an R&D system where "technology is implementable, products are adaptable, and solutions are valuable", thereby achieving precise adaptation of technology to scenarios. The Company's core advantages in scenario-based R&D are reflected in the following aspects:

1. Construction of specialized business capability platforms

Building a series of specialized business capability platforms, including Smart Space Management Platform, Brain-Computer Sovereign Cloud Platform, Smart Audio-Video Platform, and Digital Marketing Platform. These platforms serve as a connecting hub between technology and scenarios, enabling modular and standardized output of core technologies, and rapidly adapting to the personalized needs of different industries and scenarios.

2. Smart space scenarios + Large model application technology + Edge AI

Integrating the Mars Wisdom AI cognitive computing platform with BioCV TinyML edge AI technology into smart space scenarios, we create an AI cognitive spatial computing solution, achieving an upgrade from "physical control" to "intelligent decision-making" and evolving from "perception" to "autonomous decision-making". Encompassing all scenarios including campuses, buildings, communities, and transportation, it enables integrated smart management for access optimization, energy management, security protection, and improved operational efficiency.

3. Smart office scenarios + Large model application technology

We launched the Ralvie AI Agent Platform, integrating large model technology to achieve an upgrade from "time management" to "organizational performance management". Through intelligent analysis of workload structure, it provides enterprises with decision support for resource optimization and performance improvement, creating a smart office ecosystem of "empowerment rather than monitoring", and realizing a dual enhancement in office efficiency and organizational value.

4. Smart business scenarios + AI Agent

In smart business scenarios, we integrate VLM/LLM large models and AI Agent technology to create the ZKDIGIMAX Level3 Digital Marketing Solution, enabling consumer behavior analysis, merchandise display optimization, intelligent generation of marketing content, and cloud monitoring smart services. This builds a full-scenario, full-chain boundless retail ecosystem, providing retail enterprises with precision operations and digital transformation capabilities.

5. Smart identity verification scenarios + BioCV fusion technology

Combining multimodal BioCV fusion technology with blockchain and large model technology, we create identity authentication solutions such as Human Certificate Rubik's Cube, achieving precise verification for "the integration of people and certificates". This covers segmented scenarios like smart examination management, smart healthcare, and smart new student/employee onboarding, fortifying the digital world with a secure and trustworthy identity authentication foundation.

6. Smart life service scenarios

Leveraging the Company's advantages in multimodal BioCV and AIoT technologies and products, we are deploying smart outdoor, smart home, and other smart life service scenarios, creating core products such as outdoor tracking cameras and smart audio-visual devices, to achieve intelligent and convenient upgrades for smart life scenarios and expand the application boundaries of the Company's technologies and products.

7. Education, health and elderly care, and medical service scenarios

Integrating BCI technology with multimodal BioCV technology, we focus on livelihood scenarios such as improving educational concentration, health monitoring for elderly care, early screening for neurological diseases, and rehabilitation assistance, creating customized solutions to lay the technical and scenario foundation for future big health and smart education tracks.

(III) Pan-scenario capability support

The Company has built a full-dimensional scenario product support system of smart terminal + software platform system + cloud operation subscription services. With multimodal BioCV technology as the core foundation and digitalization and intelligence as the main connecting line, it breaks down software and hardware collaboration barriers and deeply integrates cloud-native service capabilities, creating pan-scenario solutions covering all fields such as smart space, smart office, digital identity authentication, and smart commerce. Meanwhile, relying on cloud-native technology platforms like ZKTeco Interconnection, it deeply strengthens cloud operation core capabilities and a diversified subscription service system, achieving a product model upgrade from the traditional "hardware product sales + one-time service" model to "cloud operation full-cycle O&M + subscription-based on-demand service", thus forming pan-scenario support capabilities that combine scenario breadth, technical depth, and service stickiness.

Regarding software systems and platforms, the Company highly values the integrated development and design of software and hardware, focusing on building a software-hardware integrated AIoT ecosystem that can provide diversified, personalized, and customized system software and platform services for different users, different application scenarios, and different vertical fields. On one hand, we are deploying the ZKTeco Cloud IoT Platform MinervaIoT, based on the Amazon Web Services technology stack, to provide deployment-free SaaS application products for smart space, smart office, smart life, and other scenarios. At the same time, we specifically develop platforms for segmented fields, providing ZKBio Smart Park Integrated Management Platform V8800 and ZKBio Intelligent Integrated Management Platform V6600 for large park-type enterprise customers; ZKBio Netxis Cloud middleware development platform and Time and Security Refined Service Platform E-ZKEco Pro for medium and large enterprise customers; ZKTeco Cloud Attendance and Access Control Management System BioTime 8.0 for overseas customers; and ZKBio Partner ZKTeco Cloud Commerce Smart Marketing Management Tool Platform for channel partners, comprehensively empowering partners to achieve digital business operations and refined management. On the other hand, based on the mature technical modules and software middleware of various platforms, we provide combined applications and flexible platform function customization and development services to users, precisely meeting personalized needs and establishing good brand awareness.

Regarding smart terminals, the Company has built a full-category, highly adaptable hardware product matrix, which can provide smart perception and control terminals covering multiple fields: access control management, pedestrian channels, vehicle channels, security inspection products, intelligent videos, smart locks, elevator controls, charging piles, and self-service visitors; products in the field of digital identity authentication, such as Human Certificate Verification Terminal, biometrics capture devices, biometrics modules, and card readers; products such as employee attendance, smart consumption, and smart conferences in the field of smart office. In the field of smart business, we focus on the needs of chain customers, providing hardware products such as smart perception terminals and commercial interactive terminals, along with business system development and data analysis capabilities for people, products, and places. By empowering with technology, we help retail enterprises improve sales efficiency, optimize consumer experience and loyalty, reduce operating costs and risks, and achieve sustainable growth.

In terms of cloud operations and subscription services, the Company, with ZKTeco Interconnection, Ralvie AI, and other cloud-native technology platforms at its core, has built a diversified subscription service system covering basic cloud services, value-added cloud services, and industry-customized cloud services, thereby deeply strengthening core cloud operation capabilities such as centralized cloud device management, intelligent data analysis and operation, continuous system iteration and upgrade, and scenario-based intelligent O&M. We have launched subscription packages, deeply integrating smart terminals with full-lifecycle cloud O&M services, while also offering lightweight and flexibly expandable subscription options to meet the low-threshold digitalization needs of SMEs and the customized service needs of large enterprises, thereby achieving a transformation from "product delivery" to "full-lifecycle value services".

The Company's full-dimensional product array is built upon multimodal BioCV core technology, with deep synergy between software and hardware and efficient integration of cloud, network, and edge, forming a general-purpose scenario support capability that covers all scenarios and adapts to multiple industries. In the future, as the boundaries of user application scenarios continue to expand and extend, the Company will continue to enrich and improve its hardware terminal, software platform, and cloud service product matrix, deepen its cloud operation and subscription service capabilities, and continuously enhance product scenario adaptability and service value, to provide customers with more comprehensive, professional, and high-quality end-to-end solutions.

(IV) Synergistic advantages of the global service operation network

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 and domestic, online and offline operations have formed a strong marketing and service network advantage. Furthermore, the global marketing and service network continues to deepen its penetration, and the cloud service system is continuously improving, further solidifying the foundation for all-scenario, full-coverage service assurance.

As of June 30, 2026, the Company has established 27 branches and 15 subsidiaries across China mainland, with a sales and service system covering the whole country. The Company has established a total of 62 controlling subsidiaries overseas, located in 33 countries and regions worldwide, with product sales covering over 100 countries and regions. Through the aforementioned arrangement, globalized and localized synergy in R&D, production, sales, and service has been achieved.

Domestically, the Company takes "regional deep cultivation + structural penetration" as its core strategic focus, continuously strengthening its synergistic capabilities with core partners and distribution systems. Through the construction of a terminal brand system and multi-dimensional touchpoints such as industry exhibitions and professional forums, it systematically enhances brand penetration and industry influence. Meanwhile, the Company is accelerating the build-out of its marketing service center network and digital marketing platform, driving its sales and service capabilities to extend deeply into tier-three, tier-four, and tier-five cities, as well as county-level markets, further unleashing the growth potential of the lower-tier markets. Building on this, the Company is actively exploring a new digital marketing model of "short video + live streaming + e-commerce", achieving a transformation and upgrade from traditional channel-driven to data-driven and content-driven approaches, continuously improving customer acquisition efficiency and conversion rate. The integrated online and offline convergence continues to deepen, not only effectively expanding market coverage but also significantly enhancing channel operational efficiency and resource allocation capabilities, enabling the Company to build a more resilient growth curve in the domestic market.

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

(V) Intelligent manufacturing advantages, ensuring efficient product delivery

The Company builds a "fully integrated, customized and flexible, lean and intelligent" production and manufacturing system, and has established a global manufacturing system.

1. Fully integrated production process system

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

2. Customized and flexible production capacity

The Company can provide comprehensive product services in various niche markets such as smart spaces, smart offices, digital identity authentication, and smart business, and possesses the capability to rapidly respond to customized demands for mass production. The Company's customized and flexible production capacity benefits from a professional R&D and engineering technical team, diverse product component production capabilities, and flexible product component coupling characteristics. The Company has achieved SMED in the production process, from SMT to injection molding, which can achieve rapid exchange of production equipment. In addition, the refined material supply system and lean line design in the assembly workshop can meet the flexible production needs of customers from different countries for small batches, multiple varieties, and customization.

3. Lean production model

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

4. Advantages of automation and informatization

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

5. Advantages in global manufacturing synergy

The Company continues to optimize its global intelligent manufacturing layout, establishing a three-in-one global production system comprising the Dongguan Manufacturing Headquarters, the Thai overseas manufacturing hub, and the US high-end intelligent manufacturing base. The Dongguan Headquarters Manufacturing Base serves as the core manufacturing base, solidifying the foundation of global production capacity and mass production capabilities; the Thai factory is positioned as a core overseas manufacturing hub, coordinating global cross-regional capacity allocation and playing a central role in the supply chain; the US factory focuses on localized manufacturing of high-end products and the transformation of technological achievements, deeply serving the North American regional market, and strengthening local rapid delivery and technical support.

(VI) Advantages of high-value brands, building a global market reputation

Leveraging its core technological advantages, a full-scenario product system, and global service capabilities, the Company firmly ranks among the industry's top tier, with continuously improving brand influence and market recognition.

During the reporting period, the Company was honored with the "Top 10 Channel Gate Brands of 2025-2026", "Top 10 License Plate Recognition Brands of 2025-2026", and "Top 10 Smart Pedestrian and Vehicle Access Brands of 2025-2026" by Smart CRK Headliner, Tingchongquan and www.86crk.com-Smart Access & Parking Charging Portal; honored with "Vice President Unit of Shenzhen Smart Security Chamber of Commerce" by Shenzhen Smart Security Chamber of Commerce; honored with "Second Council Member of FSAISE" by FSAISE; honored with "Vice President Unit of China Shenzhen Security & Protection Industry Association" by China Shenzhen Security & Protection Industry Association; and honored with the "2026 Excellent Partner for Co-building Consumer Security Ecosystem Award" by the CPSE Organizing Committee. ZKTECO USA LLC's Certus cloud access control solution was awarded the "2026 Secure Campus Awards" - ACCESS CONTROL, CLOUD-BASED MANAGEMENT category special award by Campus Security Today, an international authoritative security industry media. The product's innovative strength and value in campus scenarios were highly recognized by authoritative figures in the American industry. ZKTECO SECURITY L.L.C was awarded the "Government Security Solution Provider of the Year" at the GovTech Innovation Forum & Awards 2026 hosted by TahawulTech, a leading Middle East technology media. ZKTeco obtained the renewed "GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System Certification" and "ISO/IEC 27001:2022 Information Security Management System Certification". During the reporting period, the subsidiary ZKTECO BIOMETRICS INDIA PRIVATE LIMITED obtained six ISO system certifications, including ISO/IEC 27001 Information Security Management System, ISO/IEC 27017 Security Controls for Cloud Services, ISO/IEC 27018 Protection of Personally Identifiable Information in Public Clouds, ISO/IEC 27701 Privacy Information Management System, ISO/IEC 20000-1 IT Service Management System, and ISO 9001 Quality Management System.

ZKTeco’s three major brands, ZKTeco, ARMATURA, and ZKDIGIMAX, simultaneously passed the audit by the international authoritative certification body SGS, obtaining IEC 62443-4-1:2018 Cybersecurity certification for industrial automation control systems, and securing three IECEE CB scheme certification certificates at once.

Guangdong Zkteco obtained the renewed "GB/T 45001-2020/ISO 45001:2018 Occupational Health and Safety Management System Certification" and was recognized as an SRDI SME by the Department of Industry and Information Technology of Guangdong Province.

XIAMEN ZKTECO obtained the renewed National High-tech Enterprise Certificate from Xiamen Science and Technology Bureau, Xiamen Municipal Finance Bureau, and Xiamen Tax Service, State Taxation Administration.

(VII) Continuously building a talent ecosystem, stimulating organizational innovation vitality

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

(VIII) Full-process quality control advantage, solidifying product and service quality

The Company always regards quality as its core development driver, taking the entire chain of R&D, procurement, production, and after-sales as control dimensions, to build a refined quality control system that covers all software and hardware categories and spans the entire product lifecycle. While integrating AI technology to empower R&D quality control, and through the dual assurance of technological innovation and process standardization, it continuously strengthens product and service quality, thereby building an industry-leading quality competitive barrier.

In the R&D and design phase, the Company strictly adheres to the "Design and Development Management Control Procedure", introducing a cross-departmental collaboration mechanism from project initiation and review, integrating the professional advantages of R&D, production, quality control, and marketing, to achieve a deep match between design requirements and scenario applications, as well as production implementation. For the software R&D process, an innovative AI-assisted programming quality control system is introduced, leveraging tools like CodeRider for intelligent code review. Through AI algorithms, it achieves comprehensive control across dimensions such as code vulnerability detection, logical compliance verification, performance optimization analysis, and coding standard unification, significantly improving code writing quality and R&D efficiency, avoiding potential software product issues from the technical source, and ensuring the stability and reliability of software and hardware collaborative development.

In the procurement process, the Company establishes a standardized "Supplier Management Control Procedure", building a comprehensive supplier screening, evaluation, and dynamic management system. It conducts strict qualification audits, capacity verification, and sample testing for core raw material and component suppliers, while simultaneously establishing monthly and annual supplier evaluation mechanisms to achieve precise control over supply-side quality, ensuring the quality stability of production materials from the source.

In the production and manufacturing process, the Company strictly implements the "Production Process Control Procedure", leveraging industry-leading automated production equipment, lean production model, and digital management systems such as MES and QMS, to conduct refined and standardized control over various processes such as injection molding, SMT placement, algorithm burning, finished product assembly, and full-process testing. This achieves full data traceability and quality control at every stage of the production process, ensuring the consistency and stability of product manufacturing quality.

Regarding quality after-sales service, the Company adheres to the "customer first" service philosophy, establishing an efficient global after-sales service system. It collects customer issues and suggestions during product use in real time through a multi-channel feedback system, establishes a tiered problem-handling and closed-loop tracking mechanism, and simultaneously conducts in-depth analysis of customer feedback data. Quality improvement suggestions are fed back to the R&D and production processes, forming an "after-sales feedback - problem rectification - technical optimization" quality improvement closed loop.

Leveraging its full-process, standardized quality control system and innovative control capabilities assisted by AI technology, the Company has achieved full-chain quality control from R&D and design to after-sales service, forming a strong quality competitive advantage. In the future, the Company will continue to uphold the principle of quality first, continuously integrating cutting-edge technologies to optimize its quality control system, deepening its full-chain quality control capabilities, and continuously improving product and service quality, to provide global customers with more reliable and higher-quality products and solutions, and create long-term value for shareholders.

III. Main Business Analysis

Overview

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

YoY Changes in Major Financial Data

Unit: RMB

	Current reporting	The same period	YoY change	Reasons for changes

	period	last year		
Operating revenue	1,098,427,084.69	929,258,759.50	18.20%	Mainly due to the newly acquired Longzhiyuan's consolidated data in the current period, which was not consolidated in the same period last year
Operating cost	541,469,700.14	454,165,899.16	19.22%	Mainly due to the newly acquired Longzhiyuan's consolidated data in the current period, which was not consolidated in the same period last year
Selling expenses	238,548,331.91	209,649,741.81	13.78%	Mainly due to the newly acquired Longzhiyuan's consolidated data in the current period, which was not consolidated in the same period last year
Administrative expenses	73,446,857.65	57,337,406.90	28.10%	Mainly due to the newly acquired Longzhiyuan's consolidated data in the current period, which was not consolidated in the same period last year
Financial expenses	18,058,271.23	-26,916,455.19	167.09%	Mainly due to exchange losses caused by exchange rate fluctuations in the current period (compared to exchange gains in the same period last year)
Income tax expenses	19,531,318.60	10,696,749.06	82.59%	Mainly due to the increase in current income tax recognized by some overseas subsidiaries in the current period
R&D investment	88,821,794.44	104,067,183.21	-14.65%	Mainly due to the decrease in R&D personnel in the current period, which led to a reduction in employee benefits
Net cash flows from operating activities	50,492,267.08	169,183,153.56	-70.16%	Mainly due to the increase in cash flow from the purchase of goods and acceptance of services in the current period
Net cash flows from investing activities	56,659,061.63	-454,974,965.27	112.45%	Mainly due to the increase in cash flow from the redemption of financial products in the current period
Net cash flows from financing activities	-97,195,505.42	-29,847,665.57	-225.64%	Mainly due to the decrease in cash flow from repaying discounted bills in the current period
Net increase in cash and cash equivalents	-23,140,973.41	-310,175,901.73	92.54%	Mainly due to the combined impact of the net cash flows generated from operating activities, investing activities and financing activities
Gains from changes in fair value	49,212,654.08	7,977,831.68	516.87%	Mainly due to gains from changes in fair value - trading financial liabilities, recognized as a result of estimating the fair value of contingent consideration based on the acquisition agreement of Longzhiyuan in the current period, fully considering the actual and estimated completion of Longzhiyuan's performance commitments
Losses from impairment of assets	-48,556,226.49	-9,329,887.04	-420.44%	Mainly due to the increase in impairment losses on goodwill provision in the current period

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

□ Applicable ☑Not applicable

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

Products or services accounting for more than 10%

☑Applicable □ Not applicable

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	YoY change of operating revenue	YoY change of operating costs	YoY change of gross profit margin
By products or services						
Smart office products	176,961,566.09	44,218,776.69	75.01%	3.88%	-11.48%	4.33%
Including: attendance products	100,295,634.39	35,376,184.56	64.73%	-3.22%	-13.21%	4.06%
Other products	76,665,931.70	8,842,592.13	88.47%	14.91%	-3.84%	2.25%
Smart space products	689,104,180.56	362,764,913.12	47.36%	0.43%	2.20%	-0.91%
Including: access control products	450,771,765.96	239,224,975.33	46.93%	1.40%	9.15%	-3.77%
Other products	238,332,414.60	123,539,937.79	48.16%	-1.36%	-9.02%	4.36%
Digital identity authentication products	35,961,507.55	22,803,812.22	36.59%	-10.46%	-13.33%	2.10%
Including: biometrics sensor products	14,418,305.94	5,873,081.90	59.27%	-3.87%	-8.67%	2.15%
Including: card products	18,344,599.84	16,157,797.54	11.92%	-10.72%	-14.36%	3.74%
Other products	3,198,601.77	772,932.78	75.84%	-30.72%	-23.83%	-2.18%
Smart business products	28,244,235.25	21,283,227.15	24.65%	-2.41%	-3.80%	1.09%
Including: commercial products	9,737,612.73	7,366,531.54	24.35%	-32.20%	-30.58%	-1.77%
Including: digital signage products	10,034,360.40	6,968,945.46	30.55%	-12.69%	-21.96%	8.25%
Other products	8,472,262.12	6,947,750.15	17.99%	174.59%	169.13%	1.66%
Smart living products	144,747,258.73	74,995,748.94	48.19%			
Including: Outdoor products	132,573,821.26	67,134,683.48	49.36%			
Including: Smart home	12,173,437.47	7,861,065.46	35.42%			
Other products	23,408,336.51	15,403,222.02	34.20%	544.57%	1,777.10%	-43.20%
By region						
Domestic sales	234,560,784.30	159,519,150.23	31.99%	4.01%	2.82%	0.78%
Overseas sales	863,866,300.39	381,950,549.91	55.79%	22.76%	27.74%	-1.72%
By sales model						
Distribution	628,666,597.77	352,077,535.54	44.00%	3.60%	5.34%	-0.92%
Direct sales	446,352,150.41	173,988,942.58	61.02%	40.02%	46.07%	-1.61%
Others	23,408,336.51	15,403,222.02	34.20%	544.57%	1,777.10%	-43.20%

R&D investment

1. R&D investment table

	Amount in the Current Period	Amount in the Same Period of Previous Year	Change
R&D investment amount (RMB)	88,821,794.44	104,067,183.21	-14.65%
Ratio of R&D investment to operating revenue	8.09%	11.20%	-3.11%
Amount of R&D expenditure capitalization (RMB)	-	-	-
Ratio of capitalized R&D expenditure to R&D investment	0.00%	0.00%	-
Proportion of capitalized R&D expenditure to current net profit	0.00%	0.00%	-

2. Status of ongoing projects

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
1	R&D of Access Control Smart Terminal Based on AI Agent Technology V2.0	This project aims to deeply integrate self-developed multimodal BioCV biometric algorithms with AI-Agent intelligent middle-platform capabilities to iteratively create a new generation of access control smart terminal V2.0. Leveraging a device-cloud collaborative intelligent agent architecture, it connects local edge sensing and computing power with cloud-based scheduling hubs. The device integrates a multimodal identity verification engine, establishing a fully intelligent interactive channel for visitors to complete self-service approval and authentication of access permissions. By coupling perception and recognition, autonomous scheduling, and human-computer interaction technologies, the project delivers a highly adaptive, user-friendly space access interaction system, empowering managers to achieve refined, automated, and smart control of entrance and exit scenarios, thus constructing an AI-Agent entrance and exit solution for smart spaces.	Ongoing projects	This project deeply integrates the cloud AI intelligent agent middle-platform architecture, enabling terminals with proactive intelligent service capabilities such as intelligent voice interaction, precise user intent parsing, and scene abnormal behavior prediction, breaking through the traditional passive verification mode of access control. Relying on the device-cloud collaborative intelligent interaction system, it achieves a dual upgrade of personnel frictionless verification and intelligent emotional feedback in human-computer interaction, building a smart entrance and exit control system with proactive perception, intelligent response, and enhanced experience.	This project can enhance enterprise brand value by shaping a humanized technology brand positioning through human-centered intelligent interaction, building product differentiation advantages, and raising market premium. Relying on the AI intelligent agent-biometric fusion architecture, it promotes the transformation of entrance and exit terminals from passive verification to proactive sensing services, leading the iteration of smart office space control technology, driving the upgrade of industry solutions, and advancing the industry towards intelligent, efficient, and humanized directions.
2	R&D of an All-Scenario Verification Application Platform Based on Edge AIoT Integration	This project addresses the industry demands of massive terminal access and differentiated verification in multiple scenarios in the era of AIoT, overcoming technical bottlenecks such as insufficient real-time performance, weak privacy protection, high network dependency, and lack of cross-	Ongoing projects	This project aims to build an integrated verification platform that deeply integrates edge intelligence and IoT sensing, focusing on achieving three core objectives: 1. To build a composite standardized verification service system covering multimodal biometrics (face,	This project aims to enhance the Company's edge-side smart all-scenario verification solution. By building a closed-loop capability encompassing "terminal + platform + data", it will accumulate rich scenario-based data and edge AI models, thereby establishing long-term technical barriers and market

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		scenario collaboration in traditional verification systems. It self-develops and builds an all-scenario smart verification application platform that integrates edge AI computing power and IoT sensing capabilities. By building a localized intelligent decision-making and multi-device collaboration mechanism, it breaks down data barriers between terminals, services, and scenarios, creating a secure, efficient, and autonomously controllable new generation identity verification and business access service system, realizing a systematic and intelligent upgrade of smart verification services.		fingerprint, palmprint) and multiple types of credentials (IC card, Bluetooth, QR code, digital token). 2. To empower terminals with edge intelligent analysis and autonomous interaction capabilities, enabling scenario-based strategy scheduling, dynamic response, and localized intelligent decision-making. 3. To build a comprehensive business framework covering all scenarios including access control attendance, visitor management, channel control, video intercom, and identity verification, forming a general and deployable integrated smart verification solution.	competitiveness for the company, and improving project delivery quality and customer stickiness. While further consolidating and expanding the Company's market share in traditional advantageous fields like access control and attendance, the platform will empower the Company to enter broader IoT application markets such as smart campuses, digital factories, and smart schools, becoming a core engine for future sustained growth.
3	R&D of an SaaS Application Platform Based on the Smart Office + Intelligent Agent	This project targets various scenarios including enterprise offices, chain businesses, smart manufacturing, and campuses. Addressing pain points such as fragmentation of traditional smart spaces and O&M management systems, weak business collaboration, high O&M costs, and insufficient intelligence, it will build an AI intelligent agent-based smart office cloud application platform with AI empowerment and SaaS inclusiveness as core R&D orientations. The platform integrates full-scenario cloud capabilities including cloud attendance, cloud video, cloud access control, cloud intercom, cloud alarm, and cloud control. It reconstructs the platform's interaction, integration, and execution architecture with the AI intelligent agent as its core hub. Leveraging natural language interaction and intelligent agent collaborative orchestration technology, it achieves business process automation and deep release of data value, building a new generation of intent-driven, autonomous execution, and cross-domain collaborative cloud-native space management system.	Ongoing projects	This project plans to complete the R&D iteration of the AI intelligent agent's core modules, empowering the platform with core capabilities such as smart perception, data linkage, risk early warning, and smart decision-making. It will achieve real-time collection, analysis, and smart handling of various cloud application data, realizing intelligent functions such as attendance anomaly reminders, video behavior recognition, smart access control permission management, and smart alarm event response, thereby building a human-machine collaborative intelligent service model, effectively reducing false positive and missed report rates, and improving the platform's smart O&M level. Concurrently, it will complete the integration, adaptation, and functional optimization of all cloud application modules, breaking down data silos between various business modules, achieving seamless linkage of businesses such as attendance, video, access control, intercom, alarm, and device control, and establishing an end-to-end, full-process, closed-loop smart office SaaS integrated management system.	This project innovates diversified revenue models such as cloud subscription, customized services, and value-added intelligent services, opening up new profit growth points for enterprise cloud services and contributing to sustained and steady revenue growth. Relying on lightweight cloud architecture and AI intelligent agent automation capabilities, it effectively reduces hardware investment and manual O&M costs. Through continuous iterative optimization of algorithm models using user data, it forms a positive cycle of data, models, products, and revenue, continuously enhancing overall profitability. Meanwhile, it will accumulate core proprietary technical assets such as AI intelligent agents and cloud service architecture, enrich intellectual property reserves, enhance the Company's technical asset foundation, and improve brand influence and capital market valuation advantages, providing solid support for the Company's long-term capital operations and strategic layout in the AI smart office sector.

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4	R&D of a Spatial Intelligent Agent Platform Based on Multi-dimensional Perception	This project addresses the core needs of smart space management: "all-domain perception, intelligent collaboration, efficient O&M, and low-threshold deployment". It leverages ZKTeco's independently developed BioCV multimodal model as its technical core, Mars Wisdom as its intelligent base, and the ZKBio CVSecurity platform as its deployment vehicle. By deeply integrating cutting-edge technologies such as AI large models, multi-dimensional perception (face, human body, vehicle, environment, behavior, etc.), spatial intelligence, and intelligent agent interaction, it aims to build an integrated end-edge-service spatial intelligent agent platform. It solves the industry pain points of traditional space management and entrance and exit management, such as "single perception, data silos, complex operations, high development threshold, and delayed decision-making". Through multi-dimensional perception, it achieves all-domain situational awareness of physical spaces. Through spatial intelligent agents, it realizes autonomous decision-making, intelligent interaction, and zero-code development capabilities, comprehensively upgrading the entrance and exit management and security protection system. This transforms the Company's smart space products from "hardware-driven" to "platform-based, intelligent, and ecological", adapting to the intelligent upgrade needs of space management across multiple industries.	Ongoing projects	This project aims to build an integrated smart space management platform with deep synergy between multi-dimensional perception and spatial intelligent agents. At the technical level, it will open up the full link of multimodal perception, intelligent decision-making, and end-edge collaborative execution, build a closed-loop technical architecture, optimize large model inference and intelligent interaction performance, form a standardized equipment access and data interoperability system, and enhance platform compatibility and scalability. At the product level, it will upgrade multimodal identity verification and all-domain security early warning capabilities, significantly improving traffic efficiency and reducing recognition error rates, and achieving proactive and precise early warning for hidden dangers in smart spaces. Relying on intelligent agent interaction and zero-code development capabilities, it will lower the threshold for scenario deployment and shorten project delivery cycles, adapting to the differentiated scenario needs of multiple industries. At the operational level, it will complete pilot implementations in multiple core scenarios, establish a normalized iterative mechanism for platform self-learning and self-optimization, achieve intelligent O&M for cost reduction and efficiency improvement, and ensure long-term high stability and large-scale operation of the platform.	1. Build differentiated technical barriers, and accumulate independent core technologies such as multidimensional perception, spatial intelligent decision-making, end-edge-service collaboration, and zero-code development, continuously strengthening the Company's technological leadership and industry discourse power in AIoT smart space management; 2. Promote the iteration and upgrade of the product system, assisting the business transformation from single hardware sales to an integrated "platform + algorithm + hardware + service" solution, enriching the product matrix, increasing product premium and market competitiveness, and helping to deeply cultivate the mid-to-high-end smart space management market; 3. Innovate a sustainable business model, break through the traditional one-time sales model, and expand long-term revenue channels such as platform subscriptions, algorithm iterations, customized services, and O&M hosting, optimizing the overall revenue structure; 4. Align with the industry's intelligent transformation trend, relying on lightweight and highly adaptable platform capabilities, supporting the Company's business scale expansion and global layout; 5. Accumulate industry scenario data and solutions, build an industrial ecosystem based on a standardized open system, solidify the Company's core competitive position in the industry, and continuously empower the enterprise's long-term high-quality development.
5	R&D of Domestic Multimodal Identity Authentication Device Based on Smart Identity Verification Scenario 3.0	This project focuses on the demand for domestic substitution driven by IT application innovation in the field of smart identity verification, carrying out R&D of full-stack domestic multimodal identity authentication devices for both software and hardware. The terminal integrates multi-	Ongoing projects	This project aims to build a complete domestic full-stack technology system, complete the comprehensive domestic iterative R&D of hardware, operating systems, and application software, and establish full-link capabilities covering chip-level security encryption algorithms, terminal devices, and cloud	1. Build domestic core technology barriers, seize the technological high ground in the IT application innovation, and continuously strengthen the Company's core competitiveness and industry leading advantages in the smart identity verification track; 2. Deeply adapt to domestic rigid demand scenarios such as

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		dimensional identity verification capabilities such as fingerprint, facial recognition, iris, palmprint, card swipe, QR code, and OCR, building a composite authentication system. Leveraging a full-link domestic security architecture, it effectively circumvents the risks of theft and tampering of core identity data during transmission and storage. By empowering industry chain upgrades with independent technology breakthroughs, an integrated ecological closed loop covering chips, smart terminals, and cloud verification services is built, assisting the intelligent and localized compliance transformation of identity verification scenarios in critical fields such as government affairs, smart spaces, and transportation.		verification platforms, achieving full-process independent control of identity verification services. Through the reconstruction of the domestic technology architecture, the security protection capability for identity data in critical industry scenarios is comprehensively strengthened, forming a standardized, reusable, and scalable domestic smart identity verification solution that meets industry compliance and security control requirements.	government affairs, smart spaces, and transportation, effectively broaden business boundaries, explore diversified market space, and cultivate stable business growth increments; 3. Contribute to the construction of the domestic identity authentication industry ecosystem, highly conform to the national strategic layout for IT application innovation, fully obtain policy empowerment and capital market recognition, and lay a solid foundation for the enterprise's long-term stable and high-quality development.
6	R&D of a Full-link AIoT Integrated Smart Commercial Comprehensive Solution Platform Driven by AI Agents	This project relies on the independent decision-making and collaborative scheduling capabilities of AI agents to innovate the manual operation mode of traditional commercial systems, achieving full-process intelligent upgrading of core business links such as content generation, scheduling arrangement, and advertising distribution. Combining edge-side AIoT smart perception technology, it optimizes terminal data collection and circulation efficiency. Through the deep integration of AI agents and IoT technology, a new L3-level smart interaction system is built, creating an automated, refined, and intelligent new-generation smart commercial operation service platform.	Ongoing projects	This project plans to complete the core capability construction and implementation of the smart commercial comprehensive platform, launch a self-developed cloud monitoring application, and improve the platform's cloud monitoring operational capabilities. Complete the deep integration and adaptation of smart POS devices, broadening payment and data linkage capabilities in commercial scenarios. Empower AI digital signage edge-side intelligent computing power, and achieve autonomous control of device brightness, volume, and content scheduling, as well as human-AI collaborative decision-making. Equipped with edge-side smart voice interaction function, it builds a highly autonomous, interactively friendly intelligent commercial terminal system, forming a complete smart commercial solution capability matrix.	1. Deeply implement AI agents and AIoT fusion technology to comprehensively upgrade the Company's smart business overall solutions, enhance product intelligence and scenario application effectiveness, build differentiated market competitive advantages, and empower industries with digital and intelligent efficiency improvements; 2. Enrich the Company's product system and technological accumulation in the smart business sector, enhance the brand's professional influence and industry reputation in smart business solutions, and continuously expand the market space for business scenarios.
7	R&D of a Comprehensive Governance Platform for Full-domain	This project focuses on intelligent building control and high-security access management scenarios, leveraging system integration	Ongoing projects	This project centers on high-security access control, relying on general standardized API interfaces to achieve rapid integration of various third-	1. Enhance market competitiveness: The system has passed numerous high-security standard certifications, helping the Company provide

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	Intelligent Access	capabilities to consolidate industry resources and specifically address pain points such as fragmented access management and scattered services across multiple scenarios. By building an integrated comprehensive governance platform, we cover the diversified application needs of various users, providing one-stop digital access management services and standardized comprehensive solutions for clients in multiple fields such as parks, commercial complexes, and industrial sites, achieving intelligent, intensive, and digital upgrading of access space management.		party systems, empowering the platform with intelligent data analysis and full-domain security control capabilities, and adapting to diverse and fragmented scenario needs of customers. Create an integrated management platform that combines intelligent space, collaborative linkage, efficient O&M, and scenario adaptation, comprehensively enhancing the level of digital access governance and security control in all scenarios such as enterprises, industrial parks, shopping malls, hospitals, factories, and construction sites.	more comprehensive and intelligent solutions in medium to large-scale space management projects, precisely meeting diverse customer needs, and significantly enhancing the Company's market competitiveness in the smart space domain; 2. Improve operational efficiency: By integrating multiple video platforms and various device communication protocols, the aim is to reduce client integration development efforts and effectively improve operational efficiency; 3. Expand business areas: The newly added hybrid cloud model and multi-server model can better meet the system stability requirements and fault tolerance of large smart space projects.
8	R&D of Key Technologies and Engineering Applications for Large-scale Palm Recognition Based on A Million-level Compliance Database	Addressing current bottlenecks in the biometrics field, such as insufficient palm image data scale, lagging compliance construction, limited accuracy of multimodal fusion, and weak large-capacity, high-concurrency recognition capabilities, this project is guided by real industry scenarios and compliance data demands. It adopts a secure, controllable, and privacy-compliant back-to-back collaborative cooperation model with clients to jointly build a standardized, high-quality, and million-scale palm biometrics database. The project focuses on multimodal palm feature fusion, enhancing the robustness, accuracy, and retrieval efficiency of palm recognition algorithms in complex scenarios, and forming an engineered technology system and solution capable of supporting million-level large-capacity identity authentication. Through key technological breakthroughs and verified practical applications, we are advancing palm biometrics from laboratory algorithms to large-scale, compliant deployments, providing independent, controllable, efficient, and reliable technical support and demonstration models for smart	Ongoing projects	This project aims to complete the full-link technical iteration and engineering implementation of palm recognition, optimize the optical design and image enhancement algorithms of palm modules, achieve image denoising and contrast optimization in complex environments such as low illumination and high noise, and improve the clarity and consistency of palm image acquisition across all scenarios. Based on real customer business scenarios, we will establish a compliant palm data collection solution and build a million-level compliant palm feature database through a back-to-back collaborative model. By iterating and optimizing recognition algorithms based on massive compliant data, and fusing palmprint external texture with palm vein features to construct multimodal feature vectors, we will significantly improve the algorithm's recognition accuracy, low-light adaptability, and anti-interference and anti-attack capabilities. We will collaborate with the laboratory to complete in-depth algorithm	This project will empower ZKTeco across four major dimensions: technology, market, ecosystem, and strategy. At the technological level, by co-building a million-level palm biometrics database with customers through a back-to-back compliant approach, we will address the industry pain point of lacking high-quality compliant data. At the market level, aligning with data compliance policy guidance, we will improve the multimodal product matrix, achieve full-stack adaptation with existing terminals, and enhance scenario coverage and customer stickiness. At the ecosystem level, by innovating the "back-to-back" collaborative model, we will bind core industry customers to form a long-term R&D mechanism, leveraging the reputation of different customers to empower market expansion both domestically and internationally. At the strategic level, we will accumulate core intellectual property in areas such as palm recognition and data compliance, contributing to the Company's long-term intelligent development strategy.

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		identity verification and secure access control in relevant industries.		optimization, iterate and adapt palm recognition models for large-capacity, complex scenarios involving over hundreds of thousands of entries, and output mature palmprint and palm vein fusion recognition SDKs, forming core technical achievements that can be scaled and reused.	
9	R&D of a Smart Identification Terminal Based on Linux and Android Dual Systems, Designed for Harsh Industrial Environments	This project aims to develop a smart identification terminal adapted for high-end outdoor industrial scenarios. It deeply integrates Linux and Android dual-system architecture, incorporating core functions such as large-angle facial recognition, professional visual intercom, IK10 impact resistance, IP66 water and dust protection, high-brightness display of 1000 nits and above, and professional wireless communication (WiFi/4G). This will address industry pain points like insufficient adaptability and non-compliance of similar products in specific markets, continuously enhancing ZKTeco's international competitiveness and market influence in high-end smart terminals.	Ongoing projects	This project plans to complete the research, development, and verification of an industrial-grade dual-system smart identification terminal, achieving stable operation under full working conditions in harsh environments. Regarding environmental adaptability, the device can operate stably in a wide temperature range and complex lighting scenarios such as strong light and dim light. It is equipped with a high-brightness display, and hardware selection optimization and thermal protection structure design have been completed. Regarding optical design, we are developing an ultra-wide-angle facial recognition optical solution, realizing an integrated optical design for facial and palm recognition, which simplifies hardware structure and reduces overall research, development, and production costs. Regarding system architecture, it adapts mainstream Linux and Android dual-system solutions to meet diverse customer selection and scenario deployment needs. Regarding audio, video, and communication, we are overcoming high-fidelity visual intercom noise reduction and echo suppression technology, achieving high industry standards for voice input and output indicators; and integrating multi-mode wireless communication modules to support multi-mode network switching. Regarding reliability and protection, we are developing	The research related to this project has strategic and overarching implications for the Company's future development. It represents a crucial initiative for the company to deepen its roots in the high-end smart terminal sector, expand into domestic and international markets, and solidify its industry position. The specific impacts are as follows: 1. Technical level: The project tackles core technologies such as dual-system integration, high protection, and low power consumption. 2. Market level: The project focuses on high-end outdoor industrial scenarios, addressing product compliance and adaptability pain points, expanding into high-end markets both domestically and overseas, and enriching the product matrix. 3. Brand level: The high-end compliant products developed in this project will enhance the Company's brand influence and recognition in the domestic and international high-end smart terminal fields. 4. Industry chain level: The project promotes the transformation of core technological achievements, cultivates professional R&D teams, strengthens the Company's core competitiveness and sustainable development capabilities, thereby helping the Company reshape its value system and achieve long-term development.

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				low-power temperature control management technology, optimizing overall device temperature rise and power consumption strategies; completing electrostatic and surge protection design according to industrial high standards, achieving an industrial-grade high protection level for the entire device. Regarding production and compliance, we are optimizing PCBA structural design to adapt to standardized testing, assembly, and mass production processes, ensuring the entire device passes a full set of compliance certifications. The structure is compatible with various wall types, panel materials, and fence materials, enabling flexible installation and deployment in all scenarios.	
10	R&D of IoT Platform Construction Project based on New MQTT Unified Communication Protocol and Matter Standard Adaptation	This project addresses core pain points within the Company's IoT ecosystem, such as protocol fragmentation, weak compatibility, high iteration and O&M costs, and insufficient ecosystem interoperability. We will independently develop and build a new generation IoT platform based on the new MQTT unified communication protocol and Matter international standard adaptation. By adopting a unified, standardized communication protocol system to replace the traditional fragmented protocol architecture, we will fundamentally resolve challenges related to multi-protocol adaptation, O&M, and expansion. Reconstruct the platform's full-link security protection system, enhancing security capabilities such as identity authentication, transmission encryption, permission isolation, and behavior auditing, to ensure the full lifecycle security of devices and data. Optimize complex network transmission capabilities in weak network and offline environments, enabling integrated online and offline business interaction. Deeply adapt to the Matter IoT common	Ongoing projects	This project aims to complete the full-stack R&D and implementation of a new generation IoT platform, achieving six core construction goals. 1. Complete the standardized design and implementation of the new MQTT unified communication protocol, achieving protocol uniqueness, structural standardization, field extensibility, and version iterability, comprehensively replacing the outdated fragmented protocol system; 2. Build a full-coverage, full-link security and compliance protection system, addressing both internal O&M control and third-party access security, to meet industry compliance standards and customer security requirements; 3. Optimize omni-domain scenario adaptation capabilities, realizing precise synchronization of device online/offline status, reliable transmission in weak network environments, achieving integrated online and offline business linkage, and adapting to various complex operating environments of IoT devices; 4. Deeply adapt to the Matter international IoT standard,	1. Solidify technical architecture advantages: Relying on the dual technical foundations of the MQTT self-developed unified protocol and Matter standard adaptation, thoroughly resolve protocol fragmentation issues, significantly reduce R&D and O&M costs, and remarkably enhance system stability, extensibility, and iteration efficiency; 2. Strengthen security and compliance competitiveness: The full-link security protection architecture effectively mitigates data and device security risks, enhances platform credibility and industry recognition, and meets the security and compliance needs of high-end customers; 3. Broaden omni-domain application scenarios: With integrated online and offline capabilities and cross-ecosystem device interoperability advantages, break traditional business barriers, and comprehensively cover diverse scenarios such as smart homes, smart buildings, and industrial IoT, forming industry-leading scenario adaptation and ecosystem compatibility capabilities; 4. Innovate ecological business

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		standard, break down device ecosystem silos, build a low-threshold, manageable, and open third-party access system, and construct an open, win-win, and commercializable omni-domain IoT ecosystem to support the long-term iterative development of the Company's IoT business.		complete cross-device, cross-brand, and cross-ecosystem interoperability development, enable seamless access for compliant third-party devices, and reach mainstream industry compatibility levels; 5. Establish a standardized IoT platform integrating unified device access, status monitoring, O&M management, data flow, and remote control, possessing high-concurrency and high-stability operational capabilities for massive devices; 6. Build a standardized third-party open ecosystem, leveraging the dual advantages of self-developed protocols and the Matter ecosystem, to achieve low-threshold, controllable rapid access for partners, forming a replicable and implementable ecosystem cooperation and commercialization operation model.	models: Achieve controllable O&M for proprietary devices, convenient access for third-party devices, and interconnectedness for all ecosystem devices, promoting the Company's transformation and upgrade from a single hardware product model to a "platform + ecosystem" model, effectively broadening revenue channels and expanding market share; 5. Fortify industry strategic barriers: Closely follow international IoT standard development trends, accumulate independent and controllable core platform technologies, help the Company complete the strategic upgrade from a device manufacturer to a platform-based, ecosystem-based enterprise, seize the high ground of IoT industry development, and provide core support for the Company's long-term digitalization and intelligent strategy implementation.
11	Cloud-Edge-End AIoT Platform V3.0	This project, centered on the Company's "End-Edge-Cloud" strategy, continuously develops the Cloud IoT Platform. It provides efficient and intelligent Cloud IoT foundational capabilities and services to the Company and enterprise-level customers, thereby facilitating the construction of a cloud-edge-end integrated ecosystem.	Ongoing projects	This project aims to complete a comprehensive iterative upgrade of the intelligent cloud-edge-device AIoT platform V3.0, building a fully functional, secure, controllable, and commercially viable enterprise-grade IoT service platform. 1. At the communication access layer, it is compatible with mainstream protocols such as MQTT, HTTP, and WebSocket, supporting high concurrency and high stability access and data communication for massive terminal devices. At the commercial operation layer, establish a standardized subscription billing and settlement system to implement a subscription-based commercial operation model for IoT devices; 2. At the architectural capability layer, build a multi-enterprise and multi-tenant architecture to achieve secure data isolation between tenants and adapt to diverse enterprise-grade customized scenarios; build a complete	This project will be a key pillar of the Company's IoT strategy, driving the upgrade of an end-edge-cloud integrated IoT platform, and by combining AI, multimodal, and data analysis capabilities, it will enhance market competitiveness and business value. In the future, the Company will leverage this platform to expand into more AIoT application scenarios, forming core advantages of technological barriers, business model innovation, and deep industry integration, thereby contributing to the development of the global IoT ecosystem.

