

Purcotton 全棉时代

winner 稳健医疗

PureH2B 津梁生活

Stock code: 300888



# 2022

Winner Medical Co., Ltd.

## Semi-annual Report

Caring for health and life, making a better world

## **Section I Important Notes, Contents, and Definitions**

**The Board of Directors, the Board of Supervisors and directors, supervisors and senior management of Winner Medical hereby guarantee that the statement in this Semi-annual Report is authentic, accurate and complete without false or misleading information or material omission and will assume all the legal liabilities, individually and jointly.**

**Li Jianquan, the head of the Company, Fang Xiuyuan, the accounting head, and Wu Kezhen, the head of accounting body (accounting manager), guarantee the authenticity, accuracy, and completeness of the financial report in this semi-annual report.**

**All directors of the Company personally attended the board meeting for reviewing this report.**

**The forward-looking contents in this report, such as the future development strategy and performance planning, are the goals sets by the Company, which are planned matters. The achievement of the goals depends on many factors, including market change, which is uncertain. So these contents are not the company's profit forecast for the next year and do not constitute a substantial commitment of the Company to investors and related parties. Investors and related parties should be fully aware of related risks and understand the differences among plans, forecasts, and commitments. Investors are asked to beware of investment risks!**

**The Company does not plan to distribute cash dividends, issue bonus share, or increase the share capital from reserves.**

## Table of Contents

<b>Section I Important Notes, Contents, and Definitions</b> .....	2
<b>Section II Company Profile and Major Financial Indicators</b> .....	7
<b>Section III Management Discussion and Analysis</b> .....	10
<b>Section IV Corporate governance</b> .....	51
<b>Section V Environment and Social Responsibility</b> .....	53
<b>Section VI Important Matters</b> .....	60
<b>Section VII Changes in Shares and Shareholders</b> .....	66
<b>Section VIII Preferred Shares</b> .....	72
<b>Section IX Information Related to Bonds</b> .....	73
<b>Section X Financial Report</b> .....	74

## **Document Catalog**

(I) Financial statements containing the signatures and seals of the person in charge of the Company, the accounting head, and the person in charge of the accounting body (accounting manager).

(II) The originals of all company documents and announcements publicly disclosed during the reporting period.

## Definitions

Term	Refers to	Definition
Company, Winner Medical	Refers to	Winner Medical Co., Ltd.
Winner Group	Refers to	Winner Group Limited, a controlling shareholder of the Company
Sequoia Xinyuan	Refers to	Beijing Sequoia Xinyuan Equity Investment Center (L.P.), a shareholder of the Company before the initial public offering
Xiamen Leyuan	Refers to	Xiamen Leyuan Investment Partnership (L.P.), a shareholder of the Company before the initial public offering
Xiamen Yutong	Refers to	Xiamen Yutong Investment Partnership (L.P.), a shareholder of the Company before the initial public offering
SCGC	Refers to	Shenzhen Capital Group Co., Ltd., a shareholder of the Company before the initial public offering
Xiamen Huikang	Refers to	Xiamen Huikang Investment Partnership (L.P.), a shareholder of the Company before the initial public offering
Xiamen Zepeng	Refers to	Xiamen Zepeng Investment Partnership (L.P.), a shareholder of the Company before the initial public offering
Winner Medical (Chongyang)	Refers to	Winner Medical (Chongyang) Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Jiayu)	Refers to	Winner Medical (Jiayu) Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Jingmen)	Refers to	Winner Medical (Jingmen) Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Yichang)	Refers to	Yichang Winner Medical Textile Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Huanggang)	Refers to	Winner Medical (Huanggang) Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Tianmen)	Refers to	Winner Medical (Tianmen) Co., Ltd., a wholly-owned subsidiary of the Company
Shenzhen Purcotton	Refers to	Shenzhen Purcotton Technology Co., Ltd., a wholly-owned subsidiary of the Company
Guangzhou Purcotton	Refers to	Guangzhou Purcotton Medical Technology Co., Ltd., a wholly-owned subsidiary of Shenzhen Purcotton
Beijing Purcotton	Refers to	Beijing Purcotton Technology Co., Ltd., a wholly-owned subsidiary of Shenzhen Purcotton
Shanghai Purcotton	Refers to	Shanghai Purcotton Technology Co., Ltd., a wholly-owned subsidiary of Shenzhen Purcotton
Qianhai Purcotton	Refers to	Shenzhen Qianhai Purcotton E-Commerce Co., Ltd., a wholly-owned subsidiary of Shenzhen Purcotton
Purunderwear	Refers to	Shenzhen Purunderwear Sci-Tech Innovation Co., Ltd., a wholly-owned subsidiary of Shenzhen Purcotton
Winner (Huanggang) Cotton	Refers to	Winner (Huanggang) Cotton Processing & Trading Co., Ltd., a wholly-owned subsidiary of Winner Medical (Huanggang)
Huanggang Purcotton	Refers to	Huanggang Purcotton Technology Co., Ltd., a wholly-owned subsidiary of Purcotton
Winner Medical Malaysia	Refers to	Winner Medical Malaysia Sdn. Bhd., a subsidiary controlled by the Company
Winner Medical (Hong Kong)	Refers to	Winner Medical (Hong Kong) Ltd., a subsidiary controlled by the Company
Winner Medical (Heyuan)	Refers to	Winner Medical (Heyuan) Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Wuhan)	Refers to	Winner Medical (Wuhan) Co., Ltd., a wholly-owned subsidiary of the

		Company
PureH2B	Refers to	Shenzhen PureH2B Technology Co., Ltd., a wholly-owned subsidiary of the Company
Chengdu Wenjian Likang	Refers to	Chengdu Wenjian Likang Medical Products Co., Ltd., a wholly-owned subsidiary of the Company
Galaxy Real Estate	Refers to	Shenzhen Galaxy Real Estate Development Co., Ltd.
Reporting period	Refers to	January 01, 2022 to June 30, 2022
Longterm Medical	Refers to	Zhejiang Longterm Medical Technology Co., Ltd., an enterprise with 55% equity acquired by the Company
Pingan Medical Device	Refers to	Winner Pingan Medical (Hunan) Co., Ltd., formerly known as Hunan Pingan Medical Device Technology Co., Ltd., an enterprise with 68.70% equity acquired by the Company
Guilin Latex	Refers to	Winner (Guilin) Latex Products Co., Ltd., formerly known as "Guilin Zizhu Latex Products Co., Ltd.", an enterprise with 100.00% equity acquired by the Company

## Section II Company Profile and Major Financial Indicators

### I. Company Profile

Stock abbreviation	Winner Medical	Stock code	300888
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	Winner Medical Co., Ltd.		
Chinese abbreviation of the company (if any)	Winner Medical		
Company name in foreign language (if any)	Winner Medical Co., Ltd.		
Company short name in foreign language (if any)	Winner Medical		
Legal representative of the company	Li Jianquan		

### II. Contact Person and Contact Information

	Secretary to the board of directors	Securities affairs representative
Name	Chen Huixuan	Liu Yanxiang, Zhang Heng
Contact address	F42, Building 2, Huilong Business Center, Shenzhen North Railway Station Area, Minzhi Subdistrict, Longhua District, Shenzhen	F42, Building 2, Huilong Business Center, Shenzhen North Railway Station Area, Minzhi Subdistrict, Longhua District, Shenzhen
Tel	0755-28066858	0755-28066858
Fax	0755-28134688	0755-28134688
Email	investor@winnermedical.com	investor@winnermedical.com

### III. Other Information

#### 1. Contact information

Whether the Company's registered address, office address and postal code, company website and email were changed during the reporting period

Applicable  Not applicable

There is no change in the Company's registered address, office address and postal code, company website and email during the reporting period, as shown in 2021 annual report.

#### 2. Information disclosure and keeping place

Whether information disclosure and the place where the semi-annual report is kept were changed during the reporting period

Applicable  Not applicable

The newspapers selected by the Company for information disclosure, the websites designated by the China Securities Regulatory Commission (CSRC) for publishing the semi-annual report, and the place where the semi-annual report is kept were not changed during the reporting period. See the 2021 Annual Report for details.

#### 3. Change of registration

Whether the registration status was changed during the reporting period

Applicable  Not applicable

There were no changes in the Company's registration during the reporting period. See the 2021 Annual Report for details.

### IV. Major Accounting Data and Financial Indicators

Whether the Company needs to retroactively adjust or restate the accounting data of the previous years

Yes  No

	Current reporting period	Same period last year	Increase/decrease in this reporting period compared with the same period of the previous year
Operating income (yuan)	5,157,944,495.72 <sup>Note1</sup>	4,059,865,654.92	27.05%
Net profits attributable to shareholders of listed companies (yuan)	892,823,503.14	761,038,730.24	17.32%
Net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses (yuan)	820,558,767.23	627,255,609.19	30.82%
Net cash flow from operating activities (yuan)	801,150,899.38	197,604,865.77	305.43% <sup>Note2</sup>
Basic EPS (yuan/share)	2.1193	1.7844	18.77%
Diluted EPS (yuan/share)	2.1193	1.7715	19.63%
Weighted average return on net assets	8.17%	7.06%	1.11%
	End of the reporting period	End of the previous year	Increase/decrease at the end of the reporting period compared to the end of the previous year
Total assets (yuan)	15,522,494,964.51	13,266,610,200.37	17.00%
Net assets attributable to shareholders of listed companies (yuan)	10,991,151,831.97	10,674,912,166.80	2.96%

Note 1: The income in the reporting period includes the consolidated operating income of Longterm Medical from May to June, which is the newly acquired business of RMB 86,191,200 and the purchase date of Longterm Medical is April 30, 2022;

Note 2: During the reporting period, the net cash flow from operating activities increased by 305.43% compared with last year, which was mainly due to the fact that: (1) in 2020, the Company applied a credit policy of 100% advance payment for the protective products, and in the first half of 2021, the Company's credit policy for protective products has returned to the normal level; (2) the good performance in 2020 has resulted in more taxes and fees paid after the final settlement in the first half of 2021.

## V. Differences in Accounting Data under Domestic and Foreign Accounting Standards

### 1. Differences between net profits and net assets in financial statements disclosed according to the International Accounting Standards (IAS) and Chinese Accounting Standards simultaneously

Applicable  Not applicable

No difference between net profits and net assets in financial statements disclosed according to the International Accounting Standards (IAS) and Chinese Accounting Standards during the reporting period.

### 2. Difference between net profits and net assets in financial statements disclosed according to the Foreign Accounting Standards and Chinese Accounting Standards simultaneously

Applicable  Not applicable

No difference between net profits and net assets in financial statements disclosed according to the Overseas Accounting Standards and Chinese Accounting Standards during the reporting period.

## VI. Non-recurring Profit and Loss Items and Amount

Applicable  Not applicable

Unit: yuan

Item	Amount	Description
Profits and losses on the disposal of non-current assets (including the write-off part of the provision for asset impairment)	(2,401,700.24)	
Government subsidies included into current profits and losses, except the government subsidies which are closely related to the normal business operations of the Company and conform to the national policies and regulations, and	28,755,938.72	



continuously granted in accordance with a certain standard quota or amount.		
In addition to the effective hedging business related to the Company's normal business operations, the profit and loss from fair value changes arising from holding trading financial assets and trading financial liabilities, as well as the investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	64,226,078.84	
Income and expenditure other than those mentioned above	(4,634,764.37)	
Less: Amount affected by income tax	13,612,940.25	
Amount of minority shareholders' equity affected (after tax)	67,876.79	
Total	72,264,735.91	

Other profit and loss items that are consistent with the definition of non-recurring profit and loss:

Applicable  Not applicable

There was no other profit and loss items that are consistent with the definition of non-recurring profit and loss.

Explanation on defining the non-recurring profit and loss items enumerated in the *Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurring Profits and Losses* as recurring profit and loss items

Applicable  Not applicable

There was no circumstance in which non-recurring profit and loss items enumerated in the *Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurring Profits and Losses* are defined as non-recurring profit and loss items.

## Section III Management Discussion and Analysis

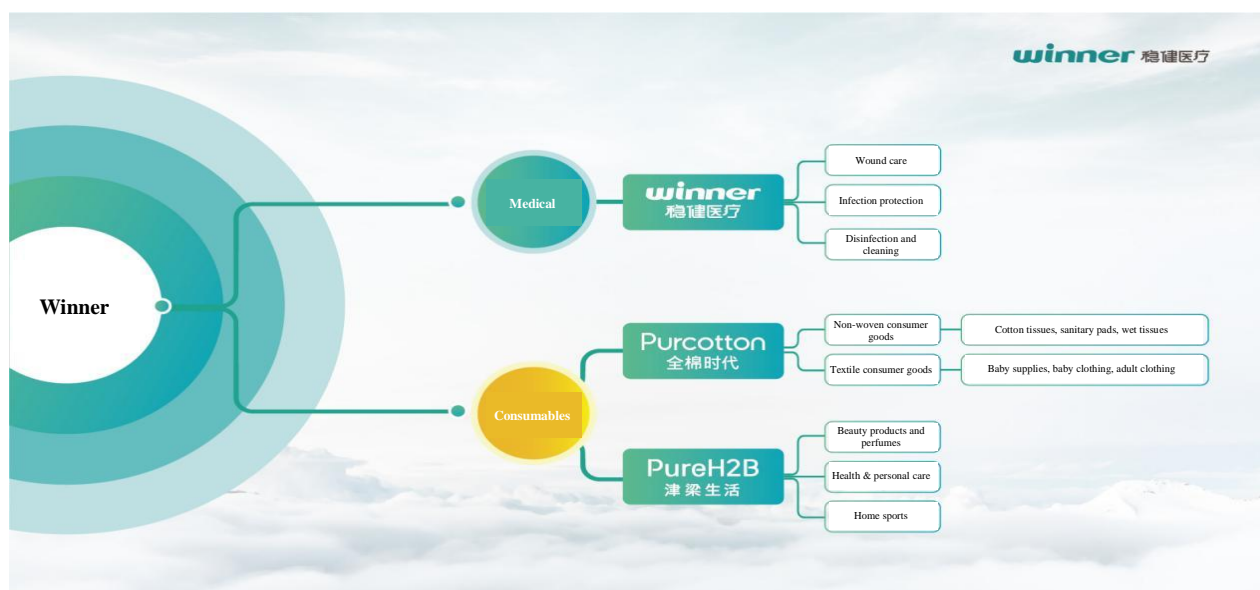
### I. Main Business of the Company during Reporting Period

The Company needs to comply with the disclosure requirements of the "Medical Device Business" stipulated in the *No. 4 Guideline of Shenzhen Stock Exchange for Self-regulatory of Listed Companies - Information Disclosure by Growth Enterprises*:

The Company needs to comply with the disclosure requirements of the "Textile and Apparel Business" stipulated in the *No. 3 Guideline of Shenzhen Stock Exchange for Self-regulatory of Listed Companies - Industry Information Disclosure*.

#### (I) Main Business of the Company during Reporting Period

Winner Medical is a health enterprise developing both medical and consumption products under its three brands of "Winner", "Purcotton" and "PureH2B". Specifically, the Company has been adhering to the core business principle of "Quality before profit, brand before speed, social value before corporate value". Through continuous innovation and expansion of industrial boundaries, the Company has developed from a single manufacturer of medical consumables into a large medical health enterprise covering wound care, infection prevention, personal care, home care, maternal and child care, home textile and clothing and other fields.



#### 1. Medical consumables section

Winner Medical is a benchmarking enterprise in the domestic medical consumables industry. Its main product lines cover wound care, infection prevention and disinfection and cleaning. The specific products include high-end wound dressing products, traditional wound care and dressing products, infection control products in operating room, protective products and disinfection and cleaning products for body surface cleaning.