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				identity authentication and permission control system based on OAuth and JWT security protocols, with enterprise hierarchical organization management capabilities, optimizing device permission allocation and team collaboration efficiency; 3. At the O&M service layer, establish a multi-channel message push and alarm mechanism to achieve efficient reach of business events. At the intelligent capability layer, improve the platform's real-time audio/video processing, storage, and intelligent analysis capabilities, integrating AI technology to achieve intelligent parsing of image, voice, and text multimodal data, comprehensively enhancing the platform's IoT business intelligent processing capabilities.	
12	LLM and AI Agents-based Automated Time Management and Business Optimization System V2.0	This project relies on the Company's accumulated time management technology, integrating LLM, AI agents, cloud computing, and IoT technologies to build an intelligent, cloud-based, integrated time management and business optimization platform. Through a cloud-native architecture, full-domain data processing, and an AI analysis engine, it adapts to the differentiated needs of enterprises, suppliers, and individual users. In enterprise scenarios, it achieves automatic behavior categorization, attendance scheduling, task collaboration, and data-assisted decision-making, combined with cloud storage and system integration for centralized control and cost reduction; in supplier O&M scenarios, it streamlines the device O&M link, achieving device monitoring, task scheduling, man-hour statistics, and full traceability of operations, improving O&M standardization, response efficiency, and auditability; in personal scenarios, it provides man-hour records, schedule	Ongoing projects	This project aims to build a unified, secure, controllable, iterative, and commercially viable cloud-based time management platform, accumulating underlying capabilities such as permission control, data processing, cloud storage, multi-terminal collaboration, AI analysis, and data security, providing a standardized technical foundation for all categories of products and multi-scenario businesses. Leverage LLM and AI agents to enhance natural language understanding, behavior recognition, process automation, and intelligent decision-making capabilities, achieving fully automated recording and intelligent classification of user activities, reducing dependence on manual input. Deepen enterprise-level management to centralize and visualize the management of working hours, attendance, scheduling, task collaboration, and business data; intelligently generate optimized scheduling, workforce dispatch, and resource allocation plans through AI algorithms.	With the industry trends of refined enterprise operations, remote equipment O&M, and intelligent personal management, the market demand for automated, cloud-based, and intelligent time management solutions continues to expand. This project integrates core technologies of LLM, AI agents, cloud computing, and IoT, comprehensively strengthening the Company's core R&D and product capabilities in intelligent time control, AI attendance scheduling, remote O&M collaboration, and big data intelligent analysis. 1. At the enterprise application level, through full-process business automation, centralized cloud management, multi-terminal collaborative linkage, and intelligent data analysis, we effectively streamline manual operations, reduce labor management costs, and enhance the efficiency of personnel scheduling and resource allocation for enterprises. Simultaneously, by leveraging overseas compliance adaptation and third-party system integration capabilities, we

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		planning, task arrangement, efficiency analysis, and personalized optimization plans to meet refined management needs for work, study, and life. Benchmarking labor employment and data security compliance requirements in North America and Europe, strengthen integration and adaptation with mainstream management platforms, and build a full-scenario time management cloud product system covering enterprise management, supplier O&M, and individual efficiency improvement.		Connect data links across mobile, PC, and attendance terminals, and adapt to interfaces of mainstream management systems. Improve the vendor O&M system, enabling remote device access, status monitoring, task handling, working hour statistics, and operation traceability. Enrich smart services for individual users, covering time logging, schedule planning, efficiency analysis, timed reminders, and personalized optimization suggestions. Build a big data analysis and visualization system, enabling multi-dimensional data mining and automatic generation of operational reports and management dashboards. Align with overseas market compliance standards, iterating and optimizing data permissions, secure access, and privacy protection mechanisms. Complete full-feature development, multi-scenario testing, and business validation, forming a mature product version that is iterable, deployable, and promotable.	significantly improve product internationalization and market competitiveness, assisting the Company in deeply expanding into overseas markets; 2. At the supplier O&M level, we extend the Company's core time management capabilities to equipment O&M and supply chain services, building an integrated control system for O&M tasks, equipment status, service hours, and operational workflows. This enhances remote O&M service efficiency and transparency, effectively broadening the product's industry application boundaries; 3. At the individual user level, we promote product services from the B-end enterprise market to the C-end consumer market, enriching the product scenario matrix and user coverage. This fosters new business models for the Company, such as individual subscriptions and value-added services, cultivating continuous revenue growth; 4. At the platform architecture level, we achieve a unified technical foundation for enterprise management, supplier O&M, and personal services, significantly boosting the reuse efficiency of underlying technologies, data processing, and AI capabilities. This avoids repetitive R&D investment and accelerates product iteration, helping the Company build a comprehensive, iterative, and commercializable full-scenario smart time management cloud ecosystem, continuously solidifying the Company's industry competitive advantage in smart time management and digital operations.
13	An Enterprise-Grade Access Control and Security Management Solution Based on Cloud Architecture V2.0	This project aims to develop an enterprise-grade access control and security management solution based on cloud architecture, building a collaborative technical architecture for cloud, edge, and smart terminal. It integrates functions such as access control, remote monitoring, intrusion alarm, smart visitor management, identity	Ongoing projects	This project aims to build an integrated platform architecture for cloud-edge-end collaboration, achieving unified access, centralized control, and remote O&M for all categories of hardware, including access control devices, camera devices, identity recognition terminals, and sensing devices. Improve the access control security	This project integrates cloud-based access security, smart visitor management, and mobile credentials into a unified product system. This will help promote the Company's existing products towards cloudification, intelligence, and platformization, enriching the Company's product capabilities in digital identity, contactless access, remote O&M, and space

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		verification, mobile credentials, and video intercom, providing integrated access control and visitor management services for clients including enterprises, commercial venues, government agencies, and commercial real estate. The project intends to support the issuance, verification, permission configuration, and full lifecycle management of Mobile Credentials, and enhance the security and operational efficiency of access control and visitor management through multi-terminal collaboration, AI analysis, and third-party system integration. Simultaneously, the project intends to provide lightweight SaaS services for SMEs and adapt the product according to the relevant requirements of target markets such as North America.		protection system, iterate and optimize core capabilities such as intelligent access control, remote real-time monitoring, abnormal behavior identification, proactive intrusion alarming, and closed-loop security incident handling, significantly enhancing access control security prevention and control levels and remote O&M efficiency. Build a full-process intelligent visitor management system, covering the entire business chain including online visitor appointments, intelligent identity verification, self-service check-in, access permission approval, video intercom interaction, passage authorization, trajectory recording, and intelligent visitor data analysis, achieving standardized, automated, and intelligent visitor management. Establish a complete full lifecycle management mechanism for mobile credentials, achieving closed-loop management of credential application, multi-level approval, cloud-based issuance, terminal activation, intelligent verification, dynamic permission adjustment, validity period control, and credential revocation, realizing integrated overall control of personnel identity, access control permissions, and mobile credentials. Support multi-terminal data synchronization and business collaboration for Web management terminal, mobile client, and self-service visitor terminal. Continuously promote standardized interface docking with third-party space management systems and identity management systems to enhance product integration adaptability and scenario deployment flexibility. To address the lightweight and low-cost deployment needs of SMEs, we will create standardized SaaS cloud service products. Simultaneously, we will optimize the full-lifecycle security control mechanism for	management. The project can meet the needs of customers of various sizes for access control, visitor, and mobile credential management, and lowers deployment and usage thresholds through SaaS-based services. Conducting product adaptation and third-party system integration for markets such as North America will help enhance the applicability and competitiveness of the Company's products in overseas markets. The Company can explore business models such as software subscriptions, mobile credential services, and value-added features based on project R&D and market promotion progress, providing support for expanding customer coverage, enhancing customer stickiness, and improving revenue sustainability. The actual impact of the project on the Company's future operating performance depends on subsequent R&D achievements, product implementation, and market expansion.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
				identity information, mobile credentials, and access data, aligning with overseas market data protection and information security compliance requirements, thus building a solid foundation for data security and compliance.	
14	R&D Based on Key Technologies for Multimodal Brain-Computer and Eye-Tracking Fusion	This project focuses on the cutting-edge technical field of multimodal fusion in brain-computer interaction and eye-tracking perception. It addresses technical bottlenecks such as limited perception dimensions, insufficient recognition accuracy, and weak anti-interference capability in single biometric modalities, and will tackle core key technical challenges. By equipping core fundamental research equipment in brain-computer and eye-tracking fields, collaborating with professional third-party research institutions for synergistic R&D, we aim to overcome core technical challenges such as multimodal data fusion, precise feature recognition, and basic algorithms for brain-computer applications. This will establish a standardized, professional brain-computer-eye-tracking fusion technology research and experimental platform, laying the core technical and experimental foundation for the dimensional upgrade and iteration of the Company's multimodal biometric technology and innovation in new human-computer interaction products.	Ongoing projects	This project aims to complete the basic research and algorithm verification of brain-computer and eye-tracking multimodal fusion technology, and build a complete technical research system and prototype results. Complete the selection, procurement, deployment, debugging, and standardized implementation of core research equipment such as EEG acquisition and eye-tracking, establishing a stable and reliable experimental research environment. Collaborate with third-party professional institutions to conduct collaborative technical research, addressing core algorithms for brain-computer interface-eye movement multimodal data fusion, feature extraction, and intelligent recognition, and completing the construction, training, and validation of basic algorithm models. Achieve the preliminary integrated application of multimodal biometric technology, conduct algorithm feasibility tests, performance verification, and metric evaluation, and form a standardized technical verification system. Deliver a complete research report on brain-computer and eye-tracking fusion technology, a runnable algorithm prototype, and joint research outcomes with third parties, providing full support for subsequent technology industrialization.	1. At the technical level, achieve a leapfrog dimension upgrade and breakthrough in the Company's biometric technology, breaking through the bottleneck of traditional single-modal identification technology. It integrates multi-dimensional biological perception data from EEG, eye movement, iris, retina, and EMG to build precise decoding capabilities for user intent, emotional state, cognitive ability, concentration, and fatigue. This significantly enhances the accuracy, richness, and environmental anti-interference capability of biometrics, establishing differentiated technical barriers in the industry. 2. At the ecosystem level, deeply link with the Company's existing mature biometric technology systems for fingerprints, faces, and irises, and establish a multimodal perception data link. This will build a triune all-domain smart perception system of "identity authentication + state perception + intent interaction", seamlessly integrating with the Company's Mars Wisdom AI platform to perfect the AIoT smart perception ecosystem layout and maximize the value of BioCV core technologies. 3. At the product level, fully expand the Company's smart terminal product matrix, enabling iterative development and deployment of various product categories such as concentration headbands, brain-controlled interactive terminals, medical-grade vital sign monitoring devices, and elderly care assistance smart devices. These products will widely cover diverse application scenarios including education, healthcare, elder care, automotive,

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
					industrial, and consumer electronics, continuously expanding market segments. This empowers the diversification and high-end upgrade of the Company's intelligent product system, solidifying the Company's industry-leading position in multimodal biometrics and human-computer interaction.
15	R&D Based on Multi-channel Multi-dimensional EEG Key Technologies	This project focuses on core areas such as human brain concentration, relaxation, and emotional states, analyzing multi-dimensional EEG signals. It conducts specialized algorithm research and technological breakthroughs, revolving around cutting-edge application scenarios like non-invasive brain-computer interfaces, human cognitive state monitoring, and wearable neuro-interaction. By deeply cultivating multi-channel EEG data processing and intelligent recognition technologies, we enhance our fine-grained EEG state quantitative analysis capabilities, and establish an EEG algorithm system adaptable to scenarios such as educational training, meditation & relaxation, and health monitoring. This solidifies the Company's underlying technological foundation in the field of wearable brain-computer interfaces, supporting the technological iteration and practical application of novel neuro-interactive products.	Ongoing projects	This project aims to complete the R&D of multi-dimensional EEG core algorithms, establish a system closed-loop, and conduct preliminary research on cutting-edge technologies, thereby forming a deployable and iterative EEG signal processing technology system. Complete the research, development, iteration, and performance optimization of core algorithms for focus and relaxation, and design a scientifically standardized baseline calibration paradigm to precisely adapt to application requirements in core business scenarios such as educational training and meditation relaxation. Establish a closed-loop technical system integrating high-precision EEG signal acquisition, human state intelligent recognition, and adaptive stimulation feedback, achieving automated linkage throughout the entire process of "EEG acquisition - state assessment - binaural beat acoustic adaptive feedback." Conduct prospective research on algorithms for emotion valence and arousal recognition, cognitive load, and human fatigue assessment, complete scenario-based EEG data acquisition, model training, and effectiveness verification, and provide technical reserves for the subsequent industrialization of multi-dimensional human neuro-state analysis technology.	1. At the technical level, build the Company's core technical barriers in the brain-computer interface field, and independently develop multi-dimensional EEG feature extraction and analysis models for concentration, emotional states, cognitive load, etc. Leveraging the joint synergy advantage with NeuroSky, co-build an integrated full-stack technical capability encompassing chips, algorithm clouds, and scenario solutions, thereby creating a software-hardware integrated, end-cloud collaborative EEG technical closed-loop system, and continuously strengthening the Company's core technical discourse power in the field of non-invasive brain-computer interaction; 2. At the market and product level, open up new business growth curves for the enterprise, relying on self-developed EEG algorithm capabilities, to launch consumer-grade wearable products such as brain rings, concentration head-mounted devices, and sleep monitors, deeply penetrating high-quality sectors such as education, big health, and cultural and entertainment consumption. Simultaneously, support the commercialization of value-added subscription services such as concentration training and emotional regulation, building a new business model of hardware terminals + software services, enriching the Company's smart perception and wearable product matrix, and continuously enhancing core market competitiveness and commercial profitability.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
16	R&D Based on a Wearable Multi-dimensional EEG Emotion Quantitative Monitoring System	This project focuses on the pain points of industrial application for non-invasive EEG emotion quantitative monitoring. It targets wearable neuro-perception and human emotion smart monitoring scenarios, conducting specialized R&D for a multi-dimensional EEG emotion quantitative monitoring system. The project aims to establish a full-link technical system covering precise EEG signal acquisition, intelligent noise reduction and purification, multi-dimensional feature mining, and emotional intelligent decoding. It will focus on overcoming common technical bottlenecks in the industry, such as signal artifact interference in complex scenarios, individual EEG difference adaptation, and continuous quantification of emotional states, thereby promoting the transition of EEG emotion monitoring technology from theoretical research to practical application and productization, and improving the Company's layout in wearable brain-computer interaction and emotion cognitive monitoring technology.	Ongoing projects	This project supports high-density multi-channel non-invasive EEG acquisition with high signal fidelity and outstanding resistance to motion and environmental interference. It can achieve various emotion recognition and quantitative analysis, including relaxation, calmness, tension, stress, and concentration, forming a complete technical chain with independent intellectual property rights. Leverage the joint innovation of non-invasive multi-channel and multi-dimensional features, combined with high-density spatial information and multi-dimensional feature analysis, significantly improving emotion recognition accuracy and system stability.	1. At the technical level, the project will build a full-link autonomous and controllable software and hardware technical system in the field of EEG emotion monitoring, effectively breaking the technical monopoly of foreign high-end EEG equipment and core algorithms, making up for the Company's technical shortcomings in EEG emotion cognition and quantitative monitoring, improving the complete technical chain of brain-computer interaction, and further solidifying the Company's core technical barriers in the field of non-invasive EEG smart perception; 2. At the industrial and market level, relying on high-precision emotion quantitative monitoring technical capabilities to deeply empower the digital and intelligent transformation and upgrading of emerging industrial scenarios such as smart healthcare, smart education, and digital therapy, incubate innovative products and service models like wearable emotion monitoring terminals and health status quantitative assessment, cultivate new technical tracks and performance growth poles for the Company, and continuously expand the enterprise's market competitiveness and industrial influence in the big health and smart wearable fields.
17	R&D of Intelligent EEG Safety Helmet Equipment Based on Multimodal Fusion Perception	This project is geared towards the rigid demand for refined management and control of industrial work safety. Relying on cutting-edge technologies in EEG perception and multimodal fusion perception, it carries out specialized R&D of industrial-grade EEG smart safety helmets. The project integrates EEG signal acquisition, human physiological sign monitoring, posture perception, environmental perception, and audio-video capture capabilities to achieve comprehensive real-time perception of workers' brain mental state, physical signs, work behavior, and site	Ongoing projects	This project aims to achieve deep integration and innovation between EEG sensing technology and industrial safety protective equipment, establishing a brand-new intelligent monitoring technology system and product form for industrial personnel status. Breaking through the technical limitations of traditional smart safety helmets that only monitor external behaviors and basic physiological signs, we are implementing EEG sensing technology into industrial safety helmet products. This allows for precise capture of	1. At the technical level, this project integrates lightweight dry-electrode EEG acquisition, high-precision posture sensing, full-domain environmental perception, and edge intelligent computing. It represents cutting-edge innovative technology at the intersection of wearable EEG perception and industrial IoT. Its technical roadmap demonstrates industry leadership and originality, which can further enrich the Company's multimodal perception technology matrix and solidify its technological barriers in the industrial application of brain-computer

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		environment. This builds a safety and prevention system for pre-warning industrial operational risks and real-time control during operations, thereby reducing work safety accidents caused by human factors at the root. Focus on breakthroughs in key core technologies such as lightweight EEG acquisition, multi-source heterogeneous data fusion, and edge-side intelligent analysis. This addresses pain points like the single monitoring dimension of traditional industrial wearable devices, their inability to recognize the internal mental state of personnel, and difficulty adapting to complex industrial operation scenarios, thereby promoting the industrial application of brain-computer perception and multimodal fusion technology in the Industrial IoT and smart wearable fields.		the mental state of workers' brains, achieving a deep monitoring upgrade from external behavior monitoring to internal state analysis—a shift from "outward appearance to inner essence". Achieve miniaturization, wearability, and industrial-grade adaptation iterations of EEG acquisition technology, utilizing a dry electrode acquisition solution that requires no auxiliary conductive medium. This solution is suitable for long-duration, high-dynamic industrial operation scenarios, completely resolving the industry challenges of traditional EEG equipment being bulky, having poor wearability, and being unable to achieve scaled industrial deployment. Build a five-dimensional integrated multimodal fusion perception system covering EEG, physiological vital signs, posture behavior, site environment, and audio-video data. Through cross-validation and intelligent fusion analysis of multi-source data, effectively avoid deviations in judgment from single data sources, significantly improving the accuracy, reliability, and stability of industrial personnel status recognition and risk assessment.	interaction. 2. At the policy level, the project deeply aligns with the national industrial policy orientation of refined and intelligent work safety supervision, conforming to the industry trend of digital upgrading in industrial safety. It possesses excellent policy adaptability and promising industrial application prospects. 3. At the market level, there are currently no mature smart safety helmet products integrating EEG multimodal data in the industry. The results of this project offer significant product differentiation advantages and market scarcity, effectively enhancing the Company's core competitiveness in industrial smart wearables and industrial work safety management and control. This will open up new product categories and business growth opportunities in industrial scenarios, helping the Company deeply cultivate the smart safety market within the industrial IoT.
18	R&D of Unattended and Full-process Self-Service Payment Vehicle Solutions	This project, aimed at international scenarios, utilizes technologies such as IoT, license plate recognition, mobile payment, and cloud platform management to build an integrated smart parking and self-service payment system that supports multi-language, multi-currency, and cross-regional compatibility. Through unattended operation, automatic billing, frictionless access, and cloud-based control, the project achieves full-process digitalization, automation, and standardized O&M of parking lots, meeting overseas users' needs for convenient parking and self-service payment, enhancing	Ongoing projects	This project revolves around a cloud-edge-end integrated smart parking and payment technical architecture. The system's layout focuses on two main directions: core function implementation and international characteristic adaptation. It aims to achieve the following research objectives: 1. Based on IoT, computer vision, encrypted payment, and cloud platform control technologies, build a cloud-edge-device integrated technical architecture to achieve intelligent recognition of license plates from multiple overseas countries, automatic	The successful implementation of this project will vigorously promote the Company's business internationalization, product premiumization, and market diversification. Leveraging independent R&D of core technologies such as cloud-edge-device integrated architecture, multi-country license plate intelligent recognition, and multi-currency multi-channel self-service payment, it will enhance the Company's core competitiveness and industry influence in the smart payment terminal field. Relying on a standardized, scalable, and replicable technical foundation, it will lay

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		parking lot operational efficiency, service capabilities, and commercial value, and supporting the project's large-scale, replicable deployment overseas.		billing, multi-currency and multi-channel self-service payment, automatic barrier gate linkage, and unified cloud-based O&M. 2. Support international characteristics such as multi-language, cross-network, offline fault tolerance, and data security compliance, ensuring high stability, high security, and high efficiency in the entire process of parking access, transaction settlement, and device control, providing a standardized, scalable, and replicable technical foundation for overseas unattended parking lots.	a solid groundwork for the Company to expand into overseas markets, improve profitability, and achieve long-term stable development.
19	R&D of Multimodal Biometric Fusion and Large-Capacity Retrieval Technology	This project adopts a distributed server deployment architecture, providing unified, efficient, and secure biometric retrieval capabilities. The system supports mainstream biometric modalities, employing a layered interface design for different biometrics to facilitate unified access and rapid integration for upper-layer applications. It balances algorithm characteristics with business security isolation, achieving functions such as multimodal biometric fusion, rapid retrieval from large-capacity databases, multi-service active-active disaster recovery, and communication and feature data encryption, meeting accuracy and compliance requirements in various scenarios. The service runs entirely on the server side, without relying on complex terminal computing power, offering characteristics such as stability, scalability, and easy maintenance. It can be widely applied in scenarios such as identity verification, access control, attendance management, and smart space monitoring, providing reliable and unified technical support for business systems.	Ongoing projects	This project, centered on multimodal biometric fusion and large-capacity retrieval technology, focuses on two main directions: breakthrough performance indicators and full-process functional development. It aims to achieve the following research objectives: 1. Retrieval accuracy reaches industry-leading levels, and response time and concurrency capabilities meet industry standards, supporting expansion to millions of feature records. 2. Complete full-process development, implement layered interfaces, and deliver commercial SDKs and deployment packages.	This project helps to refine the Company's technological layout in multimodal biometric fusion and large-capacity retrieval. Through independent R&D of core technologies such as distributed architecture, layered interface design, and multi-service active-active disaster recovery, it will build core technological barriers with independent intellectual property rights. Leveraging the R&D of multi-scenario adaptation capabilities, it will drive product expansion into multi-industry application areas, cultivate new revenue growth points, and enhance overall market competitiveness. Furthermore, it will develop the R&D team, accumulate core technological reserves, strengthen overall technological R&D capabilities, and enhance visibility and brand recognition in the biometric industry.
20	R&D of Core Technology for Non-contact Multimodal Fingerprint and Palmprint	This project focuses on overcoming key challenges in non-contact fingerprint technology, conducting R&D and design of a new generation of multimodal acquisition	Ongoing projects	This project revolves around non-contact multimodal fingerprint acquisition core technology, systematically planning four major directions: prototype R&D, core	In terms of technology upgrade, through the fusion of non-contact and multimodal (fingerprint + face/palmprint/finger vein/iris), this effectively solves the

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
	Acquisition	terminals, completing the conversion and empowerment of core algorithms, and collaborating with third-party organizations to create a typical case of biometric core technology breakthrough, providing technical support for the Company's core identity authentication business.		algorithm breakthrough, collaborative research, and technology transfer, aiming to achieve the following research objectives: 1. Complete the R&D and functional verification of a non-contact multimodal fingerprint acquisition terminal prototype, realizing precise 3D non-contact fingerprint acquisition; 2. Break through core algorithms for non-contact fingerprint liveness detection, feature extraction, and matching, completing algorithm conversion and scenario-based empowerment; 3. Collaborate with third-party professional organizations to carry out joint research on key technologies, promoting synergistic innovation among industry, academia, and research; 4. Formulate complete technical solutions and related research achievements, building practical technical reserves.	inherent pain points of traditional contact fingerprinting, such as wet hands, oil stains, wear, residue, and hygiene, significantly improving identification accuracy and speed, and greatly enhancing anti-forgery and environmental interference capabilities. In terms of scenario expansion and premium, it promotes the penetration of products from general access control to diverse scenarios such as financial payment, government verification, medical care, transportation, border clearance, and smart homes. Non-contact multimodal products have significantly higher gross profit margins than single-contact fingerprint products, effectively supporting the optimization of the Company's profit structure.
21	Research and Industrial Application of Key Technologies for Biometric Fusion Recognition Based on Multispectral Multimodal Large Models	This project aims to significantly enhance the reliability and accuracy of biometric systems by adopting multispectral information acquisition technology and multimodal fusion biometric recognition methods. Specifically, multispectral technology effectively addresses the problem of high-dimensional information loss in traditional single-spectral imaging technology by capturing spectral information across multiple bands, while multimodal fusion integrates facial, iris, palmprint, and vein features, enhancing the system's anti-counterfeiting capability and recognition accuracy. The project innovatively combines deep learning and feature vector generation models to construct deep feature extraction modules, local region extraction modules, and feature alignment transformation and splicing modules for multimodal biometric matching, achieving fast and accurate extraction of	Ongoing projects	This project systematically plans the entire technology chain, including multispectral acquisition, multimodal fusion, recognition algorithms, large model frameworks, and integrated applications, aiming to achieve the following five research objectives: 1. Conduct research on multispectral feature image acquisition technology for biometric identification; 2. Research multimodal feature collaborative acquisition technology for biometric identification; 3. Develop fast analysis and recognition algorithms for multimodal biometrics; 4. Construct a multimodal biometrics large model framework and situational assessment algorithms; 5. Research a multispectral multimodal large model biometric fusion identification integrated system, completing system integration and engineering verification.	Build significant technological advantages in multimodal data fusion and complex environment adaptability, greatly improving the security and accuracy of biometrics and contraband detection through deep learning and multimodal feature fusion; break through the limitations of single-modality technology, achieving organic serial fusion of multiple biometric features such as face, iris, palmprint, and vein, comprehensively enhancing the overall security performance of the identification system; provide critical technical support for the Company to expand into high-security identification application markets and enhance core product competitiveness.

S/N	Main R&D Project Name	Project Objective	Project Progress	Proposed Objective	Expected Impact on the Company's Future Development
		biometric parameters.			

IV. Non-main Business

☑Applicable □ Not applicable

Unit: RMB

	Amount	Proportion to Total Profit	Description of Reason	Sustainable or Not
Investment income	898,614.73	0.71%	Mainly due to the profit and loss generated during the holding period of the financial products purchased in the current period	No
Profits and losses from fair value changes	49,212,654.08	38.64%	Mainly due to gains from changes in fair value - trading financial liabilities, recognized as a result of estimating the fair value of contingent consideration based on the acquisition agreement of Longzhiyuan in the current period, fully considering the actual and estimated completion of Longzhiyuan's performance commitments	No
Asset impairment	-48,556,226.49	-38.12%	Mainly due to impairment losses provisioned for goodwill in the current period and inventory depreciation provisions	No
Non-operating revenue	373,285.67	0.29%	Mainly due to the confirmation of supplier payments not required to be paid in the current period	No
Non-operating expenditure	2,826,379.06	2.22%	Mainly due to asset write-offs, destructions, and charitable donations in the current period	No
Other income	3,474,131.42	2.73%	Mainly due to other	No

			income arising from government subsidies, additional VAT deductions, and similar items in the current period	
Losses from credit impairment	-1,492,369.49	-1.17%	Mainly due to the provision of bad debt reserves for accounts receivable in the current period	No

V. Analysis of Assets and Liabilities

1. Significant changes of asset items

Unit: RMB

	At the end of this reporting period		The end of the previous year		Proportion increase or decrease	Note of significant change
	Amount	Proportion to total assets	Amount	Proportion to total assets		
Monetary funds	1,301,334,793.26	26.34%	1,243,119,411.23	25.09%	1.25%	Mainly due to the maturity of purchased financial products in the current period
Accounts receivable	638,619,772.07	12.93%	676,383,210.14	13.65%	-0.72%	No major change
Contract assets	34,945.93	0.00%	26,949.78	0.00%	0.00%	No major change
Inventory	658,591,157.42	13.33%	468,837,064.12	9.46%	3.87%	Mainly due to the increase in strategic reserves of raw materials
Investment real estate	19,042,558.65	0.39%	19,863,144.69	0.40%	-0.01%	No major change
Long-term equity investment	26,204,251.39	0.53%	25,112,854.58	0.51%	0.02%	No major change
Fixed assets	764,216,256.81	15.47%	723,300,476.82	14.60%	0.87%	Mainly due to the American Manufacturing Factory Construction Project carrying forward fixed assets in the construction project in the current period
Construction in progress	74,260,468.75	1.50%	113,147,627.97	2.28%	-0.78%	No major change
Right-of-use assets	46,975,819.01	0.95%	55,789,456.58	1.13%	-0.18%	No major change
Short-term borrowings	119,522,060.62	2.42%	81,101,188.00	1.64%	0.78%	Mainly due to the receipt of

						discounted proceeds from bank acceptance bills in the current period
Contract liabilities	100,194,437.29	2.03%	76,516,595.89	1.54%	0.49%	No major change
Long-term borrowings	95,891.27	0.00%	139,871.08	0.00%	0.00%	No major change
Lease liabilities	19,098,993.63	0.39%	25,370,074.36	0.51%	-0.12%	No major change
Trading financial liabilities	126,147,273.71	2.55%	208,175,000.00	4.20%	-1.65%	Mainly due to the fair value change of Longzhiyuan performance commitment compensation confirmed in the current period
Notes payable	366,761,718.28	7.42%	239,870,823.79	4.84%	2.58%	Mainly due to the adjustment of settlement method for some material procurement payments from wire transfer to acceptance bill in the current period, and the notes payable issued according to the settlement cycle have not yet matured

2. Information on main overseas assets

☑Applicable □ Not applicable

Specific content of assets	Cause of formation	Asset size	Location	Operation mode	Control measures to ensure asset security	Income	Proportion of overseas assets to the Company's net assets	Is there a significant impairment risk
ZKTECO CO., LIMITED	Wholly-owned subsidiary	65,368.73	Hong Kong	Overseas sales	Control by subsidiary	432.57	18.03%	No
ZK TECHNOLOGY LLC	Controlling subsidiary	12,412.94	America	Overseas sales	Control by subsidiary	7,406.17	3.42%	No
ARMATURA TECH	Wholly-owned	24,484.60	Thailand	R&D, manufactur	Control by subsidiary	1,417.67	6.75%	No

CO.,LTD.	subsidiary			ing, and sales of products				
Haofan Technology Co., Ltd.	Controlling subsidiary	15,030.05	Hong Kong	Overseas sales	Control by subsidiary	1,362.78	4.14%	No
RICHFULL COMPANY LIMITED	Controlling subsidiary	13,124.22	Vietnam	Overseas sales	Control by subsidiary	2,176.13	3.62%	No
Other explanations	Note: Main overseas assets mean that the assets of overseas individual companies exceed 10% of the consolidated assets or the net profit of overseas individual companies exceeds 10% of the consolidated net profit of the Group. Unit: RMB '0,000							

3. Assets and liabilities measured at fair value

☑Applicable □ Not applicable

Unit: RMB

Item	Opening balance	Profits and losses from fair value changes in the current period	Cumulative changes in fair value recognized in equity	Impairment accrued in the current period	Purchase amount in the current period	Sales amount in current period	Other changes	Ending balance
Financial assets								
1. Trading financial assets (excluding derivative financial assets)	800,444,410.21	5,575,993.58			1,433,506,431.26	1,624,284,813.85	-2,466,385.64	612,775,635.56
2. Derivative financial assets	0.00	0.00						0.00
3. Other debt investments	0.00							
4. Other equity instrument investments	0.00							
5. Other non-current financial assets	0.00							

Subtotal of financial assets	800,444,410.21	5,575,993.58			1,433,506,431.26	1,624,284,813.85	-2,466,385.64	612,775,635.56
Investment real estate	0.00							
Productive biological assets	0.00							
Others	0.00							
Total	800,444,410.21	5,575,993.58	0.00	0.00	1,433,506,431.26	1,624,284,813.85	-2,466,385.64	612,775,635.56
Financial liabilities	208,175,000.00	-43,636,660.50	0.00	0.00	0.00	0.00	-38,391,065.79	126,147,273.71

Other changes

Other changes in financial assets are mainly due to exchange rate fluctuations.

Other changes in financial liabilities are acquisition payments made to Longzhiyuan.

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

□ Yes ☑No

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

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

VI. Investment Analysis

1. Overall

☑Applicable □ Not applicable

Investment in the reporting period (RMB)	Investment in the same period of the previous year (RMB)	YoY
1,458,919,802.49	1,221,756,775.36	19.41%

2. Significant equity investments obtained during the reporting period

□ Applicable ☑Not applicable

3. Significant non-equity investments during the reporting period

☑Applicable □ Not applicable

Unit: RMB

Project Name	Investment Mode	Fixed Asset Assessment or Not	Investment Project Industry	Investment Amount During the Reporting Period	Accumulated Actual Investment Amount As of the End of the Reporting Period	Source of Funds	Project Progress	Expected Income	Accumulated Realized Income As of the End of the Reporting Period	Reasons for Not Achieving Planned Progress and Expected Benefits	Disclosure Date (if any)	Disclosure Index (if any)
Hybrid Biometrics IoT Intelligent Industrial Base Project	Self-built	Yes	Plant and supporting facilities	610,710.16	227,130,229.71	Own funds, bank loans, and raised funds	Under construction	Not applicable	74,638,095.63	Not applicable		
Multimodal Biometrics Digitalization Industrial Base Construction Project	Self-built	Yes	Plant and supporting facilities	5,577,950.83	201,103,923.71	Own funds and raised funds	Under construction	Not applicable	0.00	Not applicable		
American Manufacturing Factory Construction Project	Self-built	Yes	Plant and supporting facilities	14,362,411.65	64,053,054.33	Own funds and raised funds	Under construction	Not applicable	0.00	Not applicable		
European regional headquarters construction project	Self-built	Yes	Plant and supporting facilities	4,862,298.59	6,290,363.71	Own funds and raised funds	Under construction	Not applicable	0.00	Not applicable		
Total	--	--	--	25,413,371.23	498,577,571.46	--	--	Not applicable	74,638,095.63	--	--	--

4. Financial assets measured at fair value

☑Applicable □ Not applicable

Unit: RMB

Asset Category	Initial investment outlay	Profits and losses from fair value changes in the current period	Cumulative changes in fair value recognized in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Accumulated investment income	Other changes	Closing amount	Source of Funds
Others	800,444,410.21	5,575,993.58	0.00	1,433,506,431.26	1,624,284,813.85	0.00	-2,466,385.64	612,775,635.56	Own funds and raised funds
Total	800,444,410.21	5,575,993.58	0.00	1,433,506,431.26	1,624,284,813.85	0.00	-2,466,385.64	612,775,635.56	--

5. Use of raised funds

☑Applicable □ Not applicable

(1) Overall use of raised funds

☑Applicable □ Not applicable

Unit: RMB '0,000

Year of fundraising	Fundraising method	Listing date of securities	Total amount of raised funds	Net amount of raised funds (1)	Total amount of raised funds used in this period	Accumulated total amount of raised funds used (2)	Proportion of raised funds utilized at the end of the reporting period (3) = (2)/(1)	Total amount of raised funds with changed purposes during the reporting period	Accumulated total amount of raised funds with changed purposes	Proportion of accumulated total amount of raised funds with change purposes	Total amount of unused raised funds	The purpose and destination of the raised funds that have not been used yet	Amount of raised funds idle for more than two years
2022	Initial public offering	August 17, 2022	160,816.89	145,729.84	5,716.36	79,918.3	54.84%	29,018.00	61,103.41	41.93%	70,560.45	Stored in the bank's special account for fundraising and wealth management	0
Total	--	--	160,816.89	145,729.84	5,716.36	79,918.3	54.84%	29,018.00	61,103.41	41.93%	70,560.45	--	0

Description of the overall use of raised funds:

1. According to the approval of the "Reply of CSRC to Approval for the Registration of Initial Public Offering of Stocks of ZKTECO CO., LTD." (ZJXK [2022] No. 926), the Company has publicly issued 37,123,013 RMB denominated ordinary shares (A shares) with a face value of RMB 1.00 per share, an issuance price of RMB 43.32 per share, and a total amount of raised funds of RMB 1,608,168,923.16. After deducting the issuance expenses (excluding value-added tax) of RMB 150,870,545.46, the actual net amount of raised funds is RMB 1,457,298,377.70. The receipt date of the raised funds is August 12, 2022. The availability of the raised funds has been verified by Baker Tilly China Certified Public Accountants (Special General Partnership) and a "Capital Verification Report" (TZYZ [2022] No. 38658) has been issued.

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

3. As of June 30, 2026, the cumulative amount used for the investment project was RMB 799.183 million, and the balance of the remaining raised funds (including interest income and financial product income net of bank handling fees) was RMB 705.6045 million.

(2) Committed projects with raised funds

☑Applicable □ Not applicable

Unit: RMB '0,000

Financing project name	Listing date of securities	Committed investment projects and the investment direction of over-raised funds	Project nature	Has the project been changed (including partial changes)	Committed total investment amount of raised funds	Adjusted total investment (1)	Investment Amount During the Reporting Period	Accumulated investment amount as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Date when the project reaches its expected conditions for use	Benefits achieved during this reporting period	Accumulated benefits achieved as of the end of the reporting period	Have the expected benefits been achieved	Has there been a major change in the feasibility of the project
Committed investment projects														
1. Tangxia Production Base Construction Project	August 17, 2022	1. Tangxia Production Base Construction Project	Production and construction	Yes	24,841.18						Not applicable	Not applicable	Not applicable	Yes
2. Hybrid Biometrics IoT Intelligent	August 17, 2022	2. Hybrid Biometrics IoT Intelligent	Production and construction	Yes	43,689.94	32,689.94	1,180.62	29,301.33	89.63%	September 30, 2026	701.43	7,463.81	Not applicable	No

Industrial Base Project		Industrial Base Project												
3. American Manufacturing Factory Construction Project	August 17, 2022	3. American Manufacturing Factory Construction Project	Production and construction	Yes	17,392.21	14,392.65	1,352.91	4,782.39	33.23%	August 31, 2027	Not applicable	Not applicable	Not applicable	No
4. R&D Center Construction Project	August 17, 2022	4. R&D Center Construction Project	R&D project	Yes	18,240.58	14,692.19		10,997.94	74.86%	September 29, 2025	Not applicable	Not applicable	Not applicable	No
5. Global Marketing Service Network Construction Project	August 17, 2022	5. Global Marketing Service Network Construction Project	Operational management	Yes	26,802.01	26,802.01	2,392.22	14,346.7	53.53%	August 31, 2028	Not applicable	Not applicable	Not applicable	No
6. Remaining funds after the previous change in the American Manufacturing Factory Construction Project	August 17, 2022	6. Remaining funds after the previous change in the American Manufacturing Factory Construction Project	Production and construction	Yes		2,999.56					Not applicable	Not applicable	Not applicable	No
7. Multimodal Biometrics Digitalization Industrial Base Construction Project (Note 3)	August 17, 2022	7. Multimodal Biometrics Digitalization Industrial Base Construction Project (Note 3)	Production and construction	Yes		39,605.1	790.61	20,489.94	51.74%	June 30, 2026	Not applicable	Not applicable	Not applicable	Yes
8. Remaining funds after the change in the R&D Center	August 17, 2022	8. Remaining funds after the change in the R&D Center	R&D project	Yes		3,548.39					Not applicable	Not applicable	Not applicable	No

Construction Project		Construction Project												
9. Remaining funds from the Hybrid Biometrics IoT Intelligent Industrial Base Project after changes	August 17, 2022	9. Remaining funds from the Hybrid Biometrics IoT Intelligent Industrial Base Project after changes	Production and construction	Yes		11,000					Not applicable	Not applicable	Not applicable	No
Subtotal of committed investment projects				--	130,965.92	145,729.84	5,716.36	79,918.3	--	--	701.43	7,463.81	--	--
Direction of over-raised fund investment direction														
1. Undetermined funds	August 17, 2022	1. Undetermined funds	Production and construction	Yes	14,763.92								Not applicable	No
Subtotal of over-raised fund investment direction				--	14,763.92				--	--			--	--
Total				--	145,729.84	145,729.84	5,716.36	79,918.3	--	--	701.43	7,463.81	--	--
Describe the situation and reasons why the planned progress and expected benefits have not been achieved by projects (including the reason for selecting "not applicable" for "whether the expected benefits have been achieved")		Hybrid Biometrics IoT Intelligent Industrial Base Project: In view of significant changes in domestic and international situations and market demand in recent years, and to adapt to these changes, combined with the actual construction progress of the investment project, the Company convened the 25th Session of the Third Board Meeting on March 10, 2026, and the first extraordinary general meeting of shareholders in 2026 on March 26, 2026. These meetings reviewed and approved the "Proposal on Adjusting the Investment Plan, Reducing the Total Investment Amount, and Extending the Completion Date for Certain Raised Funds Investment Projects", agreeing to adjust the investment plan, reduce the total investment amount, and extend the date for the Company's raised funds investment project "Hybrid Biometrics IoT Intelligent Industrial Base Project" to reach its expected conditions for use. For details, please refer to the "Announcement on Adjusting the Investment Plan, Reducing the Total Investment Amount, and Extending the Completion Date for Certain Raised Funds Investment Projects" (Announcement No.: 2026-011). The aforementioned adjustments to the investment plan, reduction in total investment, and extension will have an impact on the estimated benefits. The specific impact will be subject to the calculations disclosed upon the project's completion. Global Marketing Service Network Construction Project: In view of adjustments made to the internal investment structure and implementation methods of the Global Marketing Service Network Construction Project, and considering the current construction cycle of the raised funds investment project, to utilize the raised funds more scientifically, reasonably, and effectively, the Company has extended the date for the Global Marketing Service Network Construction Project to reach its expected conditions for use until August 31, 2028. American Manufacturing Factory Construction Project: Given that the American Manufacturing Factory Construction Project is implemented in the US, due to differences in regulatory environments, the Company's customized requirements and the coordination of supply chain and construction resources, the project has been delayed. After comprehensive consideration, the Company decided to extend the date for this project to reach its expected conditions for use until August 31, 2027. Regarding the aforementioned Global Marketing Service Network Construction Project and American Manufacturing Factory Construction Project, the Company held the 17th Session of the Third Board Meeting and the 16th Session of the Third Supervisory Board Meeting on April 21, 2025, and the General Meetings on May 15, 2025, and deliberated and approved the "Proposal on Adjusting the Internal Investment Structure, Implementation Method and Extension of Some Raised Fund												

	Investment Projects". For details, please refer to the "Announcement on Adjusting the Internal Investment Structure, Implementation Method and Extension of Some Raised Fund Investment Projects" (Announcement No.: 2025-045). Multimodal Biometrics Digitalization Industrial Base Construction Project: Considering the current market environment, the Company's overall business layout, and existing capacity utilization, after careful evaluation, the Company's existing capacity and completed and operational project content are sufficient to meet current business development needs. In view of this, the Company convened the Second Session of the Fourth Board Meeting on April 21, 2026, and reviewed and approved the "Proposal on Terminating Certain Raised Funds Investment Projects and Continuing to Deposit the Remaining Raised Funds in a Special Account for Raised Funds Management". The Board of Directors believes that, based on the current actual situation of the project and after careful consideration, it agrees to terminate the implementation of the "Multimodal Biometrics Digitalization Industrial Base Construction Project" and continue to deposit the remaining raised funds in the special account for raised funds. This proposal was approved at the 2025 shareholders' meeting held on May 15, 2026. The American Manufacturing Factory Construction Project is currently in the pre-production phase and has not yet generated benefits; the Multimodal Biometrics Digitalization Industrial Base Construction Project has been terminated, and this project is not applicable to benefit generation both before and after its termination; the R&D Center Construction Project and Global Marketing Service Network Construction Project are investment projects and do not generate benefits. Affected by the macroeconomic environment, increased market competition in the attendance and access control industry, rising prices of some raw materials, coupled with the comprehensive impact of multiple factors such as increased exchange losses due to the depreciation of the USD, the actual benefits achieved by the Hybrid Biometrics IoT Intelligent Industrial Base Project did not meet expectations.
Description of significant changes in project feasibility	Multimodal Biometrics Digitalization Industrial Base Construction Project: Considering the current market environment, the Company's overall business layout, and existing capacity utilization, after careful evaluation, the Company's existing capacity and completed and operational project content are sufficient to meet current business development needs. In view of this, the Company convened the Second Session of the Fourth Board Meeting on April 21, 2026, and reviewed and approved the "Proposal on Terminating Certain Raised Funds Investment Projects and Continuing to Deposit the Remaining Raised Funds in a Special Account for Raised Funds Management". The Board of Directors believes that, based on the current actual situation of the project and after careful consideration, it agrees to terminate the implementation of the "Multimodal Biometrics Digitalization Industrial Base Construction Project" and continue to deposit the remaining raised funds in the special account for raised funds. This proposal was approved at the 2025 shareholders' meeting held on May 15, 2026.
The amount, purpose, and progress of the over-raised funds	Not applicable
Instances of unauthorized alteration of the use of raised funds and illegal occupation of raised funds	Not applicable
Changes in the implementation location of projects invested with raised funds	Not applicable
Adjustment of implementation methods for projects invested with	Applicable
	Occurred during the reporting period

raised funds	Hybrid Biometrics IoT Intelligent Industrial Base Project: In view of significant changes in domestic and international situations and market demand in recent years, and to adapt to these changes, combined with the actual construction progress of the investment project, the Company convened the 25th Session of the Third Board Meeting on March 10, 2026, and the first extraordinary general meeting of shareholders in 2026 on March 26, 2026. These meetings reviewed and approved the "Proposal on Adjusting the Investment Plan, Reducing the Total Investment Amount, and Extending the Completion Date for Certain Raised Funds Investment Projects", agreeing to adjust the investment plan for the Company's raised funds investment project "Hybrid Biometrics IoT Intelligent Industrial Base Project", and reduce the total investment amount from RMB 436.8994 million to RMB 326.8994 million, a reduction of RMB 110 million.
Advance investment and replacement of raised funds for investment projects	Applicable
	On September 16, 2022, the Company held the 18th Session of the Second Board Meeting and the 12th Session of the Second Supervisory Board Meeting, and deliberated and approved the "Proposal on Using Its Own Funds and Foreign Exchange to Pay for Part of the Funds Raised for Investment Projects and Exchanging Them with the Raised Funds in Equal Amounts". On January 18, 2023, the Company held the 23rd Session of the Second Board Meeting and the 17th Session of the Second Supervisory Board Meeting. On February 6, 2023, the Company held the Second Extraordinary General Meeting, and deliberated and approved the "Proposal on Changing the Investment Projects of Raised Funds, Changing the Special Account for Raised Funds, Increasing Capital and Providing Loans to Subsidiaries to Implement Investment Projects". The salaries, social insurance premiums, housing fund, utilities, etc. of domestic personnel of the Company in implementing the investment projects "Hybrid Biometrics IoT Intelligent Industrial Base Project", "R&D Center Construction Project", "Global Marketing Service Network Construction Project" and the "Multimodal Biometrics Digitalization Industrial Base Construction Project" are planned to be paid by the Company or its subsidiary implementing the investment projects in advance with their own funds. The Company collected and calculated the aforementioned advance expenses incurred by each investment project on a monthly basis, and then transferred an equal amount of funds from the special account for investment to the Company's or its subsidiary's own fund account for implementing the investment projects. The implementation location of the Company's investment project "American Manufacturing Factory Construction Project" is in the United States, and the investment project construction funds need to be paid in USD. The Company's investment projects "Global Marketing Service Network Construction Project" and "R&D Center Construction Project" include overseas construction content, and the operability of paying funds required for overseas construction directly from the special account for raised funds is poor. Therefore, the Company plans to use its own foreign exchange to pay the required funds for the overseas parts of the "Global Marketing Service Network Construction Project", "American Manufacturing Factory Construction Project", and "R&D Center Construction Project". Subsequently, the amount of advance payments will be calculated monthly, and equal amounts will be transferred from the special account for raised funds to the Company's own fund account. As of June 30, 2026, 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 156.8272 million.
Temporary replenishment of working capital with idle raised funds	Not applicable
The amount and reasons for the surplus of raised funds during project implementation	Applicable
	As of September 30, 2025, the investment project "R&D Center Construction Project" had reached its expected conditions for use. To rationally allocate funds and improve the efficiency of raised fund utilization, the Company convened the 21st Session of the Third Board Meeting and the 20th Session of the Third Supervisory Board Meeting on October 9, 2025, and reviewed and approved the "Proposal on Closing Some Raised Fund Investment Projects from Initial Public Offering and Using the Remaining Raised Funds". The Company agreed to close the initial public offering investment project "R&D Center Construction Project" based on the actual construction progress of the raised fund investment projects, and agreed to use the remaining raised funds from this project, totaling RMB 38.6589 million (the actual remaining amount shall be based on the balance in the special account for raised funds on the day of fund transfer), to permanently supplement working capital for the Company's production and operating activities. During the construction of this investment project, based on changes in market environment and the Company's actual situation, and considering the optimization of

	resource allocation and enhancement of intensive benefits, some surplus funds were generated. The reasons include: Firstly, due to changes in market environment and equipment upgrades and iterations, some equipment originally planned for purchase could no longer meet the latest R&D requirements. The Company adjusted its demand for this part of the equipment, and the corresponding capital investment for this part was covered by the Company's own funds; secondly, some software originally planned for purchase had a low compatibility with the Company's demand for agility and flexibility. The Company intends to achieve higher agility and scalability at a lower cost by independently developing some software; thirdly, during the implementation of the raised fund investment projects, the Company strictly complied with relevant regulations on raised fund management. Based on project planning and actual market conditions, and without affecting the smooth implementation and completion of the raised fund investment projects, the Company used raised funds following the principles of reasonableness, economy, effectiveness, and prudence, strengthening cost control, supervision, and management at all stages of project construction, thereby reasonably reducing costs and saving some raised funds.
The purpose and destination of the raised funds that have not been used yet	As of June 30, 2026, the balance of the Company's unused IPO raised funds was RMB 705.6045 million (including interest income and financial product income net of handling fees), including RMB 158.6045 million of demand deposit in the special account for raised funds and RMB 547 million of time deposit and other financial products. The above financial products have high safety, meet the requirements of capital preservation, and have good liquidity, which does not affect the normal operation of the investment plan for raised funds.
Problems or other situations in the use and disclosure of raised funds	Not applicable.