The Company is one of the earliest medical consumables enterprises in China to establish a full industrial chain covering cotton procurement, R&D, production and direct export. The Company's products have been certified by the EU CE certification, the US FDA certification and the Japanese Ministry of Health, Labour and Welfare certification, and exported to Europe, America, Japan and other countries. In 2005, "Winner" brand entered the domestic hospital and drugstore market. With its excellent product quality and service, Winner Medical gradually established a good brand and reputation in domestic hospitals and drugstores. Since the outbreak of COVID-

19 in 2020, the "Winner" brand prevention products have entered the hospital and the civilian market. Thanks to the public commitment not to increase prices and the quality of its products, it has won the unanimous praise at home and abroad, from government units and the public, and the brand reputation and popularity have been greatly improved.

In terms of products, Winner Medical focuses on market demand, is close to clinical and terminal, is driven by R&D and innovation, and constantly improves product layout. Its business scope extends from sales of single wound care products such as cotton gauze to sales of comprehensive solutions of wound care, infection prevention, disinfection and cleaning. Disposable operating room consumables can more effectively reduce nosocomial infection than reusable medical products. With more attention of the state and hospitals to nosocomial infection and residents' attention to personal health environment, disposable operating room consumables are gradually accepted by the domestic market. Winner Medical's medical dressing product line has been expanded from traditional dressing products mainly focusing on gauze products to high-end wound dressing products, such as silica gel foam dressing, hydrocolloid dressing, super absorbent pad, negative pressure drainage products, etc., which are mainly applied to chronic wound healing scenes such as diabetes, large-area burns and wounds. The Company's technical level in the field of high-end wound dressings has been in the forefront of the industry, and is expected to become the core products for the development of Winner Medical.



## 2. Healthy Consumer Goods Section

Purcotton is a healthy life brand with "Medical background, Purcotton philosophy, Quality in our DNA" as its core competitiveness, which starts with pure cotton spunlace non-woven fabric and takes "medicine close to life, Purcotton care for health" as its brand proposition. Its products include pure cotton tissue, sanitary pads with pure cotton surface, pure cotton wet tissues and other non-woven consumer goods, as well as baby supplies, baby clothing, baby products, adult clothing and other textile consumer goods. Purcotton advocates the life concept of "comfort, health, environmental protection", replacing chemical fiber with cotton and keeping away from chemical stimulation. It provides overall solutions for different life scenes, having a good user reputation and formed a fully differentiated brand image in the field of consumer goods with strong brand appeal.





In terms of products, with excellent quality control ability and technology research and development ability, the Company continues to introduce medical grade quality consumer goods. Cotton is the main raw material of core products of Purcotton, which adopts global high-quality cotton to control product quality and safety from the source. According to the high standard of medical consumables, all kinds of pollution sources are strictly controlled in the production process. Disposable underwear, newborn baby clothes and other close-fitting clothing are packaged with medical grade sterilization to further ensure the safety and environmental protection of the products. Purcotton products cover multiple consumer groups, such as mothers and infants, children and adults, and span multiple product lines, such as high-end cotton wipes, female care, baby care, adult clothing, home textile products, etc.





In July 2019, the Company launched the "PureH2B" brand, aiming to build a one-stop retail platform covering beauty makeup, personal care, sports and other healthy and beautiful life needs. "PureH2B" has sold products through offline stores, online official website and Wechat mini programs, and its business is still at the initial stage.






## (II) Main Products and Purposes

Its health product system covers: wound care products, infection prevention products, disinfection & cleaning products under its medical consumables section; the non-woven consumer goods and textile consumer goods under its healthy consumer goods section; and pure cotton spunlace non-woven fabric, an industry intermediate product.

The main categories and images of some products under the Company's medical consumables section are as follows:

Product Class	Product Category	Main Purpose	Product	Image of Some Products
Wound care products	Traditional wound care products	For absorbing wound exudate, dressing wounds, and sports protection	Gauze sheets, non-woven sheets, gauze bandage, dressing change kits, etc.	
	Advanced wound care products	For creating a moisture balance at the wound interface to optimize its benefits for wound healing, reduce the frequency of dressing replacement, and reduce secondary damage	Silicone dressings, alginate dressings, etc.	




Infection prevention products	OR infection control products	For preventing infections in the operating room	Surgical packs, surgical gowns, etc.	
	Disease prevention and control products	For occupational protection of medical staff and patient isolation	Masks, protective clothing, isolation gowns, gloves, foot straps, hats, etc.	
Disinfection & cleaning products	Disinfection & cleaning products	For wound cleaning and disinfection, and daily cleaning	Cotton swabs, cotton pads, cotton balls, alcohol cotton pads, disinfectant, etc.	

As the important guarantee for medical staff's occupational protection and patient isolation protection, disease protection and control products such as masks and protective clothing play an indispensable role in coping with major health incidents and improving public health. The main categories and images of some products under the company's healthy consumer goods section are as follows:

Class	Product Category	Product	Image of Some Products
Non-woven consumer goods		Cotton tissues	
		Wet wipes	
		Sanitary pads	

	Other non-woven consumer goods	Cotton swabs, makeup cotton pads, disposable underwear, etc.	
Textile consumer goods	Baby supplies	Baby's bath towels, handkerchiefs, and quilts, etc.	
	Baby clothing	Baby's leisure wear, outing costume, underwear, footwear, etc.	
	Adult clothing	Adult's leisure wear, outing costume, underwear, footwear, etc.	
	Other textile consumer goods	Bedding, bathroom accessories, etc.	

The purposes and images of the Company's pure cotton spunlace nonwoven fabric are as follow:

Class	Main Purpose	Image
Cotton spun lace non-woven fabric	With 100% quality cotton as raw materials, the fabric is made with the pure cotton spunlace non-woven fabric technology. It can be used in fields such as personal care, home care, medical equipment, and industrial wipes.	

### (III) Main Operating Modes

#### 1. Procurement mode

The Company has established a complete procurement management system, which mainly includes the *Procurement Control Process*, *Procurement Price Management Process*, *New Supplier Selection and Review Control Process*, *Supplier Performance Appraisal Management Process*, and the Company also has made a *Qualified Supplier Directory*. According to the Company's regulations,

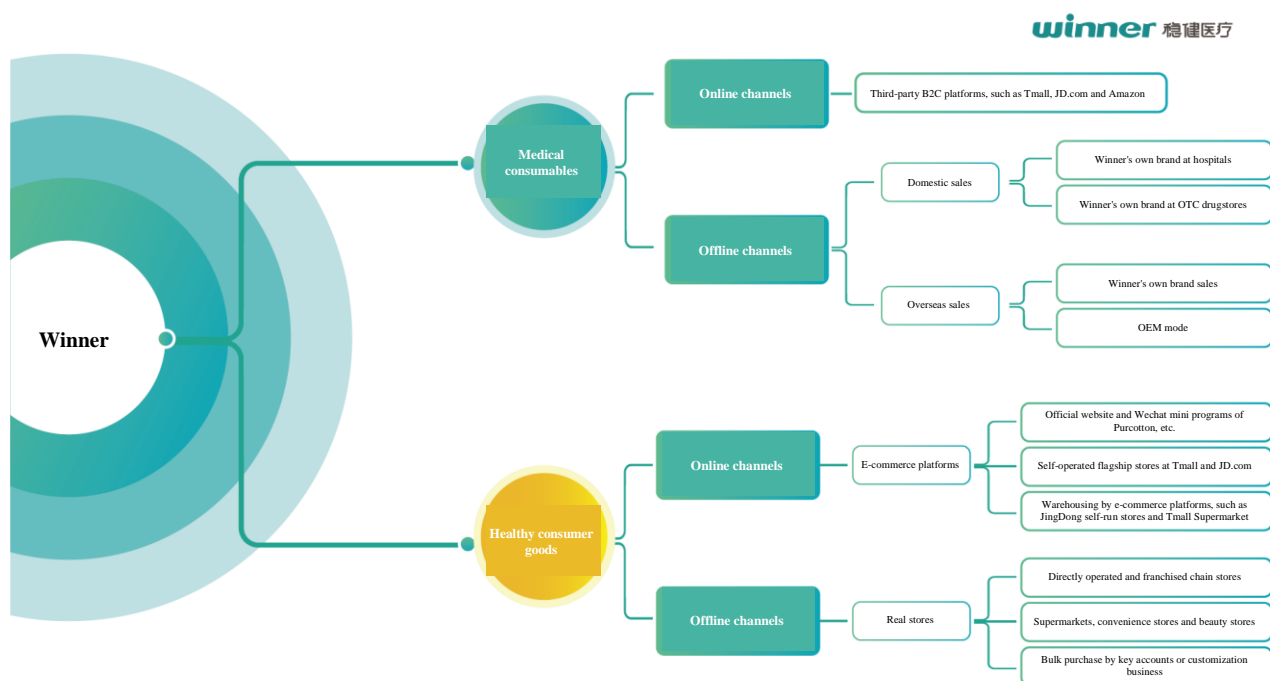
purchase applications shall be submitted by requiring departments based on customer orders, sales plans, and production plans. The purchasing department shall strictly follow the purchasing management regulations after analyzing the purchasing requirements and the raw material market. The procurement of key bulk raw materials (such as cotton and cotton yarn) is implemented in a unified manner according to the Company's rules on its strategic procurement. The Company implements a strict supplier management system to ensure product quality and stable product supply. The Company has set a supplier directory and a perfect update and elimination mechanism to dynamically manage existing suppliers and new suppliers, which enables the Company to preferentially cooperate with the suppliers with the highest assessment results. For new suppliers, the Company has made strict selection criteria and supplier development and process management systems, including on-site inspection on suppliers; for suppliers with poor or even unqualified annual performance, the Company will add them to the key watch list or eliminate them. Generally, the Company will sign an annual framework agreement with a supplier to specify the cooperation content and the annual cooperation arrangement, and specific procurement contracts will be signed separately.

## 2. Production mode

The Company formulates production plans according to customers' POs and requirements, its annual sales plans, and monthly rolling sales plans. Based on its own production capacity and demand fluctuations, the Company adopts the production strategies of Make to Order (MTO) and Made to Stock (MTS).

## 3. Sales mode

The Company sells products through multiple channels. The main sales channels are shown in the following figure:



## 4. Marketing mode

The Company is developing its products under the Winner, Purcotton, and PureH2B brands a coordinated way. With more than 30 years of experience in the production of medical supplies, Winner is a leading medical consumables brand in the Chinese market and with a global vision. With "caring for health and life, making a better world" as its vision and industry-leading product quality as the cornerstone of its brand value, the product marketing and promotion for the brand rely more on its brand reputation. With pure cotton products as its label, Purcotton adopts unique, differentiated strategies to build its brand. By integrating multiple promotion channels such as directly-operated stores, brand roadshows, celebrity endorsements, event sponsorship, new media, and advertising, Purcotton keeps conveying to consumers its proposition of "medicine close to life, Purcotton care for health" and its vision of "changing the world with pure cotton", which helps deepen the meaning of Purcotton brand and increase its brand awareness and loyalty. PureH2B offers consumers selected products that are high-quality, healthy, and beautiful from around the world through its paid membership system. It offers its members products with extremely competitive prices and a series of excellent offline services such as beauty salons, free makeup, and seminars. With "Love, protect and enjoy nature" as its brand vision, and "Influence the mainstream consumption attitude with the philosophy of 'inner health brings outer beauty', and attract mainstream consumers with natural products" as its mission, PureH2B is bringing consumers a new all-round digital retail experience.



## (IV) Main Driving Factors of Performance

### 1. Medical consumables industry and consumer goods industry will keep growing rapidly

As the global demand for healthcare of aging population increases, resident income continues to grow, and medical and healthcare improve, the global medical consumables market is showing a steady growth trend. The COVID-19 pandemic has made global consumers pay more attention to health and personal protection. In China, especially, most families choose to wear masks when they take public transport and are in public places, so the demand for masks is expected to increase significantly compared with that before the COVID-19 pandemic. After the COVID-19 pandemic outbreak, as the government, medical workers, and consumers in China pay greater attention to protection and quality, the use rate of disposable medical consumables and disposable surgical packs will get higher; on the other hand, as the Chinese government attaches importance to the medical consumables industry, the supervision over the industry are continuously strengthened while the reserves of medical consumables are increasing. Therefore, companies that do not comply with laws and regulations will surely be eliminated. In addition, China's medical dressings are changing from traditional dressings to high-end wound dressings, and it is expected to replace imported dressings by domestic dressings step by step. The medical consumables market in China is growing rapidly, creating a good external environment for enterprise development.

In recent years, the total retail sales of consumer goods in China has been rising steadily, showing an obvious trend of consumption upgrading. Consumers' demand for green, healthy, and environmentally friendly products is increasing, bringing good opportunities in the consumer goods industry.

### 2. High-quality products and precise brand positioning enhance brand value

The Company is one of the earliest medical consumables enterprises in China to establish a full industrial chain covering cotton procurement, R&D, production, and direct export. The Company is one of the early companies that established a medical-grade quality management system in the industry, and has passed the ISO13485 Medical Devices Quality Management System Certification. Its product quality complies with the European, American, Japanese, and Chinese standards. Winner Medical enjoys a high brand reputation and recognition. In 2020, Winner Medical was praised by the Joint Prevention and Control Mechanism of the State Council as a well-deserved "ordnance factory" in fighting the pandemic. Its wholly-owned subsidiary Winner Medical (Huanggang) was awarded the title of "National Advanced Unit for Fighting the COVID-19 Pandemic" by the CPC Central Committee and the State Council. It is also the only enterprise awarded the title in Hubei Province. In May 2021, Winner Medical was selected by the Federation of Shenzhen Industries as the "Benchmarking Enterprise in China's Medical Consumables Sector" and at the same time recognized as an "International Renowned Brand" by the United Nations Industrial Development Organization. In December 2021, "pure cotton spunlace non-woven fabrics and its products" of Winner Medical was awarded as the national single champion of manufacturing industry. In 2022, the epidemic prevention department of the Company was successively awarded the title of "Worker Pioneer" by All China Federation of Trade Unions and Shenzhen Federation of Trade Unions.

Purcotton is committed to fulfilling consumers' upgrading demand for high-quality products which are "comfortable, healthy, and environmentally friendly". With constantly winning recognition from consumers since its launch in 2009, Purcotton has rapidly grown into a leading brand of maternal and child products on e-commerce platform, and has a high market share in the field of consumer products. In October 2019, Purcotton won the reputation of "70 Brand of the 70th Anniversary of the Founding of New China" sponsored by CCTV. In January 2021, Purcotton was honored as one of the "Shenzhen Top Brands" by Federation of Shenzhen Industries. In April 2021, Purcotton was included into the list of the second "Shenzhen Top 100 Brands" announced by Shenzhen Quality City Promotion Association.

In conclusion, with high brand value, the Winner Medical and Purcotton brands will help the Company enhance customer loyalty, stabilize product prices, and expand its market share in the competitive market, thereby ensuring its sustainable and stable profitability.