(3) Change in the use of raised funds

☑Applicable □ Not applicable

Unit: RMB '0,000

Financing project name	Fundraising method	Changed project	Corresponding original committed projects	The total amount of raised funds to be invested in the project after the change (1)	Actual investment amount during this reporting period	Actual accumulated investment amount as of the end of the period (2)	Investment progress as of the end of the period (3)=(2)/(1)	Date when the project reaches its expected conditions for use	Benefits achieved during this reporting period	Have the expected benefits been achieved	Has there been a significant change in the feasibility of the project after the change
Hybrid Biometrics IoT Intelligent Industrial Base Project	Initial public offering	Hybrid Biometrics IoT Intelligent Industrial Base Project	Hybrid Biometrics IoT Intelligent Industrial Base Project	32,689.94	1,180.62	29,301.33	89.63%	September 30, 2026	701.43	Not applicable	No
Multimodal Biometrics Digitalization	Initial public offering	Multimodal Biometrics Digitalization	Multimodal Biometrics Digitalization	39,605.1	790.61	20,489.94	51.74%	Not applicable	Not applicable	Not applicable	Yes

Industrial Base Construction Project		Industrial Base Construction Project	Industrial Base Construction Project								
Total	--	--	--	72,295.04	1,971.23	49,791.27	--	--	701.43	--	--
Description of reasons for changes, decision-making procedures, and information disclosure (by specific project)			Hybrid Biometrics IoT Intelligent Industrial Base Project: In view of significant changes in domestic and international situations and market demand in recent years, and to adapt to these changes, combined with the actual construction progress of the investment project, the Company convened the 25th Session of the Third Board Meeting on March 10, 2026, and the first extraordinary general meeting of shareholders in 2026 on March 26, 2026. These meetings reviewed and approved the "Proposal on Adjusting the Investment Plan, Reducing the Total Investment Amount, and Extending the Completion Date for Certain Raised Funds Investment Projects", agreeing to adjust the investment plan, reduce the total investment amount, and extend the date for the Company's raised funds investment project "Hybrid Biometrics IoT Intelligent Industrial Base Project" to reach its expected conditions for use. The total investment amount was adjusted from RMB 436.8994 million to RMB 326.8994 million, a reduction of RMB 110 million; the date for expected conditions for use was extended by 6 months, with the new date for the project to reach expected conditions for use being September 30, 2026. Multimodal Biometrics Digitalization Industrial Base Construction Project: The Company convened the Second Session of the Fourth Board Meeting on April 21, 2026, and the 2025 annual shareholders' meeting on May 15, 2026. These meetings reviewed and approved the "Proposal on Terminating Certain Raised Funds Investment Projects and Continuing to Deposit the Remaining Raised Funds in a Special Account for Raised Funds Management". The Company intends to terminate the implementation of the "Multimodal Biometrics Digitalization Industrial Base Construction Project" and continue to deposit the remaining raised funds in the special account for raised funds. Reasons for adjustment: Firstly, the originally planned processes such as injection molding, CNC, prism processing, and spray painting have been completed and put into use, effectively improving the Company's production efficiency and product quality, and optimizing production costs. Secondly, relevant product orders involved in the original plan did not meet expectations, resulting in insufficient capacity demand. Thirdly, as the Company's digitalization capabilities continue to improve, the Company continuously carries out digital transformation and upgrading of traditional products, with some products possessing intelligent application functions, which can better adapt to the Company's actual operational needs and provide effective support for business development. Therefore, the demand for some originally planned products for the multimodal digitalization project has decreased. Considering the current market environment, the Company's overall business layout, and existing capacity utilization, after careful evaluation, the Company's existing capacity and completed and operational project content can already meet the current stage of business development needs. If the multimodal digitalization project were to continue, it would not be conducive to improving the efficiency of raised funds utilization and would be difficult to achieve optimal investment benefits.								
The situation and reasons for not achieving the planned progress or expected benefits (by specific project)			Not applicable.								
Description of major changes in project feasibility after the change			Multimodal Biometrics Digitalization Industrial Base Construction Project: Considering the current market environment, the Company's overall business layout, and existing capacity utilization, after careful evaluation, the Company's existing capacity and completed and operational project content are sufficient to meet current business development needs. In view of this, the Company convened the Second Session of the Fourth Board Meeting on April 21, 2026 and the 2025 annual shareholders' meeting on May 15, 2026, and reviewed and approved the "Proposal on Terminating Certain Raised Funds Investment Projects and Continuing to Deposit the Remaining Raised Funds in a Special Account for Raised Funds Management". The Board of Directors believes that, based on the current actual situation of the project and after careful consideration, it agrees to terminate the implementation of the "Multimodal Biometrics Digitalization Industrial Base Construction Project" and continue to deposit the remaining raised funds in the special account for raised funds.								

6. Entrusted financial management and derivative investment

(1) Entrustment of financial management

☑Applicable □ Not applicable

Overview of entrusted financial management during the reporting period

Unit: RMB '0,000

Product Category	Risk Characteristics	Balance of entrusted financial management during the reporting period	Overdue uncollected amount
Bank financial products	Low risk	65,403.47	0
Other categories	Low risk	54.53	0

Specific situation of the Company, as a sole principal, entrusting financial institutions to conduct asset management activities, or investing in high-risk entrusted financial products with lower security and poorer liquidity

□ Applicable ☑Not applicable

(2) Derivative investment

□ Applicable ☑Not applicable

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

VII. Disposal of Significant Assets and Equity

1. Disposal of significant assets

□ Applicable ☑Not applicable

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

2. Disposal of significant equity

□ Applicable ☑Not applicable

VIII. Analysis of Major Holding and Joint-stock Companies

☑Applicable □ Not applicable

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

Unit: RMB

Company Name	Company type	Main business	Registered Capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
ZK TECHNOLOGY LLC	Subsidiaries	Sales of goods	Not applicable	124,129,370.37	82,161,209.58	109,202,514.23	74,078,940.84	74,061,680.09
ARMATURA TECH CO.,LTD.	Subsidiaries	Production and sales of goods	THB 602,983,200.00	244,845,958.67	197,784,773.32	74,891,788.22	13,893,456.47	14,176,726.71
Haofan Technology Co., Ltd.	Subsidiaries	Sales of goods	HKD 10,000.00	150,300,517.80	52,948,548.95	111,135,966.48	16,146,301.29	13,627,788.92
RICHFULL	Subsidiaries	Production	USD	131,242,236.90	22,752,537.94	170,167,650.53	21,713,373.58	21761,266.69

COMPANY LIMITED		and sales of goods	500,000.00					

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
NEXTGEN TECO INC	Establishment	With no significant impact on the overall production, operation, and performance of the Company.
Anonova Display Tech Co., Ltd.	Establishment	With no significant impact on the overall production, operation, and performance of the Company.
Wuhan ZKTeco Perception Technology Co., Ltd.	Cancellation	With no significant impact on the overall production, operation, and performance of the Company.
Limited Liability Company "ZKTeco biometrics and security"	Cancellation	With no significant impact on the overall production, operation, and performance of the Company.
ZKTECO ITALIA S.R.L.	Cancellation	With no significant impact on the overall production, operation, and performance of the Company.

Description of the main controlling and participating companies

Please refer to the relevant content of "Section VIII Financial Report - X. Equity in Other Entities" for details

IX. Structured Entities Controlled by the Company

□ Applicable ☑Not applicable

X. Risks Faced by the Company and Countermeasures

1. Operational risk

(1) Market competition risk

After years of deep cultivation in the biometric industry, the Company has formed competitive advantages in the fields of smart space, smart office, digital identity authentication, smart business, smart life, and computer vision applications, including technological and R&D strength, flexible production capacity, brand influence, and marketing service network. However, in recent years, the relevant business sectors of the Company have shown an increasing number of market entities, increased industry concentration, and increasingly fierce market competition. With a large number of domestic competitors turning to "going global", the competitive situation in overseas markets has further intensified. The Company's businesses are facing competition pressure from various aspects such as price, service and brand. Other competitors may compete for market share through different market positioning, strategies or cost controls, making the competition more intense. In order to maintain the Company's leading position in the industry, the Company has continuously increased its R&D investment in recent years, insisting on developing and optimizing single and multimodal BioCV technology, and continuously expanding and enriching the types of multimodal BioCV products and services. With the development of AI, the Company pays more attention to the application of AI technology in business and its integration into products, and focuses on the overall linkage design of product software and hardware, strengthening competitiveness of multiple categories, thus consolidating the Company's leading position in the industry. However, with the increasing market competition, if the Company cannot continuously optimize product design, improve production quality, enhance brand competitiveness, expand and consolidate sales network, and Improve market penetration, the Company's existing industry and market position will be affected, and the Company will face the risk of declining market share and profitability.

(2) Overseas business operational risks

In the first half of 2026, the Company's overseas sales revenue from countries and regions was RMB 859.2214 million, accounting for 79.93% of the Company's main business income. The Company's overseas business income accounted for a relatively large proportion.

In recent years, the international market has been facing changes in trade policies of major economies, the rise of international trade protectionism, the deterioration of local economic environments, and stagnation of maritime transport caused by geopolitical conflicts, significantly rising freight rates, and the fluctuations in the tariff policy of US and some other countries. As a result, global trade policies have shown a strong degree of uncertainty. The Company's international sales business may face international trade friction, especially the risk of Trade disputes between China and the United States. If trade disputes between China and the United States and geopolitical situations worsen in the future, it may have a certain adverse impact on the Company's product sales, which in turn will affect the Company's future business performance. In addition, the Company's international business accounts for a relatively large proportion of exports to developing countries such as India, Mexico, and Indonesia. Although the overall political, financial, and economic systems of relevant countries are currently relatively stable, the economic development momentum is good, their infrastructure is relatively weak, and government efficiency is relatively inefficient, compared to developed countries, which poses potential social instability factors. If major changes occur in its political environment, economic environment, geopolitics, trade policies with China, tariff and non-tariff barriers, and industry standards in the future, it will have a negative impact on the Company's export business.

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

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

As of June 30, 2026, the Company has a total of 62 overseas controlling subsidiaries located in countries and regions such as Thailand, the United States, Mexico, India, and Hong Kong. During the reporting period, there were cases where the Company sold products to overseas subsidiaries and sold them locally through these subsidiaries due to business needs between the Company and some overseas subsidiaries. There was a situation of transfer pricing in the above-mentioned transaction links. According to the Company's self inspection, there were no cases of the Company or its overseas subsidiaries being punished by the tax department due to transfer pricing issues during the reporting period. From the perspective of its own compliance, the Company regularly hires professional consulting agencies to analyze and demonstrate the transfer pricing strategies involved in the operation of the Company and some overseas subsidiaries, and issues special reports.

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

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

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

In recent years, personal information protection and data security have become regulatory priorities in various countries around the world, and regulatory policies related to them have been increasingly strengthened. Although the Company invited a professional compliance lawyer team in 2024 to thoroughly review and improve personal information protection and data security, and has maintained long-term cooperation with professional data compliance law firms, if it fails to make timely and effective adjustments and responses to relevant policies and regulations in its future business operations, there may be potential legal risks in data compliance. Meanwhile, if the Company is unable to strictly comply with the relevant laws, regulations, and industry norms mentioned above in the future, and if employees violate the Company's internal regulations, or data collaborators, customers, etc. violate agreements or cause improper use or leakage of data due to other personal reasons, it/they may be subject to administrative penalties from relevant departments or complaints from users, and even lead to disputes such as litigation or arbitration, which may have adverse effects on the Company's reputation and business.

2. Technology and product innovation risks

Driven by market demand and technological development, biometric technology has achieved rapid development globally. Biometric technology is gradually iterating towards non-contact and multimodal BioCV. 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 multimodal BioCV technology applications such as smart space, smart office, digital identity authentication, and smart business where the Company is located. Industry technology is updated and iterated quickly, requiring industry enterprises to have strong technological innovation capabilities to adapt to the rapid development of the industry. The continuous innovation ability of products and technologies is increasingly becoming an important component of the core competitiveness of related product and solution suppliers. The Company always attaches great importance to technological innovation and new product R&D. In the first half of 2026, the Company's R&D expenses were RMB 88.8218 million, accounting for 8.09% of operating revenue.

As of June 30, 2026, the Company and its consolidated subsidiaries collectively have 1,303 patents, including 246 invention patents; 866 computer software copyrights and 89 work copyrights, as well as strong sustained innovation capabilities. However, if the Company cannot keep up with the development trends of domestic and foreign multimodal BioCV technology and related application products, and fully pay attention to the diverse individual needs of customers, and the subsequent R&D investment is insufficient, resulting in the Company's technology development and product upgrading not being able to adapt to industry technology iterations and market demand changes in a timely manner, it will face the risk of declining market competitiveness due to the inability to maintain sustained innovation capabilities.

3. Internal control risk

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

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

(2) Dealer management risk

During the reporting period, the Company mainly adopted a sales model that combines distribution and direct sales, and the proportion of distribution was relatively high. In the first half of 2026, the Company achieved a revenue of RMB 628.6666 million through the distribution model, accounting for 58.48% of the Company's main business income in the first half of 2026.

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

4. Financial risk

(1) Risk of bad debt losses on accounts receivable

At the end of the reporting period, the book balance of the Company's accounts receivable was RMB 714.9031 million, accounting for 65.08% of the current operating revenue. With the further expansion of the Company's business scale, the amount of accounts receivable may continue to increase. If there are changes in the economic environment, customer operating conditions, etc., and accounts receivable cannot be recovered in a timely manner, resulting in bad debt losses, the Company's operating results may be adversely affected.

(2) Inventory depreciation risk

With the growth of the Company's business scale, the inventory scale has been increasing year by year. At the end of the reporting period, the book value of the Company's inventory was RMB 658.5912 million, accounting for 19.47% of the total current assets at the end of the period. During the reporting period, the Company comprehensively considered factors such as expected selling price and inventory age, and made sufficient provision for inventory impairment. At the end of the reporting period, the provision ratio for inventory impairment was 5.92%. 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 gross profit margin of the Company's exported products after conversion to RMB, thereby affecting the Company's product profits; on the other hand, fluctuations of the RMB exchange rate may also affect changes in the Company's RMB income. If the RMB further appreciates in the future, it will have a significant adverse impact on the Company's operating performance.

(4) Risk of raw material price increases

The prices of core components required for the Company's product production, such as storage chips, master control chips, and PCBs, are affected by multiple factors including the global supply and demand landscape and changes in AI industry demand, and there is a risk of significant fluctuations. The Company has, to a certain extent, hedged the pressure brought by raw material price fluctuations through measures such as cost optimization and product price adjustments. However, if the prices of core components continue to rise subsequently and costs cannot be effectively passed downstream, it will have an adverse impact on the Company's profitability and operating performance.

5. Risks related to raising funds to invest in projects

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

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

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

The American Manufacturing Factory Construction Project 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 and Global Marketing Service Network Construction Project may be affected by multiple factors considering the international market situation and the complex diversity of policies and cultures in various countries. Operations in various countries also face certain uncertainties. In addition, during the implementation process of the overseas investment projects, there may be a risk of delaying the implementation of the investment projects due to the need to increase or re-fulfill the filing or approval procedures due to subsequent needs, policy changes, and other reasons. The Company reminds investors to pay attention to the risks of cross-border investment projects.

6. Risks of BCI innovation business

The Company's BCI innovation business relies on EEG and fNIRS non-invasive brain electrical perception technologies for its R&D layout. It is currently in the stages of technology R&D, prototype verification, and market cultivation, and has not yet generated large-scale commercial revenue. This field is characterized by rapid technological iteration and high interdisciplinary thresholds, posing risks such as neural signal decoding accuracy, individual adaptability, and long-term stability in technology R&D falling short of expectations. At the same time, it faces uncertainties such as ununified industry standards, strict ethical review, continuously improving regulatory policies, and slow implementation of market application scenarios. The business requires continuous high R&D investment, which will put certain pressure on the Company's profitability in the short term. Furthermore, factors such as intensified global market competition, technological route iteration, cross-border data compliance, and intellectual property protection may all lead to business progress falling short of expectations and uncertainty in investment returns.

7. Risks associated with acquiring subsidiaries

The Company acquired Longzhiyuan in 2025. This acquisition of a subsidiary presents the following main risks: Firstly, goodwill impairment risk. This transaction is expected to generate a significant amount of goodwill, and according to the requirements of the Accounting Standards for Business Enterprises, an impairment test must be performed on goodwill annually. If the target company's future operating performance falls short of expectations, the Company will face the risk of goodwill impairment, which will adversely affect the listed company's current profits and losses. Secondly, risks related to business integration and synergistic effects falling short of expectations. Although ZKTeco and Longzhiyuan have certain synergistic foundations in terms of market, supply chain, products, and technology, there are objective differences between them in management systems and business models. The effectiveness of organizational, business, and personnel integration after the merger is uncertain, posing risks of inadequate business integration and failure to fully realize synergistic effects. Thirdly, there are risks of failure to achieve performance commitments and fulfill compensation obligations. The performance commitment parties have made commitments regarding the target company's operating performance for 2025-2027. The achievement of the target company's performance is constrained by multiple external and internal operating factors such as international trade situations, macroeconomic policy environments, and downstream market demand, posing risks that performance commitments may not be fulfilled. Even if performance compensation arrangements are triggered, there is still a risk that the performance commitment parties may have insufficient ability to perform, and compensation obligations may not be fully executed, which will adversely affect the interests of the listed company.

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

☑Applicable □ Not applicable

Reception time	Reception location	Reception methods	Reception object type	Reception object	The main content of the discussion and the materials provided	Index of basic information of research
January 4, 2026	ZKTECO Meeting Room and Online Meetings	Online Communication on Online Platforms	Institution	TF Securities, E Fund, Western Leadbank Fund, GF Fund	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: January 4, 2026, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2026-01)
January 5, 2026	ZKTECO Meeting Room and Online Meetings	Online Communication on Online Platforms	Institution	Guotai Haitong Securities Co., Ltd., Ping An Life Insurance Company of China, Ltd., Ledger Capital Investment Co., Limited, Xinghe Fund Management Co., Ltd., ABC-CA Fund Management Co., Ltd., Dajia Asset Management Co., Ltd., CIB Wealth Management Co., Ltd., CHINA NATURE ASSET MANAGEMENT CO., LTD., DH Fund Management Co., Ltd., Bank of China Investment Management Co., Ltd., Kingsun (Shanghai) Investment Co., Ltd., Huiquan Fund Management Co., Ltd., Sinolink Securities Co., Ltd., Enreal Asset Management Limited, Hexie Health Insurance Co., Ltd., Huaxi Fund Management Co., Ltd., Guomin Pension & Insurance Co., Ltd., Oceanpine Capital Inc., China Merchants Fund Management Company, Limited, Soochow Asset Management Co., Ltd., Union Asset Management Co., Ltd., ABC Life Insurance Co., Ltd., Lion Fund Management Co, Ltd., Shangyin Wealth Management Co., Ltd., China United Property Insurance Co., Ltd., Harvest Fund Management Co., Ltd., Haitong	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: January 5, 2026, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2026-02)

				International Securities Company Limited, First-Trust Fund Management Co., Ltd., Tencent Cloud Technology Co., Ltd., Great Wall Fund Management Co., Ltd., SPDB Wealth Management Co., Ltd., KUNLUN HEALTH INSURANCE CO., LTD., Guoxin Investment Co., Ltd., Shenzhen Prosperous Capital Co., Ltd., Pinpoint Asset Management Limited, China Securities Co., Ltd., Shanghai Lingze Private Equity Fund Management Co., Ltd., CINDA FUND Management Co., Ltd., Shanghai Kandao Asset Management Co., Ltd., Shanghai Qinchen Private Equity Fund Partnership (Limited Partnership), CITIC-Prudential Fund Management Co., Ltd., China Universal Asset Management Co., Ltd., Hwabao Trust Co., Ltd., Goldman Sachs ICBC Wealth Management Co., Ltd., Soochow Life Insurance Co., Ltd., Shanghai Life Insurance Co., Ltd., China Southern Fund Management Co., Ltd., Zheshang Securities Co., Ltd., Pacific Investment Management Co., Ltd., TruValue ASSET MANAGEMENT, Great Wall Fund, Guangzhou Boulder Investment Co., Ltd., Panjing Investment, ABC-CA, Guotai Asset, Hexie Health Insurance Asset Management, Guojin Securities Asset Management, Bank of China Investment, Orient Fund, Hongsheng Private Equity, Fuzhong Investment, Shanghai Share-Fortune, Danen Capital, Decent Investment, Chisage Resource Group, UBS SDIC, SUNSOURCE, Huafu Securities, PICC Pension, Harvest Fund, Yinhua Fund, Panyao Asset, Junrong Asset, Bank of Beijing Scotiabank Asset, Huaya, Hua An Fund, Shanghai SUNSOURCE, Purekind Fund, GROW, WinSure Capital, CICC Fund, BOSERA, Quanxi Investment, Shenzhen Hongding, CCB Wealth Management, Commando Capital, Zhongtai Anhe Investment, Tongben Investment, Suzhou		

				Junrong Asset Management Co., Ltd., Chisage Resource Group Co., Ltd., Zijin Trust, Panhou Dynamic, Yongle, Huaicheng Fund, Qianhai Chenxing Fund, Point, Zhejiang Wojin Investment Management Co., Ltd., Yuancheng Investment, Xuanyuan Investment, South Land Asset, Cactus Asset, Tansun Technology, Hefeng, Shanghai Yizhenglang Investment Management Co., Ltd., Chiyue Investment, Daoren, Blueocean Elite Private Fund, Harmony Huiyi, Century Proprietary, Miyuan Investment, Yinsheng Asset, Invesco Great Wall, Taiping Pension, SSE Asset Management, Zhong Ou Asset, Minmetals Asset Management, Penghua Fund, Zheshang Asset Management, Green Le Investment, Huashan Capital, S-LAND, Dachun Fund, Galaxy, DH Fund Management, Harvest Fund, Ping An Asset Management (Hong Kong), WinSure, Bank of China Asset Management		
January 28, 2026	ZKTECO Meeting Room	Field research	Institution	CITIC Securities, Juzhongxinchuang Investment, Orient Securities, Hairongxin Investment, Asia Pacific Huijin Fund, CICC Capital, Hoda Investment, Minfeng Fund, Everbright Securities, Chuanghua Investment, Zhongtian Securities, Saima Capital	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: January 28, 2026, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2026-03)
April 29, 2026	Value Online (https://www.ir-online.cn/) Network Interaction	Online Communication on Online Platforms	Others	Investors participating in the Company's 2025 annual performance briefing online and Q1 2026 performance briefing	See CNINFO (http://www.cninfo.com.cn)	CNINFO http://www.cninfo.com.cn, Announcement date: April 29, 2026, Investor Relations Activity Record Form of ZKTECO CO., LTD. (No. 2026-04)

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

Has the Company established a market value management system?

□ Yes ☑No

Has the Company disclosed its plan for enhancing valuation?

□ Yes ☑No

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

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

□ Yes ☑No

Section IV Corporate Governance, Environment and Society

I. Changes of directors and senior management of the Company

☑Applicable □ Not applicable

Name	Positions	Type	Date	Reasons
Ma Wentao	Director	Resignation upon expiration of term	March 26, 2026	General election
Ma Wentao	Deputy General Manager	Resignation upon expiration of term	March 26, 2026	General election
Dong Xiuqin	Independent director	Resignation upon expiration of term	March 26, 2026	General election
Zhuo Shuyan	Independent director	Resignation upon expiration of term	March 26, 2026	General election
Pang Chunlin	Independent director	Resignation upon expiration of term	March 26, 2026	General election
Gao Benhe	Director	Elected	March 26, 2026	General election
Liang Long	Independent director	Elected	March 26, 2026	General election
Wang Yihua	Independent director	Elected	March 26, 2026	General election
Jin Zhenzhao	Independent director	Elected	March 26, 2026	General election

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

□ Applicable ☑Not applicable

The Company plans not to distribute cash dividends, issue bonus shares, or distribute shares from capital reserve during the current reporting period on a half year basis.

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

☑Applicable □ Not applicable

1. Equity incentives

During the reporting period, the Company's 2025 Restricted Share Incentive Plan was in implementation. The specific details are as follows:

On January 23, 2025, the Company held the 15th Session of the Third Board Meeting and the 14th Session of the Third Supervisory Board Meeting, and deliberated and approved the "Proposal on the Company's Restricted Share Incentive Plan 2025 (Draft) and Its Abstract" and the "Proposal on the Company's Restricted Share Incentive Plan Implementation Assessment Management Measures 2025" and other related proposals. For details, please refer to the relevant announcements disclosed by the Company on the website of CNINFO (http://www.cninfo.com.cn) on January 24, 2025. On February 11, 2025, the Company's first 2025 Extraordinary General Meeting deliberated and approved the aforementioned related proposals.

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

On April 21, 2026, the Company held the Second Session of the Fourth Board Meeting, and deliberated and approved the "Proposal on Adjusting the Granting Price and Quantity of 2025 Restricted Share Incentive Plan", the "Proposal on Cancelling Some Granted but Not Affiliated Restricted Shares", and the "Proposal on the Achievement of the Attribution Conditions for the First Attribution Period of the 2025 Restricted Share Incentive Plan". Due to the resignation, unqualified assessment, or voluntary abandonment of some incentive objects, a total of 93,426 restricted stocks that have been granted but not yet attributed to the relevant incentive objects were invalidated; due to the Company's implementation of the 2024 annual equity distribution plan, the grant price of the 2025 Restricted Share Incentive Plan was adjusted from RMB 13.25/share to RMB 10.63/share, and the number of granted restricted shares was adjusted from 2,121,170 shares to 2,545,404 shares; due to the achievement of the attribution condition for the first grant of the first attribution period, the Board of Directors has agreed to allocate a total of 734,774 shares to 332 incentive objects. The Board of Directors' Salary and Assessment Committee verified the list of vested incentive objects and issued a clear opinion on whether the attribution conditions had been met. Please refer to the "Announcement on Adjusting the Granting Price and Quantity of 2025 Restricted Share Incentive Plan" (Announcement No. 2026-039), the "Announcement on Cancelling Some Granted but Not Affiliated Restricted Shares" (Announcement No. 2026-040), and the "Announcement on the Achievement of the Attribution Conditions for the First Attribution Period in the 2025 Restricted Share Incentive Plan" (Announcement No. 2026-041) disclosed by the Company on the website of CNINFO (http://www.cninfo.com.cn) on April 23, 2026.

The Company has completed the registration of the first attribution period of the 2025 Restricted Share Incentive Plan in accordance with relevant regulations, and the relevant shares were listed and circulated on May 27, 2026. Please refer to the "Announcement on the Attribution Results of the First Attribution Period in the 2025 Restricted Share Incentive Plan and the Listing of Shares" (Announcement No. 2026-051) disclosed by the Company on the website of CNINFO (http://www.cninfo.com.cn) on May 28, 2026.

2. Implementation of employee stock ownership plan

☑Applicable □ Not applicable

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

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

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

Name	Position	Number of Shares Held at the Beginning of the Reporting Period	Number of Shares Held at the End of the Reporting Period	Proportion to Total Share Capital of the Listed Company
Fu Zhiqian	Director	4,200	2,940	0.00%
Gao Benhe	Director	16,800	11,760	0.00%
Mu Wenting	Deputy General Manager	4,620	3,260	0.00%

Changes in asset management institutions during the reporting period

□ Applicable ☑Not applicable

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

□ Applicable ☑Not applicable

Exercise of shareholder rights during the reporting period

Not applicable.

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

☑Applicable □ Not applicable

During the reporting period, in accordance with the relevant provisions of the Company's "2025 Employee Stock Ownership Plan (Draft)" and "2025 Employee Stock Ownership Plan Management Measures", the management committee recalled the shares held by some holders and designated eligible personnel to acquire the relevant shares. There is no associated relationship or acting-in-concert relationship between the acquirer and shareholders holding 5% or more shares of the listed company or the actual controller. The related disposal complies with the terms of the employee stock ownership plan.

The first lockup period of the Company's 2025 employee stock ownership plan expired on May 22, 2026. Based on the Company's 2025 performance assessment results, the unlocking conditions for the first lockup period of this employee stock ownership plan have been met. The proportion of shares eligible for unlocking this time is 30% of the total shares held by this employee stock ownership plan, amounting to 400,968 shares. After the unlocking of the aforementioned shares, the Company will, in accordance with the provisions of the "2025 Employee Stock Ownership Plan (Draft)", opportunistically sell or transfer the corresponding shares to the individual securities accounts of the holders.

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

□ Applicable ☑Not applicable

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

☑Applicable □ Not applicable

According to the relevant provisions of Accounting Standards for Enterprises No.1 – Share-based Payment, RMB 3.02 million of share-based payment fees for the employee stock ownership plan were amortized in the current period and included in current profits and losses, correspondingly increasing capital reserve.

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

□ Applicable ☑Not applicable

Other explanations:

3. Other employee incentive plans

□ Applicable ☑Not applicable

IV. Environmental Information Disclosure

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

□ Yes ☑No

V. Social Responsibilities

(I) Protection of rights and interests of investors

The Company strictly fulfills its information disclosure obligations in accordance with regulatory requirements, truthfully, accurately, completely, and timely disclosing all company information to ensure that investors can fully understand the Company's operating conditions, financial position, risk profile, and development prospects. Through the Shenzhen Stock Exchange, CNINFO, the Company's official website, etc., it timely discloses information such as periodic reports and ad hoc announcements, and also releases the latest company information on the Company's official website, WeChat official account, and other channels to facilitate stakeholders to understand the situation of the Company in a timely and comprehensive manner.

The Company values investor relations management and has established diversified communication and interaction channels. The Company responds to investors' concerns through Easy to Interact of Shenzhen Stock Exchange, investor relations email, investor hotline, and other channels. It maintains friendly exchanges and communication with investors through performance briefings, General Meetings, and other forms, focusing on protecting the legitimate rights and interests of investors such as the right to know and vote, and maintaining a good trust relationship between the Company and investors.

The Company values shareholder investment returns and formulates a continuous and stable profit distribution policy. While ensuring the Company's long-term development, it actively promotes cash dividends to share development achievements with shareholders.

(II) Protection of employee rights and interests

The Company strictly complies with the "Labor Law" and formulates multiple management systems to effectively safeguard the legitimate rights and interests of employees and build harmonious and stable labor relations. The Company adheres to equal employment, clearly stipulating in the "Recruitment Behavior Operation Standards" the prohibition of child labor and the use of any form of forced or compulsory labor, the prohibition of disseminating discriminatory ideas based on region, race, gender, etc., and the respect and protection of employee rights at all stages.

The Company has built a diversified compensation and benefits system, continuously optimizing the performance management system and incentive and restraint mechanism to effectively stimulate employee enthusiasm and creativity. The Company establishes the trade union in accordance with relevant laws and regulations, facilitates communication channels, and safeguards the legitimate rights and interests of employees, such as the right to know and participate. The Company also establishes equal and democratic diverse communication methods, and sets up employee suggestion boxes so that employees can raise questions and provide feedback in a timely manner.

The Company focuses on employee development, and formulates the career development path and promotion channels for employees based on actual conditions, providing diversified career development directions and opportunities. The Company builds a high-quality team of mentors and internal lecturers, formulates the "Training Management System", and relies on online learning platforms and offline practical training resources to establish talent training mechanisms such as on-the-job training and professional technical training, accelerate employee career growth, and broaden employee development channels.

Adhering to the philosophy of "safety first, prevention first, and comprehensive governance", the Company has formulated occupational health and safety management systems such as the "Occupational Health and Safety Management Manual" and "Occupational Disease Management System", and has established a sound occupational health and safety management system. ZKTECO and Guangdong Zkteco have passed ISO 45001:2018 Occupational Health and Safety Management System Certification. The Company regularly conducts safety hazard inspections, strengthens work safety risk management, develops the "Emergency

Rescue Plan for Work Safety Accidents", and conducts work safety fire drills. In addition, the Company conducts annual occupational hazard factor testing in the workplace, implements a rotation and job change mechanism for occupational disease risk personnel, regularly conducts occupational health examinations, and conducts occupational health education and training to strengthen all employees' safety awareness and emergency response capabilities.

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

Adhering to the principles of "transparent procurement, honesty and trustworthiness, and integrity and self-discipline", the Company has established a full lifecycle management system covering supplier access, hierarchical evaluation, performance control, and elimination, and relies on digital systems such as SRM and SAP to enhance supply chain management transparency and collaboration efficiency. The Company and its suppliers have signed a "CSR Agreement" with suppliers to regulate the requirements of both parties, including labor rights, environmental protection, occupational health and safety, business ethics and other aspects. The Company is committed to establishing clean, fair, honest and trustworthy business cooperation relationships with suppliers, and the Company and its suppliers have signed the "Integrity Agreement" and the "Procurement Framework Agreement", advocating mutual supervision and creating a fair competition, honest and trustworthy, and sunny and healthy business environment. At the same time, the Company requires suppliers to sign the "Letter of Commitment for Not Using Conflict Minerals" to ensure the compliance of metal raw materials such as gold, tantalum, tin, and tungsten, and to prevent human rights and environmental risks in the supply chain.

The Company continues to improve its customer service management system and develop different service strategies for both domestic and overseas markets, constantly listens to the opinions of partners and customers, and strives to improve product quality. The Company conducts satisfaction surveys with customers annually, regularly or irregularly, through telephone, WeChat, QQ, questionnaire, and other survey methods, and follows up on customer feedback or suggestions. The Company regularly conducts specialized training and assessments for its service team to enhance professional service capabilities and continuously improve customer experience.

The Company attaches great importance to product quality management and requires all employees to establish the guiding ideology of "quality first" and the service awareness of "customer first", ensuring product quality throughout the entire product life cycle. ZKTECO, ZKTECO Dongguan Branch, and Guangdong Zkteco have all passed GB/T 19001-2016 and ISO 9001:2015 Quality Management System Certification.

(IV) Environmental protection and sustainable development

The Company adheres to the ecological and environmental protection concept of "Clear waters and lush mountains are invaluable assets", continuously improves its environmental management level, establishes a sound environmental governance system, and has passed the ISO 14001:2015 Environmental Management System Certification. The Company focuses on the management of emissions and waste and hires a third-party organization to professionally treat the scattered wastewater produced by Tangxia Industrial Park, ensuring proper wastewater treatment. Hazardous waste is entrusted to qualified organizations for standardized disposal, effectively avoiding pollution to the surrounding environment.

The Company is committed to reducing resource and energy consumption and environmental costs in its production and operation processes, achieving green production and low-carbon operation. The Company has established regulatory systems such as the "Energy Conservation Target Management System", "Energy Conservation Publicity System", and "Energy Conservation and Emission Reduction Reward and Punishment System". It continuously optimizes its energy consumption structure, promotes green office models, and enhances employees' environmental protection and energy-saving awareness.

The Company has always been committed to integrating green technology into product R&D. According to representative environmental requirements such as RoHS and REACH, it continuously promotes technological innovation to achieve environmental protection and energy conservation of products. The Company has enhanced the competitiveness of products by continuously developing energy-saving products, optimizing production processes and reducing energy consumption, contributing to the sustainable development of society.

(V) Actively assuming social responsibility

The Company actively fulfills its social responsibility, fully leverages its own advantages to continuously carry out public welfare practices in areas such as education support, community services, and environmental protection, giving back to society with practical actions and conveying warmth and love to society. Guangdong Zkteco actively participated in the 2026 "6·30" Assistance to Rural Revitalization and Dongguan Charity Day activities in Zhangmutou Town in the reporting period, making positive contributions to consolidating and expanding poverty alleviation achievements and rural revitalization, and promoting common prosperity.

Section V Significant Events

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

☑Applicable □ Not applicable

Causes of Commitment	Undertaking Party	Commitment Type	Commitment Content	Date of commitments	Term of commitments	Performance
IPO-related commitments	ZKTeco Times	Stock lockup	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. 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. 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. 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	August 17, 2022	February 16, 2026	Fulfilled

			that the company should bear due to violating the above commitments, the company will voluntarily and unconditionally comply with these provisions.			
IPO-related commitments	Che Quanhong	Stock lockup	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. 2. Within six months after ZKTeco's initial public offering and listing, if the closing price of ZKTeco's shares is lower than the issuance price of ZKTeco's initial public offering for twenty consecutive trading days (if ex-right or ex-dividend is carried out due to reasons such as cash dividend distribution, stock dividend, conversion to share capital, or issuance of new shares, corresponding adjustments must be made in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange), or the closing price is lower than the issuance price of ZKTeco's initial public offering of stocks at the end of the six-month period after listing (if that day is not a trading day, it is the first trading day after that day) (if ex-right or ex-dividend is carried out due to reasons such as cash dividends distribution, stock dividends, conversion to share capital, or issuance of new shares, corresponding adjustments must be made in accordance with the relevant regulations of the CSRC and the Shenzhen Stock Exchange), the lockup period for ZKTeco stocks I hold directly or indirectly is automatically extended by six months. 3. 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. 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 I should bear due to violating the above commitments, I voluntarily and unconditionally comply with these provisions.	August 17, 2022	February 16, 2026	Fulfilled
Whether the commitment is fulfilled on time	Yes					
If the commitment is not fulfilled within the promised period, a detailed explanation of the specific reasons for the incomplete fulfillment and the next work plan should be provided.	Not applicable					

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

□ Applicable ☑Not applicable

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

III. Illegal Provision of Guarantees for External Parties

□ Applicable ☑Not applicable

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

IV. Appointment and Dismissal of Accounting Firms

Whether the half year financial report has been audited?

□ Yes ☑No

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

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

□ Applicable ☑Not applicable

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

□ Applicable ☑Not applicable

VII. Matters Related to Bankruptcy Reorganization

□ Applicable ☑Not applicable

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

VIII. Litigation Matters

Major litigation and arbitration matters

□ Applicable ☑Not applicable

There were no significant lawsuits or arbitration matters for the Company during the reporting period.

Other litigation matters

☑Applicable □ Not applicable

Basic information of litigation (arbitration)	Amount involved (RMB '0,000)	Is there an estimated liability formed	Progress of litigation (arbitration)	Litigation (arbitration) trial results and effects	Execution of litigation (arbitration) judgments	Disclosure Date	Disclosure Index
Hengfu Construction Group Co., Ltd. (hereinafter referred to as "Hengfu Company") sued the Company and Guangdong Zkteco for disputes over construction contracts.	3,005.49	No	In January 2026, Hengfu Company sued Guangdong Zkteco and the Company, requesting a judgment ordering Guangdong Zkteco and the Company to jointly and severally pay for project costs, liquidated damages for overdue payment of progress payments, liquidated damages for overdue payment of completion settlement payments, the first installment of quality guarantee deposit, and legal costs, etc. (the above amounts were tentatively calculated up to October 20, 2025) totaling RMB 21.2931 million. At the same time, Hengfu applied to the court for pre-litigation property preservation, and the funds in Guangdong Zkteco's relevant bank accounts involved in the lawsuit were frozen accordingly. In August 2026, Hengfu added relevant project costs and quality guarantee deposit, increasing the amount involved in this case to RMB 30.0549 million.	No significant impact on the Company	Not yet concluded		
Other lawsuits/arbitrations where the Company (including subsidiary companies in the consolidated financial statements) as the plaintiff fails to meet the disclosure	1,973.26	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case	April 23, 2026	CNINFO (http://www.cninfo.com.cn) "2025 Annual Report of ZKTECO CO., LTD." (Announcement No. 2026-030)

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	1,514.53	No	The Company strictly follows the progress of each case	No significant impact	The Company strictly follows the progress of each case	April 23, 2026	CNINFO (http://www.cninfo.com.cn) "2025 Annual Report of ZKTECO CO., LTD." (Announcement No. 2026-030)

IX. Punishment and Rectification

□ Applicable ☑Not applicable
There were no penalties or rectifications during the reporting period of the Company.

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

☑Applicable □ Not applicable

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

XI. Significant Related-Party Transactions

1. Related-party transactions related to daily operations

□ Applicable ☑Not applicable
There were no related-party transactions related to daily operations during the reporting period of the Company.

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

□ Applicable ☑Not applicable
There were no related-party transactions related to asset or equity acquisitions or sales during the reporting period of the Company.

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

□ Applicable ☑Not applicable
During the reporting period, the Company did not engage in any related-party transactions related to joint foreign investment.

4. Related Credit and Debt Transactions

□ Applicable ☑Not applicable
There were no current associated rights of credit and liabilities during the reporting period of the Company.

5. Transactions with Related Financial Companies

□ Applicable ☑Not applicable
There is no deposit, loan, credit or other financial businesses between the Company and its affiliated financial companies, the financial companies held by the Company and related parties.

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

□ Applicable ☑Not applicable
There is no deposit, loan, credit or other financial businesses between the financial company controlled by the Company and its affiliated parties.

7. Other significant related party transactions

☑Applicable □ Not applicable

Please refer to the "Announcement on Signing a Lease Contract and Related Party Transaction" (Announcement No.: 2025-103) disclosed by the Company on CNINFO on December 26, 2025.

Temporary Announcement Name	Temporary Announcement Disclosure Date	Temporary Announcement Disclosure Website Name
Announcement on Signing a Lease Contract and Related Party Transaction	December 26, 2025	CNINFO http://www.cninfo.com.cn

XII. Significant Contracts and Their Performance

1. Custody, contracting, and leasing matters

(1) Custody

□ Applicable ☑Not applicable
There was no custody during the reporting period of the Company.

(2) Contracting

□ Applicable ☑Not applicable
There was no contracting during the reporting period of the Company.

(3) Leasing

☑Applicable □ Not applicable

Description of leasing

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

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

□ Applicable ☑Not applicable

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

2. Significant guarantee

□ Applicable ☑Not applicable
The Company had no material guarantees during the reporting period.

3. Significant contracts for daily operations

Not applicable

4. Other significant contracts

□ Applicable ☑Not applicable

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

XIII. Explanation of Other Significant Events

☑Applicable □ Not applicable

To deeply advance its globalization strategic layout, further expand overseas business, build an international capital operation platform, and enhance its international brand image and comprehensive competitiveness in the global market, the Company is planning to issue shares overseas (H-shares) and apply for listing on the Stock Exchange of Hong Kong Limited.

According to the requirements of the "Company Law of the People's Republic of China", the "Securities Law of the People's Republic of China", the "Rules Governing the Listing of Shares on the ChiNext Market of Shenzhen Stock Exchange", the "Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises", the "Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited", and other relevant laws, regulations, and normative documents, after the specific plan is determined, the Company's H-share issuance and listing matter will need to go through the Company's relevant decision-making procedures and obtain filing, approval, or consent from the China Securities Regulatory Commission, the Stock Exchange of Hong Kong Limited, the Securities and Futures Commission of Hong Kong, and other relevant government agencies and regulatory agencies.

There is significant uncertainty as to whether this H-share issuance and listing can be approved, registered, reviewed, and ultimately implemented. The Company will timely fulfill its information disclosure obligations in accordance with relevant laws, regulations, and normative documents, based on the subsequent progress of this H-share issuance and listing. Investors are kindly requested to be aware of investment risks.

XIV. Significant Events of the Company's Subsidiaries

□ Applicable ☑Not applicable

Section VI Changes in Shares and Information about Shareholders

I. Changes in Shares

1. Changes in shares

Unit: share

	Before the change		Increase or decrease in this change (+, -)					After this change	
	Quantity	Proportion	Issue new shares	Bonus	Share transferred from capital reserve	Others	Subtotal	Quantity	Proportion
I. Restricted shares	121,436,679	51.60%	0	0	0	-80,391,800	-80,391,800	41,044,879	17.44%
1. Shares held by State	0	0.00%	0	0	0	0	0	0	0.00%
2. Shares held by state-owned legal persons	0	0.00%	0	0	0	0	0	0	0.00%
3. Shares held by other domestic enterprises	121,436,679	51.60%	0	0	0	-80,391,800	-80,391,800	41,044,879	17.44%
Including: shares held by domestic corporations	80,561,949	34.23%	0	0	0	-70,200,000	-70,200,000	10,361,949	4.40%
Shares held by domestic natural persons	40,874,730	17.37%	0	0	0	-10,191,800	-10,191,800	30,682,930	13.04%
4. Foreign shareholding	0	0.00%	0	0	0	0	0	0	0.00%
Including: shares held by overseas corporations	0	0.00%	0	0	0	0	0	0	0.00%
Shares held by overseas natural person	0	0.00%	0	0	0	0	0	0	0.00%
II. Shares not subject to trading restrictions	113,914,871	48.40%	0	0	0	80,391,800	80,391,800	194,306,671	82.56%
1. RMB denominated ordinary	113,914,871	48.40%	0	0	0	80,391,800	80,391,800	194,306,671	82.56%

shares									
2. Domestic listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
3. Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4. Others	0	0.00%	0	0	0	0	0	0	0.00%
III. Total shares	235,351,550	100.00%	0	0	0	0	0	235,351,550	100.00%

Reasons for changes in shares

☑Applicable □ Not applicable

1. On February 24, 2026, a total of 111,026,760 shares (accounting for 47.17% of the Company's total share capital) issued before the Company's initial public offering, held by Shenzhen ZKTeco Times Investment Co., Ltd. and Mr. Che Quanhong, were listed and circulated. Simultaneously, 75% of the shares released from trading restrictions held by Mr. Che Quanhong were converted into executive lockup shares;
2. The conditions for the first attribution period of the Company's 2025 Restricted Share Incentive Plan have been met. 75% of the vested shares held by the Company's directors and senior management participating in this Restricted Share Incentive Plan are converted into executive lockup shares;
3. The conditions for unlocking upon expiry of the first lockup period of the Company's 2025 employee stock ownership plan have been met. The portion of shares that meet the unlocking conditions are transferred to relevant directors, supervisors, and senior management through non-trading transfer, and 75% of these shares are converted into executive lockup shares.