## II. Analysis of Core Competitiveness

### 1. Advantages of business philosophy and corporate culture

With offering quality products as its mission, the Winner Medical brand aims to lead in the medical dressing industry, to grow from a small Chinese enterprise offering lower-price products to a large international enterprise offering high-quality products recognized by developed countries, bringing Chinese medical dressings to the international stage. With "caring for health and life, making a better world" as its vision, the brand keeps focusing on product quantity and innovations, and making its way into the medical consumables and high-end medical dressing market. Cotton fiber has ten prominent advantages, including natural, safe, comfortable, naturally degradable, high output ratio, drought-resistant, salt and alkali-resistant, environmentally friendly, time-honored, as well as great economic and social value. With its corporate vision of "changing the world with pure cotton", Purcotton advocates a lifestyle with pure cotton by applying "comfortable, healthy, and environmentally friendly" in all aspects of daily life, to help customers raise life quality, and deliver the brand concept of "reassurance, happiness and sustainability" to consumers. Sticking to the "cotton fiber only" principle in its operation, Purcotton aims to develop recyclable and renewable resources, gradually replace chemical fibers with natural fibers, and give full play to the use value and environmental protection value of cotton fibers, following the path of low carbon, environmental friendly and sustainable development. With "love nature, protect nature, enjoy nature" as its brand vision, PureH2B insists on the principle of pursuing beauty without sacrificing health for health is beauty. PureH2B select natural cosmetics and toiletries, healthy food and health products, 3C and health equipment with excellent experience from around the world for customers. Meanwhile, the groundbreaking, innovative natural products developed independently by PureH2B are winning the trust of consumers with their applicability and safety, meeting the needs of consumers who pursue both quality life and health and environmental protection. The visions and business philosophies regarding the company's three brands are focused on human health, environmental protection, and improving the quality of life, which are in line with humans' sustainable development strategy.

The Company will always uphold its core operating principle of "prioritizing quality over profit, brand over speed, and social responsibility over corporate value", and stick by its core values of "others first, responsibility, unity and cooperation, hard work, self-criticism, and sustainable development". The Company promotes healthy sports such as running, mountain climbing, and ball games. The Company is weakening the power from titles to reduce bureaucracy, and creating open workplaces to ensure efficient cross-department communication. During the epidemic, the Company responded quickly and made every effort to ensure the production of protective products. It carried out a series of activities to improve the rapid response capability to market demand in terms of decision-making management, process integration, product and equipment innovation, and industry chain integration. Within one month at the beginning of the epidemic outbreak in January 2020, the Company provided 108.9 million masks and 114,000 pieces of protective clothing to major hospitals in Hubei, showing the Company's efficient internal coordination capability.

## 2. Advantages of R&D and innovation

The Company independently developed the pure cotton spunlace non-woven technology in 2005, and has built a complete technology cluster based on the technology, obtaining patent licenses in more than 30 countries and regions including the United States, Europe, and Japan. The silica gel foam dressing and foam dressings successfully developed and launched by the Company have been awarded with China's registration certificate for Class II and Class III medical devices respectively. This kind of high-end wet wound dressing is specially designed for the vulnerable skin of the elderly with chronic diseases, facilitates the observation of wound healing by medical staff, and also provides patients with a cost-effective solution for chronic wound treatment, effectively solving the clinical pain points such as the adhesion of traditional gauze dressings to wounds and frequent dressing changes. The innovative application of pure cotton spunlace non-woven fabrics in infection prevention products, such as protective clothing, surgical gowns, and isolation gowns, has not only alleviated the shortage of raw materials during the pandemic but also improved the breathability and comfort of anti-pandemic products, which is safe and environmentally friendly. In the field of consumer products, the Company has developed pure cotton tissues, pure cotton wet tissues, sanitary pads with pure cotton surface, as well as disposal cleansing towels, disposable underwear and other products. It has been invited to participate in the development of a number of national standards and industry standards, drafting and developing performance requirements for pure cotton non-woven surgical dressings, and technical specifications for contact trauma dressings and children's masks. As the first and major drafter, Purcotton, a wholly-owned subsidiary of the Company, led the development of national standards for cotton tissues (GB/T 40276-2021), which requires that the fiber composition and content of cotton tissues shall be identified, and the fiber content tolerance shall comply with the provisions of GB/T 29862 (implemented on December 1, 2021). In December 2021, "pure cotton spunlace non-woven fabrics and its products" of the Company was awarded as the national single champion of manufacturing industry.

Since its establishment, the Company has been attaching great importance to scientific and technological innovation and cooperation. It has carried out industry–university–research (IUR) projects with many universities and research institutes, including Hong Kong Polytechnic University, Hong Kong Research Institute of Textiles and Apparel, Wuhan Textile University, and Soochow University. The Company worked with Soochow University to carry out "temperature scale of gauze quilt and sleep comfort" project, and partnered with Wuhan Textile University to carry out "repolymer gauze" for spinning technology; On December 27, the Company and Wuhan Textile University jointly established the Innovation Research Institute of Winner Medical & Wuhan Textile University to accelerate the transformation of scientific and technological achievements. Xu Weilin, academician of the Chinese Academy of Engineering, deputy party secretary and principal of Wuhan Textile University, was appointed as the president of the Research Institute. At the same time, the Company and the Shenzhen Institute of Advanced Technology of the Chinese Academy of Sciences have jointly established the "Joint Lab for Wound Dressing Innovative Technology Research" to conduct cutting-edge technology research and new product development of wound dressings. At present, the Company has two provincial R&D platforms, the "Guangdong Functional Cotton Engineering Technology Research Center" and the "Guangdong Wound Repair Material Engineering Technology Research Center" that are dedicated to the research of functional cotton and wound repair materials. In July 2022, the Company signed a contract with the National Innovation Center For Advanced Medical Devices in Shenzhen, China to build a joint research center, further strengthening the cooperation between the two sides in the development of innovative medical devices, key core technology research, and clinical application transformation.

As of June 30, 2022, the Company (including the acquired enterprises) has obtained 77 invention patents, 640 utility model patents, and 352 design patents in China; and 57 invention patents and 8 utility model patents from countries outside China. The Company was regarded as a "Leading Enterprise in Independent Innovation" by the Shenzhen Municipal People's Government, and a "Shenzhen Enterprise with Intellectual Property Advantages" by the Shenzhen Administration for Market Regulation.

## 3. Advantages of quality control

The Company is one of the early companies that established a complete medical-grade quality management system in the industry, including ISO13485, FDA21CFR820, China's *Good Manufacturing Practice for Medical Devices*, and ISO9001, which have been certified or approved. Its medical dressings meet the quality standards of many countries and regions, including Europe, the United States, Japan, and China, and have been accepted by these countries and regions. It also implements the quality control requirements of medical devices when expanding its health consumer goods business. In addition, the Company's R&D Center and Lads have the professional capabilities for product testing certified by the China National Accreditation Service for Conformity Assessment (CNAS). The medical masks have passed the Type I, Type II and Type IIR product certification of EU MDR, PPE certification, and Level 1, Level 2 and Level 3 certification of FDA 510K in the United States, respectively, in overseas markets. The Company ranked 1st in the white book for exporters of epidemic prevention materials issued by the General Administration of Customs and General Administration of Market Supervision of China during the epidemic in 2020. In China, the masks have passed the testing and certification of Beijing Institute of Medical Device Testing, National Medical Products Administration. The protective clothing have been CE certified for EU Type 5 and Type 6. The Company's N95 masks and protective clothing are of good quality and high reputation, allowing it to be the designated reserve unit of the government's prevention and control command, as well as the main material supplier

for Shanghai, Jilin, Shenzhen and Henan which have been hit by the COVID-19 pandemic in 2022. In addition, the Company's product quality has been widely recognized by the market. During the Tokyo Olympic Games and Beijing Winter Olympics, many athletes wear the Company's protective products, which protected athletes to ensure their excellent performance in the field. Guilin Latex, an enterprise acquired by the Company, is the original designated production enterprise of the National Family Planning Commission, a condom product supplier of the United Nations Population Fund, a vice-chairman unit of China Rubber Industry Association, the location and chairman unit of the Latex Branch, and a unit of Latex Products Standards Committee. It is also a participant and leader in the formulation of 4 national standards and 6 industrial standards such as latex surgical gloves and condom products.

To ensure the safety of raw materials for its products, Purcotton uses high-quality cotton from around the world to produce its core products, such as its pure cotton tissue, sanitary pads with pure cotton surface, and pure cotton wet wipes. All the workshops are managed according to the management requirements for the workshops of medical dressings, which can help strictly control bacterial contamination and pollution sources. With its medical-level quantity management control system, Purcotton is able to provide customers with high-quality consumer goods that are safe and environmentally friendly. Adhering to the concept of "medicine close to life, Purcotton care for health", Purcotton not only applies quality natural cotton but also attaches importance to the environmental friendly weaving and finishing process. To ensure that its products are safe and reliable, no fluorescent brighteners are added to its products. Some of its products are OEKO-TEX Standard 100 certified, and some infant textile products are Shenzhen Standard certified. Some non-woven products have passed the testing performed in accordance with the EU AP (2002) 1 and EC1935/2004 EU Food Contact Materials Regulation.

#### **4. Product advantages**

##### **(1) Medical consumables**

Through acquisition, the Company's product categories include wound care, infection protection, cleaning and disinfection, injection and punching, covering application scenarios like clinical and medical institutions and families, which can better meet clients' needs of one-stop procurement. In addition to traditional acute wound care products, the Company has also developed representative high-end wet dressings like silicone foam dressings, hydrocolloid dressings, super absorbent pads and scar repair sheet for chronic wounds that are difficult to heal, which has further enrich its products. For the clinical use scenarios, the Company is committed to change from selling single products to providing customers with integrated solutions. Its infection prevention products include dozens of surgical packs for various sections, such as heart and brain, abdominal cavity, urology, reproduction, facial features, and limbs. In terms of disease protection and control, the Company replaces chemical fiber fabrics with pure cotton spunlace non-woven fabrics for masks, protective clothing, surgical gowns, and isolation gowns. Such innovative products not only meet infection prevention and control standards but also are more comfortable and environmentally friendly with better breathability. In the field of home care, the Company provides professional products for clinical use such as hyaluronic acid masks, saline cleaning pads, hydrocolloid band-aids and medical masks to consumers through portable, sterilized and diversified packages, applying these professional health care products and services in daily home care.



## (2) Healthy consumer goods

The Company's healthy consumer goods consist of non-woven consumer goods and textile consumer goods. The non-woven consumer goods include cotton tissues, sanitary pads, and wet wipes; the textile consumer goods include baby supplies, baby clothing, adult clothing, and bedding. The Company accurately captured the market demand for domestic high-quality consumer products under the backdrop of consumption upgrading, and took the lead in proposing the innovative concept of replacing chemical fibers with cotton and getting rid of chemical stimulation, and provide consumers with healthy, comfortable and environmentally friendly consumer goods. And its cotton tissues are pioneering tissues in the industry, which can partially replace household paper. Pure cotton tissues are made of degradable cotton after physical processing. There are less chemical stimulation and the tissues can be reused. Both the production and use of the tissues are more comfortable, safe, and environmentally friendly, so consumer acceptance of the tissues has been significantly improved, and there are many imitators in the market. For pure cotton wet wipes and sanitary pads with pure cotton surface, cotton materials are innovatively used in the parts of these products that contact human skin to replace traditional chemical fiber and effectively reduce chemical irritation, so they are popular in the markets of baby and female consumers. Due to the excellent breathability and softness of gauze fabrics, the Company's clothing and textile consumer products such as gauze children's children's clothing, household clothing, bedding and bath towels are getting more popular.

## 5. Brand advantages

### (1) Brand advantages in the field of medical consumables

As one of the market leaders in the field of medical consumables, the Company attaches great importance to product quality and service, and holds exhibitions worldwide to launches the "Winner Medical Academy", aiming to invite experts to educate, organize and participate in academic forums and public welfare activities, thus promoting the brand, allowing "Winner Medical" to enjoy a high reputation in the industry, and enabling the products to be widely recognized by customers at home and abroad. During the COVID-19 pandemic, the Company's actions were highly recognized by the government of China. Winner Medical was praised by the Joint Prevention and Control Mechanism of the State Council as a well-deserved "ordnance factory" in fighting the pandemic. Winner Medical (Huanggang) was awarded the title of "National Advanced Unit for Fighting the COVID-19 Pandemic" by the CPC Central Committee and the State Council. The Company's medical consumables are mainly sold to developed countries and regions such as Europe, Japan and the United States, and the products under its brand Winner are mainly sold to developing countries and regions such as Asia, Africa, and Latin America. The Company are providing services for world-renowned medical supplies companies such as Mölnlycke, Lohmann, and PAUL HARTMANN. According to statistics from the China Chamber of Commerce for Import and Export of Medicines and Health Products (CCCMHPIE), the Company has been ranked among the top three exporters of Chinese medical dressings for many consecutive years. The products of "Winner Medical" brands have covered all public and most private hospitals in Hong Kong. In May 2021, Winner Medical was selected by the Federation of Shenzhen Industries as the "Benchmarking Enterprise in China's Medical Consumables Sector" and at the same time recognized as an "International Renowned Brand" by the United Nations

## Industrial Development Organization.

**(2) Brand advantages in the field of healthy consumer goods**

Consumers' demand for high-quality products is increasing due to consumption upgrading. Sticking to the "cotton fiber only" principle in its operations, Purcotton insists on offering "comfortable, healthy, and environmentally friendly" cotton products with high quality to consumers to constantly bring them happiness and quality products, which makes Purcotton products popular among consumers. Adhering to the concept of "medicine close to life, Purcotton care for health", Purcotton advocates the use of cotton, to reduce environmental pollution and to enable consumers to return to a natural and sustainable lifestyle with pure cotton. The pure cotton tissues developed by Purcotton is a pioneering category. By virtue of pure cotton wet tissues, sanitary pads with pure cotton surface, BBNice, as well as gauze textile products and clothing, Purcotton has built a brand image of "new Chinese products" with cotton as the core material and excellent product quality. Its brand awareness is increasing and its reputation is improving year by year, forming effective competition barriers and bringing powerful added value of products for Purcotton.

**6. Advantages of sales channels****(1) Advantages of online channels**

In terms of online channels, the Company's "Winner Medical" and "Purcotton" have completed the deployment of mainstream third-party e-commerce platforms, including Tmall, JD.com and Amazon. With the huge user traffic gathered, its sales has covered most online shopping consumer groups, and the sales data indicated that the sales of its products rank among the top in the relevant product categories in major e-commerce platforms. With the attributes of "sales + social", Purcotton's official website and WeChat mini programs are important platforms for its product display, user interaction, and brand promotion. At the same time, Purcotton is also cooperating with new social retail platforms such as Douyin and Xiaohongshu, which helps it open up new sales growth channels.

**(2) Advantages of offline channels**

In the medical consumables section, the Company's domestic medical business distributors (hospital market) have covered over 4,000 hospitals in more than 30 provinces (incl. municipalities and autonomous regions); retail pharmacy market distributors have covered 140,000 retail pharmacies in more than 20 provinces (incl. municipalities and autonomous regions); foreign medical business customers and distributors have covered more than a hundred countries and regions such as Europe, Japan and the United States.

As for healthy consumer goods section, the Company has opened a total of 339 offline stores as of June 30, 2022. Among them, Purcotton has opened 335 offline stores (including 27 franchisees) in more than 60 mid- and high-end shopping malls in Shenzhen, Shanghai, Beijing, Guangzhou and other key cities in China. The Company integrates its brand concept into its store design. It hires

well-known designers at home and abroad to upgrade its store image and to enhance its consumer experience with an exhibition-style product display balancing both aesthetics and richness of products. It also adds an experience area to highlight product display and user experience, which has helped increase the Company's sales revenue and further increase its brand awareness.