Approval of changes in shares

□ Applicable ☑Not applicable

Transfer of changes in shares

□ Applicable ☑Not applicable

Implementation progress of share repurchase

☑Applicable □ Not applicable

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

The Company convened the 15th Session of the Third Board Meeting and the 14th Session of the Third Supervisory Board Meeting on January 23, 2025, and the first extraordinary general meeting of 2025 on February 11, 2025. These meetings separately reviewed and approved the "2025 Employee Stock Ownership Plan (Draft)" and the "2025 Restricted Share Incentive Plan (Draft)". The Company agreed the Company to implement the employee stock ownership plan with 1,113,800 repurchased A-share common stock of ZKTeco. For details, please refer to the relevant announcements disclosed by the Company on the website of CNINFO on January 24, 2025.

1. The conditions for the first attribution period of the Company's 2025 Restricted Share Incentive Plan have been met. The Company will transfer 733,604 A shares repurchased from the secondary market to the securities accounts of relevant incentive objects through non-trading transfer on May 26, 2026.
2. The conditions for unlocking upon expiry of the first lockup period of the Company's 2025 employee stock ownership plan have been met. The Company will transfer 400,968 A shares repurchased from the secondary market to the securities accounts of relevant share holders through non-trading transfer.

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

□ Applicable ☑Not applicable

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

□ Applicable ☑Not applicable

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

□ Applicable ☑Not applicable

2. Changes in restricted shares

☑Applicable □ Not applicable

Unit: share

Name of shareholder	Number of restricted shares at the beginning of the period	Number of shares released from trading restrictions in this period	Increase in restricted shares during the period	Number of restricted shares at the end of the period	Reason for restrictions	Date of releasing from trading restrictions
Shenzhen ZKTeco Times Investment Co., Ltd.	70,200,000.00	70,200,000	0	0	Restricted shares before IPO	Listed and circulated on February 24, 2026
Che Quanhong	40,826,760	40,826,760	30,620,070.00	30,620,070.00	Executive lockup shares	During the tenure of directors and senior executives, 25% of the total number of shares held will be unlocked annually, while the remaining 75% will be automatically locked
Gao Benhe	0.00	0.00	7,020.00	7,020.00	Executive lockup shares	During the tenure of directors and senior executives, 25% of the total number of shares held will be unlocked annually, while

						the remaining 75% will be automatically locked
Fu Zhiqian	12,870.00	0.00	2,700.00	15,570.00	Executive lockup shares	During the tenure of directors and senior executives, 25% of the total number of shares held will be unlocked annually, while the remaining 75% will be automatically locked
Mu Wenting	21,060.00	0.00	1,930.00	22,990.00	Executive lockup shares	During the tenure of directors and senior executives, 25% of the total number of shares held will be unlocked annually, while the remaining 75% will be automatically locked
Jiang Wenna	0.00	0.00	1,890.00	1,890.00	Executive lockup shares	Shares acquired by supervisors due to the Company's cancellation of the Board of Supervisors shall be locked up by 75% within six months after the expiration of their original term of office, and the trading restrictions shall be lifted six months after the expiration of their original term of office.
Yang Xianfeng	0.00	0.00	1,350.00	1,350.00	Executive lockup shares	Shares acquired by supervisors due to the Company's cancellation of

						the Board of Supervisors shall be locked up by 75% within six months after the expiration of their original term of office, and the trading restrictions shall be lifted six months after the expiration of their original term of office.
Total	111,060,690.00	111,026,760.00	30,634,960.00	30,668,890.00	--	--

II. Issuance and Listing of Securities

□ Applicable ☑Not applicable

III. Number of Shareholders of the Company and Shareholding

Unit: share

Total number of ordinary shareholders at the end of the reporting period		21,959	Total number of preferred shareholders with restored voting rights at the end of the reporting period (if any) (see Note 8)		0	Total number of shareholders holding special voting shares (if any)	0
Shareholding of shareholders holding more than 5% or the top 10 shareholders (excluding shares lent through refinancing)							
Name of shareholder	Nature of shareholder	Percentage of shares	Number of shares held at the end of the reporting period	Changes in increase and decrease during the reporting period	Number of shares with trading restrictions	Number of shares not subject to trading restrictions	Pledge, marking or freezing	
							Share status	Quantity
Shenzhen ZKTeco Times Investment Co., Ltd.	Domestic non state-owned corporation	29.83%	70,200,000	0	0	70,200,000	Not applicable	0
Che Quanhong	Domestic natural persons	17.35%	40,826,760	0	30,620,070	10,206,690	Not applicable	0
Shenzhen JYHY Investment Enterprise (Limited Partnership)	Domestic non state-owned corporation	5.43%	12,789,002	-1,189,510	4,176,315	8,612,687	Not applicable	0
Shenzhen	Domestic	5.41%	12,722,899	-1,215,957	4,232,280	8,490,619	Not	0

JYSJ Investment Enterprise (Limited Partnership)	non state-owned corporation						applicable	
Dongguan LX Investment Partnership Enterprise (Limited Partnership)	Domestic non state-owned corporation	5.04%	11,856,000	0	0	11,856,000	Not applicable	0
Shenzhen JYLX Consulting Enterprise (Limited Partnership)	Domestic non state-owned corporation	1.55%	3,636,645	-338,628	1,424,514	2,212,131	Not applicable	0
China Merchants Fund Management Co., Ltd. - Social Security Fund Portfolio 1903	Others	0.46%	1,092,174	1,092,174	0	1,092,174	Not applicable	0
Shenzhen JYQL Investment Consulting Enterprise (Limited Partnership)	Domestic non state-owned corporation	0.43%	1,003,160	-132,100	528,840	474,320	Not applicable	0
Han Xiao	Domestic natural persons	0.42%	979,600	171,684	0	979,600	Not applicable	0
ZKTECO CO., LTD. - 2025 Employee Stock Ownership Plan	Others	0.40%	935,618	-400,942	0	935,618	Not applicable	0
Strategic investors or general legal persons become the top 10 shareholders due to the placement of new shares (if any) (see Note 3)		Not applicable						
Description of the above shareholder's association or concerted action		Shareholder Che Quanhong is elder brother of shareholder Che Quanzhong from ZKTeco Times are brothers, and son of Che Jun, partner of LX Investment. Shareholder Che Quanhong is the controlling shareholder of ZKTeco Times. Che Quanhong indirectly holds 53,366,040 shares of the Company through Shenzhen ZKTeco Times Investment Co., Ltd., accounting for 22.68% of the Company's total shares; Che Quanhong indirectly holds 140,400 shares of the Company through LX Investment, accounting for 0.06% of the Company's total shares; Che						

	Quanhong indirectly holds 374,400 shares of the Company through JYLX, accounting for 0.16% of the Company's total shares. Che Quanzhong, the younger brother of shareholder Che Quanhong, holds a 23.98% stake in ZKTeco Times. Che Jun, the father of shareholder Che Quanhong, holds 98.68% of the property share of LX Investment. In addition, there is no affiliated relationship between the other shareholders of the Company.		
Description of the above shareholders' involvement in entrusting/entrusted voting rights and waiver of voting rights	Not involved		
Special description of the existence of special repurchase accounts among the top 10 shareholders (see Note 11)	Not involved		
Particulars about the top 10 shareholders not subject to trading restrictions (excluding shares lent through refinancing and executive lockup shares)			
Name of shareholder	Number of shares not subject to trading restrictions held at the end of the reporting period	Types of shares	
		Types of shares	Quantity
Shenzhen ZKTeco Times Investment Co., Ltd.	70,200,000	RMB denominated ordinary shares	70,200,000
Dongguan LX Investment Partnership Enterprise (Limited Partnership)	11,856,000	RMB denominated ordinary shares	11,856,000
Che Quanhong	10,206,690	RMB denominated ordinary shares	10,206,690
Shenzhen JYHY Investment Enterprise (Limited Partnership)	8,612,687	RMB denominated ordinary shares	8,612,687
Shenzhen JYSJ Investment Enterprise (Limited Partnership)	8,490,619	RMB denominated ordinary shares	8,490,619
Shenzhen JYLX Consulting Enterprise (Limited Partnership)	2,212,131	RMB denominated ordinary shares	2,212,131
China Merchants Fund Management Co., Ltd. - Social Security Fund Portfolio 1903	1,092,174	RMB denominated ordinary shares	1,092,174
Han Xiao	979,600	RMB denominated ordinary shares	979,600
ZKTECO CO., LTD. - 2025 Employee Stock Ownership Plan	935,618	RMB denominated ordinary shares	935,618
Hong Kong Securities Clearing Company Limited	676,251	RMB denominated ordinary shares	676,251
Description of the association or concerted action between the top 10 shareholders not subject to trading restrictions, as well as between the top 10 shareholders not subject to	Shareholder Che Quanhong is elder brother of shareholder Che Quanzhong from ZKTeco Times are brothers, and son of Che Jun, partner of LX Investment. Shareholder Che Quanhong is the controlling shareholder of ZKTeco Times. Che Quanhong indirectly holds 53,366,040 shares of the Company through Shenzhen ZKTeco Times Investment Co., Ltd., accounting for 22.68% of the Company's total shares; Che Quanhong indirectly holds 140,400 shares of the Company through LX Investment, accounting for 0.06% of the Company's total shares; Che Quanhong indirectly holds 374,400 shares of the Company through JYLX, accounting for 0.16% of the Company's total shares.		

trading restrictions and the top 10 shareholders	Che Quanzhong, the younger brother of shareholder Che Quanhong, holds a 23.98% stake in ZKTeco Times. Che Jun, the father of shareholder Che Quanhong, holds 98.68% of the property share of LX Investment. In addition, there is no affiliated relationship between the other shareholders of the Company. In addition, the Company does not know whether there is a related relationship between the other top 10 shareholders of shares not subject to trading restrictions, as well as between the top 10 shareholders of outstanding shares not subject to trading restrictions and the top 10 shareholders, or whether they belong to Concerted Parties.
Description of top 10 ordinary shareholders participating in margin trading (if any) (see Note 4)	Among the top 10 shareholders not subject to trading restrictions, at the period end, shareholder Han Xiao held a total of 979,600 A shares of the Company, including 74,600 A shares held through margin accounts and 905,000 A shares held through client credit transaction guaranty securities accounts of China Galaxy Securities Co., Ltd.

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

□ Applicable ☑Not applicable

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

□ Applicable ☑Not applicable

Does the Company have voting right difference arrangements

□ Yes ☑No

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

□ Yes ☑No

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

IV. Changes in Shareholding of Directors and Senior Management

☑Applicable □ Not applicable

Name	Position	Tenure status	Shares held at the beginning of the period (shares)	Shares increased during the period (shares)	Shares decreased during the period (shares)	Shares held at the end of the period (shares)	Number of restricted shares granted at the beginning of the period (shares)	Number of restricted shares granted in this period (shares)	Number of restricted shares granted at the end of the period (shares)
Fu Zhiqian	Director	Incumbent	17,160	3,600[1]	0	20,760	6,500	0	5,460[3]
Gao Benhe	Director	Incumbent	0	9,360[2]	0	9,360	26,000	0	21,840[3]
Mu Wenting	Deputy General Manager	Incumbent	28,080	2,574[2]	0	30,654	7,150	0	6,006[3]
Total	--	--	45,240	15,534	0	60,774	39,650	0	33,306

Note: 1. This period's increase in holdings is due to the vesting of shares from the first attribution period of the Company's 2025 Restricted Share Incentive Plan and the non-trading transfer of shares upon the expiration of the first lockup period of the 2025 employee stock ownership plan.

2. This period's increase in holdings is due to the vesting of shares from the first attribution period of the Company's 2025 Restricted Share Incentive Plan.

3 The number of restricted shares granted at the end of the period = The number of restricted shares granted at the opening balance

(after adjustment due to the Company's implementation of the 2024 equity distribution) - The number of shares vested and registered in the current reporting period.

V. Changes in Controlling Shareholders and Actual Controllers

If the Company has previously disclosed that the actual controller is planning a change in control but it has not yet been completed, please explain the progress of the change in control.

□ Applicable ☑Not applicable

Changes in controlling shareholders during the reporting period

□ Applicable ☑Not applicable

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

Changes in actual controller during the reporting period

□ Applicable ☑Not applicable

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

VI. Preferred Shares

□ Applicable ☑Not applicable

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

Section VII Bonds

□ Applicable ☑Not applicable

Section VIII Financial Report

I. Audit Report

Whether the Half Year Report has been audited

□ Yes ☑No

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

II. Financial Statements

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

1. Consolidated Balance Sheet

Prepared by: ZKTECO CO., LTD.

June 30, 2026

Unit: RMB

Item	Ending Balance	Beginning Balance
Current assets:		
Monetary funds	1,301,334,793.26	1,243,119,411.23
Deposit reservation for balance		
Lendings to banks and other financial institutions		
Trading financial assets	612,775,635.56	800,444,410.21
Derivative financial assets		
Notes receivable	129,198.80	538,349.21
Accounts receivable	638,619,772.07	676,383,210.14
Receivables financing		
Prepayments	39,599,435.12	18,032,290.05
Premiums receivable		
Reinsurance accounts receivable		
Reserves for reinsurance contract receivable		
Other receivables	48,763,695.94	52,567,928.29
Including: interest receivable		
Dividends receivable		
Buying back the sale of financial assets		
Inventory	658,591,157.42	468,837,064.12
Including: Data resources		
Contract assets	34,945.93	26,949.78
Held-for-sale assets		
Non-current assets due within one year	2,709,767.95	2,320,265.60

Other current assets	67,548,071.76	104,567,979.67
Total current assets	3,370,106,473.81	3,366,837,858.30
Non-current assets:		
Loans and advances to customers		
Debt investment	29,590,889.51	28,977,331.32
Other debt investment		
Long-term receivables	19,727,728.05	17,932,540.32
Long-term equity investment	26,204,251.39	25,112,854.58
Other equity instrument investments		
Other non-current financial assets		
Investment real estate	19,042,558.65	19,863,144.69
Fixed assets	764,216,256.81	723,300,476.82
Construction in progress	74,260,468.75	113,147,627.97
Productive biological assets		
Oil and gas assets		
Right-of-use assets	46,975,819.01	55,789,456.58
Intangible assets	260,734,700.32	271,465,068.24
Including: Data resources		
Development expenditures		
Including: Data resources		
Goodwill	206,520,555.18	239,061,688.95
Long-term deferred expenses	9,575,657.47	10,365,428.72
Deferred tax assets	82,828,124.38	82,533,157.92
Other non-current assets	30,848,318.62	423,995.07
Total non-current assets	1,570,525,328.14	1,587,972,771.18
Total assets	4,940,631,801.95	4,954,810,629.48
Current liabilities:		
Short-term borrowings	119,522,060.62	81,101,188.00
Borrowings from the Central Bank		
Borrowings from banks and other financial institutions		
Trading financial liabilities	126,147,273.71	208,175,000.00
Derivative financial liabilities		
Notes payable	366,761,718.28	239,870,823.79
Accounts payable	377,917,627.87	404,450,021.92
Advances from customer		
Contract liabilities	100,194,437.29	76,516,595.89
Financial assets sold for repurchase		
Deposit from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Employee benefits payable	42,069,960.90	62,261,494.07

Taxes payable	39,362,282.27	38,878,015.23
Other payables	63,140,018.94	71,479,362.71
Including: interest payable		
Dividends payable	838,914.16	556,900.00
Handling charges and commissions payable		
Reinsurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	20,887,254.49	30,859,013.86
Other current liabilities	10,590,497.29	18,771,142.30
Total current liabilities	1,266,593,131.66	1,232,362,657.77
Non-current liabilities:		
Reserves for insurance contracts		
Long-term borrowings	95,891.27	139,871.08
Bonds payable		
Including: preferred stock		
Perpetual bonds		
Lease liabilities	19,098,993.63	25,370,074.36
Long-term payables	550,000.00	
Long-term employee benefits payable		
Estimated liabilities		
Deferred income	2,190,789.45	1,364,769.40
Deferred tax liabilities	26,022,301.85	29,991,667.84
Other non-current liabilities		
Total non-current liabilities	47,957,976.20	56,866,382.68
Total liabilities	1,314,551,107.86	1,289,229,040.45
Owner's equity:		
Share capital	235,351,550.00	235,351,550.00
Other equity instruments		
Including: preferred stock		
Perpetual bonds		
Capital reserve	2,067,905,968.71	2,068,821,395.02
Less: treasury stock	20,187,362.06	44,078,890.10
Other comprehensive income	-9,229,800.64	39,799,829.67
Special reserve		
Surplus reserves	67,458,631.43	67,458,631.43
General risk reserves		
Undistributed profits	1,081,015,501.94	1,114,135,904.69
Total owners' equity attributable to the parent company	3,422,314,489.38	3,481,488,420.71
Minority interests	203,766,204.71	184,093,168.32
Total owners' equity	3,626,080,694.09	3,665,581,589.03
Total liabilities and owner's equity	4,940,631,801.95	4,954,810,629.48

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

2. Balance Sheet of Parent Company

Unit: RMB

Item	Ending Balance	Beginning Balance
Current assets:		
Monetary funds	393,777,584.76	369,007,059.01
Trading financial assets	271,394,362.56	331,610,473.21
Derivative financial assets		
Notes receivable	129,198.80	156,790.41
Accounts receivable	358,065,306.32	428,225,183.76
Receivables financing		
Prepayments	11,904,470.39	6,462,285.58
Other receivables	30,797,723.56	31,318,946.42
Including: interest receivable	46,922.03	46,922.03
Dividends receivable	8,000,000.00	
Inventory	74,434,405.48	62,381,514.53
Including: Data resources		
Contract assets	22,615.30	9,172.80
Held-for-sale assets		
Non-current assets due within one year	1,193,525.71	1,020,439.67
Other current assets	33,073,064.97	65,277,597.19
Total current assets	1,174,792,257.85	1,295,469,462.58
Non-current assets:		
Debt investment	21,315,782.30	21,036,292.96
Other debt investment		
Long-term receivables	8,514,731.29	7,693,859.44
Long-term equity investment	1,866,725,384.96	1,837,314,121.27
Other equity instrument investments		
Other non-current financial assets		
Investment real estate		
Fixed assets	38,999,760.85	39,234,838.25
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets	3,874,062.11	3,397,123.73
Intangible assets	26,081,010.84	28,442,988.56
Including: Data resources		
Development expenditures		
Including: Data resources		
Goodwill		
Long-term deferred expenses	3,603,514.87	3,770,321.93
Deferred tax assets	45,570,372.84	49,321,418.19

Other non-current assets	3,000,000.00	
Total non-current assets	2,017,684,620.06	1,990,210,964.33
Total assets	3,192,476,877.91	3,285,680,426.91
Current liabilities:		
Short-term borrowings		
Trading financial liabilities	126,147,273.71	208,175,000.00
Derivative financial liabilities		
Notes payable	139,473,358.98	77,782,177.57
Accounts payable	69,517,137.94	162,076,940.64
Advances from customer		
Contract liabilities	23,464,884.09	18,868,667.39
Employee benefits payable	9,693,989.96	14,248,129.06
Taxes payable	1,893,700.12	1,945,673.22
Other payables	169,279,553.75	87,941,897.36
Including: interest payable		
Dividends payable	838,914.16	556,900.00
Liabilities held for sale		
Non-current liabilities due within one year	2,413,237.32	2,792,552.49
Other current liabilities	4,915,862.73	6,057,760.52
Total current liabilities	546,798,998.60	579,888,798.25
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: preferred stock		
Perpetual bonds		
Lease liabilities	1,196,819.55	692,690.06
Long-term payables	550,000.00	
Long-term employee benefits payable		
Estimated liabilities		
Deferred income		
Deferred tax liabilities	0.00	2,341,558.59
Other non-current liabilities		
Total non-current liabilities	1,746,819.55	3,034,248.65
Total liabilities	548,545,818.15	582,923,046.90
Owner's equity:		
Share capital	235,351,550.00	235,351,550.00
Other equity instruments		
Including: preferred stock		
Perpetual bonds		
Capital reserve	2,077,968,165.85	2,080,952,283.49
Less: treasury stock	20,187,362.06	44,078,890.10
Other comprehensive income		

Special reserve		
Surplus reserves	67,367,334.94	67,367,334.94
Undistributed profits	283,431,371.03	363,165,101.68
Total owners' equity	2,643,931,059.76	2,702,757,380.01
Total liabilities and owner's equity	3,192,476,877.91	3,285,680,426.91

3. Consolidated Income Statement

Unit: RMB

Item	Half Year of 2026	Half Year of 2025
I. Total operating revenue	1,098,427,084.69	929,258,759.50
Including: operating revenue	1,098,427,084.69	929,258,759.50
Interest income		
Premium earned		
Revenue from handling fees and commissions		
II. Total operating cost	972,189,871.06	810,404,715.03
Including: operating cost	541,469,700.14	454,165,899.16
Interest expense		
Expenses from handling fee and commissions		
Surrender value		
Net payments for insurance claims		
Net provisions for policy reserves		
Policy dividend expenses		
Reinsurance expenses		
Taxes and surcharges	11,844,915.69	12,100,939.14
Selling expenses	238,548,331.91	209,649,741.81
Administrative expenses	73,446,857.65	57,337,406.90
R&D expenses	88,821,794.44	104,067,183.21
Financial expenses	18,058,271.23	-26,916,455.19
Including: interest expenses	1,700,552.10	1,322,384.38
Interest income	13,227,169.06	18,677,549.88
Plus: other income	3,474,131.42	6,937,337.84
Investment income (loss expressed with "-")	898,614.73	2,885,464.65
Including: investment income in associates and joint ventures	-1,682,929.06	1,265,201.27
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 "-")	49,212,654.08	7,977,831.68
Losses from credit impairment (loss expressed with "-")	-1,492,369.49	-3,853,667.85
Losses from impairment of assets (loss expressed with "-")	-48,556,226.49	-9,329,887.04
Gains from disposal of assets (loss expressed with "-")	41,981.41	141,757.67
III. Operating profit (loss expressed with "-")	129,815,999.29	123,612,881.42
Plus: non-operating revenue	373,285.67	299,936.36
Less: Non-operating expenditure	2,826,379.06	1,737,567.87
IV. Total profit (loss expressed with "-")	127,362,905.90	122,175,249.91
Less: income tax expenses	19,531,318.60	10,696,749.06
V. Net profit (loss expressed with "-")	107,831,587.30	111,478,500.85
(I) Classification by business continuity		
1. Net profit from continuing operations (net loss expressed with "-")	107,831,587.30	111,478,500.85
2. Net profit from discontinued operations (net loss expressed with "-")		
(II) Classification by ownership		
1. Net profit attributable to shareholders of the parent company (net loss expressed with "-")	79,664,695.17	93,235,556.28
2. Minority shareholders' profit and loss (net loss expressed with "-")	28,166,892.13	18,242,944.57
VI. Other comprehensive income - after tax	-49,794,497.73	13,551,797.73
Net of tax of other comprehensive income attributable to the owner of the parent company	-49,029,630.31	11,090,133.24
(I) Other comprehensive income that cannot be transferred to profit or loss		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in the fair value of the Company's own credit risk		
5. Other		
(II) Other comprehensive income that will be reclassified into profit or loss	-49,029,630.31	11,090,133.24
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	-49,029,630.31	11,090,133.24
7. Others		
After-tax net amount of other comprehensive income attributable to the minority shareholders	-764,867.42	2,461,664.49
VII. Total comprehensive income	58,037,089.57	125,030,298.58
Total comprehensive income attributable to owners of the parent company	30,635,064.86	104,325,689.52
Total comprehensive income attributable to minority shareholders	27,402,024.71	20,704,609.06
VIII. Earnings per share:		
(I) Basic earnings per share	0.3399	0.3999
(II) Diluted earnings per share	0.3370	0.3996

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

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

4. Parent Company's Income Statement

Unit: RMB

Item	Half Year of 2026	Half Year of 2025
I. Operating revenue	322,324,528.49	399,608,284.19
Less: operating cost	237,275,250.83	274,399,587.13
Taxes and surcharges	1,970,054.45	1,725,090.87
Selling expenses	46,728,850.84	63,003,265.18
Administrative expenses	18,363,657.46	23,491,068.76
R&D expenses	25,414,557.29	39,065,003.66
Financial expenses	8,747,320.99	-11,249,381.24
Including: interest expenses	79,189.71	151,110.67
Interest income	4,543,935.55	9,565,323.02
Plus: other income	287,755.18	1,698,822.06
Investment income (loss expressed with "-")	8,208,849.36	20,211,693.27
Including: investment income in associates and joint ventures	-1,144,067.36	44,575.58
Gains from derecognition of financial assets measured at amortized cost		
Gains from net exposure hedging (loss expressed with "-")		
Gains from changes in fair value	45,734,393.39	2,501,228.42

(loss expressed with "-")		
Losses from credit impairment (loss expressed with "-")	795,019.10	-7,683,700.45
Losses from impairment of assets (loss expressed with "-")	-4,632,725.83	-868,834.34
Gains from disposal of assets (loss expressed with "-")	0.00	-48,176.51
II. Operating profit (loss expressed with "-")	34,218,127.83	24,984,682.28
Plus: non-operating revenue	28,186.94	134,172.76
Less: Non-operating expenditure	233,288.06	408,366.76
III. Total profits (total losses expressed with "-")	34,013,026.71	24,710,488.28
Less: income tax expenses	961,659.44	-2,845,223.05
IV. Net profit (net loss expressed with "-")	33,051,367.27	27,555,711.33
(I) Net profit from continuing operations (net loss expressed with "-")	33,051,367.27	27,555,711.33
(II) Net profit from discontinued operations (net loss expressed with "-")		
V. Net of tax of other comprehensive income		
(I) Other comprehensive income that cannot be transferred to profit or loss		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in the fair value of the Company's own credit risk		
5. Other		
(II) Other comprehensive income that will be reclassified into profit or loss		
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation difference of foreign currency financial statements		
7. Others		
VI. Total comprehensive income	33,051,367.27	27,555,711.33
VII. Earnings per share:		
(I) Basic earnings per share		

(II) Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: RMB

Item	Half Year of 2026	Half Year of 2025
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	1,259,216,899.84	972,536,504.27
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	63,206,358.10	54,248,297.48
Cash received from other operating activities	65,049,102.97	79,222,721.97
Subtotal of cash inflows from operating activities	1,387,472,360.91	1,106,007,523.72
Cash paid for purchase of goods and rendering of services	782,873,895.66	422,815,870.66
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	288,454,019.64	269,063,841.06

Payments of all types of taxes	54,477,884.64	40,252,008.01
Other cash payments relating to operating activities	211,174,293.89	204,692,650.43
Subtotal of cash outflows from operating activities	1,336,980,093.83	936,824,370.16
Net cash flows from operating activities	50,492,267.08	169,183,153.56
II. Cash flows from investing activities:		
Cash received from disinvestment	1,723,239,510.07	934,811,362.57
Cash received from investment income	11,330,066.92	4,289,144.22
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	49,849.16	81,406.35
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		285,803.23
Subtotal of cash inflows from investing activities	1,734,619,426.15	939,467,716.37
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	73,337,456.41	79,189,512.48
Cash paid for investments	1,566,231,842.32	1,315,253,169.16
Net increase in pledge loans		
Net cash paid to acquire subsidiaries and other business units	38,391,065.79	
Cash paid for other investing activities		
Subtotal of cash outflows from investing activities	1,677,960,364.52	1,394,442,681.64
Net cash flows from investing activities	56,659,061.63	-454,974,965.27
III. Cash flows from financing activities:		
Cash received from investors	1,410,368.98	981,714.84
Including: Cash received from investment by minority shareholders of subsidiaries	1,410,368.98	981,714.84
Cash received from borrowings		
Cash received from other financing activities	98,468,440.30	89,309,900.16
Subtotal of cash inflows from financing activities	99,878,809.28	90,291,615.00
Cash paid for debt repayments	6,717,699.46	524,174.15
Cash paid for distribution of dividends and profits or payment of interest	121,622,980.48	104,321,613.66
Including: dividends and profits paid to minority shareholders by subsidiaries	9,139,115.65	8,902,314.29
Cash paid for other financing activities	68,733,634.76	15,293,492.76
Subtotal of cash outflows from financing activities	197,074,314.70	120,139,280.57
Net cash flows from financing activities	-97,195,505.42	-29,847,665.57
IV. Effect of exchange rate changes on cash and cash equivalents	-33,096,796.70	5,463,575.55
V. Net increase in cash and cash equivalents	-23,140,973.41	-310,175,901.73
Plus: beginning balance of cash and	1,085,719,132.48	1,214,344,327.43

cash equivalents		
VI. Closing balance of cash and cash equivalents	1,062,578,159.07	904,168,425.70

6. Cash Flow Statement of Parent Company

Unit: RMB

Item	Half Year of 2026	Half Year of 2025
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	274,320,553.21	415,337,253.75
Refund of taxes and surcharges	10,072,381.12	25,222,229.18
Cash received from other operating activities	126,525,508.47	72,727,351.01
Subtotal of cash inflows from operating activities	410,918,442.80	513,286,833.94
Cash paid for purchase of goods and rendering of services	131,119,555.79	170,338,570.68
Cash paid to and for employees	55,628,228.78	77,341,779.52
Payments of all types of taxes	6,492,900.09	6,065,323.29
Other cash payments relating to operating activities	89,605,649.61	132,304,972.21
Subtotal of cash outflows from operating activities	282,846,334.27	386,050,645.70
Net cash flows from operating activities	128,072,108.53	127,236,188.24
II. Cash flows from investing activities:		
Cash received from disinvestment	976,700,000.00	681,413,782.78
Cash received from investment income	5,575,353.60	1,915,897.25
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	315,053.64	1,974,486.44
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		285,803.23
Subtotal of cash inflows from investing activities	982,590,407.24	685,589,969.70
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	8,155,878.22	1,297,573.72
Cash paid for investments	964,764,752.25	1,081,583,640.72
Net cash paid to acquire subsidiaries and other business units	38,391,065.79	
Cash paid for other investing activities		
Subtotal of cash outflows from investing activities	1,011,311,696.26	1,082,881,214.44
Net cash flows from investing activities	-28,721,289.02	-397,291,244.74
III. Cash flows from financing activities:		
Cash received from investors		
Cash received from borrowings		
Cash received from other financing activities	7,798,210.52	14,757,850.00
Subtotal of cash inflows from financing	7,798,210.52	14,757,850.00

activities		
Cash paid for debt repayments		
Cash paid for distribution of dividends and profits or payment of interest	112,469,721.22	95,340,047.50
Cash paid for other financing activities	1,992,428.13	3,153,682.13
Subtotal of cash outflows from financing activities	114,462,149.35	98,493,729.63
Net cash flows from financing activities	-106,663,938.83	-83,735,879.63
IV. Effect of exchange rate changes on cash and cash equivalents	-5,628,272.93	1,588,106.03
V. Net increase in cash and cash equivalents	-12,941,392.25	-352,202,830.10
Plus: beginning balance of cash and cash equivalents	352,098,551.73	688,934,703.03
VI. Closing balance of cash and cash equivalents	339,157,159.48	336,731,872.93

7. Consolidated Statement of Changes in Equity

Amount in current period

Unit: RMB

Item	Half Year of 2026														
	Equity attributable to owners of the parent company													Minority interests	Total owners' 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	235,351,550.00				2,068,821,395.02	44,078,890.10	39,799,829.67		67,458,631.43		1,114,135,904.69		3,481,488,420.71	184,093,168.32	3,665,581,589.03
Plus: changes in accounting policies															
Corrections of prior period errors															
Others															
II. Beginning balance of this year	235,351,550.00				2,068,821,395.02	44,078,890.10	39,799,829.67		67,458,631.43		1,114,135,904.69		3,481,488,420.71	184,093,168.32	3,665,581,589.03
III. Amount increase/decrease of the current period (decrease expressed with "-")					-915,426.31	-23,891,528.04	-49,029,630.31				-33,120,402.75		-59,173,931.33	19,673,036.39	-39,500,894.94
(I) Total comprehensive income							-49,029,630.31				79,664,695.17		30,635,064.86	27,402,024.71	58,037,089.57
(II) Capital invested and reduced by the owners					-915,426.31	-23,891,528.04							22,976,101.73	1,410,368.98	24,386,470.71
1. Common stock contributed by owners														1,410,368.98	1,410,368.98
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payments recognized in					10,917,606.21								10,917,606.21		10,917,606.21

equity															
4. Others					-11,833,032.52	-23,891,528.04							12,058,495.52		12,058,495.52
(III) Profit distribution											-112,785,097.92		-112,785,097.92	-9,139,357.30	-121,924,455.22
1. Surplus reserves withdrawal															
2. Withdrawal of general risk preparation															
3. Distribution to owners (or shareholders)											-112,785,097.92		-112,785,097.92	-9,139,357.30	-121,924,455.22
4. Others															
(IV) Internal carryover of owner's equity															
1. Capital reserve transfer to capital (or equity capital)															
2. Surplus reserve transfer to capital (or equity capital)															
3. Surplus reserve offsetting losses															
4. Changes in defined benefit plans carried forward to retained earnings															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Withdrawal in this period															
2. Use in the current period															
(VI) Others															
IV. Ending balance of current period	235,351,550.00				2,067,905,968.71	20,187,362.06	-9,229,800.64		67,458,631.43		1,081,015,501.94		3,422,314,489.38	203,766,204.71	3,626,080,694.09

Amount of previous year

Unit: RMB

Item	Half Year of 2025														
	Equity attributable to owners of the parent company													Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk reserves	Undistributed profits	Others	Subtotal		
		Preferred stock	Perpetual bonds	Others											
I. Ending balance of previous year	196,312,325.00				2,107,323,633.23	59,683,228.10	41,914,807.74		64,002,687.03		1,000,479,479.18		3,350,349,704.08	27,650,759.04	3,378,000,463.12
Plus: changes in accounting policies															
Corrections of prior period errors															
Others															
II. Beginning balance of this year	196,312,325.00				2,107,323,633.23	59,683,228.10	41,914,807.74		64,002,687.03		1,000,479,479.18		3,350,349,704.08	27,650,759.04	3,378,000,463.12
III. Amount increase/decrease of the current period (decrease expressed with "-")	39,039,225.00				-52,238,325.78	-15,604,338.00	11,090,133.24				-4,362,506.22		9,132,864.24	16,499,818.15	25,632,682.39
(I) Total comprehensive income							11,090,133.24				93,235,556.28		104,325,689.52	20,704,609.06	125,030,298.58
(II) Capital invested and reduced by the owners					-13,199,100.78	-15,604,338.00							2,405,237.22	4,697,523.38	7,102,760.60
1. Common stock contributed by owners														981,714.84	981,714.84
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payments recognized in equity					5,569,086.64								5,569,086.64	4,216.32	5,573,302.96
4. Others					-18,768,187.42	-15,604,338.00							-3,163,849.42	3,711,592.22	547,742.80
(III) Profit distribution											-97,598,062.50		-97,598,062.50	-8,902,314.29	-106,500,376.79
1. Surplus reserves withdrawal															
2. Withdrawal of general risk preparation															
3. Distribution to owners (or shareholders)											-97,598,062.50		-97,598,062.50	-8,902,314.29	-106,500,376.79
4. Others															
(IV) Internal carryover of owner's equity	39,039,225.00				-39,039,225.00										
1. Capital reserve transfer to capital (or equity	39,039,225.00				-39,039,225.00										

capital)															
2. Surplus reserve transfer to capital (or equity capital)															
3. Surplus reserve offsetting losses															
4. Changes in defined benefit plans carried forward to retained earnings															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Withdrawal in this period															
2. Use in the current period															
(VI) Others															
IV. Ending balance of current period	235,351,550.00				2,055,085,307.45	44,078,890.10	53,004,940.98		64,002,687.03		996,116,972.96		3,359,482,568.32	44,150,577.19	3,403,633,145.51

8. Statement of Changes in Equity of the Parent Company

Amount in current period

Unit: RMB

Item	Half Year of 2026											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Others	Total owners' equity
		Preferred stock	Perpetual bonds	Others								
I. Ending balance of previous year	235,351,550.00				2,080,952,283.49	44,078,890.10			67,367,334.94	363,165,101.68		2,702,757,380.01
Plus: changes in accounting policies												
Corrections of prior period errors												
Others												

II. Beginning balance of this year	235,351,550.00				2,080,952,283.49	44,078,890.10			67,367,334.94	363,165,101.68		2,702,757,380.01
III. Amount increase/decrease of the current period (decrease expressed with "-")					-2,984,117.64	-23,891,528.04				-79,733,730.65		-58,826,320.25
(I) Total comprehensive income										33,051,367.27		33,051,367.27
(II) Capital invested and reduced by the owners					-2,984,117.64	-23,891,528.04						20,907,410.40
1. Common stock contributed by owners					0.00	0.00						0.00
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payments recognized in equity					8,848,914.88							8,848,914.88
4. Others					-11,833,032.52	-23,891,528.04						12,058,495.52
(III) Profit distribution										-112,785,097.92		-112,785,097.92
1. Surplus reserves withdrawal												
2. Distribution to owners (or shareholders)										-112,785,097.92		-112,785,097.92
3. Others												0.00
(IV) Internal carryover of owner's equity												

1. Capital reserve transfer to capital (or equity capital)												
2. Surplus reserve transfer to capital (or equity capital)												
3. Surplus reserve offsetting losses												
4. Changes in defined benefit plans carried forward to retained earnings												
5. Retained earnings carried forward from other comprehensive income												
6. Others												
(V) Special reserve												
1. Withdrawal in this period												
2. Use in the current period												
(VI) Others						0.00						
IV. Ending balance of current period	235,351,550.00				2,077,968,165.85	20,187,362.06			67,367,334.94	283,431,371.03		2,643,931,059.76

Amount of previous period

Unit: RMB

Item	Half Year of 2025											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Others	Total owners' equity
		Preferred stock	Perpetual bonds	Others								

I. Ending balance of previous year	196,312,325.00				2,116,684,780.13	59,683,228.10			63,911,390.54	429,659,664.62		2,746,884,932.19
Plus: changes in accounting policies												
Corrections of prior period errors												
Others												
II. Beginning balance of this year	196,312,325.00				2,116,684,780.13	59,683,228.10			63,911,390.54	429,659,664.62		2,746,884,932.19
III. Amount increase/decrease of the current period (decrease expressed with "-")	39,039,225.00				-48,558,685.77	-15,604,338.00				-70,042,351.17		-63,957,473.94
(I) Total comprehensive income										27,555,711.33		27,555,711.33
(II) Capital invested and reduced by the owners					-9,519,460.77	-15,604,338.00						6,084,877.23
1. Common stock contributed by owners												
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payments recognized in equity					5,527,977.23							5,527,977.23
4. Others					-15,047,438.00	-15,604,338.00						556,900.00
(III) Profit distribution										-97,598,062.50		-97,598,062.50
1. Surplus reserves withdrawal												

2. Distribution to owners (or shareholders)										-97,598,062.50		-97,598,062.50
3. Others												
(IV) Internal carryover of owner's equity	39,039,225.00				-39,039,225.00							
1. Capital reserve transfer to capital (or equity capital)	39,039,225.00				-39,039,225.00							
2. Surplus reserve transfer to capital (or equity capital)												
3. Surplus reserve offsetting losses												
4. Changes in defined benefit plans carried forward to retained earnings												
5. Retained earnings carried forward from other comprehensive income												
6. Others												
(V) Special reserve												
1. Withdrawal in this period												
2. Use in the current period												
(VI) Others												
IV. Ending balance of current period	235,351,550.00				2,068,126,094.36	44,078,890.10			63,911,390.54	359,617,313.45		2,682,927,458.25

III. Basic Information of the Company

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

As of June 30, 2026, the Company has issued a total of 235,351,550 shares of share capital after years of converting into share capital and issuing new shares, with a registered capital of RMB 235,351,550. The registered address is: No. 32, Pingshan Industrial Road, Tangxia Town, Dongguan, Guangdong, China. The parent company is Shenzhen ZKTeco Times Investment Co., Ltd., and the actual controller is Che Quanhong.

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

IV. Preparation Basis for Financial Statements

1. Basis of preparation

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

2. Going concern

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

V. Important Accounting Policies and Estimates

Tips of specific accounting policies and estimates:

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

1. Declaration of compliance with Accounting Standards for Business Enterprises

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

2. Accounting period

The accounting year shall begin on January 1 and end on December 31 on the Gregorian calendar.

3. Operating cycle

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

4. Recording currency

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

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

5. Method for recognizing significance criteria and selection basis

☑Applicable □ Not applicable

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

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

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

1. Accounting treatment methods for business merger under common control

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

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

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

2. Accounting treatment methods for business merger not under common control

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

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.

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

The deductible temporary differences of the acquiree obtained by the Company in a business combination that do not meet the recognition conditions for deferred tax assets on the date of acquisition shall not be recognized. Within 12 months after the date of acquisition, where the temporary deductible difference of the acquiree obtained by the acquirer was not recognized due to inconformity with the recognition conditions of deferred tax assets, if new or further information can prove the existence of related information at the date of acquisition within 12 months after the date of acquisition and the expected economic benefits of the acquiree on the date of acquisition arising from the temporary deductible difference can be achieved, relevant deferred tax assets can be recognized, and the goodwill shall be reduced at the same time. If the goodwill is insufficient for offset, the difference shall be recognized as the current profits and losses. Except for above situations, the deferred tax assets recognized to be related to enterprise merger shall be recorded into the current profits and losses.

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

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

3. Treatment of transaction costs in business combinations

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

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

1. Judgment criteria for control and consolidation scope

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

2. Preparation methods for consolidated statements

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

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

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

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

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

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

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

4. Disposal of subsidiary equity with loss of control

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

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

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

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

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

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

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

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

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

1. The Company shall recognize the assets held alone and the jointly held assets according to the Company's share;
2. The Company shall recognize the liabilities borne alone and the jointly borne assets according to the Company's share;
3. The Company shall recognize the income generated from the sale of shares in joint operation;
4. The Company shall recognize the income generated from the sale of joint operation output according to the Company's share;
5. The Company shall recognize the expenses incurred alone and the expenses incurred from joint operation according to the Company's share.

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

9. Recognition criteria of cash and cash equivalents

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

10. Foreign currency transactions and foreign currency statement translation

1. Foreign currency transaction

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

2. Translation methods of foreign currency monetary items and non-monetary items

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

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

3. Foreign currency statement translation

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

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

11. Financial instruments

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

1. Classification, recognition basis and measurement method of financial instruments

(1) Recognition and initial measurement of financial assets and financial liabilities

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

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

(2) Classification and subsequent measurement of financial assets

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

1) Financial assets measured at amortized cost.

Financial assets measured at amortized cost refer to financial assets that simultaneously meet the following conditions: ① The business model of the Company's management of the financial assets is aimed at collecting contractual cash flows; ② The contract 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.

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

The amortized cost of a financial asset shall be determined by adjusting the initial recognition amount of the financial asset as follows: ① deducting the principal repaid; ② plus or minus the accumulated amortization amount formed by amortizing the difference between the initial recognition amount and the maturity amount using the effective interest rate method; ③ deducting the accumulated loss provisions.

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

The interest income is calculated and determined by multiplying the book balance of the financial asset by the effective interest rate by the Company, except for the following circumstances: ① For the purchased or originated financial asset with credit impairment, the interest income is calculated and determined according to the amortized cost of the financial asset and the effective interest rate after credit adjustment from the initial recognition. ② For the financial asset purchased or originated without credit impairment but with credit impairment in the subsequent period, the interest income shall be calculated and determined according to the amortized cost and the effective interest rate of the financial asset. If the credit risk of the financial instrument improves in subsequent periods and no longer has credit impairment, and this improvement can be objectively linked to an event that occurs after the application of the above provisions, interest income shall be determined by multiplying the actual interest rate by the book balance of the financial asset.

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

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

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

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

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

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

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

(3) Classification and subsequent measurement of financial liabilities

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

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

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

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

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

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

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

3) Financial guarantee contract

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

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

4) Financial liabilities measured at amortized costs

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

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

(4) Equity instruments

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

2. Recognition basis and measurement method of financial asset transfer

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

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

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

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

3. Conditions for derecognition of financial liabilities

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

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

4. Determination of fair value of financial instruments

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

5. Impairment of financial instruments

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

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

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

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

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

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

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

6. Offset of financial assets and financial liabilities

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

12. Fair value

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

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

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

13. Notes receivable

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

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

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

Portfolio Name	Basis for determining portfolio
Bank acceptance bill portfolio	The acceptor has a high credit rating, has not defaulted on bills in history, has extremely low credit loss risk, and has a strong ability to fulfill its cash flow obligations under payment contracts in the short term
Commercial acceptance bill portfolio	According to the credit rating of the acceptor.

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

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

4. Criteria for determining the bad debt reserve made individually

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

14. Accounts receivable

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

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

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

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

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

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

4. Criteria for determining the bad debt reserve made individually

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

15. Other receivables

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

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

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

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

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

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

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

4. Criteria for determining the bad debt reserve made individually

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

16. Contract assets

1. Methods and standards for the recognition of contract assets

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

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

2. Impairment of contract assets

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

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

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

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

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

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

(4) Criteria for determining the impairment provisions made individually

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

17. Inventories

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

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

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

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

(4) Amortization method for low value consumables and packaging materials

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

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

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

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

2. Provision for inventory write-down

Recognition criteria and accrual method of inventory falling price reserves

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

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

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

At the end of the period, the inventory falling price reserves are accrued according to individual inventory items; however, for the inventory with large quantity and low unit price, the inventory falling price reserves shall be accrued according to the inventory category; and for inventories that are related to product series produced and sold in the same region, have the same or similar end use or purpose, and are difficult to be measured separately from other items, the inventory falling price reserves shall be accrued on a consolidated basis.