As for offline terminals like chain stores and supermarkets, based on Purcotton's positioning of high-quality consumer goods, the Company mainly deploys Purcotton products in High-end boutique supermarkets and local leading supermarkets. Meanwhile, the Company also has set up dedicated sales teams to cover the bulk purchase or customized purchase needs of corporate clients. The Company's core products, such as Purcotton's cotton tissue and Nice Princess, have successfully entered supermarket chains, convenience store chains and offline maternal & infant stores and communities, including about 6,000 outlets of China Resources Vanguard, Ole' Supermarket, Sam's Clubs, Wal-Mart, Rainbow and other mainstream supermarket chains, over 20,000 outlets of 7-11, Rosen, Convenience Bee, Today, Every Day, Hong Qi and other convenience store chains, as well as over 7,500 beauty stores and offline maternal & infant stores such as Watsons, Kidswant and Love Baby Island.

### **(3) Advantages of integration between online and offline channels**

The omnichannel retail model is a newly emerging retail form that provides consumers with a consistent shopping experience by integrating physical channels, e-commerce channels, and mobile e-commerce channels. In such form, the convenience of online channels and the consumer experience of offline channels can complement each other. Having a deep insight into the development trend of integrating online and offline channels, the Company thoroughly optimized and integrated various channels to integrate traffic and sales of offline stores and online mini programs, thereby further improving its operating efficiency and performance. Online channels can meet offline consumers subsequent consumption needs while offline channels can provide online consumers further product information and service experience. Flows of traffics can be directed between the two kinds of channels, so online and offline traffic can be effectively obtained. As of June 30, 2022, the number of Purcotton users has exceeded 40 million, including over 19 million registered members of its private platforms (8 million store registered members, and over 10 million registered members of its official website and WeChat mini programs).

### **7. Advantages of full industrial chain**

Adhering to the business philosophy of "Quality before profit", the Company has been constantly improving its product quality, cost and delivery management and control, and has built a full industrial chain with advantages from procurement, production, sterilization, warehousing, to delivery. The Company has seven wholly-owned production subsidiaries, covering a total area of more than 1 million square meters, including 105,000 square meters of clean workshops, supplying large quantities of high-quality medical supplies and daily necessities around the world each year. Established in 2005 with an area of 550,000 square meters, Winner Medical (Huanggang) is the main production site of pure cotton spunlace non-woven fabrics, cotton tissues, sanitary pads, and masks; with an area of 67,000 square meters, Winner Medical (Jingmen) is the main production site of gauze clothing, degreased medical bleached gauze, and dyed medical gauze; with an area of 93,000 square meters, Winner Medical (Jiayu) has four product categories with pure cotton as basic materials, i.e. the cleaning, disinfection, beauty, and care categories, and two product collections: medical and daily use products; established in 2001 with an area of 140,000 square meters, Winner Medical (Chongyang) is the Company's main force of producing its disposable surgical kits and other infection control products in operating room, protective clothing and other epidemic prevention products, all kinds of cotton balls and cotton pads; established in 2017 with a total area of about 467,000 square meters of its phase I and phases II sites, Winner Medical (Wuhan) has brought in electron beam sterilization and international modern cotton spunlace production line; established in 2000 with a total area of about 150,000 square meters, Winner Medical (Tianmen) produce products such as pure cotton spunlace non-woven fabrics, pure cotton tissues, medical dressing, medical protection series products, being the production base of pure cotton tissues and medical gauze in China for trade; established in 1999, Winner Medical (Yichang) has 137 advanced air-jet looms, being the main production base for its grey cloth. In January 2022, the Company acquired an industrial land of nearly 15,000 square meters located in Guanlan Street, Longhua District. In the future, the land will be built into a industrial base for medical biological and infection control protection in the Guangdong-Hong Kong-Macao Greater Bay Area, which will be used for scientific research innovation and industrial production of medical biology, high-end medical dressings and medical infection control protection products.

With constant improvement, the Company's excellent production management system has been upgraded from 1.0 to 3.0, covering seven modules (i.e. standardization, visualization, automation, Just-in-Time, rapid response, value engineering, organizational guarantee). It has gradually established and improved its daily management system in factory. It has improved its production efficiency through equipment innovation. For example, its self-developed soft ear loop mask manufacturing equipment truly realize the unmanned manufacturing of masks with high-efficient equipment; it has basically realized the fully automated production of its products like cotton tissues and wet wipes; it has preliminarily replace manual production with machinery production for cotton swabs, cotton balls, cotton pads, makeup cotton, packages, and drapes, which has greatly supported its rapid production and supply. The Company is also going to explore and build smart factories. It will realize "unmanned production, process-based management, and process digitalization" step by step.

## **III. Main business analysis**

### **(I) Overview of business performance**

During the reporting period, in the face of the severe challenges brought by the repeated outbreaks of COVID-19 epidemic and changes in the external economic environment to the business, the Company further clarified its strategic planning, strengthened its brand development strategy, and focused on the business plan objectives. In the first half of 2022, the Company realized a main business income of RMB 5.11 billion, representing an increase of 27.4% compared with the same period of the previous year. In the first half of 2022, in terms of sub-business section, the sales revenue from medical section was RMB 3.23 billion (including a revenue of RMB

0.09 billion contributed by Longterm Medical), representing a year-on-year increase of 45.3%. Wherein, there was a year-on-year increase of 53.9% from disease control and protection products, a year-on-year increase of 2.6 times from high-end dressing products, and a year-on-year increase of 27.5% from traditional wound care and dressing products. Despite of the great effect of epidemic, the sales revenue from health consumer goods section was RMB 1.88 billion in the first half of this year, representing a year-on-year increase of 5.1%. Wherein, there was a year-on-year increase of 2.4% from online channels (an increase of 10.0% from official websites, Wechat mini programs and other self-owned platforms), a year-on-year increase of 9.3% from offline channels (an increase of 35.0% from supermarket channel, and an increase of 4.8% from offline stores). During the reporting period, through measures such as optimizing suppliers and customers, streamlining SKUs and improving personnel structure, the Company achieved preliminary success in cost reduction and efficiency increase. In the first half of the year, the sales expense rate decreased by 1.9 percentage points and the management expense rate decreased by 1.3 percentage points on a year-on-year basis. The Company obtained a net profit of RMB 890 million attributable to the shareholders of the listed company, representing a year-on-year increase of 17.3%; and obtained a net profit after deducting the non-recurring profit and loss of RMB 820 million, which was mainly due to the good growth of the main business and the decrease of government subsidies, financial management income and other non-recurring profit and loss in the same period.

In the second quarter of 2022, the Company obtained a main business income of RMB 2.81 billion, representing a year-on-year increase of 59.5%, and obtained a net profits attributable to shareholders of listed companies of RMB 0.54 billion, representing a year-on-year increase of 91.0%. In the second quarter of 2022, in terms of sub-business section, the sales revenue from medical section was RMB 1.83 billion, representing a year-on-year increase of 130.1%, which was mainly due to the continuous improvement of the Company's brand awareness and reputation and the continuous enrichment of product categories. In particular, there was a rapid growth in the revenue from domestic channels. Wherein, the sales revenue of hospital channels was RMB 890 million, representing a year-on-year increase of 470.8%; the sales revenue of domestic pharmacies was RMB 110 million, representing a year-on-year increase of 128.9%; and the sales revenue from medical e-commerce channels was RMB 230 million, representing a year-on-year increase of 101.9%. As of June 30, 2022, there was more than 10 million of fans from medical e-commerce channels, with a year-on-year increase of 17.4%, and a repurchase rate of members of 30.0%. In terms of healthy consumer goods section, although some stores were unable to operate normally and some regional logistics were interrupted due to the impact of COVID-19, thanks to the diversified layout of online and offline channels and the complementary advantages of multiple platforms and channels, the sales revenue from healthy consumer goods section in the second quarter was RMB 990 million, representing a year-on-year increase of 2.0%. Wherein, the sales revenue from online channels was RMB 650 million, representing a year-on-year increase of 4.4%, and the sales revenue from offline store channels was affected by the epidemic, representing a year-on-year decrease of 2.6%. As of June 30, 2022, Purcotton has nearly 40 million global members, including more than 19 million private members.