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

18. Held-for-sale assets

1. Criteria for classification as held-for-sale assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Conditions for discontinued operations

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

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

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

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

5. Presentation of discontinued operations

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

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

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

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

19. Debt investment

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

20. Long-term receivables

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

21. Long-term equity investment

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

1. Judgment standard for common control and significant impact

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

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

2. Determination of the initial investment cost of long-term equity investment

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

(2) In case of a business combination under different control, the Company recognizes the combination cost recognized on the date of acquisition as the initial investment cost of long-term equity investment. The combination cost refers to the fair value of the assets paid, liabilities incurred or assumed and equity securities issued by the acquirer on the date of acquisition for the purpose of acquiring the control over the acquiree. The agency fees and other related administrative expenses of the auditing, legal services, assessment consulting incurred by the acquirer for the business combination shall be included in current profits and losses when incurred. The transaction costs of the equity securities or debt securities issued by the acquirer as consideration for the merger shall be included in the initial recognition amount of the equity securities or debt securities. The Company treats the contingent consideration stipulated in the combination agreement as part of the consideration transferred in the business combination and includes it in the cost

of the business combination at its fair value on the date of acquisition. For business merger not under common control that is achieved through multiple transactions in steps, it shall be determined in accordance with the Accounting Standards for Enterprises whether such multiple transactions constitute a "package deal". If the transaction belongs to a "package deal", each transaction shall be treated as a transaction to obtain control for accounting treatment. If it does not belong to the "package deal", the sum of the book value of the equity investment originally held by the acquiree and the new investment cost shall be used as the initial investment cost of the long-term equity investment calculated by the cost method. If the originally held equity is accounted for by the equity method, the relevant other comprehensive income will not be accounted for temporarily. For equity investments that were previously classified as other equity instruments, the difference between their fair value and book value, as well as the accumulated fair value changes previously recorded in other comprehensive income, shall be directly transferred to retained earnings.

(3) For other equity investments except long-term equity investments formed through business combinations, they are initially measured at cost: If they are acquired by paying cash, the actual purchase price paid shall be taken as the initial investment cost. If they are acquired by issuing equity securities, the fair value of the equity securities issued shall be taken as the initial investment cost. The expenses directly related to the issuance of equity securities shall be determined in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments". On the premise that the non-monetary asset exchange has commercial substance and the fair value of the assets received or exchanged and the tariffs payable can be reliably measured, the initial investment cost of the long-term equity investment received from the non-monetary asset exchange is determined based on the fair value of the exchanged assets, unless there is conclusive evidence that the fair value of the exchanged assets is more reliable; for non-monetary asset exchanges that do not meet the above conditions, the book value of the exchanged assets and the relevant taxes and fees payable shall be used as the initial investment cost for the long-term equity investment received. The initial investment cost of long-term equity investments obtained through debt restructuring shall be determined based on the fair value of the creditor's rights given up. Costs, taxes and other necessary expenses directly related to the acquisition of long-term equity investments are also included in the cost of investment.

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

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

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

Long-term equity investments of subsidiaries of the Company are accounted for using the cost method. Except the declared but not released cash dividends or profits which are included in actual amount or consideration paid for acquiring investments, the profit distribution or cash dividends declared by the investees are recognized as the investment income for current period.

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

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

When equity method is adopted in accounting, if the cost of initial investment of long-term equity investment exceeds identifiable fair value of net assets of investees sharable at investment, the initial investment cost of long-term equity investment shall not be adjusted. If the initial investment cost of long-term equity investment is less than the fair value share of the identifiable net assets of the investee at the time of investment, the difference shall be included in current profits and losses and the cost of long-term equity investment shall be adjusted accordingly. After the long-term equity investment is acquired, if the accounting policies and accounting periods adopted by the investee entity are inconsistent with the Company, the financial statements of the investee shall be adjusted according to the accounting policies and accounting periods of the Company and the investment profits and losses and other comprehensive income shall be recognized. The investment income and other comprehensive income shall be recognized respectively according to the share of net profit and loss and other comprehensive income realized by the investee that should be enjoyed or shared, and the book value of the long-term equity investment shall be adjusted. In recognition of the share of the net profit or loss of the investee entity, the net profit of the investee shall be adjusted and confirmed on the basis of the fair value of the identifiable assets of the investee entity when the investment is made. The Company shall calculate the attributable part according to the profits or cash dividends declared to be distributed by the investee, and reduce the book value of long-term equity investment accordingly; the Company shall adjust the book value of long-term equity investment and include it in the owner's equity for other changes in the owner's equity of the investee other than net profits and losses, other comprehensive income and profit distribution. The unrealized profits or losses arising from the intra-company transactions amongst the Company and its associates and joint ventures are eliminated in proportion to the Company's equity interest in the associates and joint ventures, and then based on which the investment income is recognized. The internal trading losses incurred but not realized between the Company and the investees, belonging to losses from impairment of assets, shall be recognized in full amount.

When the Company confirms that it shall share the losses incurred by the investee, it shall handle them in the following order: firstly, offset the book value of long-term equity investments. Secondly, if the book value of long-term equity investments is not sufficient to offset, investment losses shall be recognized to the extent of other long-term equity book values that essentially constitute net investments in the investee, and the book value of long-term accounts receivable shall be offset. Finally, after the above processing, if the enterprise still bears additional obligations as stipulated in the investment contract or agreement, the expected liabilities shall be recognized based on the expected obligations and included in the current investment loss. If the investee entity realizes the net profit in the later period, the Company will resume the recognition of the revenue after the unrecognized loss share has been made up by the revenue share.

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

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

4. Disposal of long-term equity investments

When disposing of long-term equity investment, the balance between the book value and actual price for acquisition shall be included into the current profits and losses.

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

For long-term equity investments accounted for using the equity method, if the remaining equity is still accounted for using the equity method after disposal, the accounting treatment for the portion originally recognized in other comprehensive income shall be carried out on the same basis as the direct disposal of relevant assets or liabilities by the investee in a corresponding proportion when the investment is disposed of. The owner's equity, which is recognized by the fluctuation of the investee's other owner's equity, except for the net profit or loss, other comprehensive income and profit distribution, shall be carried over into the current profits and losses as per the proportion.

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

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

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

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

If the Company loses control over a subsidiary due to the disposal of part of its equity investment or other reasons, and the remaining equity after disposal can jointly control or exert significant influence over the investee, it shall be accounted for using the equity method. The remaining equity shall be adjusted as if it had been accounted for using the equity method since the date of acquisition. The other comprehensive income and other owner's equity recognized due to the equity method accounting for the equity investment held before the date of acquisition shall be carried forward proportionally; if the remaining equity after disposal cannot exercise joint control or have a significant impact on the investee in the preparation of individual financial statements, the accounting treatment shall be carried out in accordance with the relevant provisions of the "Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments". The difference between the fair value and the book value on the date of loss of control shall be included in current profits and losses. Other comprehensive income and owner's equity shall be carried forward to the current profits and losses.

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

22. Investment real estate

Measurement model of investment real estate

Cost method measurement

Depreciation or amortization method

1. Investment real estate refers to the assets held for capital appreciation or lease earning as well as the aims of both, including the land use right which has already been leased out, land use right which is held for transfer after its appreciation and buildings which have already been leased out (including buildings that have been constructed or developed for the purpose of leasing and buildings that are being constructed or developed for the purpose of leasing).

2. Investment real estate is initially measured at cost and subsequently measured using the cost model. Expenditures related to investment real estate can be incorporated into their cost if the potential economic benefits related to them are likely to flow into the

Company and their cost can be reliably measured. Otherwise, subsequent expenditures should be recognized in current profits and losses in which they are incurred.

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

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

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

5. If the investment real estate is disposed or permanently withdrawn from use, and is expected to be unable to obtain economic benefits from its disposal, the confirmation of the investment real estate shall be terminated. The amount of proceeds on sale, transfer, retirement or damage of any investment real estate net of the book value of the investment real estate and the relevant taxes shall be accounted as current profits and losses.

23. Fixed assets

(1) Recognition conditions

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

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

(2) Depreciation methods

Category	Depreciation method	Depreciation period	Residual value rate	Annual depreciation rate
Houses and buildings	Straight-line method	20-50 years	0%-5%	2.00%-5.00%
Machinery equipment	Straight-line method	5-10 years	0%-5%	10.00%-20.00%
Transportation vehicles	Straight-line method	4-10 years	0%-5%	10.00%-25.00%
Electronic equipment and others	Straight-line method	3-5 years	0%-5%	20.00%-33.33%

Descriptions:

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

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

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

24. Construction in progress

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

2. 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.

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

25. Borrowing costs

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

1. Recognition principles for capitalization of borrowing costs

Borrowing costs of the Company which can be classified directly as expenses for the acquisition, construction or production activities for preparing an asset eligible for capitalization, shall be capitalized and booked into cost of capital; other borrowing costs shall be defined upon occurred as expenses on the basis of the amount and accounted to current profits and losses.

2. Capitalization period of borrowing costs

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

(2) Suspension of capitalization: If the construction or production of an asset that meets the capitalization conditions is interrupted abnormally and the interruption lasts for more than three consecutive months, the capitalization of borrowing costs shall be suspended. Borrowing costs incurred during the interruption period are recognized as current expenses until the construction or production activities of the asset resume; if the interruption is a necessary step for making the eligible assets under acquisition, construction or production reach the expected conditions for use or marketing, the capitalization of the borrowing costs shall be continued.

(3) Cease of capitalization: When the acquisition, construction or production of assets that meet the capitalization conditions is ready for its expected conditions for use or sale, the capitalization of borrowing costs will cease. When a portion of the assets that meet the capitalization conditions are completed and can be used separately, the capitalization of the borrowing costs for that portion of the assets shall cease. If each part of the purchased or produced asset is completed separately, but can only be used or sold to the outside world after the overall completion, the capitalization of borrowing costs shall be stopped when the entire asset is completed.

3. Calculation methods for capitalization rate and capitalized amount of borrowing costs

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

26. Intangible assets

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

1) Initial measurement of intangible assets

Initial recognition of intangible assets is determined by acquisition costs. Costs of purchased intangible assets include purchase price, related taxes as well as other expenditures directly attributable to making such assets ready for intended use. Where the payment of the acquisition price for intangible assets is delayed beyond the normal credit terms, for those with financing nature, the cost of intangible assets is determined at the present value of the acquisition price. When an intangible asset is obtained from a debtor in debt restructuring as debt settlement, its entry value shall be determined based on the fair value of the abandoned claim and other costs directly attributable to bringing the asset to its intended use, such as taxes. On the premise that a non-monetary asset exchange has commercial substance and the fair value of the assets exchanged in or out can be reliably measured, the cost of the intangible assets acquired in a non-monetary asset exchange shall be the fair value of the assets given up and the relevant taxes and fees payable, unless there is conclusive evidence that the fair value of the assets acquired is more reliable; for non-monetary asset exchanges that do not meet the above conditions, the book value of the exchanged assets and the relevant taxes and fees payable shall be used as the cost for the intangible asset received, and no profit or loss shall be recognized.

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

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

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

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

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

Item	Basis for estimated useful life	Period (year)
Software	Benefit period	2-10
Land use rights	Benefit period	From obtaining the land use right to the termination date of the land use right
Patents and patented technology	Benefit period	8
Customer relations	Benefit period	10

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

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

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

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

Expenditures of internal research and development projects during research stage are included in current profits and losses upon occurrence. Expenses incurred during the development phase of internal research and development projects are recognized as intangible assets when the following conditions are met: (1) Complete such intangible asset to make it usable or salable with technical feasibility; (2) Having the intent to finish and use or sell the intangible asset; (3) The ways in which intangible assets generate economic benefits include proving that there is a market for the products produced by using the intangible assets or for the intangible assets themselves, and that the intangible assets will be used internally, their usefulness shall be proved; (4) There are sufficient technical, financial and other resources to complete the development of the intangible assets, and is the ability to use or sell the intangible assets; (5) The expenditures attributable to development stage of such intangible assets shall be measured reliably. Expenditures that do not meet the above conditions shall be included in current profits and losses when incurred. If expenditure in research stage and expenditure in development stage fail to be divided, generated R&D expenditure shall be concluded in current profits and losses when they are incurred.

27. Long-term assets impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

28. Long-term deferred expenses

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

29. Contract liabilities

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

30. Employee compensation

(1) Accounting treatment methods for short-term compensation

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

(2) Accounting treatment method for post-employment welfare

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

The Company contributes to the basic endowment insurance and unemployment insurance for its employees in accordance with the relevant regulations of the current government. During the accounting period when the employees provide services to the Company, the amount to be contributed as calculated based on the defined contribution plan is recognized as a liability and included in current profits and losses or the cost of related assets. After the Company regularly pays the above-mentioned funds in accordance with national standards, it has no further payment obligations.

(3) Accounting treatment method for dismission welfare

The employee compensation liabilities arising from dismission welfare shall be recognized and included in current profits and losses when the Company cannot unilaterally withdraw the dismission welfare provided by the labor relationship termination plan or the reduction proposal and the Company confirms the costs or expenses related to the reorganization involving the payment of dismission welfare, whichever is earlier. However, if the termination benefits are not expected to be fully paid within twelve months after the end of the annual reporting period, they shall be accounted for as other long-term employee benefits.

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

31. Estimated liabilities

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

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

The best estimate is handled in the following situations: If there is a continuous range (or interval) of required expenses and the likelihood of various outcomes occurring within that range is the same, the best estimate is determined based on the average of the upper and lower limits of the range. If there is no continuous range (or interval) of required expenses, or although there is a continuous range, the likelihood of various outcomes occurring within that range is different, in the event that there is a contingency involving a single item, the best estimate shall be determined based on the amount most likely to occur; if the contingency involves multiple items, the best estimate shall be determined based on various possible outcomes and related probabilities.

If all or part of the expenditures to pay off estimated liabilities by the Company are expected to be compensated by third parties, once it is basically certain that compensation amount can be received, that amount can be recognized as asset individually but will not exceed book value of estimated liabilities.

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

32. Share-based payment

1. Types of share-based payments

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

2. Method for determining the fair value of equity instruments

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

3. Basis for confirming the best estimate of exercisable equity instruments

On each balance sheet date during the waiting period, the best estimate is made by the Company based on the latest changes in the number of eligible employees and subsequent information, and the estimated number of eligible equity instruments is revised. On the vesting date, the final estimated number of exercisable equity instruments is consistent with the actual number of exercisable equity instruments.

4. Accounting treatment for share-based payments

(1) Equity settled share-based payments

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

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

(2) Cash settled share-based payments

For share-based payments settled in cash that are made in exchange for employee services, if they are immediately exercisable upon grant, the fair value of the liability assumed by the Company on the grant date is recognized as an expense in the relevant cost or expense, and the liability is increased accordingly. For cash settled share-based payment that can be exercised only after completing the services in the waiting period or meeting the prescribed performance conditions in exchange for employee services, on each balance sheet date in the waiting period, based on the best estimate of the exercisable rights, the services obtained in the current period shall be included in the cost or expense and the corresponding liabilities according to the fair value amount of the Company's liabilities. On each balance sheet date and settlement date before the settlement of relevant liabilities, the fair value of liabilities shall be re-measured, and the changes shall be included in the current profits and losses.

(3) Modification and termination of share-based payment plans

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

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

33. Share repurchase

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

34. Revenue

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

1. General principle for revenue recognition

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

When any of the following conditions is satisfied, it will be deemed as that the Company fulfills its performance obligations during certain period, otherwise, as that the Company fulfills its performance obligations at a certain time point: (1) Customers obtain and consume the economic benefits brought by the Company's performance at the same time as the Company's performance; (2) Customers can control the goods under construction in the process of performance of the Company; (3) The goods produced in the process of performance by the Company have irreplaceable uses, and the Company has the right to collect payments for the accumulated performance so far during the whole contract period.

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

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

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

2. Specific principles for recognizing the Company's revenue

1) The principle for recognizing domestic offline sales revenue of products: If the Company sells its products to engineering contractors, dealers, and end customers, and the contract is signed without installation, the Company will send the goods to the customer

or the customer will pick them up at their doorstep according to the delivery method agreed in the sales contract. The customer receives the goods and accepts them as qualified. The revenue is recognized when the Company obtains the customer's receipt certificate.

2) The principle for recognizing revenue from overseas offline sales of products: For domestic companies that directly export and sell products, for those that declare and export through sea and air freight, the export customs declaration procedures are completed, the customs declaration form is obtained, and the revenue is recognized when obtaining the bill of lading. For customs declaration and export through express delivery, revenue shall be recognized based on the date of the customs declaration. If the overseas subsidiary sells overseas, the goods shall be delivered to the customer or picked up at the customer's doorstep according to the agreed delivery method with the customer. Revenue shall be recognized when the customer receives the goods and the acceptance is qualified.

3) The principle for recognizing sales revenue through online self-operation mode of products: In self operation mode, the Company mainly sells products directly to consumers through domestic e-commerce platforms (Tmall, Taobao, JD, PDD, Suning) and overseas e-commerce platforms (Amazon, Lazada, Shoppe). The Company confirms online self-operated business revenue when sending out goods, either directly confirmed by consumers or automatically confirmed by the system's default delivery time and meeting the return period terms.

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

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

3. Principles for income processing of specific transactions

1) A contract with quality assurance clauses attached

The Company shall assess whether the quality assurance provides a separate service beyond ensuring that the products sold meet established standards to customers. If the Company provides additional services, it shall be treated as a single performance obligation and subject to accounting treatment in accordance with the income standards; otherwise, the quality assurance responsibility shall be accounted for in accordance with the accounting standards for contingencies.

2) Main responsible persons and agents

The Company determines whether it the main responsible person or agent when engaging in transactions based on whether it has control over the goods or services before transferring them to customers. If the Company is able to control the goods or services before transferring them to customers, it is the main responsible person and recognizes revenue based on the total amount of consideration received or receivable; otherwise, the Company acts as an agent and recognizes revenue based on the expected amount of commission or handling fees entitled to receive. This amount is determined by deducting the total amount of consideration received or receivable from the amount payable to other relevant parties.

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

35. Contract cost

1. Recognition conditions for contract costs

Contract costs include contract acquisition costs and contract performance costs.

If the incremental cost incurred by the Company for acquiring the contract is expected to be recovered, it shall be recognized as an asset as the contract acquisition cost. Other expenditures incurred by the Company for the purpose of obtaining the contract, other than the incremental costs expected to be recovered, are included in current profits and losses when incurred, except those expressly borne by the customer.

Cost incurred by the Company for the performance of the contract, which does not fall within the scope of other Accounting Standards for Enterprises other than the revenue standards and meets the following conditions at the same time, is recognized as an asset as the contract performance cost: (1) The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer and other costs incurred solely as a result of the contract; (2) This cost increases the resources that the Company will use to fulfill its performance obligations in the future; (3) The cost is expected to be recovered.

2. Amortization of assets related to contract costs

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

3. Impairment of assets related to contract costs

When determining the impairment loss of assets related to contract costs, the Company first determines the impairment loss of other assets related to the contract that are recognized in accordance with other Accounting Standards for Enterprises. Then, the Company determines the impairment loss of the assets related to the contract costs. If the book value of the assets related to contract costs is higher than the difference between the expected remaining consideration for the transfer of goods related to the asset and the estimated cost to be incurred for the transfer of the related goods of the Company, the excess shall be subject to provision for impairment and recognized as losses from impairment of assets.

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

36. Government subsidies

1. Classification of government subsidies

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

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

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

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

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

(3) If the government document does not clearly specify the subsidy target, the government subsidy will be classified as either a government subsidies related to assets or a government subsidies related to income in the following ways: 1) If the government

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

2. Recognition time point for government subsidies

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

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

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

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

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

3. Accounting treatment of government subsidies

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

Based on the essence of economic transactions, the Company determines whether a certain type of government subsidy business shall be accounted for using the gross price method or the net amount method.

Item	Accounting content
Government subsidy categories accounted for using the gross price method	Other government subsidies except for government interest subsidies
Government subsidy categories accounted for using the net amount method	Government interest subsidies

Government subsidies related to assets shall be used to offset the book value of the related assets or recognized as deferred incomes. Government subsidies related to assets are recognized as deferred income and included in the profits and losses in stages within the useful life of the assets constructed or purchased in a reasonable and systematic way.

Government subsidies related to income used to compensate related costs or losses in later periods shall be recognized as deferred income, and included in current profits and losses or to write off related costs during the period of recognition of related costs or losses. Relevant costs or losses incurred for compensation shall be directly included in current profits and losses or to write off related costs.

The government subsidies related to the enterprise's daily activities shall be included in other income or offset against relevant costs; and the government subsidies unrelated to the enterprise's daily activities shall be included in non-operating income and expenditure.

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

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

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

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

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

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

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

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

37. Deferred tax assets/deferred tax liabilities

1. Recognition and measurement of deferred tax assets and deferred tax liabilities

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

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

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

(2) For deductible temporary differences related to the investments of subsidiaries, associates and joint ventures, the corresponding deferred tax assets are recognized if the following conditions are met: the temporary differences are likely to be reversed in the foreseeable future, and the taxable income amount used to offset the deductible temporary differences is likely to be obtained in the future.

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

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

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

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

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

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

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

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

38. Leasing

(1) Accounting treatment method for leasing as a lessee

(1) Right-of-use assets

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

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

(2) Lease liabilities

On the commencement date of the lease term, the Company recognizes the lease liability for leases other than short-term leases and low value asset leases. Lease liabilities are initially measured according to the present value of the unpaid lease payments. Lease payments include: Fixed payment and substantial fixed payment. If there is lease incentive, the relevant amount of lease incentive shall be deducted; the variable lease payment amount, which depends on the index or ratio. It is determined at the initial measurement based on the index or ratio on the commencement date of the lease term; the exercise price of the purchase option, provided that the Company reasonably determines that the option will be exercised; the amount to be paid for the exercise of the option to terminate the lease, provided that the lease term reflects that the Company will exercise the option to terminate the lease; the amount expected to be paid according to the residual value of the guarantee provided by the Company. The Company adopts the embedded interest rate of the lease as the discount rate. if the embedded interest rate of the lease cannot be determined, the incremental borrowing rate of the Company shall be used as the discount rate.

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

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

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

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

(4) Lease change

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

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

(2) Accounting treatment method for leasing as a lessor

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

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

(1) Accounting treatment of operating lease

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

(2) Accounting treatment of financial lease

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

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

39. Restricted Shares

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

40. Other important accounting policies and estimates

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

1. Classification of leases

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

2. Impairment of financial instruments

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

3. Provision for inventory write-down

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

4. Impairment of non-financial non-current assets

On the balance sheet date, the Company assesses whether there are indications of possible impairment for non-current assets other than financial assets. For intangible assets with indefinite useful lives, in addition to the annual impairment test, an impairment test is also performed when there are indications of impairment. Other non-current assets, excluding financial assets, are subject to an impairment test when there are indications that their book value is not recoverable.

When the book value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and the present value of its estimated future cash flows, an impairment is indicated.

Fair value less costs to sell is determined by reference to the selling price in a binding sale agreement for a similar asset or observable market prices in an arm's length transaction, less the incremental costs directly attributable to the disposal of the asset. In estimating the present value of future cash flows, significant judgments are required regarding the output, selling prices, related operating costs of the asset (or cash-generating unit), and the discount rate used to calculate the present value. The Company uses all available relevant information when estimating the recoverable amount, including forecasts of output, selling prices, and related operating costs based on reasonable and supportable assumptions.

The Company assesses whether goodwill is impaired at least annually, which requires estimating the value in use of the cash-generating units to which goodwill has been allocated. When estimating value in use, the Company needs to estimate the future cash flows from the cash-generating unit and select an appropriate discount rate to calculate the present value of those future cash flows.

5. Depreciation and amortization

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

6. Deferred tax assets

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

7. Income tax

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

8. Fair value measurement

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

41. Explanation of Important Accounting Estimates and Judgments

None

42. Changes of material accounting policies and accounting estimates

(1) Significant accounting policy changes

☑Applicable □ Not applicable

Unit: RMB

Contents and reasons for changes in accounting policies	Name of report items that are significantly affected	Affected amount
The Company implemented the "Interpretation No. 19 of the Accounting Standards for Business Enterprises" (CK [2025] No. 32) issued by the Ministry of Finance from January 1, 2026.	Note 1	0.00
The Company implemented the "Interpretation No. 20 of the Accounting Standards for Business Enterprises" (CK [2026] No. 7) issued by the Ministry of Finance from June 4, 2026.	Note 2	0.00

Note: 1. The Company implemented the "Interpretation No. 19 of Accounting Standards for Business Enterprises" from January 1, 2026. The implementation of this notice has no significant impact on the financial statements for the current reporting period.

2. The Company implemented the "Interpretation No. 20 of Accounting Standards for Business Enterprises" from June 4, 2026. The implementation of this notice has no significant impact on the financial statements for the current reporting period.

(2) Changes in significant accounting estimates

□ Applicable ☑Not applicable

(3) Implementation of new accounting standards adjustment for the first time starting from 2026. Relevant project information on financial statements at the beginning of the year

□ Applicable ☑Not applicable

43. Others

None.

VI. Taxation

1. Main tax types and tax rates

Tax Type	Tax Basis	Tax rates
VAT	Taxable value added amount is the difference of VAT output calculated based on the revenue from sales of goods and rendering of taxable services in accordance with tax laws less deductible VAT input of current period	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	Actual amount of turnover tax paid	7.00%、5.00%
Corporate income tax	Taxable income	Please refer to the disclosure statement in the table below.
Education surcharge	Actual amount of turnover tax paid	3.00%
Local education surcharges	Actual amount of turnover tax paid	2.00%
Property tax	Based on 70% of the original value of the property (or rental income) as the tax benchmark	1.20%、12.00%

Disclosure of information on taxpayers with different corporate income tax rates

Name of Taxpayer	Income tax rate
ZKTECO CO., LTD.	15.00%
Xiamen Zkteco Biometric Identification Technology Co., Ltd.	20.00%
Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	20.00%
ZK INVESTMENTS INC.	21.00%
ZK TECHNOLOGY LLC	Please refer to the note in Note VI 3 (1).
ZKTeco Sales Co., Ltd.	25.00%
Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	20.00%
ZKCserv Technology Limited Co., Ltd.	20.00%
Dalian ZKTeco Co., Ltd.	20.00%
XIAMEN ZKTECO CO., LTD.	15.00%
ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	20.00%
ZKTeco (Guangdong) Co., Ltd.	15.00%
Xi'an ZKTeco Co., Ltd.	20.00%
ZKTECO CO., LIMITED	16.50%、8.25%
ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI.	25.00%
ZKTECO LATAM, S.A. DE C.V.	30.00%
ZK SOFTWARE DE MEXICO, S.A. DE C.V.	30.00%
ZKTECO COLOMBIA SAS	35.00%
ZKTECO (M) SDN. BHD.	24.00%
ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	25.6256%
ZKTECO EUROPE SL	25.00%
ZKTECO IRELAND LIMITED	12.50%
ZKTeco Deutschland GmbH	31.225%
ZKTECO UK LTD	19.00%、25.00%
ZKTECO PERU SOCIEDAD ANONIMA CERRADA	29.50%
ZKTECO THAI CO., LTD.	20.00%、15.00%、0.00%
ZKTeco Chile SpA	27.00%
SOLUCIONES INTEGRALES Y SISTEMAS SpA	27.00%
ZKTECO SECURITY L.L.C	0.00%、9.00%
ZKTECO ARGENTINA S.A.	25.00%、30.00%、35.00%
ZKTECO Investment Inc.	21.00%

ZKTECO USA LLC	Please refer to the note in Note VI 3 (1).
ARMATURA LLC	Please refer to the note in Note VI 3 (1).
Armatura Co., Ltd.	25.00%、22.00%、20.00%、10.00%
RALVIE AI INC.	26.50%
ZKTeco Japan Co., Ltd.	23.20%
PT. ZKTECO BIOMETRICS INDONESIA	22.00%、11.00%
ZK INVESTIMENTOS DO BRASIL LTDA.	25.00%
ZKTECO DO BRASIL S.A.	25.00%
NGTECO CO., LIMITED	16.50%
ZKTECO BIOMETRIC LIMITED	30.00%
ZKTECO PANAMA, S.A.	5.00%
ZK INTELLIGENT SOLUTIONS (PTY) LTD	27.00%
ZKTECO BIOMETRICS KENYA LIMITED	30.00%
Hubei ZKTeco Co., Ltd.	20.00%
ZKTECO SG INVESTMENT PTE. LTD.	4.25%、8.50%、17.00%
ZKTECO SINGAPORE PTE.LTD.	4.25%、8.50%、17.00%
ZKDIGIMAX PTE. LTD.	4.25%、8.50%、17.00%
ZKDIGIMAX PANAMA, S.A.	25.00%
Armatura Tech Co., Ltd.	20.00%、15.00%、0.00%
ZKDIGIMAX (PTY) LTD	27.00%
PT. ZKDIGIMAX EXCEL NOBLE	22.00%、11.00%
ZKTeco Yunlian (Xiamen) Technology Co., Ltd.	20.00%
ZKDIGIMAX COLOMBIA SAS	35.00%
ZK TECHNOLOGY MOROCCO	35.00%、20.00%
ZKTECO EGYPT LLC	0.00%
ZKTECO BUSINESS SOLUTIONS COMPANY	20.00%
NUR ALTTKNWLWJIA COMPANY	20.00%
ZKTeco Polska Sp. z o.o.	19.00%、9.00%
ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	20.00%
Shenzhen Longzhiyuan Technology Co., Ltd.	15.00%
Shenzhen Wojiaobao Intelligent Technology Co., Ltd.	20.00%
Wohome Technology Co., Ltd.	8.25%
Technos Technology Co., Ltd.	16.50%、8.25%
Haosong Technology Co., Ltd.	16.50%、8.25%
Haofan Technology Co., Ltd.	16.50%、8.25%
RICHFULL COMPANY LIMITED	0.00%
OPTICSLIFE INC	21.00%
Wotong Technology Co., Ltd.	8.25%
Woze Technology Co., Ltd.	8.25%
Tonghao Technology Co., Ltd.	8.25%
Zechen Technology Co., Ltd.	8.25%
Shanxing Technology Co., Ltd.	8.25%
Teyu Technology Co., Ltd.	8.25%
LONGZY PET.LTD.	4.25%、8.50%、17.00%
NEXTGEN TECO INC	21.00%
Anonova Display Tech Co., Ltd.	20.00%、15.00%、0.00%

2. Tax incentives

(1) Article 28 of the "Law of the People's Republic of China on Enterprise Income Tax" stipulates that high-tech enterprises that require key support from the state shall be subject to corporate income tax at a rate of 15.00%.

1) In November 2024, the Company obtained a high-tech enterprise certificate (No. GR202444001492), which is valid for three years.

2) In November 2025, Xiamen ZKTeco Co., Ltd. successfully passed the re-evaluation for a high-tech enterprise certificate (No. GR202535100573), which is valid for three years.

3) In December 2025, Zkteco (Guangdong) Co., Ltd. successfully passed the re-evaluation for a high-tech enterprise certificate (No. GR202544002332), which is valid for three years.
4) In December 2025, Shenzhen Longzhiyuan Technology Co., Ltd. successfully passed the re-evaluation for a high-tech enterprise certificate (No. GR202544200341), which is valid for three years.
(2) According to the relevant provisions of the "Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products" (CS [2011] No. 100) and the "Notice on Questions of Policies on Encouraging the Development of the Software and Integrated Circuit Industries" (CS [2000] No. 25), from January 1, 2011, for general taxpayers of value-added tax who sell software products developed and produced by themselves, after value-added tax is levied at the applicable tax rate, a policy of taxation and drawback has been implemented for the portion of its actual value-added tax burden exceeding 3.00%.
(3) According to the "Announcement on Further Supporting the Development of Micro and Small Enterprises and Individual Industrial and Commercial Households" (Announcement No. 12 of the State Administration of Taxation of the Ministry of Finance, 2023), from January 1, 2023 to December 31, 2027, small-scale value-added tax taxpayers, small and micro profit enterprises, and individual industrial and commercial households can reduce resource tax by half (excluding water resource tax), urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction stamp duty), farmland occupation tax, education surcharge, and local education surcharge. The policy of reducing the taxable income of small and micro profit enterprises by 25% and paying corporate income tax at a rate of 20.00% will continue to be implemented until December 31, 2027. This policy is applicable to Xiamen Zkteco Biometric Identification Technology Co., Ltd., Shenzhen ZKTeco Biometric Identification Technology Co., Ltd., Hangzhou ZKTeco Hanlian E-commerce Co., Ltd., ZKCserv Technology Limited Co., Ltd., Dalian ZKTeco Co., Ltd., Xi'an ZKTeco Co., Ltd., Hubei ZKTeco Co., Ltd., ZKTeco Yunlian (Xiamen) Technology Co., Ltd., ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd., and Shenzhen Wojiaobao Intelligent Technology Co., Ltd.

3. Others

(1) LLC type companies are not required to pay corporate income tax, and the profits of LLC companies are summarized to C-corp type company shareholders or individual shareholders, and then shareholders pay income tax.
(2) For ZKTECO ARGENTINA S.A., the annual taxable income between ARS 0 and ARS 133,514,185.74 is taxed at 25.00%. For the portion exceeding ARS 133,514,185.74 but not exceeding ARS 1,335,141,857.38, the tax rate is 30.00%. Any amount exceeding ARS 1,335,141,857.38 is taxed at 35.00%.
(3) The corporate income tax rate of ZKTECO BIOMETRICS INDIA PRIVATE LIMITED for the year 2026 was 25.6256%.
(4) The corporate income tax rate for ZKTeco Deutschland GmbH in 2026 is 31.225%.
(5) ZKTECO THAI CO., LTD., ARMATURA TECH CO.,LTD and Anonova Display Tech Co., Ltd. are small and medium-sized enterprises (SMEs) that meet the following two conditions: 1) Paid-up capital does not exceed THB 5 million as of the last day of the accounting cycle; 2) Total annual revenue from sales of goods or provision of services does not exceed THB 30 million. The applicable tax rates are 20.00%, 15.00%, and 0.00%, specifically: for accounting profit below THB 300,000.00, the tax rate is 0.00%; for accounting profit between THB 300,000.00 and THB 3,000,000.00, the tax rate is 15.00%; for accounting profit above THB 3,000,000.00, the tax rate is 20.00%. If the above two conditions are not met, the tax rate is applicable at 20.00%.
(6) The corporate income tax rate of ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI for the year 2026 was 25.00%.
(7) PT.ZKTECO BIOMETRICS INDONESIA and PT. ZKDIGIMAX EXCEL NOBLE apply the corporate income tax rate for the year 2026 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%.

(8) Armatura Co., Ltd. has an income tax rate of 10.00% for sales between KRW 0.00 to KRW 200 million; 20.00% for KRW 200 million to 20 billion; 22.00% for KRW 20-300 billion, and 25.00% for over KRW 300 billion.
(9)For ZKTECO CO., LIMITED, NGTECO CO., LIMITED, Wohome Technology Co., Ltd., Technos Technology Co., Ltd., Haosong Technology Co., Ltd., Haofan Technology Co., Ltd., Wotong Technology Co., Ltd., Woze Technology Co., Ltd., Tonghao Technology Co., Ltd., Zechen Technology Co., Ltd., Shanxing Technology Co., Ltd., and Teyu Technology Co., Ltd., the applicable income tax rates are 8.25% and 16.50%; the portion of taxable income within HKD 2 million is subject to an 8.25% tax rate, while the portion exceeding HKD 2 million is subject to a 16.50% tax rate.
(10) ZKTECO PANAMA, S.A. obtained an SEM license on March 3, 2022, and from March 2022, the corporate income tax rate for sales revenue within Panama was 5.00%.
(11) The applicable income tax rates for ZKTECO SG INVESTMENT PTE. LTD., ZKTECO SINGAPORE PTE. LTD., ZKDIGIMAX PTE.LTD., and LONGZY PET.LTD. for the year 2026 are 4.25%, 8.50%, and 17.00%; the taxable income rate was 4.25% for those within SGD 10,000, 8.50% for those between SGD 10,000 and SGD 200,000, and 17.00% for the excess.
(12) The applicable corporate income tax rate for ZKTECO UK LTD in 2026 is as follows: Starting from April 2023, if the profit exceeds GBP 250,000, the income tax rate is 25.00%; if the profit is below GBP 50,000, 19.00% still applies; if the profit is between GBP 50,000 and GBP 250,000, 25.00% applies, and marginal relief is implemented.
(13) The applicable corporate income tax rate for RALVIE AI INC. in 2026 is as follows: The basic tax rate for federal income tax is 38.00%. After deducting the tax exemption items specified in Section 149 (1) (t) of the "Law on Enterprise Income Tax", enterprises can enjoy a 10.00% federal tax credit for income obtained in various provinces (or territories) of Canada. At the same time, the general corporate income tax rate is reduced by 13%, resulting in a 15.00% federal income tax rate. Additionally, Ontario's tax rate for general corporations is 11.50%. The combined federal and Ontario income tax rate is 26.50%.
(14) The applicable corporate income tax rate of ZKTeco Japan Co., Ltd. for the year 2026 is 23.20%.
(15) The corporate tax of ZKTECO SECURITY L.L.C. is levied on taxable income at the following rates:
1) For enterprises with taxable income not exceeding the tax threshold stipulated in the Cabinet decision (375,000 dirhams), the applicable tax rate is 0.00%;
2) For enterprises with taxable income exceeding the tax threshold, the applicable tax rate is 9.00%;
3) For the compliant income portion of free zone compliant enterprises, the applicable tax rate is 0.00%;
4) For the non-compliant income portion of free zone compliant enterprises, the applicable tax rate is 9.00%.
(16) RICHFULL COMPANY LIMITED enjoys an income tax preferential policy of exemption for two years and a 50% reduction for five years, starting from the first year of obtaining taxable income.
(17) For OPTICSLIFEINC, the applicable tax rate is 21.00%.
(18) For ZKTeco Polska Sp. z o.o., a tax rate of 9.00% applies when it meets the conditions for a small taxpayer and its total sales revenue for the previous year and the current year does not exceed 2 million Euros; otherwise, a tax rate of 19.00% applies.
(19) The applicable corporate income tax rate for ZKTECO EGYPT LLC in 2026 is as follows: If the operating revenue for the current year does not exceed EGP 20 million, the tax rate is 0.00%.
(20) The applicable corporate income tax rate for ZK TECHNOLOGY MOROCCO in 2026 is as follows: If the taxable income for the current year is less than 100 million Dirhams, the applicable tax rate is 20.00%; if it is greater than DNS 100 million, the tax rate is 35.00%.

VII. Notes to Consolidated Financial Statements

1. Monetary fund

Unit: RMB

Item	Ending Balance	Beginning Balance

Cash on hand	982,709.60	733,770.10
Cash in bank	1,186,724,651.68	1,147,554,338.71
Other monetary funds	113,627,431.98	94,831,302.42
Total	1,301,334,793.26	1,243,119,411.23
Including: total amount deposited abroad	608,949,452.07	569,128,467.85

Other explanations:

Note 1: As of June 30, 2026, the bank deposits included the principal ending balance of time deposits with a maturity of more than three months and intended to be held to maturity amounting to RMB 129,184,541.91 (December 31, 2025: RMB 66,843,214.28), and the amount of interest receivable that has not yet matured was RMB 944,327.19 (December 31, 2025: RMB 1,133,019.32), which are not classified as cash and cash equivalents. Please refer to the explanation in Note VII (61) "Supplementary information of cash flow statement".

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

2. Trading financial assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Financial assets measured at fair value and whose changes are included in the current profits and losses	612,775,635.56	800,444,410.21
Including:		
Financial products	612,775,635.56	800,444,410.21
Including:		
Total	612,775,635.56	800,444,410.21

Other explanations:

3. Notes receivable

(1) Notes receivable listed by category

Unit: RMB

Item	Ending Balance	Beginning Balance
Banker's acceptance	129,198.80	538,349.21
Total	129,198.80	538,349.21

(2) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance			Beginning Balance		
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value

	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Including:										
Notes receivable for bad debt reserve made by portfolio	129,198.80	100.00%			129,198.80	538,349.21	100.00%			538,349.21
Including:										
Bank acceptance bill	129,198.80	100.00%			129,198.80	538,349.21	100.00%			538,349.21
Total	129,198.80	100.00%			129,198.80	538,349.21	100.00%			538,349.21

If the bad debt reserve of notes receivable is made according to the general model of expected credit losses:

□ Applicable ☑Not applicable

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

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Redeem/redemption	Others	

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

□ Applicable ☑Not applicable

4. Accounts receivable

(1) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	634,655,378.53	658,880,610.73
1-2 years	38,310,722.99	54,791,886.63
2-3 years	20,697,685.52	20,611,068.86
Over 3 years	21,239,348.95	18,905,552.45
3-4 years	14,500,586.93	13,870,879.43
4-5 years	2,800,242.68	2,734,742.66
Over 5 years	3,938,519.34	2,299,930.36
Total	714,903,135.99	753,189,118.67

(2) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Accounts receivable with bad debt reserve made individually	54,604,268.53	7.64%	36,889,842.47	67.56%	17,714,426.06	35,430,368.32	4.70%	33,419,021.18	94.32%	2,011,347.14
Including:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	54,604,268.53	7.64%	36,889,842.47	67.56%	17,714,426.06	35,430,368.32	4.70%	33,419,021.18	94.32%	2,011,347.14
Accounts receivable with bad debt reserve made by portfolio	660,298,867.46	92.36%	39,393,521.45	5.97%	620,905,346.01	717,758,750.35	95.30%	43,386,887.35	6.04%	674,371,863.00
Including:										
Aging portfolio	660,298,867.46	92.36%	39,393,521.45	5.97%	620,905,346.01	717,758,750.35	95.30%	43,386,887.35	6.04%	674,371,863.00
Total	714,903,135.99	100.00%	76,283,363.92	10.67%	638,619,772.07	753,189,118.67	100.00%	76,805,908.53	10.20%	676,383,210.14

Category name of bad debt reserve made individually single item provision

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
ZKTECO SOLUTIONS INC.			20,621,883.09	4,479,689.09	21.72%	Expected non-recoverable
AREEJ SECURTECH TRADING LLC	13,205,816.61	13,205,816.61	12,817,877.57	12,817,877.57	100.00%	Expected non-recoverable
DIYTECH S.R.L	4,647,805.39	4,647,805.39	4,503,718.66	4,503,718.66	100.00%	Expected non-recoverable
Euroclima LLC	3,154,368.07	2,486,632.07	3,056,579.35	2,474,247.40	80.95%	Expected non-recoverable
Hainan Jialing Digital Technology Co., Ltd.	2,032,000.00	2,032,000.00	2,032,000.00	2,032,000.00	100.00%	Expected non-recoverable
MegaSoft Panamá S.A	1,445,015.64	1,445,015.64	1,400,218.67	1,400,218.67	100.00%	Expected non-recoverable
Nobus Comtec	1,327,159.23	1,327,159.23	1,328,422.39	1,328,422.39	100.00%	Expected non-

SA de CV						recoverable
YECORE CONSTEC	1,238,002.32	247,600.41	1,237,375.15	247,475.03	20.00%	Expected non-recoverable
Idem Secure SA de CV	749,343.42	749,343.42	748,939.21	748,939.21	100.00%	Expected non-recoverable
MAYRA ISABEL MARTINEZ MARTINEZ	710,686.06	710,686.06	710,326.04	710,326.04	100.00%	Expected non-recoverable
VI KHANG TRADING SERVICE EQUIPMENT TECHNOLOGY COMPANY LIMITED	683,012.61	683,012.61	661,838.52	661,838.52	100.00%	Expected non-recoverable
GLOBAL INGENIER ELECTRONIC S.A.C	545,817.96	192,608.73	186,637.73	186,637.73	100.00%	Expected non-recoverable
BBT (Naira)	475,843.65	475,843.65				Expected non-recoverable
Noble IT Solutions Co., Ltd	412,323.82	412,323.82	399,541.36	399,541.36	100.00%	Expected non-recoverable
Zicom Electronic Securit	368,625.42	368,625.42	357,197.65	357,197.65	100.00%	Expected non-recoverable
Al Asma Technology	348,734.82	348,734.82	338,490.25	338,490.25	100.00%	Expected non-recoverable
TIMEWATCH INFOCOM PVT. LTD.	298,434.84	298,434.84	289,183.05	289,183.05	100.00%	Expected non-recoverable
Shenzhen Xuhui Information Technology Co., Ltd.	270,358.32	270,358.32	270,358.32	270,358.32	100.00%	Expected non-recoverable
Aisino Corporation	232,200.00	232,200.00	232,200.00	232,200.00	100.00%	Expected non-recoverable
Gansu Fourth Construction Group Co., Ltd.	224,676.00	224,676.00	124,676.00	124,676.00	100.00%	Expected non-recoverable
VENDEMMIA COMERCIO INTERNACIONAL LTDA	199,488.03	199,488.03	193,303.69	193,303.69	100.00%	Expected non-recoverable
WIPAQ TRADING LLC	184,354.49	184,354.49	178,938.82	178,938.82	100.00%	Expected non-recoverable
ASIA IDENTIFICATION AND SECURITY TECHNOLOGY COMPANY LIMITED	166,587.48	166,587.48	161,423.10	161,423.10	100.00%	Expected non-recoverable

Wanqiao Information Technology Co.,Ltd.	165,900.00	165,900.00	165,900.00	165,900.00	100.00%	Expected non-recoverable
Tianjin Eagle Eye Biotechnology Co., Ltd.	162,281.00	162,281.00	162,281.00	162,281.00	100.00%	Expected non-recoverable
One Network (PVT) Ltd.	155,420.83	155,420.83	150,602.62	150,602.62	100.00%	Expected non-recoverable
Baoneng Urban Development and Construction Group Co., Ltd.	155,292.00	155,292.00	155,292.00	155,292.00	100.00%	Expected non-recoverable
WESTGATE TECHNOLOGIES LIMITED	138,733.61	138,733.61	134,432.73	134,432.73	100.00%	Expected non-recoverable
TELVIS TECHNOLOGIES	138,615.84	138,615.84				Expected non-recoverable
Jiangsu Xingyun Grid Information Technology Co., Ltd.	133,983.00	133,983.00	133,983.00	133,983.00	100.00%	Expected non-recoverable
Hainan Zhongkong IOT Technology Co., Ltd.	122,173.74	122,173.74	122,173.74	122,173.74	100.00%	Expected non-recoverable
Ditec Solutions SA de CV USD	116,918.30	116,918.30				Expected non-recoverable
Control de Operacion de Inmuebles SA de CV USD	106,127.93	106,127.93				Expected non-recoverable
PONTO RHJ EIRELI - ME	99,300.15	99,300.15	96,221.74	96,221.74	100.00%	Expected non-recoverable
SECUZAA SECURITY SOLUTIONS LAB PRIVATE LIMITED	97,477.37	97,477.37	94,455.47	94,455.47	100.00%	Expected non-recoverable
Shanghai Leqi Automation Technology Co., Ltd.	81,950.00	81,950.00	1,950.00	1,950.00	100.00%	Expected non-recoverable
U.S. Plast	81,182.64	81,182.64	78,665.90	78,665.90	100.00%	Expected non-recoverable
Qianxinan Mengku Business Service Co., Ltd.	74,672.00	74,672.00	74,672.00	74,672.00	100.00%	Expected non-recoverable
Especialistas Nacionales en	74,162.26	74,162.26				Expected non-recoverable

Tecnologia e Innovacio						
INTELLISMART TECHNOLOGY INC.	73,928.92	73,928.92				Expected non-recoverable
Rahat Telecom LLC	72,801.43	72,801.43	70,544.51	70,544.51	100.00%	Expected non-recoverable
True Security Consultant Limited	70,791.19	70,791.19	68,596.59	68,596.59	100.00%	Expected non-recoverable
RBB Technologies Private Limited	57,167.16	57,167.16	52,597.19	52,597.19	100.00%	Expected non-recoverable
Yichang Anlian Intelligent Technology Development Co., Ltd.	56,085.00	56,085.00				Expected non-recoverable
(주) 스타넥스			654,880.07	654,880.07	100.00%	Expected non-recoverable
บริษัท เซาวิวัฒน์ ซีเคียวเทค จำกัด			181,214.44	181,214.44	100.00%	Expected non-recoverable
ICOD PERU S.A.C.			97,663.11	97,663.11	100.00%	Expected non-recoverable
Others	274,749.77	274,749.77	257,013.80	257,013.81	100.00%	Expected non-recoverable
Total	35,430,368.32	33,419,021.18	54,604,268.53	36,889,842.47		

Category name of bad debt reserve made by portfolio: aging portfolio

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Aging portfolio	660,298,867.46	39,393,521.45	5.97%
Total	660,298,867.46	39,393,521.45	

Explanation of the basis for determining the portfolio:

If the bad debt reserve of accounts receivable is made according to the general model of expected credit losses:

□ Applicable ☑Not applicable

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

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Redeem/redemption	Others	
Bad debt reserve made individually	33,419,021.18	5,487,021.35	392,544.76	910,964.41	-712,690.89	36,889,842.47

Bad debt reserve made by portfolio	43,386,887.35	-2,458,013.05		878,934.59	-656,418.26	39,393,521.45
Total	76,805,908.53	3,029,008.30	392,544.76	1,789,899.00	-1,369,109.15	76,283,363.92

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

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves

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

Unit: RMB

Item	Write-off amount
Accounts receivable actually written off	1,789,899.00

Important accounts receivable verification status:

Unit: RMB

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

Explanation of accounts receivable verification:

(5) Accounts receivable and contract assets from top five borrowers classified based on the ending balance

Unit: RMB

Company name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion in the total ending balance of accounts receivable and contract assets	Ending balance of bad debt reserves for accounts receivable and impairment provision for contract assets
Customer 1	106,801,112.33		106,801,112.33	14.94%	5,340,055.61
Customer 2	51,878,876.55		51,878,876.55	7.26%	3,108,916.68
Customer 3	28,538,993.21		28,538,993.21	3.99%	1,542,471.99
Customer 4	20,621,883.09		20,621,883.09	2.88%	4,479,689.09
Customer 5	20,545,024.95		20,545,024.95	2.87%	1,053,692.61
Total	228,385,890.13		228,385,890.13	31.94%	15,524,825.98

5. Contract assets

(1) Contract asset situation

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value
Quality guarantee deposit receivable	85,844.98	50,899.05	34,945.93	79,475.48	52,525.70	26,949.78
Total	85,844.98	50,899.05	34,945.93	79,475.48	52,525.70	26,949.78

(2) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Bad debt reserve made individually	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00%	0.00
Including:										
Bad debt reserve made by portfolio	85,844.98	100.00%	50,899.05	59.29%	34,945.93	79,475.48	100.00%	52,525.70	66.09%	26,949.78
Including:										
Aging portfolio	85,844.98	100.00%	50,899.05	59.29%	34,945.93	79,475.48	100.00%	52,525.70	66.09%	26,949.78
Total	85,844.98	100.00%	50,899.05	59.29%	34,945.93	79,475.48	100.00%	52,525.70	66.09%	26,949.78

Category number of bad debt reserve made by portfolio: 1

Category name of bad debt reserve made by portfolio: aging portfolio

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Aging portfolio	85,844.98	50,899.05	59.29%
Total	85,844.98	50,899.05	

Explanation of the basis for determining the portfolio:

Provision for bad debt reserve based on a general model of expected credit losses

□ Applicable ☑Not applicable

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

Unit: RMB

Item	Provision in current period	Recovery or reversal in the current period	Charged or written off in current period	Reasons
Aging portfolio	-1,626.65	0.00	0.00	Provision of bad debts by aging portfolio
Total	-1,626.65	0.00	0.00	——

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

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves

Other explanations:

6. Other receivables

Unit: RMB

Item	Ending Balance	Beginning Balance
Other receivables	48,763,695.94	52,567,928.29
Total	48,763,695.94	52,567,928.29

(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	1,177,135.37	19,891,847.25
Guarantee deposit	13,662,059.98	14,360,258.11
Reserve funds and loans	5,893,700.39	2,341,571.03
Collection and payment on behalf of others	4,079,065.63	2,285,006.39
Withholding and remitting of social security and housing fund	1,696,374.40	1,916,617.74
Export tax refund	24,686,931.22	14,757,353.57
Others	707,220.18	1,337,560.44
Total	51,902,487.17	56,890,214.53

2) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	35,720,553.51	40,933,480.25
1-2 years	1,726,138.01	1,504,592.56
2-3 years	985,870.00	924,612.53
Over 3 years	13,469,925.65	13,527,529.19
3-4 years	1,401,029.63	1,622,827.53
4-5 years	1,522,488.41	2,231,478.89
Over 5 years	10,546,407.61	9,673,222.77
Total	51,902,487.17	56,890,214.53

3) Disclosure by bad debt accrual method

☑Applicable □ Not applicable

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Bad debt reserve made individually	1,579,016.96	3.04%	1,579,016.96	100.00%	0.00	1,996,093.75	3.51%	1,996,093.75	100.00%	0.00
Including:										
Single item provision	1,579,016.96	3.04%	1,579,016.96	100.00%	0.00	1,996,093.75	3.51%	1,996,093.75	100.00%	0.00
Bad debt reserve made by portfolio	50,323,470.21	96.96%	1,559,774.27	3.10%	48,763,695.94	54,894,120.78	96.49%	2,326,192.49	4.24%	52,567,928.29
Including:										
Aging portfolio	2,663,231.34	5.13%	1,559,774.27	58.57%	1,103,457.07	18,947,788.82	33.30%	2,326,192.49	12.28%	16,621,596.33
Portfolio of deposits, security deposits, employee loans, etc.	47,660,238.87	91.83%	0.00	0.00%	47,660,238.87	35,946,331.96	63.19%	0.00	0.00%	35,946,331.96
Total	51,902,487.17	100.00%	3,138,791.23	6.05%	48,763,695.94	56,890,214.53	100.00%	4,322,286.24	7.60%	52,567,928.29

Category name of bad debt reserve made individually single item provision

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
CNB TECHNOLOGY INC.	1,279,698.47	1,279,698.47	1,240,026.51	1,240,026.51	100.00%	Expected non-recoverable
New bio	330,395.28	330,395.28	338,990.45	338,990.45	100.00%	Expected non-recoverable
Wang Jiaju	386,000.00	386,000.00				Expected non-recoverable
Total	1,996,093.75	1,996,093.75	1,579,016.96	1,579,016.96		

Category name of bad debt reserve made by portfolio: aging portfolio

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Within 1 year	375,790.67	18,789.55	5.00%
1-2 years	409,552.37	40,955.24	10.00%
2-3 years	539,798.32	161,939.50	30.00%
Over 3 years	1,338,089.98	1,338,089.98	100.00%

Total	2,663,231.34	1,559,774.27	

Explanation of the basis for determining the portfolio:

Provision for bad debt reserve based on a general model of expected credit losses:

Unit: RMB

Bad debt reserve	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as of January 1, 2026	849,351.22	1,476,841.27	1,996,093.75	4,322,286.24
Balance as of January 1, 2026 in the current period				
Provision in current period	-830,561.69	110,639.08	0.00	-719,922.61
Reversals in the current period			217,566.95	217,566.95
Write-off in current period			168,433.05	168,433.05
Other changes		-46,495.61	-31,076.79	-77,572.40
Balance as of June 30, 2026	18,789.53	1,540,984.74	1,579,016.96	3,138,791.23

Classification basis and bad debt reserve provision ratio for each stage

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

□ Applicable ☑Not applicable

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

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Others	
Bad debt reserve made individually	1,996,093.75	0.00	217,566.95	168,433.05	-31,076.79	1,579,016.96
Bad debt reserve made by aging portfolio	2,326,192.49	-719,922.61			-46,495.61	1,559,774.27
Total	4,322,286.24	-719,922.61	217,566.95	168,433.05	-77,572.40	3,138,791.23

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

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves

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

Unit: RMB

Item	Write-off amount
Other receivables actually written off	168,433.05

Other major receivable written off:

Unit: RMB

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

Description for writing off other receivables:

6) Other accounts receivable with the top five ending balances collected by the debtor

Unit: RMB

Company name	Nature of payment	Ending Balance	Aging	Proportion to the total ending balance of other accounts receivable	Ending balance of bad debt reserve
Export tax refund	Export tax refund	24,686,931.22	Within 1 year	47.56%	0.00
Zhangmutou Branch of Dongguan Finance Bureau	Guarantee deposit	4,800,000.00	Over 5 years	9.25%	0.00
ADVANNOTECH PTY LTD	Reserve funds and loans	1,389,171.73	1-3 years, more than 4 years	2.68%	1,345,241.43
CNB TECHNOLOGY INC.	Reserve funds and loans	1,240,026.51	Over 5 years	2.39%	1,240,026.51
Deposit - Bangalore Office & Factory	Guarantee deposit	780,123.06	Within 1 year, 4-5 years	1.50%	0.00
Total		32,896,252.52		63.38%	2,585,267.94

7. Prepayments

(1) Prepayments listed by aging

Unit: RMB

Aging	Ending Balance		Beginning Balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	38,611,701.24	97.51%	16,900,286.41	93.72%
1-2 years	805,471.47	2.03%	1,040,685.63	5.77%
2-3 years	138,986.01	0.35%	82,129.71	0.46%
Over 3 years	43,276.40	0.11%	9,188.30	0.05%
Total	39,599,435.12		18,032,290.05	

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

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

Unit: RMB

Company name	Ending Balance	Proportion of the total amount of prepayments at the end of the period
Supplier 1	3,129,000.00	7.90%
Supplier 2	3,049,907.39	7.70%
Supplier 3	2,288,554.95	5.78%
Supplier 4	2,054,545.93	5.19%
Supplier 5	1,983,980.73	5.01%
Total	12,505,989.00	31.58%

Other explanations:

8. Inventories

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

No

(1) Inventory classification

Unit: RMB

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

		performance cost impairment reserves			performance cost impairment reserves	
Raw materials	301,890,426.67	6,690,422.48	295,200,004.19	173,992,123.30	4,519,908.43	169,472,214.87
Products in process	8,519,202.27	0.00	8,519,202.27	8,569,231.40	0.00	8,569,231.40
Inventory goods	351,220,284.05	34,398,276.05	316,822,008.00	294,308,801.06	25,742,661.42	268,566,139.64
Sending goods	22,420,709.66	347,758.42	22,072,951.24	17,059,101.34	492,151.34	16,566,950.00
Consigned processing materials	15,976,991.72	0.00	15,976,991.72	5,662,528.21	0.00	5,662,528.21
Total	700,027,614.37	41,436,456.95	658,591,157.42	499,591,785.31	30,754,721.19	468,837,064.12

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

Unit: RMB

Item	Beginning Balance	Increase in current period		Decrease in current period		Ending Balance
		Provision	Others	Reversal or reselling	Others	
Raw materials	4,519,908.43	2,663,074.58		350,872.61	141,687.92	6,690,422.48
Products in process	0.00					0.00
Inventory goods	25,742,661.42	18,405,258.10		9,163,827.58	585,815.89	34,398,276.05
Sending goods	492,151.34	311,457.20		455,559.19	290.93	347,758.42
Total	30,754,721.19	21,379,789.88		9,970,259.38	727,794.74	41,436,456.95

Provision for inventory depreciation made by portfolio

Unit: RMB

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

Provision standards for inventory depreciation reserves made by portfolio

9. Non-current assets due within one year

Unit: RMB

Item	Ending Balance	Beginning Balance
Long-term receivables due within one year	2,709,767.95	2,320,265.60
Total	2,709,767.95	2,320,265.60

(1) Debt investment due within one year

□ Applicable ☑Not applicable

10. Other current assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Cost of returning products receivable	937,798.19	986,678.05
Advance payment of income tax	7,048,553.38	6,039,262.75
Value added tax deduction amount	27,930,207.28	24,139,297.30
Other prepaid taxes	1,875,688.99	1,221,681.27
Financial product investments	29,755,823.92	72,181,060.30
Total	67,548,071.76	104,567,979.67

Information related to compensatory assets

Other explanations:

11. Debt investment

(1) Information on debt investment

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Bank CD - Principal	27,843,037.82		27,843,037.82	28,073,846.19		28,073,846.19
Bank CD - Interest	1,747,851.69		1,747,851.69	903,485.13		903,485.13
Total	29,590,889.51		29,590,889.51	28,977,331.32		28,977,331.32

Changes in provision for depreciation of debt investments in the current period

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance

12. Long-term receivables

(1) Information on long-term receivables

Unit: RMB

Item	Ending Balance			Beginning Balance			Discount rate range
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value	
Receivables from	1,144,751.76	187,594.12	957,157.64	1,343,415.06	407,692.43	935,722.63	26.16%

finance leases							
Employee long-term borrowings	21,480,338.36		21,480,338.36	19,317,083.29		19,317,083.29	3.50%-4.30%
Long-term receivables due within one year	-2,725,073.61	-15,305.66	-2,709,767.95	-2,334,485.10	-14,219.50	-2,320,265.60	3.50%-4.30%
Total	19,900,016.51	172,288.46	19,727,728.05	18,326,013.25	393,472.93	17,932,540.32	

(2) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Including:										
Bad debt reserve made by portfolio	22,625,090.12	100.00%	187,594.12	0.83%	22,437,496.00	20,660,498.35	100.00%	407,692.43	1.97%	20,252,805.92
Including:										
Aging portfolio	22,625,090.12	100.00%	187,594.12	0.83%	22,437,496.00	20,660,498.35	100.00%	407,692.43	1.97%	20,252,805.92
Total	22,625,090.12	100.00%	187,594.12	0.83%	22,437,496.00	20,660,498.35	100.00%	407,692.43	1.97%	20,252,805.92

Category name of bad debt reserve made by portfolio:

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Aging portfolio	22,625,090.12	187,594.12	0.83%
Total	22,625,090.12	187,594.12	

Explanation of the basis for determining the portfolio:

Provision for bad debt reserve based on a general model of expected credit losses

Unit: RMB

Bad debt reserve	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as of January 1, 2026 in the current period				

Classification basis and bad debt reserve provision ratio for each stage

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

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Others	
Bad debt reserve made by portfolio	407,692.43		206,604.49		-13,493.82	187,594.12
Total	407,692.43		206,604.49		-13,493.82	187,594.12

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

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves

Other explanations:

13. Long-term equity investment

Unit: RMB

Investee	Beginning balance (book value)	Beginning balance of impairment provision	Increase or decrease in the current period								Ending balance (book value)	Ending balance of impairment provision
			Additional investment	Reduced investment	Investment profits and losses recognized under equity method	Other comprehensive income adjustments	Changes in other equities	Cash dividends or profits declared to pay	Impairment provision	Others		
I. Joint ventures												
II. Associates												
CV Squared,Inc.	0.00	1,155,606.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,155,606.35
ZKTECO SMART CITY (THAILAND) CO., LTD.	1,472,964.32	0.00	0.00	0.00	-247,098.48	0.00	0.00	0.00	0.00	-42,320.69	1,183,545.15	0.00
Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership)	23,639,890.26	0.00	0.00	0.00	-1,144,067.36	0.00	0.00	0.00	0.00	0.00	22,495,822.90	0.00
NeuroSky ZKTeco Brainscape Technology (Shenzhen) Co., Ltd.	0.00	0.00	2,450,000.00	0.00	74,883.34	0.00	0.00	0.00	0.00	0.00	2,524,883.34	0.00

Subtotal	25,112,854.58	1,155,606.35	2,450,000.00	0.00	-1,316,282.50	0.00	0.00	0.00	0.00	-42,320.69	26,204,251.39	1,155,606.35
Total	25,112,854.58	1,155,606.35	2,450,000.00	0.00	-1,316,282.50	0.00	0.00	0.00	0.00	-42,320.69	26,204,251.39	1,155,606.35

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

□ Applicable ☑Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

□ Applicable ☑Not applicable

Reasons for significant discrepancies between the above information and the information or external information used in impairment tests of previous years

Reasons for significant discrepancies between the information used in the Company's impairment tests of previous year and the actual situation of that year

Other explanations:

14. Investment real estate

(1) Investment real estate adopting cost measurement model

☑Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Land use rights	Construction in progress	Total
I. Original book value				
1. Beginning Balance	34,416,026.15			34,416,026.15
2. Increase in current period				
(1) Outsourcing				
(2) Transferred from inventory, fixed assets, and construction in progress				
(3) Increase in business merger				
3. Decrease in current period				
(1) Disposal				
(2) Other transfers out				
4. Ending balance	34,416,026.15			34,416,026.15

II. Accumulated depreciation and accumulated amortization				
1. Beginning Balance	14,552,881.46			14,552,881.46
2. Increase in current period	820,586.04			820,586.04
(1) Provision or amortization	820,586.04			820,586.04
3. Decrease in current period				
(1) Disposal				
(2) Other transfers out				
4. Ending balance	15,373,467.50			15,373,467.50
III. Provision for impairment				
1. Beginning Balance				
2. Increase in current period				
(1) Provision				
3. Decrease in current period				
(1) Disposal				
(2) Other transfers out				
4. Ending balance				
IV. Book value				
1. Ending book value	19,042,558.65			19,042,558.65
2. Beginning book value	19,863,144.69			19,863,144.69

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

□ Applicable ☑Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

□ Applicable ☑Not applicable

Reasons for significant discrepancies between the above information and the information or external information used in impairment tests of previous years

None

Reasons for significant discrepancies between the information used in the Company's impairment tests of previous year and the actual situation of that year

Other explanations:

(2) Investment real estate adopting fair value measurement model

□ Applicable ☑Not applicable

(3) Converted to investment real estate and measured at fair value

Unit: RMB

Item	Accounting subject before conversion	Amount	Conversion reason	Approval procedure	Impact on profit and loss	Impact on other comprehensive income

(4) Investment real estate without completed property ownership certificate

Unit: RMB

Item	Book value	Reasons for not completing the property ownership certificate

Other explanations:

15. Fixed assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Fixed assets	764,216,256.81	723,300,476.82
Total	764,216,256.81	723,300,476.82

(1) Status of fixed assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation vehicles	Electronic equipment and others	Total
I. Original book value:					
1. Beginning Balance	711,956,953.27	66,308,739.34	17,170,465.94	133,704,631.86	929,140,790.41
2. Increase in current period	51,502,890.65	4,120,112.19	31,150.85	6,625,384.44	62,279,538.13
(1) Purchase		4,670,097.75	119,910.67	8,116,866.76	12,906,875.18
(2)	63,172,891.99	100,104.96		511,726.21	63,784,723.16

Transferred from construction in progress					
(3) Increase in business merger					
(4) Other increases	120,165.68			65,491.40	185,657.08
(5) Differences in foreign currency statement translation	-11,790,167.02	-650,090.52	-88,759.82	-2,068,699.93	-14,597,717.29
3. Decrease in current period	256,000.00	513,375.05	34,366.72	1,211,958.03	2,015,699.80
(1) Disposal or retirement	256,000.00	513,375.05	34,366.72	1,156,387.19	1,960,128.96
(2) Other decreases				55,570.84	55,570.84
4. Ending balance	763,203,843.92	69,915,476.48	17,167,250.07	139,118,058.27	989,404,628.74
II. Accumulated depreciation					
1. Beginning Balance	66,425,077.11	37,526,596.89	11,248,976.02	90,639,663.57	205,840,313.59
2. Increase in current period	9,204,960.33	2,806,481.24	988,791.74	7,573,262.47	20,573,495.78
(1) Provision	10,006,047.21	3,228,348.52	1,090,874.16	8,987,541.35	23,312,811.24
(2) Other increases				84,968.80	84,968.80
(3) Differences in foreign currency statement translation	-801,086.88	-421,867.28	-102,082.42	-1,499,247.68	-2,824,284.26
3. Decrease in current period	117,546.49	405,185.73	33,768.38	668,936.84	1,225,437.44
(1) Disposal or retirement	117,546.49	405,185.73	33,768.38	613,365.99	1,169,866.59
(2) Other decreases				55,570.85	55,570.85
(3) Differences in foreign currency statement translation					
4. Ending balance	75,512,490.95	39,927,892.40	12,203,999.38	97,543,989.20	225,188,371.93
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	687,691,352.97	29,987,584.08	4,963,250.69	41,574,069.07	764,216,256.81
2. Beginning book value	645,531,876.16	28,782,142.45	5,921,489.92	43,064,968.29	723,300,476.82

(2) Temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Remarks

(3) Fixed assets leased out through operating leases

Unit: RMB

Item	Ending book value

(4) Fixed assets without completed property ownership certificate

Unit: RMB

Item	Book value	Reasons for not completing the property ownership certificate

Other explanations:

(5) Impairment test of fixed assets

□ Applicable ☑Not applicable

(6) Disposal of fixed assets

Unit: RMB

Item	Ending Balance	Beginning Balance

Other explanations:

Notes:

1. The original value of fixed assets that have been fully depreciated at the end of the period but are still in use is RMB 54,578,386.01.

2. At the end of the period, no obvious signs of impairment of fixed assets were found, so no impairment provision was made.

3. At the end of the period, there were no fixed assets for which property ownership certificates had not yet been obtained.

4. At the end of the period, there was no fixed asset subject to any restrictions on ownership or use rights such as mortgage, pledge, seizure, freezing or detention.

16. Construction in progress

Unit: RMB

Item	Ending Balance	Beginning Balance
Construction in progress	74,260,468.75	113,147,627.97
Total	74,260,468.75	113,147,627.97

(1) Construction in progress

Unit: RMB

Project	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Multimodal Biometrics Digitalization Industrial Base Construction Project	67,606,871.00		67,606,871.00	62,028,920.17		62,028,920.17
American Manufacturing Factory Construction Project				49,690,642.68		49,690,642.68
European regional headquarters construction project	6,042,887.59		6,042,887.59	1,428,065.12		1,428,065.12
Hybrid Biometrics IoT Intelligent Industrial Base Project	610,710.16		610,710.16	0.00		0.00
Total	74,260,468.75		74,260,468.75	113,147,627.97		113,147,627.97

(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	Other decreases in the current period	Ending Balance	Proportion of accumulated project investment	Engineering progress	Accumulated amount of interest capitalization	Including: current interest capitalized	Current interest capitalization rate	Source of Funds

				period			to budget			amount		
Multimodal Biometrics Digitalization Industrial Base Construction Project	284,566,264.91	62,028,920.17	5,577,950.83			67,606,871.00	70.67%	Under construction				Raised funds, others[1]
American Manufacturing Factory Construction Project	74,418,500.00	49,690,642.68	14,362,411.65	63,784,723.16	268,331.17	0.00	86.07%	Under construction				Raised funds, others[1]
European regional headquarters construction project	61,011,637.39	1,428,065.12	4,862,298.59		247,476.12	6,042,887.59	10.31%	Under construction				Raised funds, others[1]
Total	419,996,402.30	113,147,627.97	24,802,661.07	63,784,723.16	515,807.29	73,649,758.59						

Note: 1. Own funds

(3) Current provision for impairment of construction in progress

Unit: RMB

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

Other explanations:

(4) Impairment test of construction in progress

□ Applicable ☑Not applicable

(5) Engineering materials

Unit: RMB

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

Other explanations:

17. Right-of-use assets

(1) Information on right-of-use assets

Unit: RMB

Item	Houses and buildings	Transportation vehicles	Total

I. Original book value			
1. Beginning Balance	106,052,750.38	3,674,038.83	109,726,789.21
2. Increase in current period	5,637,269.44	541,510.73	6,178,780.17
(1) New lease	8,695,735.24	777,690.54	9,473,425.78
(2) Foreign currency translation difference	-3,058,465.80	-236,179.81	-3,294,645.61
3. Decrease in current period	11,575,220.28	713,063.91	12,288,284.19
(1) Expiration of lease contract	9,810,686.12	311,780.33	10,122,466.45
(2) Lease change	44,149.88		44,149.88
(3) Termination of lease	1,720,384.28	401,283.58	2,121,667.86
4. Ending balance	100,114,799.54	3,502,485.65	103,617,285.19
II. Accumulated depreciation			
1. Beginning Balance	52,045,063.65	1,892,268.98	53,937,332.63
2. Increase in current period	13,778,332.95	462,444.97	14,240,777.92
(1) Provision	15,644,503.43	572,844.92	16,217,348.35
(2) Foreign currency translation difference	-1,866,170.48	-110,399.95	-1,976,570.43
3. Decrease in current period	10,823,580.46	713,063.91	11,536,644.37
(1) Disposal			
(2) Expiration of lease contract	9,595,483.85	311,780.33	9,907,264.18
(3) Lease change			0.00
(4) Termination of lease	1,228,096.61	401,283.58	1,629,380.19
4. Ending balance	54,999,816.14	1,641,650.04	56,641,466.18
III. Provision for impairment			
1. Beginning Balance			
2. Increase in current period			
(1) Provision			
3. Decrease in current period			
(1) Disposal			
4. Ending balance			
IV. Book value			
1. Ending book value	45,114,983.40	1,860,835.61	46,975,819.01
2. Beginning book value	54,007,686.73	1,781,769.85	55,789,456.58

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

□ Applicable ☑Not applicable

Other explanations:

18. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land use rights	Patent rights	Non-patent technology	Software	Trademark	Customer relations	Others	Total
I. Original book value								
1. Beginning Balance	85,610,940.13	19,900,000.00		43,183,495.22	57,800,000.00	94,600,000.00	193,473.28	301,287,908.63
2. Increase in current period	-1,706,764.09			-70,215.13			36,310.46	-1,740,668.76
(1) Purchase	133,654.55			180,226.97				313,881.52
(2) Internal R&D								
(3) Increase in business merger								
(4) Other increases							33,488.15	33,488.15
(5) Differences in foreign currency statement translation	-1,840,418.64			-250,442.10			2,822.31	-2,088,038.43
3. Decrease in current period				743,864.16				743,864.16
(1) Disposal				710,377.36				710,377.36
(2) Other decreases				33,486.80				33,486.80
4. Ending balance	83,904,176.04	19,900,000.00		42,369,415.93	57,800,000.00	94,600,000.00	229,783.74	298,803,375.71
II. Accumulated amortization								
1. Beginning	13,829,289.25	207,291.67		14,917,935.07		788,333.33	79,991.07	29,822,840.39

Balance								
2. Increase in current period	621,076.95	1,243,750.00		1,616,996.90		4,730,000.00	34,011.15	8,245,835.00
(1) Provision	621,076.95	1,243,750.00		1,841,806.36		4,730,000.00	30,791.75	8,467,425.06
(2) Differences in foreign currency statement translation				-224,809.46			3,219.40	-221,590.06
3. Decrease in current period								
(1) Disposal								
4. Ending balance	14,450,366.20	1,451,041.67		16,534,931.97		5,518,333.33	114,002.22	38,068,675.39
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	69,453,809.84	18,448,958.33		25,834,483.96	57,800,000.00	89,081,666.67	115,781.52	260,734,700.32
2.	71,781,650.88	19,692,708.33		28,265,560.15	57,800,000.00	93,811,666.67	113,482.21	271,465,068.24

Beginning book value								

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

(2) Impairment test for intangible assets

□ Applicable ☑Not applicable

19. Goodwill

(1) Original book value of goodwill

Unit: RMB

Name of invested entity or matters forming goodwill	Beginning Balance	Increase in the current period		Decrease in the current period		Ending Balance
		Formed by business merger	Exchange rate fluctuations	Disposals	Exchange rate fluctuations	
Shenzhen Longzhiyuan Technology Co., Ltd.	238,889,857.56					238,889,857.56
ZKTECO (M) SDN. BHD.	171,831.39				5,326.95	166,504.44
ZK INVESTIMENTOS DO BRASIL LTDA.	329,130.72				10,203.38	318,927.34
Total	239,390,819.67				15,530.33	239,375,289.34

(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	Exchange rate fluctuations	Disposals	Exchange rate fluctuations	
Shenzhen Longzhiyuan Technology Co., Ltd.		32,535,806.82				32,535,806.82
ZK INVESTIMENTOS DO BRASIL LTDA.	329,130.72				10,203.38	318,927.34
Total	329,130.72	32,535,806.82			10,203.38	32,854,734.16

(3) Information related to the asset group or portfolio of asset groups where goodwill is located

Name	Composition and basis of the asset group or portfolio to which it belongs	Operating segments and basis	Is it consistent with previous years
Shenzhen Longzhiyuan Technology Co., Ltd.	Composition of the asset group: Goodwill, fixed assets, right-of-use assets, intangible assets, and long-term deferred expenses of Shenzhen Longzhiyuan Technology Co., Ltd. The asset group of Shenzhen Longzhiyuan Technology Co., Ltd. can independently generate cash flows and can be identified as a separate asset group.	Not applicable	Yes
ZKTECO (M) SDN. BHD.	An asset group or portfolio of asset groups that can independently generate cash flow, taking into account the synergistic effects of business mergers and the management's management or monitoring of production and operating activities.	Not applicable	Yes
ZK INVESTIMENTOS DO BRASIL LTDA	An asset group or portfolio of asset groups that can independently generate cash flow, taking into account the synergistic effects of business mergers and the management's management or monitoring of production and operating activities.	Not applicable	Yes

Changes in asset group or asset portfolio

Name	Composition before change	Composition after change	Objective facts and basis that lead to changes

Other explanations:

None

(4) Specific method for determining the recoverable amount

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

□ Applicable ☑Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

☑Applicable □ Not applicable

Unit: RMB

Item	Book value	Recoverable amount	Impaired amount	Duration of the forecast	Key parameters of the forecast	Key parameters of the stable	Basis for determining key

				period	period	period	parameters of the stable period
Shenzhen Longzhiyuan Technology Co., Ltd.	618,756,012.39	559,600,000.00	59,156,012.39	5	From 2027 onwards: Annual revenue growth rates are: 24.01%, 15.54%, 5.87%, 1.00%, 1.00%; 13.75% (after-tax discount rate) 16.56% (pre-tax discount rate)	Operating revenue growth rate of the stable period: 0%; Profit rate of the stable period: 14.95%	Determined based on the forecast data of the last period of the forecast period
Total	618,756,012.39	559,600,000.00	59,156,012.39				

Reasons for significant discrepancies between the above information and the information or external information used in impairment tests of previous years

Not applicable

Reasons for significant discrepancies between the information used in the Company's impairment tests of previous year and the actual situation of that year

Not applicable

(5) Completion of performance commitments and corresponding impairment of goodwill

When goodwill is formed, there is a performance commitment and the reporting period or the previous period in the reporting period is within the performance commitment period

☑Applicable □ Not applicable

Unit: RMB

Item	Achievement in performance commitments						Impaired amount of goodwill	
	Current period			Previous period			Current period	Previous period
	Committed performance	Actual performance	Completion rate	Committed performance	Actual performance	Completion rate		
Shenzhen Longzhiyuan Technology Co., Ltd.	100,000,000.00	28,225,929.57	28.23%	90,000,000.00	72,662,590.94	80.74%	32,535,806.82	0.00

Other explanations:

Note: The actual performance refers to the net profit attributable to shareholders of the parent company under the scope of Longzhiyuan's consolidated financial statements, after deducting non-recurring profits and losses and excluding the impact of share-based payment.

Longzhiyuan is the asset group or asset group combination to which the goodwill belongs. The performance commitment period is three consecutive fiscal years starting from the year the transaction is completed, namely 2025, 2026, and 2027. Longzhiyuan commits that the net profit attributable to shareholders of the parent company, after deducting non-recurring profits and losses and excluding the impact of share-based payment, shall not be less than RMB 90 million for the year 2025, not less than RMB 100 million for the year 2026, and not less than RMB 110 million for the year 2027. The cumulative total for the three years shall not be less than RMB 300 million. After the expiration of the performance commitment period, if the cumulative net profit achieved by Longzhiyuan during the performance commitment period is less than the total committed net profit, then the performance obligor shall provide performance compensation to the Company.

20. Long-term deferred expenses

Unit: RMB

Item	Beginning Balance	Increase in current period	Amortization amount for the current period	Other reduced amounts	Ending Balance
Decoration works	6,497,410.95	203,385.81	1,115,493.16	169,284.40	5,416,019.20
Deferred interest on employee long-term borrowings	2,806,881.60	630,674.47	354,231.78	0.00	3,083,324.29
Others	1,061,136.17	436,332.20	420,853.29	301.10	1,076,313.98
Total	10,365,428.72	1,270,392.48	1,890,578.23	169,585.50	9,575,657.47

Other explanations:

None

21. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets not offset

Unit: RMB

Item	Ending Balance		Beginning Balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	63,271,547.29	9,231,544.02	62,307,992.74	8,818,471.30
Unrealized profits from internal transactions	85,035,006.97	17,976,812.09	89,056,795.08	21,049,010.51
Deductible losses	296,736,996.50	44,490,502.71	286,902,533.99	43,015,333.33
Withholding rebates	6,708,877.80	953,535.48	12,220,750.79	1,642,105.29
Share-based payments	9,439,360.34	1,411,801.13	20,233,716.76	3,040,239.17
Provision for inventory write-down	26,427,972.13	4,590,876.75	20,780,358.70	3,585,619.59
Deferred income	1,342,816.00	201,422.40	1,364,769.40	204,715.41
Lease liabilities	39,852,103.16	6,824,786.39	49,421,980.64	9,378,780.02
Employee benefits payable	285,000.00	42,750.00	275,000.00	41,250.00
Contract liabilities	28,621,742.77	6,010,565.99	0.00	0.00
Total	557,721,422.96	91,734,596.96	542,563,898.10	90,775,524.62

(2) Non-offsetting deferred tax liabilities

Unit: RMB

Item	Ending Balance		Beginning Balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Valuation and appreciation of assets in the business merger not under the same control	170,319,143.06	25,701,533.62	178,996,559.49	26,779,049.84
Changes in fair value of trading financial instruments	2,329,560.72	385,518.21	3,289,828.26	522,179.78
Accelerated depreciation of fixed assets	17,676,227.87	2,651,434.17	17,359,438.68	2,603,915.80
Right-of-use assets	20,405,462.48	6,190,288.43	55,789,456.58	8,328,889.12
Total	210,730,394.13	34,928,774.43	255,435,283.01	38,234,034.54

(3) Deferred tax assets or liabilities listed at net amount after offset

Unit: RMB

Item	Amount of mutual offset between deferred tax assets and liabilities at the end of period	Ending balance of deferred tax assets and liabilities after offset	Amount of mutual offset between deferred tax assets and liabilities at the beginning of period	Beginning balance of deferred tax assets and liabilities after offset
Deferred tax assets	8,906,472.58	82,828,124.38	8,242,366.70	82,533,157.92
Deferred tax liabilities	8,906,472.58	26,022,301.85	8,242,366.70	29,991,667.84

(4) Details of unconfirmed deferred tax assets

Unit: RMB

Item	Ending Balance	Beginning Balance
Deductible temporary difference	33,841,550.41	31,081,738.63
Deductible losses	137,299,776.24	126,941,014.17
Total	171,141,326.65	158,022,752.80

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

Unit: RMB

Year	Closing amount	Opening amount	Remarks
2026	305,821.43	1,197,473.12	
2027	4,096,106.20	5,414,110.56	
2028	14,993,794.70	15,923,121.88	
2029	14,301,083.06	18,201,514.72	
2030	14,747,614.83	18,134,925.79	
2031 and beyond	88,855,356.02	68,069,868.10	

Total	137,299,776.24	126,941,014.17	

Other explanations:

22. Other non-current assets

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Prepaid equipment payment	30,848,318.62		30,848,318.62	423,995.07		423,995.07
Total	30,848,318.62		30,848,318.62	423,995.07		423,995.07

Information related to compensatory assets

Other explanations:

23. Assets with restricted ownership or use right

Unit: RMB

Item	End of the period				Opening			
	Book balance	Book value	Restricted type	Restricted situation	Book balance	Book value	Restricted type	Restricted situation
Monetary funds	108,627,765.09	108,627,765.09	Deposits, funds in transit, frozen litigation funds	Bill deposit: RMB 77,396,316.22, other deposits: RMB 28,125.61, funds in transit: RMB 9,826,862.82, frozen litigation funds: RMB 21,376,460.44	89,424,045.15	89,424,045.15	Deposits, funds in transit, frozen litigation funds	Bill deposit: RMB 86,849,030.32, other deposits: RMB 26,081.66, funds in transit: RMB 2,465,563.17, frozen litigation funds: RMB 83,370.00
Total	108,627,765.09	108,627,765.09			89,424,045.15	89,424,045.15		

Other explanations:

24. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Ending Balance	Beginning Balance
Bill discounting	90,134,231.92	51,713,359.30
L/C discounting	29,387,828.70	29,387,828.70
Total	119,522,060.62	81,101,188.00

Explanation of short-term borrowings classification:

The short-term borrowings for the current period was obtained by discounting bank acceptance bills and letters of credit with the bank.

25. Trading financial liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Including:		
Financial liabilities measured at fair value and whose changes are included in the current profits and losses	126,147,273.71	208,175,000.00
Including:		
Financial liabilities measured at fair value and whose changes are included in the current profits and losses	126,147,273.71	208,175,000.00
Total	126,147,273.71	208,175,000.00

Other explanations:

26. Notes payable

Unit: RMB

Category	Ending Balance	Beginning Balance
Bank acceptance bill	366,761,718.28	239,870,823.79
Total	366,761,718.28	239,870,823.79

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

27. Accounts payable

(1) Listing of accounts payable

Unit: RMB

Item	Ending Balance	Beginning Balance
Material payment	347,192,203.00	369,260,477.12
Equipment payment	4,450,538.80	4,482,272.79

Service fee	8,024,393.65	9,686,370.21
Project payment	14,510,369.31	15,129,483.60
Others	3,740,123.11	5,891,418.20
Total	377,917,627.87	404,450,021.92

28. Other payables

Unit: RMB

Item	Ending Balance	Beginning Balance
Dividends payable	838,914.16	556,900.00
Other payables	62,301,104.78	70,922,462.71
Total	63,140,018.94	71,479,362.71

(1) Dividends payable

Unit: RMB

Item	Ending Balance	Beginning Balance
Common stock dividend	838,914.16	556,900.00
Total	838,914.16	556,900.00

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

(2) Other payables

1) List of other payables by nature of money

Unit: RMB

Item	Ending Balance	Beginning Balance
Employee reimbursement	1,614,927.11	2,336,100.94
Payment to be settled	4,496,674.71	7,355,965.12
Withholding and remitting of social security and housing fund	68,376.98	99,189.00
Current account	6,189,342.20	7,086,493.99
Collection and payment on behalf of others	1,184,390.24	1,698,462.16
Guarantee deposit	2,374,916.98	2,503,691.10
Liabilities recognized for repurchase obligations under share-based payment arrangements	9,940,665.00	14,200,950.00
Others	36,431,811.56	35,641,610.40
Total	62,301,104.78	70,922,462.71

29. Contract liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Advances on sales	100,194,437.29	76,516,595.89

Total	100,194,437.29	76,516,595.89

Significant contract liabilities with an aging of over 1 year

Unit: RMB

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

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

Unit: RMB

Item	Change amount	Reasons for changes

30. Employee benefits payable

(1) List of employee benefits payable

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
I. Short-term compensation	60,613,233.34	259,003,656.01	279,239,273.36	40,377,615.99
II. Post-employment welfare - defined contribution plan	787,415.35	13,998,519.78	14,429,475.65	356,459.48
III. Dismission welfare	860,845.38	983,685.58	508,645.53	1,335,885.43
Total	62,261,494.07	273,985,861.37	294,177,394.54	42,069,960.90

(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	58,781,688.22	237,003,909.67	257,017,075.07	38,768,522.82
2. Employee benefits	238,424.55	4,287,706.24	4,524,504.69	1,626.10
3.Social insurance	340,998.26	14,519,359.96	14,494,255.42	366,102.80
Including: medical insurance premium	228,865.16	13,920,359.11	13,890,070.71	259,153.56
Work-related injury insurance premium	112,133.10	363,442.14	368,626.00	106,949.24
Maternity insurance premium	0.00	235,558.71	235,558.71	0.00
4. housing fund	68,628.72	3,004,719.87	3,013,155.56	60,193.03
5. Labor union expenditure and personnel education fund	1,183,493.59	187,960.27	190,282.62	1,181,171.24
Total	60,613,233.34	259,003,656.01	279,239,273.36	40,377,615.99

(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	782,973.21	13,500,419.82	13,928,840.31	354,552.72
2.Unemployment insurance	4,442.14	498,099.96	500,635.34	1,906.76
Total	787,415.35	13,998,519.78	14,429,475.65	356,459.48

Other explanations:

31. Taxes payable

Unit: RMB

Item	Ending Balance	Beginning Balance
VAT	7,072,351.34	8,243,828.16
Corporate income tax	25,699,798.36	20,613,197.70
Individual income tax	3,400,114.75	6,106,955.58
Urban maintenance and construction tax	116,642.99	460,901.65
Property tax	2,339,356.23	503,954.36
Stamp duty	327,335.09	407,063.41
Education surcharge	91,919.32	449,465.31
Others	314,764.19	2,092,649.06
Total	39,362,282.27	38,878,015.23

Other explanations:

32. Non-current liabilities due within one year

Unit: RMB

Item	Ending Balance	Beginning Balance
Long-term borrowings due within one year	134,144.96	6,807,107.58
Lease liabilities due within one year	20,753,109.53	24,051,906.28
Total	20,887,254.49	30,859,013.86

Other explanations:

33. Other current liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Sales rebates payable	7,114,353.59	14,700,793.42

Tax to be transferred to output tax	2,728,842.54	2,118,948.99
Estimated payments for goods return	747,301.16	1,951,399.89
Total	10,590,497.29	18,771,142.30

Changes in short-term bonds payable:

Unit: RMB

Bond name	Face value	Coupon rate	Issue Date	Bond duration	Issue amount	Beginning Balance	Current issue	Accruing interest at face value	Amortization of excess and discount	Current repayment		Ending Balance	Whether it is a breach of contract
Total													

Other explanations:

34. Long-term borrowings

(1) Classification of long-term borrowings

Unit: RMB

Item	Ending Balance	Beginning Balance
Credit borrowings	230,036.23	6,946,978.66
Long-term borrowings due within one year	-134,144.96	-6,807,107.58
Total	95,891.27	139,871.08

Explanation of long-term borrowings classification:

As of June 30, 2026, the credit borrowings included an amount of RMB 7,040.00 for accrued but unpaid interest (December 31, 2025: RMB 7,276.50).

Other explanations, including interest rate range:

None

35. Lease liabilities

Unit: RMB

Item	Ending Balance	Beginning Balance
Lease payment amount	45,088,174.97	55,610,475.47
Unrecognized financing charges	-5,236,071.81	-6,188,494.83
Lease liabilities due within one year	-20,753,109.53	-24,051,906.28
Total	19,098,993.63	25,370,074.36

Other explanations:

36. Long-term payables

Unit: RMB

Item	Ending Balance	Beginning Balance
Special accounts payables	550,000.00	
Total	550,000.00	

(1) Long-term payables listed by nature of payment

Unit: RMB

Item	Ending Balance	Beginning Balance
Special Fund for Cultivating High-Value Government Patents	550,000.00	

Other explanations:

None

(2) Special payables

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance	Cause of formation
Special Fund for Cultivating High-Value Government Patents		550,000.00		550,000.00	Provincial Intellectual Property Special Fund (Promotion Projects) Grant for 2026
Total		550,000.00		550,000.00	

Other explanations:

None

37. Deferred income

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance	Cause of formation
Government subsidies	1,364,769.40	871,100.00	45,079.95	2,190,789.45	Financial allocation
Total	1,364,769.40	871,100.00	45,079.95	2,190,789.45	

Other explanations:

38. Share capital

Unit: RMB

	Beginning Balance	Increase/decrease in this change (+, -)					Ending Balance
		Issue new	Bonus	Share	Others	Subtotal	

		shares		transferred from capital reserve			
Total Shares	235,351,550.00						235,351,550.00

Other explanations:

None

39. Capital reserve

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Capital premium (share premium)	1,981,407,399.98	20,590,037.48	19,631,243.04	1,982,366,194.42
Other capital reserves	87,413,995.04	10,917,606.21	12,791,826.96	85,539,774.29
Total	2,068,821,395.02	31,507,643.69	32,423,070.00	2,067,905,968.71

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

(1) The decrease in capital reserve - share premium for the current period is mainly due to: The first attribution period of the Company's Restricted Share Incentive Plan has been achieved, in accordance with the "Proposal on Adjusting the Granting Price and Quantity of 2025 Restricted Share Incentive Plan", the "Proposal on Cancelling Some Granted but Not Affiliated Restricted Shares", and the "Proposal on the Achievement of the Attribution Conditions for the First Attribution Period of the 2025 Restricted Share Incentive Plan", all approved at the Second Session of the Fourth Board Meeting. Employees exercised their rights to subscribe for 733,604 shares. As of May 20, 2026, the Company's designated special bank account had received equity subscription funds of RMB 7,798,210.52, which were recorded in capital reserve. The source of shares is shares repurchased from the Company's dedicated securities account for share repurchases. Based on the average repurchase price, the amount to be offset against treasury shares and capital reserve is RMB 19,631,243.04.

(2) The increase of RMB 10,917,606.21 in capital reserve - other capital reserve is due to share-based payment fees recognized under the 2025 Equity Incentive Plan. For detailed information, please refer to "Note XV".

(3)The decrease of RMB 12,791,826.96 in capital reserve - other capital reserve is due to the first batch of employee stock ownership plan and restricted shares exercise in 2025, with the corresponding share-based payment fees transferred from other capital reserve to share premium.

40. Treasury stock

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Reduce registered capital repurchase	44,078,890.10		23,891,528.04	20,187,362.06
Total	44,078,890.10		23,891,528.04	20,187,362.06

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

The decrease in treasury shares for the current period is mainly due to: ① The first attribution period of the Company's Restricted Share Incentive Plan has been achieved, in accordance with the "Proposal on Adjusting the Granting Price and Quantity of 2025 Restricted Share Incentive Plan", the "Proposal on Cancelling Some Granted but Not Affiliated Restricted Shares", and the "Proposal on the Achievement of the Attribution Conditions for the First Attribution Period of the 2025 Restricted Share Incentive Plan", all approved at the Second Session of the Fourth Board Meeting. Employees exercised their rights to subscribe for 733,604 shares. The source of shares is shares repurchased from the Company's dedicated securities account for share repurchases. Based on the average repurchase price, the amount to be offset against treasury shares is RMB 19,631,243.04. ② The first lockup period of the Company's employee stock ownership plan expired on May 22, 2026, and the unlock conditions have been met. The number of shares that can be unlocked is 400,968 shares. The Company's share repurchase business decreased, requiring a reduction in treasury stock by RMB 4,260,285.00.

41. 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 income of prior period and retained earnings transferred into the current profits and loss	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholder after tax	
I. Other comprehensive income to be reclassified into profits and losses	39,799,829.67	-49,794,497.73				-49,029,630.31	-764,867.42	-9,229,800.64
Translation difference of foreign currency financial statements	39,799,829.67	-49,794,497.73				-49,029,630.31	-764,867.42	-9,229,800.64
Total of other comprehensive income	39,799,829.67	-49,794,497.73				-49,029,630.31	-764,867.42	-9,229,800.64

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

Not applicable

42. Surplus reserves

Unit: RMB

Item	Beginning Balance	Increase in the current period	Decrease in the current period	Ending Balance
Legal surplus reserve	67,458,631.43			67,458,631.43
Total	67,458,631.43			67,458,631.43

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

None

43. Undistributed profit

Unit: RMB

Item	Current period	Previous period
Undistributed profits before adjustment at end of the previous period	1,114,135,904.69	1,000,479,479.18
Undistributed profit at the end of the adjustment period	1,114,135,904.69	1,000,479,479.18
Plus: Net profits attributable to parent company in this period	79,664,695.17	214,710,432.41
Less: withdrawal of legal surplus reserves		3,455,944.40
Dividends payable on ordinary shares	112,785,097.92	97,598,062.50
Undistributed profit at the end of the period	1,081,015,501.94	1,114,135,904.69

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.

Details of using capital reserve to cover losses:

None

44. Operating revenue and operating cost

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	1,075,018,748.18	526,066,478.12	925,627,146.27	453,345,313.12
Other businesses	23,408,336.51	15,403,222.02	3,631,613.23	820,586.04
Total	1,098,427,084.69	541,469,700.14	929,258,759.50	454,165,899.16

Breakdown information of operating revenue and operating costs:

Unit: RMB

Contract classification	Division 1		Division 2				Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type								
Including:								
Smart office					176,961,566.09	44,218,776.69	176,961,566.09	44,218,776.69
Smart space					689,104,180.56	362,764,913.12	689,104,180.56	362,764,913.12
Digital identity authentication					35,961,507.55	22,803,812.22	35,961,507.55	22,803,812.22
Smart business					28,244,235.25	21,283,227.15	28,244,235.25	21,283,227.15
Smart living					144,747,258.73	74,995,748.94	144,747,258.73	74,995,748.94
Other products					23,408,336.51	15,403,222.02	23,408,336.51	15,403,222.02
Classification by region of operation								
Including:								
Domestic sales					234,560,784.30	159,519,150.23	234,560,784.30	159,519,150.23
Overseas sales					863,866,300.39	381,950,549.91	863,866,300.39	381,950,549.91
Market or customer type								
Including:								
Distribution					628,666,597.77	352,077,535.54	628,666,597.77	352,077,535.54
Direct sales					446,352,150.41	173,988,942.58	446,352,150.41	173,988,942.58
Others					23,408,336.51	15,403,222.02	23,408,336.51	15,403,222.02
Type of contract								
Including:								
Classification by time of transfer of goods								
Including:								
Classification by contract term								
Including:								
Classification by sales channel								
Including:								

Total					1,098,427,084.69	541,469,700.14	1,098,427,084.69	541,469,700.14

Information related to performance obligations:

Item	Time for fulfilling performance obligations	Important payment terms	Nature of goods that the Company promises to transfer	Is it the main responsible person	Expected refunds to customers borne by the Company	Types of quality assurance provided by the Company and related obligations

Other explanations:

Information related to variable consideration in the contract:

Significant contract changes or significant transaction price adjustments

Unit: RMB

Item	Accounting treatment method	Amount of impact on income

Other explanations:

45. Tax and surcharges

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Urban maintenance and construction tax	1,640,452.94	1,081,144.01
Education surcharge	928,349.12	640,116.95
Property tax	2,544,864.07	1,516,598.02
Land use tax	53,192.27	53,192.27
Stamp duty	609,319.41	592,617.78
Local surcharges	618,899.35	426,744.56
Other taxes and fees for overseas companies	5,394,768.84	7,778,404.67
Others	55,069.69	12,120.88
Total	11,844,915.69	12,100,939.14

Other explanations:

46. Administrative expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee benefits	35,433,295.24	23,662,952.00
Office allowance	1,875,048.69	1,497,450.76
Travel expense	981,604.06	625,145.17

Low value consumables	634,159.96	216,174.14
Share-based payments	2,035,613.97	801,317.95
Car expenses	502,385.70	512,186.16
Software usage fee	746,276.43	815,514.18
Depreciation and amortization of right-of-use assets	3,488,411.82	2,762,201.05
Taxes	817,005.84	274,580.42
Communications fee	390,188.23	377,946.79
Repair fee	255,445.53	192,877.31
Business entertainment expenses	869,129.75	949,272.01
Depreciation and amortization	12,989,400.90	9,119,447.66
Agency fees	4,998,505.72	3,907,439.27
Others	7,430,385.81	11,622,902.03
Total	73,446,857.65	57,337,406.90

Other explanations:

47. Selling expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee benefits	131,288,471.99	130,371,321.56
Travel expense	10,849,805.22	10,064,633.43
Depreciation and amortization of right-of-use assets	9,675,941.08	9,099,763.94
Advertising expenses	12,595,312.85	7,734,351.84
Service fees and commissions	17,782,048.50	7,635,393.54
Agency fees	6,713,013.31	7,003,206.27
Exhibition and conference fees	9,781,573.32	6,039,204.97
Office allowance	5,837,386.35	4,778,609.60
Depreciation and amortization	7,564,581.04	2,970,776.05
Share-based payments	5,182,406.21	2,923,688.14
Rental expenses	2,665,422.48	2,799,483.37
Insurance premium	3,342,092.77	2,587,046.52
Maintenance and testing fees	1,909,769.95	2,543,660.51
Software usage fee	1,096,106.30	1,970,852.76
Business entertainment expenses	1,436,705.00	1,895,840.13
Others	10,827,695.54	9,231,909.18
Total	238,548,331.91	209,649,741.81

Other explanations:

48. R&D expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee benefits	64,318,083.50	75,869,647.82
Office allowance	348,135.28	869,093.76
Travel expense	931,716.24	1,429,082.97
Share-based payments	3,351,689.02	1,373,315.54
Software and technical service fees	6,435,408.92	9,290,419.57

Depreciation and amortization of right-of-use assets	661,844.49	894,401.61
R&D material costs	3,355,877.66	3,100,377.47
Depreciation and amortization	3,967,480.04	4,036,414.77
Others	5,451,559.29	7,204,429.70
Total	88,821,794.44	104,067,183.21

Other explanations:

49. Financial expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest expense	1,700,552.10	1,322,384.38
Including: interest expenses on lease liabilities	1,319,752.33	1,677,473.84
Less: interest income	13,227,169.06	18,677,549.88
Exchange gains and losses	28,480,462.22	-10,706,325.87
Handling fee expenditure	1,083,990.33	1,183,331.50
Others	20,435.64	-38,295.32
Total	18,058,271.23	-26,916,455.19

Other explanations:

50. Other income

Unit: RMB

Sources of other income generation	Amount incurred in the current period	Amount incurred in the previous period
Government subsidies related to daily activities of the enterprise	1,464,872.55	1,640,887.62
Refund of individual income tax handling fee	272,370.49	247,010.14
Value added tax credit, additional deduction, and immediate collection and refund	1,736,888.38	5,049,440.08
Total	3,474,131.42	6,937,337.84

51. Gains from changes in fair value

Unit: RMB

Sources of gains from changes in fair value	Amount incurred in the current period	Amount incurred in the previous period
Trading financial assets	5,575,993.58	7,977,831.68
Trading financial liabilities	43,636,660.50	
Total	49,212,654.08	7,977,831.68

Other explanations:

This period's profits and losses from fair value changes - trading financial liabilities represents the reduction in contingent consideration from equity acquisitions during this period. According to the "Equity Acquisition Agreement for Shenzhen Longzhiyuan Technology Co., Ltd." signed by the Company, Longzhiyuan, and its former shareholders, the Company fully considered Longzhiyuan's actual and estimated completion of Longzhiyuan's performance commitments to estimate the fair value of the contingent consideration, resulting in profits and losses from fair value changes - trading financial liabilities of: RMB 43,636,660.50.

52. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Long-term equity investment income accounted by equity method	-1,682,929.06	1,265,201.27
Investment income from disposal of long-term equity investment	-26,026.74	
Investment income obtained from financial products	2,607,570.53	1,334,460.15
Forward foreign exchange settlement and sales contract		285,803.23
Total	898,614.73	2,885,464.65

Other explanations:

53. Losses from credit impairment

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Bad debt losses on accounts receivable	-2,636,463.54	-3,861,576.89
Bad debt losses on other receivables	937,489.56	7,909.04
Bad debt losses on long-term receivables	206,604.49	
Total	-1,492,369.49	-3,853,667.85

Other explanations:

54. Losses from impairment of assets

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
I. Inventory depreciation loss and contract performance cost impairment loss	-16,022,046.32	-9,406,692.74
II. Loss from goodwill impairment	-32,535,806.82	
III. Impairment loss from contract assets	1,626.65	76,805.70
Total	-48,556,226.49	-9,329,887.04

Other explanations:

55. Gains from disposal of assets

Unit: RMB

Source of gains from disposal of assets	Amount incurred in the current period	Amount incurred in the previous period
Gain recognized on disposal of non-current assets not classified as held for sale	41,981.41	141,757.67
Including: fixed assets	3,689.21	161,769.11
Right-of-use assets	38,292.20	-20,011.44

56. Non-operating revenue

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring profits and losses
Gains from impairment and retirement of non-current assets		30,333.70	
Others	373,285.67	269,602.66	373,285.67
Total	373,285.67	299,936.36	373,285.67

Other explanations:

57. Non-operating expenditure

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period	Amount included in current non-recurring profits and losses
External donations	1,292,431.27	904,338.66	1,292,431.27
Asset retirement, damage and loss	347,337.35	328,890.25	347,337.35
Extraordinary losses	23,972.06		23,972.06
Inventory loss	109,857.07		109,857.07
Penalty expenses	152,911.39	120,359.15	152,911.39
Others	899,869.92	383,979.81	899,869.92
Total	2,826,379.06	1,737,567.87	2,826,379.06

Other explanations:

58. 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	25,161,206.72	17,559,381.01

Deferred income tax expenses	-5,629,888.12	-6,862,631.95
Total	19,531,318.60	10,696,749.06

(2) Accounting profit and income tax expense adjustment process

Unit: RMB

Item	Amount incurred in the current period
Total profits	127,362,905.90
Income tax expenses calculated based on statutory/applicable tax rates	19,104,435.88
The impact of different tax rates applicable to subsidiaries	-4,994,898.26
The impact of adjusting previous period income tax	-17,860.98
The impact of non-taxable income	-9,541,144.25
The impact of non-deductible costs, expenses, and losses	7,051,028.90
The impact of deductible losses on unrecognized deferred tax assets in the prior period of use	-2,150,168.05
The impact of deductible temporary differences or deductible losses on unrecognized deferred tax assets in the current period	20,056,569.84
The impact of additional deductions on R&D expenses	-9,972,400.88
Salary paid for the placement of disabled individuals with additional deductions	-12,836.76
The impact of tax rate changes on the beginning deferred income tax	8,593.16
Income tax expenses	19,531,318.60

Other explanations:

59. Other comprehensive income

Please refer to Note 41.

60. Cash flow statement items

(1) Cash relating to operating activities

Other cash received relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Interest income	12,702,755.89	14,539,538.96
Government subsidies	2,290,892.57	1,607,568.98
Current account	19,326,590.25	5,778,367.31
Restricted funds such as restricted bill deposit, guarantee deposit and funds in transit	27,156,551.15	53,841,815.00
Others	3,572,313.11	3,455,431.72
Total	65,049,102.97	79,222,721.97

Description of other cash received relating to operating activities:

Other cash paid relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Expense payment	96,040,929.13	90,471,076.32
Current account	56,181,914.21	46,699,693.62
Restricted funds such as restricted bill deposit, guarantee deposit and funds in transit	51,881,571.20	62,372,488.73
Others	7,069,879.35	5,149,391.76
Total	211,174,293.89	204,692,650.43

Description of other cash paid relating to operating activities:

(2) Cash relating to investing activities

Other cash received related to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Expiration of forward foreign exchange settlement		285,803.23
Total		285,803.23

Significant cash received relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Time deposit and wealth management	1,723,239,510.07	909,643,512.57
Expiration of forward foreign exchange settlement		25,167,850.00
Total	1,723,239,510.07	934,811,362.57

Description of other cash received relating to investing activities:

Other cash paid relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period

Significant cash paid relating to investing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Time deposit and wealth management	1,563,781,842.32	1,290,085,319.16
Forward foreign exchange settlement purchase	0.00	25,167,850.00
Investment amount	2,450,000.00	
Total	1,566,231,842.32	1,315,253,169.16

Description of other cash paid relating to investing activities:

(3) Cash relating to financing activities

Other cash received related to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Incentive equity subscription payment	7,798,210.52	14,757,850.00
Proceeds from discounting notes receivable received	90,670,229.78	74,552,050.16
Total	98,468,440.30	89,309,900.16

Description of other cash received relating to financing activities:

Other cash paid in connection with financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Lease liability payment amount	16,479,091.59	15,293,492.76
Repayment of discounted bill proceeds	52,249,357.16	
Others	5,186.01	
Total	68,733,634.76	15,293,492.76

Description of other cash paid relating to financing activities:

Information on changes in liabilities arising from financing activities

☑Applicable □ Not applicable

Unit: RMB

Item	Beginning Balance	Increase in the current period		Decrease in the current period		Ending Balance
		Cash changes	Non cash changes	Cash changes	Non cash changes	
Short-term borrowings	81,101,188.00	90,670,229.78	0.00	52,249,357.16	0.00	119,522,060.62
Non-current liabilities due within one year	30,859,013.86	0.00	14,207,101.78	21,524,758.74	2,654,102.41	20,887,254.49
Long-term borrowings	139,871.08	0.00	112,654.83	44,293.05	112,341.59	95,891.27
Lease liabilities	25,370,074.36	0.00	13,549,150.30	1,631,932.01	18,188,299.02	19,098,993.63
Total	137,470,147.30	90,670,229.78	27,868,906.91	75,450,340.96	20,954,743.02	159,604,200.01

(4) Description of cash flows presented as net amount

Item	Related facts	Basis for reporting net amount	Financial impact

(5) Significant activities and financial impacts that do not involve current cash inflows and outflows but affect the financial position of the enterprise or may affect the cash flow of the enterprise in the future

61. 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	107,831,587.30	111,478,500.85
Plus: provision for asset impairment	50,048,595.98	13,183,554.89
Depreciation of fixed assets, consumption of oil and gas assets and productive biological assets	24,133,397.28	19,929,071.02
Depreciation of right-of-use assets	16,217,348.35	14,799,863.10
Amortization of intangible assets	8,467,425.06	2,098,172.80
Amortization of long-term deferred expenses	1,890,578.23	1,232,527.55
Loss from disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	-41,981.41	-141,757.67
Loss on retirement of fixed assets (gains expressed with "-")	347,337.35	298,556.55
Loss from changes in fair value (gains expressed with "-")	-49,212,654.08	-7,977,831.68
Financial expenses (gains expressed with "-")	30,181,014.32	-9,383,947.15
Investment loss (gains expressed with "-")	-1,265,261.29	-1,876,543.53
Decrease of deferred tax assets (increase expressed with "-")	-1,660,522.13	-7,000,471.64
Increases of deferred tax liabilities (decrease expressed with "-")	-3,969,365.99	137,839.69
Decrease of inventory (increase expressed with "-")	-205,323,524.44	-30,924,354.73
Decreases of operational receivables (increase expressed with "-")	-19,599,817.99	6,325,505.21
Increases of operating accounts payable (decrease expressed with "-")	80,759,285.59	51,431,165.34
Others	11,688,824.95	5,573,302.96
Net cash flows from operating activities	50,492,267.08	169,183,153.56
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	9,473,425.78	19,573,007.34
3. Net change of cash and cash equivalents:		
Ending balance of cash	1,062,578,159.07	904,168,425.70
Less: beginning balance of cash	1,085,719,132.48	1,214,344,327.43
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-23,140,973.41	-310,175,901.73

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

Unit: RMB

	Amount
Including:	
Including:	
Cash or cash equivalents paid for business combinations in previous periods	38,391,065.79
Including:	
Shenzhen Longzhiyuan Technology Co., Ltd.	38,391,065.79
Net cash paid for acquiring subsidiaries	38,391,065.79

Other explanations:

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

Unit: RMB

	Amount
Including:	
Including:	
Including:	

Other explanations:

(4) Composition of cash and cash equivalents

Unit: RMB

Item	Ending Balance	Beginning Balance
I. Cash	1,062,578,159.07	1,085,719,132.48

Including: Cash on hand	982,709.60	733,770.10
Bank deposit available for payment at any time	1,056,595,782.58	1,079,578,105.11
Other monetary funds available for payment at any time	4,999,666.89	5,407,257.27
II. Ending balance of cash and cash equivalents	1,062,578,159.07	1,085,719,132.48

(5) Information on reporting assets with limited scope of use but still classified as cash and cash equivalents

Unit: RMB

Item	Amount in current period	Amount of previous period	Reasons for still being classified as cash and cash equivalents

(6) Monetary funds that do not belong to cash and cash equivalents

Unit: RMB

Item	Amount in current period	Amount of previous period	Reasons for not being classified as cash and cash equivalents
Principal of time deposits and outstanding interest receivable	130,128,869.10	67,976,233.60	Please refer to the note in Note VII 1 Monetary funds.
Bank Acceptance Bill Margin	77,396,316.22	86,849,030.32	Not available for use at any time
Funds in transit	9,826,862.82	2,465,563.17	Not actually credited to the account
Judicial freezing of funds	21,376,460.44	83,370.00	Not available for use at any time
Other restricted funds	28,125.61	26,081.66	Not available for use at any time
Total	238,756,634.19	157,400,278.75	

Other explanations:

(7) Other significant activity explanations

62. Notes to items in the statement of changes in owner's equity

Explain the names and adjusted amounts of "other" items that have been adjusted to the ending balance of the previous year:

None

63. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Ending foreign currency balance	Conversion rate	Ending equivalent RMB Balance
Monetary funds			920,319,881.31
Including: USD	116,935,233.75	6.8109	796,434,183.55
EUR	4,432,027.09	7.7671	34,423,997.61
HKD	1,990,400.92	0.8685	1,728,663.20
GBP	47,265.12	9.0145	426,071.42
MYR	2,290,861.70	1.6734	3,833,527.97
INR	14,803,355.63	0.0720	1,065,841.61
COP	146,271,082.09	0.0020	292,542.16
MXN	2,740,537.14	0.3897	1,067,987.32
PEN	27,711.11	1.9963	55,319.69
TRL	4,166,389.10	0.1458	607,459.53
ZAR	33,348,731.43	0.4144	13,819,714.30
THB	16,904,239.58	0.2042	3,451,845.72
AED	22,810,051.31	1.8511	42,223,685.98
IDR	14,712,835,227.57	0.0004	5,885,134.09
CLP	284,229,456.00	0.0074	2,103,297.97
ARS	10,498,056.82	0.0046	48,291.06
UYU	714.00	0.1697	121.17
KRW	106,788,478.00	0.0044	469,869.30
BRL	1,016,650.69	1.3165	1,338,420.63
SGD	180,041.05	5.2605	947,105.94
KES	1,766,626.66	0.0526	92,924.56
PYG	118,000.00	0.0011	129.80
NGN	61,254,311.60	0.0049	300,146.13
VND	16,769,486,591.00	0.0003	5,030,845.98
AUD	6,585.59	4.6804	30,823.20
JPY	79,411,065.00	0.0420	3,335,264.73
DZD	11,400.00	0.0511	582.54
RSD	110.00	0.0662	7.28
MAD	298,853.16	0.7257	216,877.74
EGP	108,479.39	0.1384	15,013.55
CAD	5,462.61	4.7847	26,136.95
PLN	482,224.68	1.8121	873,839.34
SAR	96,226.96	1.8104	174,209.29
Accounts receivable			637,229,412.34
Including: USD	72,912,601.66	6.8109	496,600,438.65
EUR	2,491,937.73	7.7671	19,355,129.54
HKD	449.00	0.8685	389.96
AED	21,751,868.27	1.8511	40,264,883.35
MXN	35,451,300.71	0.3897	13,815,371.89
INR	157,073,002.02	0.0720	11,309,256.15
THB	58,266,201.32	0.2042	11,897,958.31
KRW	1,418,807,117.00	0.0044	6,242,751.31
BRL	1,756,906.41	1.3165	2,312,967.29
ZAR	11,986,140.70	0.4144	4,967,056.71

JPY	135,853,931.21	0.0420	5,705,865.11
CLP	196,150,911.00	0.0074	1,451,516.74
SGD	915.60	5.2605	4,816.51
MYR	3,712,647.05	1.6734	6,212,743.57
TRL	12,989,784.51	0.1458	1,893,910.58
COP	890,299,590.51	0.0020	1,780,599.18
NGN	418,726,825.18	0.0049	2,051,761.44
IDR	18,555,021,240.00	0.0004	7,422,008.50
VND	402,068,273.00	0.0003	120,620.48
ARS	8,038,654.39	0.0046	36,977.81
PLN	1,209,678.67	1.8121	2,192,058.72
GBP	167,073.08	9.0145	1,506,080.28
EGP	32,510.52	0.1384	4,499.46
CAD	16,567.57	4.7847	79,270.85
SEK	685.35	0.7003	479.95
Other receivables			12,838,981.79
USD	734,290.59	6.8109	5,001,179.78
THB	2,705,600.00	0.2042	552,483.52
INR	15,855,310.19	0.0720	1,141,582.33
MXN	3,269,143.03	0.3897	1,273,985.04
EUR	77,754.19	7.7671	603,924.57
COP	112,383,809.88	0.0020	224,767.62
JPY	11,291,114.00	0.0420	474,226.79
BRL	347,771.13	1.3165	457,840.69
KRW	106,137,500.00	0.0044	467,005.00
AED	142,231.96	1.8511	263,285.58
CLP	43,038,395.00	0.0074	318,484.12
SGD	61,767.86	5.2605	324,929.83
PLN	26,490.52	1.8121	48,003.47
MYR	74,763.31	1.6734	125,108.92
VND	1,884,184,637.00	0.0003	565,255.39
NGN	16,178,432.94	0.0049	79,274.32
ARS	14,310,780.54	0.0046	65,829.59
ZAR	151,798.61	0.4144	62,905.34
KES	477,500.00	0.0526	25,116.50
SAR	21,403.50	1.8104	38,748.90
IDR	335,652,600.00	0.0004	134,261.04
EGP	123,056.00	0.1384	17,030.95
HK$	206,188.00	0.8685	179,074.28
PHP	180,000.00	0.1112	20,016.00
BDT	1,181,986.48	0.0554	65,482.05
XOF	24,022,959.00	0.0119	285,873.21
KZT	1,664,783.00	0.0140	23,306.96
Accounts payable			203,889,056.65
USD	22,780,033.79	6.8109	155,152,532.14
THB	6,091,115.77	0.2042	1,243,805.84
INR	5,848,472.79	0.0720	421,090.04
MXN	16,335,901.02	0.3897	6,366,100.63
EUR	104,997.80	7.7671	815,528.41
COP	19,738,848.83	0.0020	39,477.70
BRL	540,856.56	1.3165	712,037.66
AED	183,770.72	1.8511	340,177.98
CLP	44,043,471.00	0.0074	325,921.69
MAD	19,200.00	0.7257	13,933.44
MYR	24,568.75	1.6734	41,113.35
VND	125,965,407,045.77	0.0003	37,789,622.11

NGN	24,186,592.62	0.0049	118,514.30
ARS	18,869,873.23	0.0046	86,801.42
ZAR	207,993.13	0.4144	86,192.35
TRL	4,843.73	0.1458	706.22
IDR	838,753,424.07	0.0004	335,501.37
Other payables			10,375,315.73
USD	941,955.68	6.8109	6,415,565.97
THB	3,261,296.59	0.2042	665,956.76
INR	1,634,778.07	0.0720	117,704.02
MXN	314,304.66	0.3897	122,484.53
EUR	126,180.20	7.7671	980,054.23
JPY	4,056,333.00	0.0420	170,365.99
KRW	25,028,623.00	0.0044	110,125.94
CLP	18,487,364.00	0.0074	136,806.49
SGD	69,761.54	5.2605	366,980.58
MAD	62,726.66	0.7257	45,520.74
PLN	66,104.44	1.8121	119,787.86
MYR	61,336.27	1.6734	102,640.11
VND	666,692,998.00	0.0003	200,007.90
NGN	53,955,499.19	0.0049	264,381.95
ARS	11,231,553.42	0.0046	51,665.15
ZAR	9,189.99	0.4144	3,808.33
KES	86,950.01	0.0526	4,573.57
TRL	76,514.99	0.1458	11,155.89
EGP	2,103,817.11	0.1384	291,168.29
HK$	32,914.49	0.8685	28,586.23
CAD	644.10	4.7847	3,081.83
GBP	18,070.15	9.0145	162,893.37
Long-term borrowings			95,890.33
Including: USD			
EUR			
HKD			
MYR	46,634.71	1.6734	78,038.52
ZAR	43,078.69	0.4144	17,851.81

Other explanations:

(2) The nature of currency inconvertibility and its financial impact, the spot exchange rate used and its estimation process, and the risks faced by enterprises due to currency inconvertibility.

□ Applicable ☑Not applicable

(3) Description of overseas operating entities, including for important overseas operating entities, disclosure of their main overseas operating location, recording currency, and selection basis. Reasons for changes in the recording currency should also be disclosed.

☑Applicable □ Not applicable

Name	Main business place	Recording currency	Selection basis
ZKTECO CO., LIMITED	Hong Kong	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	AED	Currency used in the place of operation
ZKTECO EUROPE SL	Spain	EUR	Currency used in the place of operation
ZK TECHNOLOGY LLC	America	USD	Currency used in the place of operation
ZKTECO USA LLC	America	USD	Currency used in the place of operation
ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	India	INR	Currency used in the place of operation
ZKTECO PANAMA ,S.A.	Panama	USD	Sales and procurement are mainly priced in USD
ZKTECO LATAM, S.A DE C.V.	Mexico	MXN	Currency used in the place of operation
ZK INTELLIGENT SOLUTIONS (PTY) LTD	South Africa	ZAR	Currency used in the place of operation
NGTECO CO.,LIMITED	Hong Kong	USD	Sales and procurement are mainly priced in USD

(4) Situations where there is a lack of convertibility between recording currency for overseas operations and the currency reported by the enterprise

□ Applicable ☑Not applicable

64. Lease

(1) The Company as lessee

☑Applicable □ Not applicable

Variable lease payments not included in the measurement of lease liabilities

□ Applicable ☑Not applicable

Simplified rental fees for short-term leases or low value asset leases

☑Applicable □ Not applicable

(a) Interest expenses on lease liabilities

Item	Amount in the Current Period
Interest on lease liabilities included in financial expenses	1,319,752.33
Total	1,319,752.33

(b) Simplified rental fees for short-term leases or low value asset leases

Item	Amount in the Current Period
Short-term lease fee	2,010,125.43
Low-value asset lease fee	2,932,173.01

Total	4,942,298.44

(c) Total cash outflows related to the lease

Item	Amount in the Current Period
Cash paid for repayment of principal and interest on lease liabilities	16,479,091.59
Simplified short-term lease payments and low-value asset lease payments made	4,942,298.44
Total	21,421,390.03

Sale and leaseback transactions

None

(2) The Company as lessor

Operating lease as the lessor

☑Applicable □ Not applicable

Unit: RMB

Item	Rental income	Including: revenue related to variable lease payments not included in lease receivables
Houses and buildings	2,794,471.46	
Total	2,794,471.46	

Financing lease as the lessor

□ Applicable ☑Not applicable

Undiscounted lease receivables for each of the next five years

☑Applicable □ Not applicable

Unit: RMB

Item	Annual undiscounted lease receivables	
	Closing amount	Opening amount
1st year	5,875,877.57	4,233,691.26
2nd year	3,945,001.97	3,120,329.53
3rd year	2,786,532.77	2,945,250.85
4th year	2,786,532.77	2,794,474.94
5th year	2,786,532.77	2,786,532.72
Total undiscounted lease receivables after five years	2,786,532.77	4,179,799.08

Reconciliation table of undiscounted lease receivables and net investment in leases

(3) Gains or losses from finance lease sales recognized as a manufacturer or dealer

□ Applicable ☑Not applicable

VIII. R&D expenditures

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Employee benefits	64,318,083.50	75,869,647.82
Office allowance	348,135.28	869,093.76
Travel expense	931,716.24	1,429,082.97
Share-based payments	3,351,689.02	1,373,315.54
Software and technical service fees	6,435,408.92	9,290,419.57
Depreciation and amortization of right-of-use assets	661,844.49	894,401.61
R&D material costs	3,355,877.66	3,100,377.47
Depreciation and amortization	3,967,480.04	4,036,414.77
Others	5,451,559.29	7,204,429.70
Total	88,821,794.44	104,067,183.21
Including: Expensed R&D expenditures	88,821,794.44	104,067,183.21

IX. Changes to the scope of consolidation

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/Cancellation Date	Registered Capital	Shareholding ratio (%)	Reason for Change
1	NEXTGEN TECO INC	March 10, 2026	USD 100,000.00	100%	New establishment
2	Anonova Display Tech Co., Ltd.	May 29, 2026	THB 5,000,000.00	51%	New establishment
3	Wuhan ZKTeco Perception Technology Co., Ltd.	June 2, 2026	RMB 1,000,000.00	51%	Cancellation
4	Limited Liability Company "ZKTeco biometrics and security"	March 19, 2026	RUB 17,850,554.80	100%	Cancellation
5	ZKTECO ITALIAS.R.L.	January 8, 2026	EUR 350,000.00	75.54%	Cancellation

2. Others

None

X. Equity in other entities

1. Equity in subsidiaries

(1) Composition of the enterprise group

Unit: RMB

Name of Subsidiaries	Registered Capital	Main business place	Registration place	Nature of business	Percentage of shares		Acquisition method
					Direct	Indirect	
1. Xiamen Zkteco Biometric Identification Technology Co., Ltd.	38,500,000.00	Xiamen	Xiamen	Software development	100.00%		Acquisition
2. Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	1,000,000.00	Shenzhen	Shenzhen	Sales of goods	100.00%		Acquisition
2.1.ZK INVESTMENTS INC.	100.00[1]	America	America	Investment		100.00%	Establishment
2.1.1.ZK TECHNOLOGY LLC	[28]	America	America	Sales of goods		70.00%	Establishment
3. ZKTeco Sales Co., Ltd.	50,000,000.00	Dongguan	Dongguan	Sales of goods	100.00%		Establishment
4. Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	2,000,000.00	Hangzhou	Hangzhou	E-commerce	100.00%		Establishment
5. ZKCserv Technology Limited Co., Ltd.	1,000,000.00	Shenzhen	Shenzhen	Software development	51.00%		Establishment
6. Dalian ZKTeco Co., Ltd.	3,000,000.00	Dalian	Dalian	Software development and sales	100.00%		Establishment
7. XIAMEN ZKTECO CO., LTD.	100,000,000.00	Xiamen	Xiamen	Software development and sales	100.00%		Establishment
7.1.ZKTECO VIETNAM TECHNOLOGY COMPANY LIMITED	4,550,000,000.00[23]	Vietnam	Vietnam	Sales of goods		100.00%	Establishment
8. ZKTeco (Guangdong) Co., Ltd.	800,000,000.00	Dongguan	Dongguan	Production and sales of goods	100.00%		Establishment
9. Xi'an ZKTeco Co., Ltd.	1,060,000.00	Xi'an	Xi'an	Sales of goods	100.00%		Acquisition
10. ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	20,000,000.00	Hangzhou	Hangzhou	Software development	100.00%		Establishment
11. ZKTECO CO., LIMITED	15,000,000.00[1]	Hong Kong, China	Hong Kong, China	Sales of goods	100.00%		Establishment
11.1.ZKTECO TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI.	1,200,000.00[17]	Turkey	Turkey	Sales of goods		90.26%	Establishment
11.2.ZKTECO LATAM, S.A. DE C.V.	4,426,000.00[8]	Mexico	Mexico	Sales of goods		100.00%	Establishment
11.3.ZK SOFTWARE DE MEXICO, S.A. DE C.V.	3,748,688.00[8]	Mexico	Mexico	Sales of goods		100.00%	Establishment
11.4.ZKTECO	968,393,000.00[7]	Columbia	Columbia	Sales		100.00%	Establishment

COLOMBIA SAS				services			
11.5.ZKTECO (M) SDN. BHD.	1,000,000.00[20]	Malaysia	Malaysia	Sales of goods		51.00%	Acquisition
11.6.ZKTECO BIOMETRICS INDIA PRIVATE LIMITED	132,765,240.00[16]	India	India	R&D and sales of goods		99.15%	Establishment
11.7.ZKTECO EUROPE SL	658,600.00[2]	Spain	Spain	Sales of goods		80.12%	Acquisition
11.7.1.ZKTECO IRELAND LIMITED	60,000.00[2]	Ireland	Ireland	Sales services		80.12%	Establishment
11.7.2.ZKTeco Deutschland GmbH	100,000.00[2]	Germany	Germany	Sales of goods		80.12%	Establishment
11.7.3.ZKTECO UK LTD	1,500,000.00[3]	UK	UK	Sales of goods		80.12%	Establishment
11.7.4.ZKTeco Polska Sp. z o.o.	2,131,500.00[11]	Poland	Poland	Sales of goods		80.12%	Establishment
11.8.ZKTECO PERU SOCIEDAD ANONIMA CERRADA	1,274,336.00[22]	Peru	Peru	Sales services		100.00%	Acquisition
11.9.ZKTECO THAICO.,LTD.	10,000,000.00[5]	Thailand	Thailand	Sales of goods		99.80%	Acquisition
11.10.ZKTeco Chile SpA	146,370,000.00[9]	Chile	Chile	Sales services		100.00%	Establishment
11.10.1.SOLUCIONES INTEGRALES Y SISTEMAS SpA	60,000,000.00[9]	Chile	Chile	Sales services		100.00%	Establishment
11.11.ZKTECO SECURITY L.L.C	300,000.00[14]	Dubai	Dubai	Sales of goods		100.00%	Acquisition
11.12.ZKTECO ARGENTINA S.A.	4,000,000.00[26]	Argentina	Argentina	Sales of goods		98.00%	Acquisition
11.13.ZKTECO Investment Inc.	100,000.00[1]	America	America	Investment		100.00%	Establishment
11.13.1.ZKTECO USA LLC	[28]	America	America	Sales of goods		80.00%	Establishment
11.13.2.ARMATURA LLC	[28]	America	America	Sales of goods		100.00%	Establishment
11.13.3.RALVIE AI INC.	10,000.00[1]	Canada	Canada	R&D and sales of goods		100.00%	Establishment
11.13.4.NEXTGEN TECO INC	100,000.00[1]	America	America	Sales of goods		100.00%	Establishment
11.14. PT. ZKTECO BIOMETRICS INDONESIA	2,657,200,000.00[6]	Indonesia	Indonesia	Sales of goods		95.00%	Establishment
11.15. ZK INVESTIMENTOS DO BRASIL LTDA.	611,440.00[10]	Brazil	Brazil	Investment		99.68%	Acquisition
11.15.1 ZKTECO DO BRASIL S.A.	1,085,403.06[10]	Brazil	Brazil	Sales of goods		74.76%	Acquisition
11.16.NGTECO CO.,LIMITED	10,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		100.00%	Establishment
11.17. ZKTECO BIOMETRIC LIMITED	100,000,000.00[15]	Nigeria	Nigeria	Sales of goods		60.00%	Establishment
11.18. ZKTECO PANAMA, S.A.	360,000.00[1]	Panama	Panama	Sales of goods		99.86%	Establishment
11.19. ZK INTELLIGENT SOLUTIONS (PTY) LTD	[28]	South Africa	South Africa	Sales of goods		100.00%	Establishment

11.20. ZKTECO BIOMETRICS KENYA LIMITED	10,910,000.00[12]	Kenya	Kenya	Sales services		100.00%	Establishment
11.21 ZKTECO BUSINESS SOLUTIONS COMPANY	1,000,000.00[19]	Saudi Arabia	Saudi Arabia	Sales services		100.00%	Establishment
11.22 NUR ALTTKNWLWJIA COMPANY	5,625,000.00[19]	Saudi Arabia	Saudi Arabia	Production and sales of goods		60.00%	Establishment
11.23 Armatura Co.,Ltd.	118,960,000.00[24]	Korea	Korea	Sales of goods		90.00%	Acquisition
11.24 ZKTeco Japan Co.,Ltd.	100,000,000.00[25]	Japan	Japan	Sales of goods		100.00%	Establishment
12. Hubei ZKTeco Co., Ltd.	10,000,000.00	Wuhan	Wuhan	Sales of goods	100.00%		Establishment
13. ZKTECO SG INVESTMENT PTE. LTD.	1,000,000.00[1]	Singapore	Singapore	Investment	100.00%		Establishment
13.1. ZKTECO SINGAPORE PTE. LTD.	500,000.00[27]	Singapore	Singapore	Sales of goods		100.00%	Establishment
13.2. ARMATURA TECH CO.,LTD.	602,983,200.00[5]	Thailand	Thailand	Production and sales of goods		99.99%	Acquisition
13.2.1 Anonova Display Tech Co., Ltd.	5,000,000.00[5]	Thailand	Thailand	Production and sales of goods		51.00%	Establishment
13.3. ZKDIGIMAX PTE. LTD.	20,000,000.00[1]	Singapore	Singapore	Sales of goods		80.00%	Establishment
13.3.1. ZKDIGIMAX PANAMA, S.A.	10,000.00[1]	Panama	Panama	Sales of goods		80.00%	Establishment
13.3.2. ZKDIGIMAX COLOMBIA SAS	10,000,000.00[7]	Columbia	Columbia	Sales of goods		80.00%	Establishment
13.3.3.ZKDIGIMAX(PTY) LTD	[28]	South Africa	South Africa	Sales of goods		80.00%	Establishment
13.3.4. PT. ZKDIGIMAX EXCEL NOBLE	10,010,000,000.00[6]	Indonesia	Indonesia	Sales of goods		56.00%	Establishment
13.3.5 ZKTeco Yunlian (Xiamen) Technology Co., Ltd.	300,000.00[1]	Xiamen	Xiamen	Sales of goods		80.00%	Establishment
13.3.6. ZK TECHNOLOGY MOROCCO	1,515,000.00[13]	Morocco	Morocco	Sales services		100.00%	Establishment
13.3.7 ZKTECO EGYPT LLC	120,000.00[1]	Egypt	Egypt	Sales services		100.00%	Establishment
14. Shenzhen Longzhiyuan Technology Co., Ltd.	30,231,030.00	Shenzhen	Shenzhen	Production and sales of goods	55.00%		Acquisition
14.1 Shenzhen Wojiaobao Intelligent Technology Co., Ltd.	1,000,000.00	Shenzhen	Shenzhen	Sales of goods		55.00%	Acquisition
14.2 Wohome Technology Co., Ltd.	1,000,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		55.00%	Acquisition
14.2.1 Technos Technology Co., Ltd.	10,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		55.00%	Acquisition
14.2.2 Haosong Technology Co., Ltd.	10,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		55.00%	Acquisition
14.2.3 Haofan Technology Co., Ltd.	10,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		55.00%	Acquisition

14.2.3.1RICHFULL COMPANY LIMITED	500,000.00[1]	Vietnam	Vietnam	Production and sales of goods		55.00%	Acquisition
14.2.4 OPTICSLIFE INC	1,000.00[1]	America	America	Sales of goods		55.00%	Acquisition
14.2.5 Wotong Technology Co., Ltd.	10,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		55.00%	Acquisition
14.2.6 LONGZY PET.LTD	100,000.00[1]	Singapore	Singapore	Investment		55.00%	Acquisition
14.2.7 Woze Technology Co., Ltd.	10,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		55.00%	Acquisition
14.2.7.1 Tonghao Technology Co., Ltd.	10,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		55.00%	Acquisition
14.2.7.2 Zechen Technology Co., Ltd.	10,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		55.00%	Acquisition
14.2.7.3 Shanxing Technology Co., Ltd.	10,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		55.00%	Acquisition
14.2.7.4 Teyu Technology Co., Ltd.	10,000.00[4]	Hong Kong, China	Hong Kong, China	Sales of goods		55.00%	Acquisition

Notes:

1 USD
2 EUR
3 GBP
4 HKD
5 THB
6 IDR
7 COP
8 MXN
9 CLP
10 BRL
11 PLN
12 KES
13 MAD
14 AED
15 NGN
16 Rs
17 TRL
18 RUB
19 SAR
20 MYR
22 PEN
23 VND
24 KRW
25 JPY
26 ARS
27 SGD
28 N/A

Explanation of the fact that shareholding percentage is different from the proportion of voting rights in the subsidiaries:

Not applicable

Basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee:

Not applicable

For important structured entities included in the consolidation scope, the basis for control is:

Not applicable

Basis for determining whether the Company is an agent or principal:

Not applicable

Other explanations:

Not applicable

(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 interests
ZK TECHNOLOGY LLC	30.00%	22,218,503.99	8,285,160.00	24,378,835.87
Shenzhen Longzhiyuan Technology Co., Ltd.	45.00%	8,698,630.93	0.00	157,742,863.22

Explanation of the fact that shareholding percentage is different from the proportion of voting rights for minority shareholders in the subsidiaries:

Other explanations:

(3) Main financial information of important partly-owned subsidiaries

Unit: RMB

Name of Subsidiaries	Ending Balance						Beginning Balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
ZK TECHNOLOGY LLC	121,451,192.50	2,678,177.87	124,129,370.37	40,422,309.61	1,545,851.17	41,968,160.78	89,942,491.04	3,452,252.48	93,394,743.52	53,990,104.25	1,896,837.80	55,886,942.05
Shenzhen Longzhiyuan Technology Co., Ltd. and its subsidiaries	396,263,226.81	187,296,510.43	583,559,737.24	203,533,566.47	27,416,702.31	230,950,268.78	290,817,153.30	194,978,224.91	485,795,378.21	124,981,030.75	29,604,942.38	154,585,973.13

Unit: RMB

Name of	Amount incurred in the current period	Amount incurred in the previous period

Subsidiaries	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
ZK TECHNOLOGY LLC	109,202,514.23	74,061,680.09	72,270,608.13	73,550,948.65	104,110,346.53	62,899,983.41	62,687,863.49	63,050,126.83
Shenzhen Longzhiyuan Technology Co., Ltd. and its subsidiaries	144,825,225.94	19,330,290.96	19,007,975.46	739,088.81				

Other explanations:

(4) Significant restrictions on the use of enterprise group assets and the repayment of enterprise group debts

(5) Financial or other support provided to structured entities included in the scope of consolidated financial statements

Other explanations:

2. Transactions resulting in change of owners' equity in subsidiaries and the subsidiaries still being under control

(1) Change of owners' equity in subsidiaries

(2) Effect of transactions on minority interests and owners' equity attributable to the parent company

Unit: RMB

Acquisition cost/disposal consideration	
--Cash	
-- Fair value of non-cash assets	
Total cost/disposal consideration	
Less: Net assets of the subsidiaries calculated based on the proportion of assets acquired/disposed	
Difference	
Including: Adjustment to the capital reserves	
Adjustment to surplus reserve	

Adjustment to undistributed profit	

Other explanations:

3. Equity in joint ventures 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	

Explanation of the fact that shareholding percentage is different from the proportion of voting rights in the joint ventures or associates:

Basis for holding less than 20% of voting rights but having significant impact, or holding 20% or more of voting rights but not having significant impact:

(2) Main financial information of important joint ventures

Unit: RMB

	Ending balance/current amount incurred	Beginning balance/amount incurred in the previous period
Current assets		
Including: Cash and cash equivalents		
Non-current assets		
Total assets		
Current liabilities		
Non-current liabilities		
Total liabilities		
Minority interests		
Shareholders' equity attributable to the parent company		
Net asset share calculated based on shareholding ratio		
Adjustment matters		
--Goodwill		
--Unrealized profits from internal transactions		
--Others		
Book value of equity investment in joint		

ventures		
Fair value of equity investment in joint ventures with public offer		
Operating revenue		
Financial expenses		
Income tax expense		
Net profit		
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income		
Dividends received from joint ventures of current year		

Other explanations:

(3) Main financial information of important associates

Unit: RMB

	Ending balance/current amount incurred	Beginning balance/amount incurred in the previous period
Current assets		
Non-current assets		
Total assets		
Current liabilities		
Non-current liabilities		
Total liabilities		
Minority interests		
Shareholders' equity attributable to the parent company		
Net asset share calculated based on shareholding ratio		
Adjustment matters		
--Goodwill		
--Unrealized profits from internal transactions		
--Others		
Book value of equity investment in associates		
Fair value of equity investments in associates with public offers		
Operating revenue		
Net profit		

Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income		
Dividends received from associates this year		

Other explanations:

(4) Summary financial information of unimportant joint ventures and associated enterprises

Unit: RMB

	Ending balance/current amount incurred	Beginning balance/amount incurred in the previous period
Joint venture:		
The total number of the following items calculated based on shareholding ratio		
Associates:		
Total investment book value	26,204,251.39	25,112,854.58
The total number of the following items calculated based on shareholding ratio		
-- Net profit	-1,366,365.95	-389,620.58
-- Other comprehensive income	-63,836.76	33,632.60
--Total comprehensive incomes	-1,430,202.71	-355,987.98

Other explanations:

(5) Description of significant limitations on the ability of joint ventures or associates to transfer funds to the Company

(6) Excess losses incurred by joint ventures or associates

Unit: RMB

Name of joint venture or associate	Accumulated unrecognized losses accumulated in the previous period	Unrecognized losses in the current period (or net profit shared in the current period)	Accumulated unrecognized losses at the end of this period
ZKTECO SOLUTIONS INC.	-1,977,900.21	-569,808.67	-2,547,708.88
PT. ZKTECO SECURITY INDONESIA	-583,193.24	-99,321.29	-682,514.53

Other explanations:

(7) Unrecognized commitments related to joint venture investments

(8) Contingent liabilities related to investments in joint ventures or associates

4. Important joint operations

Name of Joint Operation	Main business place	Registration place	Nature of business	Shareholding Ratio / Shares Held	
				Direct	Indirect

Description of why the shareholding ratio or number of shares held in the joint operation is different from the proportion of voting rights:

Basis for classifying a joint operation as such, when the joint operation is a separate entity:

Other explanations:

5. Equity in structured entities not included in the scope of consolidated financial statements

Description of structured entities not included in the scope of consolidated financial statements:

6. Others

XI. Government Subsidies

1. Government subsidies recognized by accounts receivable at the end of the reporting period

□ Applicable ☑Not applicable

Reasons for not receiving the expected amount of government subsidies at the expected time point

□ Applicable ☑Not applicable

2. Liability items involving government subsidies

☑Applicable □ Not applicable

Unit: RMB

Accounting Subject	Beginning Balance	Newly added subsidy	Amount included in	Amount of other income	Other changes in	Ending Balance	Assets/Income-related

		amount in current period	non-operating revenue for the current period	transferred in the current period	the current period		
Deferred income	1,364,769.40	871,100.00	0.00	45,079.95	0.00	2,190,789.45	Assets-related

3. Government subsidies included in current profits and losses

☑Applicable □ Not applicable

Unit: RMB

Accounting Subject	Amount incurred in the current period	Amount incurred in the previous period
Other income	1,464,872.55	1,640,887.62

Other explanations:

XII. Risks Related to Financial Instruments

1. Various risks arising from financial instruments

(I) Various risks arising from financial instruments

The Company faces various risks related to financial instruments during its operation, mainly including credit risk, market risk, and liquidity risk. The Company's main financial instruments include cash and cash equivalents, equity investments, debt investments, borrowings, accounts receivable, accounts payable, etc. For detailed information on each type of financial instrument, please refer to the relevant items in Note VII. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are as follows:

The Board of Directors is responsible for planning and establishing the Company's risk management framework, specifying the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by the Company. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates changes in the market environment and the Company's operating activities to decide whether to update the risk management policies and systems. The risk management of the Company is carried out in accordance with the policies approved by the Board of Directors. Our internal audit department conducts regular audits on risk management controls and procedures, and reports the audit results to the Company's Audit Committee.

The Company diversifies its exposure to financial instruments through an appropriately diversified portfolio of investments and businesses, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

1. Market risk

Market risk associated with financial instruments refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market prices, and it includes foreign exchange rate risk, interest rate risk and other price risks.

(1) Exchange rate risk

Exchange rate risk refers to the risk that fair value or future cash flows of financial instruments fluctuates due to variations in foreign exchange rate. The main business of the Company is operated within the territory of China, which is settled in RMB. However, there are still foreign exchange risks in the foreign currency assets and liabilities recognized and future foreign currency transactions of the Company (the valuation currency for foreign currency assets and liabilities, as well as foreign currency transactions, is mainly USD). The relevant foreign currency assets and liabilities include: monetary funds denominated in foreign currencies, accounts receivable, other receivables, accounts payable, other payables, non-current liabilities due within one year, and long-term borrowings. The amounts of foreign currency financial assets and foreign currency financial liabilities converted into RMB are presented in Note VII (63) "Foreign currency monetary items".

The Company closely monitors the impact of exchange rate fluctuations on our exchange rate risk. The Company has not taken any measures to hedge against exchange rate risks at present. However, the management is responsible for monitoring such risks and will consider hedging significant exchange rate risks when necessary. At the end of this period, the foreign exchange risks faced by the Company mainly arise from financial assets and financial liabilities denominated in foreign currencies. The amounts of foreign currency financial assets and foreign currency financial liabilities converted into RMB are presented in Note VII (63) "Foreign currency monetary items".

(2) Interest rate risk

Interest rate risk refers to the risk of fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rates. The risk of changes in market interest rates faced by the Company is mainly related to the borrowings of the Company that are interest-bearing at floating rates. The interest rate risk of the Company mainly arises from long-term bank borrowings and other long-term interest-bearing debts. Floating-rate financial liabilities expose the Company to cash flow interest rate risk while fixed-rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed-rate and floating-rate contracts based on the prevailing market conditions at that time, and maintains an appropriate mix of fixed- and floating-rate instruments through regular review and monitoring.

The Finance Department of the Company continuously monitors the Company's interest rate level. The increases in interest rate will increase the costs of the new interest-bearing debts and the interest expenses of interest-bearing debts failing to be paid up by the Company and subject to the interest calculation at floating interest rate, and will, significantly and adversely, affect the Company's financial results; the management will make an adjustment according to the latest market conditions to reduce the interest rate risks.

(3) Other price risks

The Company does not hold equity investments in other listed companies and is not exposed to other price risks.

2. Credit risk

Credit risk refers to the risk of financial loss to the Company caused by the counterparty's failure to perform its contractual obligations. Credit risk of the Company mainly arises from bank deposits and accounts receivable.

The Company has adopted a policy of only trading with reputable counterparties. In addition, the Company evaluates the credit qualifications of customers based on their financial position, the possibility of obtaining guarantees from third parties, credit records, and other factors such as current market conditions, and sets corresponding credit periods. The Company continuously monitors the notes receivable, accounts receivable balance, and collection. For customers with poor credit records, the Company will use written reminders, shorten or cancel credit periods, etc. to ensure that the Company does not face significant credit losses. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure that sufficient provisions for expected credit losses have been made for the relevant financial assets.

The credit risk of other financial assets of the Company, including monetary funds, other receivables, debt investments, etc., arises from counterparty defaults, and the maximum credit risk exposure is the book value of each financial asset on the balance sheet. The Company has not provided any other guarantee that may expose the Company to credit risk.

The monetary funds held by the Company are mainly deposited in state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have a high reputation and good asset status, there is no significant credit risk, and there will be no significant losses caused by the default of the counterparty. The Company's policy is to control the amount of deposits held in deposits based on the market reputation, business scale, and financial background of well-known financial institutions, in order to limit the credit risk amount to any individual financial institution.

As part of the Company's credit risk asset management, the Company uses aging to assess impairment losses on accounts receivable and other receivables. The Company's accounts receivable and other receivables involve a large number of customers, and the aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. The Company calculates the historical actual bad debt rate for different aging periods based on historical data, and takes into account current and future economic forecasts, such as forward-looking information like national GDP growth rate, total infrastructure investment, and national monetary policy, to adjust the expected loss rate. For long-term receivables, the Company takes into account the settlement period, payment period stipulated in the contract, the financial position of the debtor, and the economic situation of the debtor's industry, and adjusts the expected credit loss based on the forward-looking information mentioned above.

The Company's maximum credit risk exposure is the book value of each financial asset in the balance sheet.

For the bank financial products invested by the Company, the counterparty must have a credit rating higher than or equal to that of the Company. Given the good credit rating of the counterparty, the Company's management does not anticipate that the counterparty will be unable to fulfill its obligations.

3. Liquidity risk

The liquidity risk refers to the risk of capital shortage of an enterprise taking place in the course of cash payment or settlement via other financial assets. The policy of the Company is to ensure that there is sufficient cash for the payment of the matured debts. Each member enterprise of the Company is responsible for its cash flow forecast. The Finance Department under the Company continuously monitors the Company's short-term and long-term funding needs at the company level based on the cash flow forecast results of each member enterprise, to ensure the maintenance of sufficient cash reserves; simultaneously, the Finance Department continuously monitors whether it complies with the provisions of the loan agreement and obtain commitments from major financial institutions to provide sufficient reserve funds to meet short-term and long-term funding needs. In addition, the Company has entered into financing and credit agreements with major correspondent banks to provide support for the Company's obligations related to commercial bills.

The financial liabilities and off-balance sheet guarantee items held by the Company are analyzed by the maturity of the remaining undiscounted contractual cash flows as follows (in RMB):

Item	Ending balance			
	Within 1 year	1-5 years	Over 5 years	Total
Short-term borrowings	119,522,060.62			119,522,060.62
Trading financial liabilities	126,147,273.71			126,147,273.71
Notes payable	366,761,718.28	-	-	366,761,718.28
Accounts payable	377,917,627.87	-	-	377,917,627.87
Other payables	63,140,018.94	-	-	63,140,018.94
Non-current liabilities due within one year	20,887,254.49	-	-	20,887,254.49

Other current liabilities	7,861,654.75	-	-	7,861,654.75
Lease liabilities	-	24,335,065.44	-	24,335,065.44
Long-term borrowings	-	95,891.27	-	95,891.27
Total	1,082,237,608.66	24,430,956.71	-	1,106,668,565.37

Continued:

Item	Opening balance			
	Within 1 year	1-5 years	Over 5 years	Total
Short-term borrowings	81,101,188.00			81,101,188.00
Trading financial liabilities	208,175,000.00			208,175,000.00
Notes payable	239,870,823.79	-	-	239,870,823.79
Accounts payable	404,450,021.92	-	-	404,450,021.92
Other payables	71,479,362.71	-	-	71,479,362.71
Non-current liabilities due within one year	30,859,013.86	-	-	30,859,013.86
Other current liabilities	16,652,193.31	-	-	16,652,193.31
Lease liabilities	-	31,558,569.19	-	31,558,569.19
Long-term borrowings	-	139,871.08	-	139,871.08
Total	1,052,587,603.59	31,698,440.27	-	1,084,286,043.86

4. Capital management

The objective of the Company's capital management policy is to ensure the Company's sustainable operation, thereby providing returns to shareholders and benefiting other stakeholders, while maintaining an optimal capital structure to minimize the cost of capital. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors the capital structure based on the asset liability ratio (that is, total liabilities divided by total assets). As of June 30, 2026, the Company's asset liability ratio was 26.66% (December 31, 2025: 26.61%).

XIII. Disclosure of Fair Value

1. Ending fair value of assets and liabilities measured at fair value

Unit: RMB

Item	Fair value at the end of the period			
	First level fair value measurement	Second level fair value measurement	Third level fair value measurement	Total
I. Continuous fair value measurement	--	--	--	--
(I) Trading financial assets		612,775,635.56		612,775,635.56

(II) Financial liabilities measured at fair value and whose changes are included in current profits and losses			126,147,273.71	126,147,273.71
Total liabilities continuously measured at fair value			126,147,273.71	126,147,273.71
II. Discontinuous fair value measurement	--	--	--	--

2. Qualitative and quantitative information on valuation techniques and important parameters used for continuous and non-continuous second level fair value measurement items

The Company divides its bank financial products into financial assets measured at fair value and whose changes are included in the current profits and losses, and subsequently measures them at fair value. At the end of the period, the expected income is calculated based on the expected return rate of the bank financial products, and it is used as the fair value with the principal at the end of the period.

3. Qualitative and quantitative information on valuation techniques and important parameters used for continuous and non-continuous third level fair value measurement items

For contingent consideration arising from business merger not under common control within trading financial liabilities, the Company continuously monitors the operating and financial conditions of the investee company. Its fair value is calculated and determined based on the actual completion of performance commitments or the estimated completion of performance commitments, taking into account relevant estimated risk factors, in accordance with the terms of the Equity Transfer Agreement.

XIV. Related Parties and Related-Party Transactions

1. Information of the parent company of the enterprise

Name of the parent company	Registration place	Nature of business	Registered Capital	Share proportion held by parent company in the enterprise	Proportion of voting rights of the parent company to the Company
Shenzhen ZKTeco Times Investment Co., Ltd.	Shenzhen	Investment	RMB 9 million	29.83%	29.83%

Explanation of the parent company of the enterprise

The situation of the Company's subsidiaries is detailed in Note X (1) Equity in subsidiaries.

The ultimate controller of this enterprise is Che Quanhong.

Other explanations:

None

2. Subsidiaries of the enterprise

The situation of the Company's subsidiaries is detailed in Note X (1) Equity in subsidiaries.

3. Information of joint ventures and associates of the enterprise

Important joint ventures or associates of the Company are detailed in the notes.

Related party transactions with the Company occurred in the current period, the information of other joint ventures or associates that have formed balances through related party transactions with the Company in the early stage is as follows:

Name of joint venture or associate	Relationship with the enterprise
ZKTECO SMART CITY (THAILAND) CO., LTD.	Associates
PT. ZKTECO SECURITY INDONESIA	Associates
ZKTECO SOLUTIONS INC.	Associates
CV Squared, Inc.	Associates
Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership)	Associates
NeuroSky ZKTeco Brainscape Technology (Shenzhen) Co., Ltd.	Associates

Other explanations:

None

4. Conditions of other affiliated parties

Names of other related parties	Relationship between other related parties and the enterprise
Sibolan (Xiamen) Life Science and Technology Co., Ltd.	A company controlled by the actual controller
Dongguan LX Investment Partnership Enterprise (Limited Partnership)	Holding a 5.04% stake in the Company.
Che Quanhong	Chairman
Che Quanzhong	Younger brother of Chairman Che Quanhong
Huludao Jinjun IoT Smart Technology Co., Ltd.	Lei Shuai, the brother-in-law of director Fu Zhiqian, holds 100% of the shares and serves as the legal representative, executive director, and manager.
Shenzhen Huijiang Industrial Group Co., Ltd.	A shareholder holding 49.00% equity in subsidiary Shenzhen Zhongjiang Intelligent Technology Co., Ltd.
Shenzhen Zhongjiang Intelligent Technology Co., Ltd.	Subsidiaries in the process of compulsory liquidation
Yang Xianfeng	Former Supervisor
He Yanting	Spouse of former supervisor Wang Huineng
Mu Wenting	Deputy General Manager

Other explanations:

None

5. Related-party transactions

(1) Related-party transactions for purchasing and selling goods, providing and receiving labor services

Table of Purchasing Goods/Accepting Labor Services

Unit: RMB

Related party	Content of related-	Amount incurred	Approved	Does it exceed the	Amount incurred

	party transaction	in the current period	transaction limit	transaction limit	in the previous period
ZKTECO SMART CITY (THAILAND) CO., LTD.	Purchasing goods	7,406.30	0.00	Yes	24,752.62
PT. ZKTECO SECURITY INDONESIA	Marketing expenses	75,215.22	0.00	Yes	124,235.43
NeuroSky ZKTeco Brainscape Technology (Shenzhen) Co., Ltd.	Purchasing goods	297,029.70	0.00	Yes	0.00

Selling goods/rendering labor service

Unit: RMB

Related party	Content of related-party transaction	Amount incurred in the current period	Amount incurred in the previous period
PT. ZKTECO SECURITY INDONESIA	Selling goods	1,559,048.80	1,176,633.58
ZKTECO SMART CITY(THAILAND) CO., LTD.	Selling goods	127,530.10	906,213.51
ZKTECO SOLUTIONS INC.	Selling goods	4,362,836.91	3,657,871.22
Huludao Jinjun IoT Smart Technology Co., Ltd.	Selling goods	495,294.00	0.00

Description of related-party transactions for purchasing and selling goods, providing and receiving labor services

Note: The expected daily related-party transaction limit of the Company is the maximum amount that both parties may sign a contract, and the actual amount incurred is determined based on the business development of both parties, resulting in a certain difference between the actual amount incurred and the expected amount. The difference in amount is relatively small and does not meet the criteria for review by the Board of Directors. The daily related-party transactions of the Company in 2026 were based on the normal production and operation needs of the Company. The related-party transactions comply with the principles of fairness, openness, and impartiality, and there is a certain difference between the actual amount incurred and the expected amount. This is mainly due to the Company's appropriate adjustments based on business conditions, and there is no situation that damages the Company and shareholders' rights and interests, which will not affect the independence of the Company.

(2) Related 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	127,484.13	94,118.54
Sibolan (Xiamen) Life Science and Technology Co., Ltd.	Houses and buildings	11,009.16	11,009.16
Dongguan LX Investment	Houses and buildings	5,963.32	2,293.60

Partnership Enterprise (Limited Partnership)			

The Company as lessee:

Unit: RMB

Name of lessor	Types of leased assets	Simplified rental fees for short-term leases and low value asset leases (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expense on lease liabilities assumed		Increased right-of-use assets	
		Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period	Amount incurred in the current period	Amount incurred in the previous period
Che Quanhong	Houses and buildings	0.00	361,933.99	0.00	0.00	466,880.40	542,901.00	27,281.42	0.00	1,782,710.75	0.00
Che Quanzhong	Houses and buildings	15,000.00	15,000.00	0.00	0.00	30,000.00	30,000.00	0.00	0.00	0.00	0.00

Information of related leasing situation

(3) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Remuneration of key management personnel	2,990,213.57	3,345,620.95

6. Accounts receivable and payable to related parties

(1) Accounts receivable

Unit: RMB

Item	Related party	Ending Balance		Beginning Balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Accounts receivable	PT. ZKTECO SECURITY INDONESIA	5,037,361.53	354,928.21	4,949,677.22	332,509.39
Accounts receivable	ZKTECO SMART CITY(THAILAND) CO., LTD.	62,935.33	3,146.80	401,550.32	27,013.85
Accounts receivable	ZKTECO SOLUTIONS INC.	20,621,883.09	4,479,689.09	24,632,726.74	1,545,892.86
Other receivables	Sibolan (Xiamen) Life Science and Technology Co., Ltd.	14,000.00	0.00	2,000.00	0.00
Other receivables	Che Quanhong	60,322.00	0.00	510,322.00	0.00
Other receivables	He Yanting	51,078.05	0.00	0.00	0.00
Prepayments	Che Quanzhong	15,000.00	0.00	0.00	0.00

(2) Accounts payable

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Accounts payable	ZKTECO SMART CITY(THAILAND) CO., LTD.	277.11	297.62
Accounts payable	NeuroSky ZKTeco Brainscape Technology (Shenzhen) Co., Ltd.	297,029.70	0.00
Other payables	PT. ZKTECO SECURITY INDONESIA	18,879.81	0.00
Other payables	Yang Xianfeng	0.00	1,048.71
Other payables	Dongguan LX Investment Partnership Enterprise (Limited Partnership)	0.00	500.00
Other payables	Che Quanhong	0.00	142,245.06
Other payables	ZKTECO SMART CITY(THAILAND)., LTD.	0.00	143,781.30
Other payables	Mu Wenting	2,736.14	
Contract liabilities	Huludao Jinjun IoT Smart Technology Co., Ltd.	73,075.00	0.00

7. Commitments of related parties

None

8. Others

None

XV. Share-based Payment

1. Overall information of share-based payment

☑Applicable □ Not applicable

Unit: RMB

Grant object category	Current grant		Current exercise		Unlocked in current period		Expired in current period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
ZKTeco equity incentives: Directors, senior management, middle management, and core employees of the company (including branches and			733,604.00	9,058,997.42	400,968.00	3,485,080.20	106,881.00	1,372,074.26

subsidiaries)								
Longzhiyuan equity incentives: Directors, senior management, and core employees of Longzhiyuan			216,880.00	2,728,492.38			575,582.00	7,053,867.97
Total			950,484.00	11,787,489.80	400,968.00	3,485,080.20	682,463.00	8,425,942.23

Outstanding stock options or other equity instruments at the end of the period

☑Applicable □ Not applicable

Grant object category	Outstanding stock options at the period end		Outstanding other equity instruments at the period end	
	Range of exercise price	Remaining term of the contract	Range of exercise price	Remaining term of the contract
Directors, senior management, middle management, and core employees of the Company (including its branches and subsidiaries)	The exercise price for both the restricted shares granted by the Company and the employee stock ownership plan was RMB 13.25/share.	The remaining unlocking period for the Company's outstanding 2025 restricted share contract is March 28, 2025 - March 27, 2028. The remaining unlocking period of the Company's employee stock ownership plan will vest in three tranches, with vesting dates on May 22, 2026, May 22, 2027, and May 22, 2028, respectively.		

Other explanations:

1. 2025 Restricted Share Incentive Plan

On January 23, 2025, the Company held the 15th Session of the Third Board Meeting and the 14th Session of the Third Supervisory Board Meeting. On February 11, 2025, the Company held the First Extraordinary General Meeting of 2025, deliberated and approved the "Proposal on the Company's Restricted Share Incentive Plan 2025 (Draft) and Its Abstract", the "Proposal on the Company's Restricted Share Incentive Plan Implementation Assessment Management Measures 2025", and the "Proposal on Submitting to the Company's General Meetings to Authorize the Board of Directors to Handle Matters Related to Equity Incentive". On March 28, 2025, the Company held the 16th Session of the Third Board Meeting and the 15th Session of the Third Supervisory Board Meeting, deliberated and approved the "Proposal on Adjusting the List of Incentive Objects of Restricted Share Incentive Plan in 2025 and the Number of Granted Objects" and the "Proposal on Granting Restricted Shares to the Incentive Objects of 2025 Restricted Share Incentive Plan". The Board of Supervisors verified the list of incentive objects for this grant of restricted shares and issued verification opinions.

2. 2025 Employee Stock Ownership Plan

On January 23, 2025, the Company held the 15th Session of the Third Board Meeting and the 14th Session of the Third Supervisory Board Meeting. On February 11, 2025, the Company held the First Extraordinary General Meeting of 2025, deliberated and approved the "Proposal on the Company's 2025 Employee Stock Ownership Plan (Draft) and Its Abstract", the "Proposal on the Company's 2025 Employee Stock Ownership Plan Management Measures", and the "Proposal on Submitting the Company's General Meetings to Authorize the Board of Directors to Handle Matters Related to the 2025 Employee Stock Ownership Plan", and agreed to implement the 2025 Employee Stock Ownership Plan. The Board of Supervisors verified matters related to the Company's 2025 Employee Stock Ownership Plan and issued verification opinions. The 1,113,800 shares of company stock held in the Company's dedicated securities account for share repurchases were transferred by way of non-trading transfer to the Company's 2025 employee stock ownership plan securities account on May 22, 2025.

3. Equity incentive implemented by Longzhiyuan, a subsidiary of the Company

An employee stock ownership platform, consisting of directors, senior management, and core employees of Longzhiyuan, made capital contributions to Longzhiyuan, which constituted share-based payment, with a total of 3,639,560 shares granted.

2. Equity settled share-based payments

☑Applicable □ Not applicable

Unit: RMB

Method for determining the fair value of equity instruments on the grant date	For the Company's employee stock ownership plan, the fair value is determined by the closing price of the Company's shares on the grant date. For restricted shares, the fair value of stock options is calculated using the Black-Scholes model (B-S model).
Important parameters of the fair value of equity instruments on the grant date	None
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	30,440,833.62
The total amount of expenses recognized for equity settled share-based payments in this period	11,688,824.95

Other explanations:

3. Cash settled share-based payments

□ Applicable ☑Not applicable

4. Share-based payment fees in the current period

☑Applicable □ Not applicable

Unit: RMB

Grant object category	Equity settled share-based payment fees	Cash settled share-based payment fees
ZKTeco equity incentives: Directors, senior management, middle management, and core employees of the	9,296,737.02	

company (including branches and subsidiaries)		
Longzhiyuan equity incentives: Directors, senior management, and core employees of Longzhiyuan	2,392,087.93	
Total	11,688,824.95	

Other explanations:

5. Modification and termination of share-based payment

None

6. Others

None

XVI. Commitments and Contingencies

1. Significant commitments

Significant commitments on the balance sheet date

None

2. Contingencies

(1) Significant contingencies on the balance sheet date

None

(2) The Company shall also provide a description if there are no important contingencies that need to be disclosed

There are no significant contingencies that need to be disclosed by the Company.

3. Others

None

XVII. Events after the Balance Sheet Date

1. Important non adjustment matters

Unit: RMB

Item	Content	Number of impacts on financial position and	The reason for the inability to estimate the number of

		operating results	impacts

2. Profit distribution

3. Sales return

None

4. Description of other events after the balance sheet date

None

XVIII. Other Important Events

1. Other important transactions and matters that have an impact on investors' decisions

None

2. Others

None

XIX. Notes to Main Items in the Financial Statements of the Parent Company

1. Accounts receivable

(1) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	249,919,599.84	340,765,550.28
1-2 years	60,299,927.92	66,578,618.90
2-3 years	33,503,190.79	18,453,746.80
Over 3 years	30,294,207.35	19,031,140.84
3-4 years	13,413,912.67	16,967,115.14
4-5 years	12,722,674.31	1,763,673.68
Over 5 years	4,157,620.37	300,352.02
Total	374,016,925.90	444,829,056.82

(2) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance			Beginning Balance		
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value

	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Accounts receivable with bad debt reserve made individually	12,850,504.39	3.44%	9,253,752.81	72.01%	3,596,751.58	9,219,944.92	2.07%	8,552,208.92	92.76%	667,736.00
Including:										
Accounts receivable with insignificant single amount and bad debt reserve withdrawn separately	12,850,504.39	3.44%	9,253,752.81	72.01%	3,596,751.58	9,219,944.92	2.07%	8,552,208.92	92.76%	667,736.00
Accounts receivable with bad debt reserve made by portfolio	361,166,421.51	96.56%	6,697,866.77	1.85%	354,468,554.74	435,609,111.90	97.93%	8,051,664.14	1.85%	427,557,447.76
Including:										
Related party portfolio	281,899,616.90	75.37%			281,899,616.90	334,785,556.59	75.26%			334,785,556.59
Aging portfolio	79,266,804.61	21.19%	6,697,866.77	8.45%	72,568,937.84	100,823,555.31	22.67%	8,051,664.14	7.99%	92,771,891.17
Total	374,016,925.90	100.00%	15,951,619.58	4.26%	358,065,306.32	444,829,056.82	100.00%	16,603,873.06	3.73%	428,225,183.76

Category name of bad debt reserve made individually single item provision

Unit: RMB

Name	Beginning Balance		Ending Balance			
	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
ZKTECO SOLUTIONS INC.	0.00	0.00	4,054,943.27	1,040,523.64	25.66%	Expected non-recoverable
Euroclima LLC	3,154,368.07	2,486,632.07	3,056,579.35	2,474,247.40	80.95%	Expected non-recoverable
Hainan Jialing Digital Technology Co., Ltd.	2,032,000.00	2,032,000.00	2,032,000.00	2,032,000.00	100.00%	Expected non-recoverable
VI KHANG TRADING SERVICE EQUIPMENT TECHNOLOGY COMPANY LIMITED	683,012.61	683,012.61	661,838.52	661,838.52	100.00%	Expected non-recoverable
Noble IT Solutions Co., Ltd	412,323.82	412,323.82	399,541.36	399,541.36	100.00%	Expected non-recoverable
Zicom Electronic Securit	368,625.42	368,625.42	357,197.65	357,197.65	100.00%	Expected non-recoverable

Shenzhen Xuhui Information Technology Co., Ltd.	270,358.32	270,358.32	270,358.32	270,358.32	100.00%	Expected non-recoverable
Aisino Corporation	232,200.00	232,200.00	232,200.00	232,200.00	100.00%	Expected non-recoverable
VENDEMMIA COMERCIO INTERNACIONAL LTDA	199,488.03	199,488.03	193,303.69	193,303.69	100.00%	Expected non-recoverable
Wanqiao Information Technology Co.,Ltd.	165,900.00	165,900.00	165,900.00	165,900.00	100.00%	Expected non-recoverable
Tianjin Eagle Eye Biotechnology Co., Ltd.	162,281.00	162,281.00	162,281.00	162,281.00	100.00%	Expected non-recoverable
Baoneng Urban Development and Construction Group Co., Ltd.	155,292.00	155,292.00	155,292.00	155,292.00	100.00%	Expected non-recoverable
One Network (PVT) Ltd.	155,420.83	155,420.83	150,602.62	150,602.62	100.00%	Expected non-recoverable
WESTGATE TECHNOLOGIES LIMITED	138,733.61	138,733.61	134,432.73	134,432.73	100.00%	Expected non-recoverable
Jiangsu Xingyun Grid Information Technology Co., Ltd.	133,983.00	133,983.00	133,983.00	133,983.00	100.00%	Expected non-recoverable
Gansu Fourth Construction Group Co., Ltd.	224,676.00	224,676.00	124,676.00	124,676.00	100.00%	Expected non-recoverable
Hainan Zhongkong IOT Technology Co., Ltd.	98,773.74	98,773.74	98,773.74	98,773.74	100.00%	Expected non-recoverable
PONTO RHJ EIRELI - ME	99,300.15	99,300.15	96,221.74	96,221.74	100.00%	Expected non-recoverable
U.S. Plast	81,182.64	81,182.64	78,665.90	78,665.90	100.00%	Expected non-recoverable
Qianxinan Mengku Business Service Co., Ltd.	74,672.00	74,672.00	74,672.00	74,672.00	100.00%	Expected non-recoverable
Rahat Telecom LLC	72,801.43	72,801.43	70,544.51	70,544.51	100.00%	Expected non-recoverable
True Security Consultant Limited	70,791.19	70,791.19	68,596.59	68,596.59	100.00%	Expected non-recoverable
KWK	37,220.38	37,220.38	36,066.51	36,066.51	100.00%	Expected non-

CELLPHONE AND ACCESSORIES						recoverable
Nanjing Xianji Technology Co., Ltd.	15,570.00	15,570.00	15,570.00	15,570.00	100.00%	Expected non-recoverable
ELECTRONICA GHANA LIMITED	15,708.31	15,708.31	15,221.34	15,221.34	100.00%	Expected non-recoverable
Rhythm Technologies	9,383.45	9,383.45	9,092.55	9,092.55	100.00%	Expected non-recoverable
Shanghai Leqi Automation Technology Co., Ltd.	81,950.00	81,950.00	1,950.00	1,950.00	100.00%	Expected non-recoverable
INTELLISMART TECHNOLOGY INC.	73,928.92	73,928.92	0.00	0.00		Expected non-recoverable
Total	9,219,944.92	8,552,208.92	12,850,504.39	9,253,752.81		

Category name of bad debt reserve made by portfolio: aging portfolio

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Within 1 year	69,004,911.06	3,450,245.58	5.00%
1-2 years	6,124,993.47	612,499.34	10.00%
2-3 years	2,145,397.48	643,619.25	30.00%
Over 3 years	1,991,502.60	1,991,502.60	100.00%
Total	79,266,804.61	6,697,866.77	

Explanation of the basis for determining the portfolio:

If the bad debt reserve of accounts receivable is made according to the general model of expected credit losses:

□ Applicable ☑Not applicable

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

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Redeem/redemption	Others	
Bad debt reserve made individually	8,552,208.92	1,040,523.64	253,928.92		-85,050.83	9,253,752.81
Bad debt reserve made by portfolio	8,051,664.14	-2,247,875.64			894,078.27	6,697,866.77
Total	16,603,873.06	-1,207,352.00	253,928.92	0.00	809,027.44	15,951,619.58

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

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves

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

Unit: RMB

Item	Write-off amount
Accounts receivable actually written off	0.00

Important accounts receivable verification status:

Unit: RMB

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

Explanation of accounts receivable verification:

(5) Accounts receivable and contract assets from top five borrowers classified based on the ending balance

Unit: RMB

Company name	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion in the total ending balance of accounts receivable and contract assets	Ending balance of bad debt reserves for accounts receivable and impairment provision for contract assets
No. 1	144,573,016.66		144,573,016.66	38.65%	
No. 2	60,123,671.39		60,123,671.39	16.07%	
No. 3	19,584,761.02		19,584,761.02	5.24%	
No. 4	10,696,422.17		10,696,422.17	2.86%	
No. 5	8,034,934.65		8,034,934.65	2.15%	401,746.73
Total	243,012,805.89		243,012,805.89	64.97%	401,746.73

2. Other receivables

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest receivable	46,922.03	46,922.03

Dividends receivable	8,000,000.00	
Other receivables	22,750,801.53	31,272,024.39
Total	30,797,723.56	31,318,946.42

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Ending Balance	Beginning Balance
Interest on related party loans	46,922.03	46,922.03
Total	46,922.03	46,922.03

2) Significant overdue interest

Unit: RMB

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

Other explanations:

3) Disclosure by bad debt accrual method

□ Applicable ☑Not applicable

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

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Other changes	

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

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves

Other explanations:

5) Interests receivable actually written off in the current period

Unit: RMB

Item	Write-off amount

Information on important interests receivable verification

Unit: RMB

Company name	Payment nature	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related-party transactions

Explanation of writing off:

Other explanations:

(2) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Item (or the investee)	Ending Balance	Beginning Balance
XIAMEN ZKTECO CO., LTD.	8,000,000.00	0.00
Total	8,000,000.00	

2) Important dividends receivable with an aging of over 1 year

Unit: RMB

Item (or the investee)	Ending Balance	Aging	Reasons for unrecovery	Whether impairment occurred and its judgment basis

3) Disclosure by bad debt accrual method

□ Applicable ☑Not applicable

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

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Other changes	

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

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt

				reserves

Other explanations:

5) Dividends receivable actually written off in the current period

Unit: RMB

Item	Write-off amount

Information on important dividends receivable verification

Unit: RMB

Company name	Payment nature	Write-off amount	Write-off reason	Verification and cancellation programs that have been performed	Whether the payment is incurred due to related-party transactions

Explanation of writing off:

Other explanations:

(3) Other receivables

1) Classification of other receivables based on nature of payment

Unit: RMB

Payment nature	Closing book balance	Opening book balance
Current account	6,575,292.75	24,850,391.28
Guarantee deposit	1,107,825.04	1,535,580.19
Reserve funds and loans	1,236,346.85	1,276,794.46
Collection and payment on behalf of others	1,846,642.02	1,297,439.64
Withholding and remitting of social security and housing fund	495,492.99	512,420.85
Export tax refund	11,524,371.21	2,120,766.74
Others	77,032.68	102,031.90
Total	22,863,003.54	31,695,425.06

2) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	15,014,133.99	24,360,083.45
1-2 years	3,995,674.82	3,434,342.81
2-3 years	458,134.53	201,703.90
Over 3 years	3,395,060.20	3,699,294.90
3-4 years	101,685.30	52,753.00

4-5 years	50,833.00	563,755.71
Over 5 years	3,242,541.90	3,082,786.19
Total	22,863,003.54	31,695,425.06

3) Disclosure by bad debt accrual method

Unit: RMB

Category	Ending Balance					Beginning Balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual proportion		Amount	Proportion	Amount	Accrual proportion	
Bad debt reserve made individually						386,000.00	1.22%	386,000.00	100.00%	0.00
Including:										
Other receivables with significant individual amounts and separate provision for bad debt reserves						386,000.00	1.22%	386,000.00	100.00%	0.00
Bad debt reserve made by portfolio	22,863,003.54	100.00%	112,202.01	0.49%	22,750,801.53	31,309,425.06	98.78%	37,400.67	0.12%	31,272,024.39
Including:										
Related party portfolio	6,575,292.75	28.76%			6,575,292.75	24,850,391.28	78.40%		0.00%	24,850,391.28
Portfolio of deposits, security deposits, employee loans, export tax refunds, etc.	15,765,418.65	68.96%			15,765,418.65	6,085,027.07	19.20%		0.00%	6,085,027.07
Aging portfolio	522,292.14	2.28%	112,202.01	21.48%	410,090.13	374,006.71	1.18%	37,400.67	10.00%	336,606.04
Total	22,863,003.54	100.00%	112,202.01	0.49%	22,750,801.53	31,695,425.06	100.00%	423,400.67	1.34%	31,272,024.39

Category name of bad debt reserve made individually: other receivables with significant individual amounts and separate provision for bad debt reserves

Unit: RMB

Name	Beginning Balance	Ending Balance

	Book balance	Bad debt reserve	Book balance	Bad debt reserve	Accrual proportion	Reasons for provision
Wang Jiaju	386,000.00	386,000.00				
Total	386,000.00	386,000.00				

Category name of bad debt reserve made by portfolio: related party portfolio, deposits, security deposits, employee loans and other portfolios and aging portfolios

Unit: RMB

Name	Ending Balance		
	Book balance	Bad debt reserve	Accrual proportion
Related party portfolio	6,575,292.75		
Portfolio of deposits, security deposits, employee loans, etc.	15,765,418.65		
Aging portfolio	522,292.14	112,202.01	21.48%
Total	22,863,003.54	112,202.01	

Explanation of the basis for determining the portfolio:

Provision for bad debt reserve based on a general model of expected credit losses:

Unit: RMB

Bad debt reserve	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss in the future 12 months	Expected credit loss within whole duration (no credit impairment occur)	Expected credit loss within whole duration (credit impairment has occurred)	
Balance as of January 1, 2026		37,400.67	386,000.00	423,400.67
Balance as of January 1, 2026 in the current period				
Provision in current period		74,801.34		74,801.34
Reversals in the current period			217,566.95	217,566.95
Write-off in current period			168,433.05	168,433.05
Balance as of June 30, 2026		112,202.01	0.00	112,202.01

Classification basis and bad debt reserve provision ratio for each stage

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

□ Applicable ☑Not applicable

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

Provision for bad debt reserves in current period:

Unit: RMB

Category	Beginning Balance	Current period change amount				Ending Balance
		Provision	Return or reversal	Write-off or cancellation	Others	
Other receivables with significant individual amounts and separate provision for bad debt reserves	386,000.00		217,566.95	168,433.05		0.00
Other receivables with provision for bad debt reserves based on a combination of credit risk characteristics	37,400.67	74,801.34				112,202.01
Total	423,400.67	74,801.34	217,566.95	168,433.05		112,202.01

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

Unit: RMB

Company name	Accounts recovered or transferred back	Reason for reversal	Recovery method	The basis and rationality for determining the provision ratio of original bad debt reserves

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

Unit: RMB

Item	Write-off amount
Other receivables actually written off	168,433.05

Other major receivable written off:

Unit: RMB

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

Description for writing off other receivables:

6) Other accounts receivable with the top five ending balances collected by the debtor

Unit: RMB

Company name	Nature of payment	Ending Balance	Aging	Proportion to the total ending balance of other accounts receivable	Ending balance of bad debt reserve
Export tax refund	Export tax refund	11,524,371.21	Within 1 year	50.41%	0.00
ZKTeco (Guangdong) Co., Ltd.	Current account	3,303,276.24	1-2 years	14.45%	0.00
Headquarters withholding and paying social security and housing fund on behalf of others	Withholding and remitting of social security and housing fund	2,240,698.77	Within 1 year	9.80%	0.00
ZKCserv Technology Limited Co., Ltd.	Current account	1,780,000.00	Over 5 years	7.79%	0.00
Hubei ZKTeco Co., Ltd.	Current account	565,273.75	Within 1 year, 4-5 years, more than 5 years	2.47%	0.00
Total		19,413,619.97		84.92%	0.00

7) Being reported as other receivables due to centralized fund management

Unit: RMB

Other explanations:

3. Long-term equity investment

Unit: RMB

Item	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	1,846,881,289.71	2,651,727.65	1,844,229,562.06	1,813,674,231.01	0.00	1,813,674,231.01
Investment in affiliated and joint ventures	22,495,822.90	0.00	22,495,822.90	23,639,890.26	0.00	23,639,890.26
Total	1,869,377,112.61	2,651,727.65	1,866,725,384.96	1,837,314,121.27	0.00	1,837,314,121.27

(1) Investment in subsidiaries

Unit: RMB

Investee	Beginning balance (book value)	Beginning balance of impairment provision	Increase or decrease in the current period				Ending balance (book value)	Ending balance of impairment provision
			Additional investment	Reduced investment	Impairment provision	Others		
Shenzhen ZKTeco Biometric Identification Technology Co., Ltd.	12,636,751.01	0.00	0.00	0.00	0.00	15,253.91	12,652,004.92	0.00
Hangzhou ZKTeco Hanlian E-commerce Co., Ltd.	2,107,229.51	0.00	0.00	0.00	0.00	2,840.91	2,110,070.42	0.00
ZKTECO CO., LIMITED	241,912,932.31	0.00	21,688,259.25	0.00	0.00	89,138.83	263,690,330.39	0.00
XIAMEN ZKTECO CO., LTD.	109,346,776.49	0.00	0.00	0.00	0.00	1,229,013.95	110,575,790.44	0.00
Xiamen Zkteco Biometric Identification Technology Co., Ltd.	38,986,734.80	0.00	0.00	0.00	0.00	0.00	38,986,734.80	0.00
ZKCserv Technology Limited Co., Ltd.	510,000.00	0.00	0.00	0.00	0.00	0.00	510,000.00	0.00
ZKTeco (Guangdong) Co., Ltd.	812,136,784.59	0.00	0.00	0.00	0.00	3,176,859.85	815,313,644.44	0.00
Dalian ZKTeco Co., Ltd.	4,311,958.91	0.00	0.00	0.00	0.00	42,710.93	4,354,669.84	0.00
Xi'an ZKTeco Co., Ltd.	660,671.06	0.00	0.00	0.00	0.00	58,583.55	719,254.61	0.00
Hubei ZKTeco Co., Ltd.	3,636,683.78	0.00	0.00	0.00	0.00	64,066.39	3,700,750.17	0.00
ZKTeco Sales Co., Ltd.	21,579,821.16	0.00	0.00	0.00	0.00	0.00	21,579,821.16	0.00
ZKTeco Cloud Brain-Computer (Hangzhou) Technology Co., Ltd.	8,848,449.18	0.00	6,750,000.00	0.00	0.00	57,964.83	15,656,414.01	0.00
Shenzhen Longzhiyuan Technology Co., Ltd.	416,350,000.00	0.00	0.00	0.00	2,651,727.65	0.00	413,698,272.35	2,651,727.65
ZKTECO SG INVESTMENT PTE. LTD.	140,649,438.21	0.00	0.00	0.00	0.00	32,366.30	140,681,804.51	0.00

Total	1,813,674,231.01	0.00	28,438,259.25	0.00	2,651,727.65	4,768,799.45	1,844,229,562.06	2,651,727.65

(2) Investment in affiliated and joint ventures

Unit: RMB

Investor	Beginning balance (book value)	Beginning balance of impairment provision	Increase or decrease in the current period								Ending balance (book value)	Ending balance of impairment provision
			Additional investment	Reduced investment	Investment profits and losses recognized under equity method	Other comprehensive income adjustments	Changes in other equities	Cash dividends or profits declared to pay	Impairment provision	Others		
I. Joint ventures												
II. Associates												
Xiamen Xingniu Yunyu Venture Capital Partnership Enterprise (Limited Partnership)	23,639,890.26	0.00	0.00	0.00	-1,144,067.36	0.00	0.00	0.00	0.00	0.00	22,495,822.90	0.00
Subtotal	23,639,890.26	0.00			-1,144,067.36						22,495,822.90	0.00
Total	23,639,890.26	0.00	0.00	0.00	-1,144,067.36	0.00	0.00	0.00	0.00	0.00	22,495,822.90	0.00

The recoverable amount is determined based on the net amount after deducting disposal expenses from fair value

□ Applicable ☑Not applicable

The recoverable amount is determined based on the present value of expected future cash flows

□ Applicable ☑Not applicable

Reasons for significant discrepancies between the above information and the information or external information used in impairment tests of previous years

Reasons for significant discrepancies between the information used in the Company's impairment tests of previous year and the actual situation of that year

(3) Other descriptions

4. Operating revenue and operating cost

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the previous period	
	Income	Cost	Income	Cost
Main business	294,742,404.92	219,149,806.37	389,272,089.20	270,233,983.91
Other businesses	27,582,123.57	18,125,444.46	10,336,194.99	4,165,603.22

Total	322,324,528.49	237,275,250.83	399,608,284.19	274,399,587.13

Breakdown information of operating revenue and operating costs:

Unit: RMB

Contract classification	Division 1		Division 2				Total	
	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost	Operating revenue	Operating cost
Business type								
Including:								
Digital identity authentication					26,137,540.94	22,759,213.90	26,137,540.94	22,759,213.90
Smart office					15,955,881.34	10,025,321.36	15,955,881.34	10,025,321.36
Smart space					248,158,795.21	182,321,360.16	248,158,795.21	182,321,360.16
Smart business					4,076,028.14	3,926,700.12	4,076,028.14	3,926,700.12
Smart living					414,159.29	117,210.83	414,159.29	117,210.83
Others					27,582,123.57	18,125,444.46	27,582,123.57	18,125,444.46
Classification by region of operation								
Including:								
Domestic sales					132,330,717.89	109,007,403.36	132,330,717.89	109,007,403.36
Overseas sales					189,993,810.60	128,267,847.47	189,993,810.60	128,267,847.47
Market or customer type								
Including:								
Distribution					253,191,139.24	185,941,936.36	253,191,139.24	185,941,936.36
Direct sales					41,551,265.68	33,207,870.01	41,551,265.68	33,207,870.01
Others					27,582,123.57	18,125,444.46	27,582,123.57	18,125,444.46
Type of contract								
Including:								
Classification by time of transfer of goods								
Including:								
Classification by contract term								
Including:								
Classification by sales channel								
Including:								
Total					322,324,528.49	237,275,250.83	322,324,528.49	237,275,250.83

Information related to performance obligations:

Item	Time for	Important	Nature of goods	Is it the main	Expected	Types of

	fulfilling performance obligations	payment terms	that the Company promises to transfer	responsible person	refunds to customers borne by the Company	quality assurance provided by the Company and related obligations

Other explanations:

Significant contract changes or significant transaction price adjustments

Unit: RMB

Item	Accounting treatment method	Amount of impact on income

Other explanations:

5. Investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the previous period
Income from long-term equity investment accounted with cost method	8,000,000.00	19,000,000.00
Long-term equity investment income accounted by equity method	-1,144,067.36	44,575.58
Financial products	1,352,916.72	881,314.46
Forward foreign exchange settlement and sales contract		285,803.23
Total	8,208,849.36	20,211,693.27

6. Others

XX. Supplementary Information

1. Detailed statement of non-recurring profits and losses in the current period

☑Applicable □ Not applicable

Unit: RMB

Item	Amount	Remarks
Losses and gains from disposal of non-current assets	-305,355.94	
Government subsidies included in current profits and losses (except those closely related to the normal business of the Company, which are in line with national policies and regulations, enjoyed according to determined standards, and	1,450,253.14	

have a continuous impact on the Company's profits and losses)		
Profits and losses from fair value changes arising from the holding of financial assets and financial liabilities by non-financial enterprises, as well as the gains and losses arising from the disposal of financial assets and financial liabilities except for effective hedging business related to the normal operation of the Company	51,514,708.53	Mainly the gains from changes in fair value - trading financial liabilities of RMB 43,636,660.50 recognized in the current period, which is an estimation of the fair value of contingent consideration based on the acquisition agreement of Longzhiyuan, taking full account of Longzhiyuan's actual and estimated performance commitment completion.
Reversal of the provision on receivables with impairment test conducted on an individual basis	610,111.71	
Share-based payment fees recognized in a lump sum due to the cancellation or modification of the equity incentive plan	-1,793,200.00	
Other non-operating revenues and expenses other than the above items	-2,105,756.04	
Less: income tax impact	634,446.71	
Minority interests impact (after tax)	-532,771.52	
Total	49,269,086.21	--

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

□ Applicable ☑Not applicable

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

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

□ Applicable ☑Not applicable

2. Net return on assets and earnings per share

Profit during the reporting period	Weighted average return on net assets	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profit attributable to ordinary shareholders of the Company	2.29%	0.3399	0.3370
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	0.87%	0.1297	0.1272

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

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

□ Applicable ☑Not applicable

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

□ Applicable ☑Not applicable

(3) Explanation of the reasons for differences in accounting data between domestic and foreign accounting standards. If differences in data audited by an overseas audit institution have already been adjusted, the name of the overseas institution shall be indicated

□ Applicable ☑Not applicable

4. Others