The incomes by channels and by products during the reporting period are as follows:

### 1. Main business income through main channels

Unit: RMB '0,000

Business type	Channel type	First half of 2022	First half of 2021	YoY change	Reasons for YoY change in performance
Medical consumables	Hospitals in China	159,467.75	59,701.88	167.11%	The quality of protective products is highly recognized by customers. In the case of sporadic outbreaks of COVID-19 pandemic in China, the company quickly seized the market opportunity and achieved a great increase in revenue from the hospital channel
	Domestic pharmacies	25,028.53	21,248.24	17.79%	Mainly due to the increase in the number of pharmacies covered
	E-commerce	46,158.81	35,272.19	30.86%	A substantial growth in products such as gloves, mouth and nose cleaning and disinfection products, and high-end dressings
	Domestic direct selling	22,083.97	5,799.87	280.77%	Increase in the number of protective products purchased by enterprises, institutions and government departments
	Overseas sales	70,541.63	100,469.44	-29.79%	Loose epidemic prevention and control at overseas markets, and declined demand for protective products
	Subtotal	<b>323,280.69</b>	<b>222,491.62</b>	<b>45.30%</b>	/
Healthy consumer goods	E-commerce	112,966.95	110,278.98	2.44%	No major changes
	Wherein: (1) Tmall, JD.com and other third-party e-commerce platform channels	87,279.96	86,924.58	0.41%	No major changes
	(2) Company-owned platform channels	25,686.99	23,354.40	9.99%	User conversion rate was improved through private domain content operation



Business type	Channel type	First half of 2022	First half of 2021	YoY change	Reasons for YoY change in performance
	such as official website, Wechat mini program				and community operation
	Offline stores	56,866.34	54,263.42	4.80%	No major changes
	Supermarket channels	14,332.75	10,617.06	35.00%	Continuously increase in the number of channels covered
	Key Client	3,940.97	3,874.40	1.72%	No major changes
	Subtotal	<b>188,107.01</b>	<b>179,033.86</b>	<b>5.07%</b>	/
	Total	<b>511,387.70</b>	<b>401,525.48</b>	<b>27.36%</b>	/

Note 1: In the first half of 2021, domestic direct sales revenue included the sales revenue of domestic pure cotton spunlace non-woven fabrics of RMB40,800,400, and foreign sales revenue included the sales revenue of foreign pure cotton spunlace non-woven fabrics of RMB 57,552,100.

Note 2: The "e-commerce" channel of medical consumables business includes domestic e-commerce platforms and cross-border e-commerce platforms.

Note 3: The healthy consumer goods business consists of Purcotton business and PureH2B business.

Note 4: The data of the "offline stores" channel of healthy consumer goods business cover directly-operated stores and franchised stores.

## 2. Main business income of main products

Unit: RMB '0,000

Business type	Product type	First half of 2022	First half of 2021	YoY change	Reasons for YoY change in performance
Medical consumables	Traditional wound care products	45,158.42	35,408.47	27.54%	Increase of new customers and unit prices in foreign trade channels and the steady growth of e-commerce channels
	Advanced wound care products	16,044.93	4,374.06	266.82%	Longterm Medical made a contribution for sales income of about RMB 67 million; representing an increase of about 113% excluding that contributed by Longterm Medical, which was mainly due to the substantial growth in products achieved by the Company through expanding sales channels and adding new customers.
	OR infection control products	21,940.54	22,804.66	-3.79%	Decrease in the number of patients undergoing surgery during the epidemic
	Disease prevention and control products	225,166.66	146,319.30	53.89%	Frequent sporadic outbreaks of COVID-19 pandemic in China, leading to a sharp increase in the market demand for N95 masks and protective clothing compared with the same period last year
	Disinfection & cleaning products	14,970.14	13,585.13	10.20%	No major changes
	Subtotal	<b>323,280.69</b>	<b>222,491.62</b>	<b>45.30%</b>	/
Healthy consumer goods	Cotton tissues	41,648.52	40,885.23	1.87%	No major changes
	Sanitary pads	29,290.16	26,454.67	10.72%	The year-on-year increase was due to the upgrade of packaging and products and the expansion of sales channels. Compared with previous periods, the growth rate of this product has decreased, which was mainly due to the decline in the flow of people in major sales channels such as supermarkets and convenience stores.
	Wet wipes	7,928.06	9,019.84	-12.10%	No major changes



Business type	Product type	First half of 2022	First half of 2021	YoY change	Reasons for YoY change in performance
	Other non-woven consumer goods	22,350.95	22,693.78	-1.51%	No major changes
	Baby supplies	17,459.71	17,998.93	-3.00%	No major changes
	Baby clothing	23,104.28	20,690.19	11.67%	Increase of the presentation by story theme series and improvement of product appearance, and increase of online channel marketing
	Adult clothing	30,774.83	27,451.73	12.11%	
	Other textile consumer goods	15,550.51	13,839.49	12.36%	
	Subtotal	<b>188,107.01</b>	<b>179,033.86</b>	<b>5.07%</b>	/
	Total	<b>511,387.70</b>	<b>401,525.48</b>	<b>27.36%</b>	/

Note 1: In the first half of 2021, the sales revenue of traditional wound care and dressing products including pure cotton spunlace non-woven fabrics was RMB 98,352,500.

Note 2: The purchase date of Longterm Medical is April 30, 2022, and its sales revenue from May to June is consolidated into the consolidated financial statements of Winner Medical.

## (II) Overview of operation and management

During the reporting period, the Company focused on the following work:

### 1. Digital transformation

In order to promote "consumer-centric and digital and intelligent manufacturing-driven" business transformation, and carry out the five digital strategies of "digital commodity operation", "omni-channel digital operation", "consumer digital operation", "digital smart logistics digital operation" and "smart manufacturing digital operation", the Company further delivered the digital project phase of core business operation, and effectively promoted the whole industrial chain of the group to drive and lead the overall business change and innovation from top to bottom. In the first half of 2022, the Company promoted the following digital projects: (1) The Company continued to promote the upgrading of digital operation capability of all categories of commodities: the Company build a full-dimensional commodity volume cost-benefit model based on the operation and integration of the whole life cycle of commodities, and effectively make optimal solution for products gross profit and SKUs through AI technologies such as algorithm engine and machine learning. The optimization of the prediction model has improved the matching accuracy of commodities, channels and consumers. Algorithms were used to automatically allocate and replenish goods, so as to predict the balance of production capacity, and to automatically create a model and generate labels for good sales factors, further improving the overall product operation capabilities. (2) The Company connected all members to conduct omni-channel integrated marketing operations, to ensure the consistency of member experience and improve the repurchase rate and transformation of members. During the reporting period, the Company had completed the connection of all members. In the second half of the year, the Company will further promote the construction of CDP-MA marketing cloud and strive to comprehensively accelerate the digital operation capability of omni-channel consumers. (3) The Company promoted the construction of digital operation capacity of smart logistics in the entire network warehouse, and strove to create an integrated, intelligent, scalable, and active logistics system with quick response speed based on customer demand orientation, and independently developed WMS&TMS systems through new technologies, effectively promoting logistics costs reduction, and improving efficiency and user experience. Currently, the Company is committed to the launch promotion of multi warehouses, and will further promote the upgrading in the second half of the year. (4) The Company accelerated the construction of digital operation capabilities for all-intelligent manufacturing, applied advanced solutions in the industry to build a green, low-carbon, agile industrial chain ecological lighthouse factory and an industry-leading Win+ industrial Internet intelligent manufacturing platform. Due to the independent development of four major types of applications including APS, MES, QMS and IOT based on new technologies, 9 major manufacturing bases have been empowered to improve quality, reduce costs and improve efficiency. At present, the development, testing and launch of version 1.0 has been completed, and the comprehensive competitiveness will be continuously improved.

### 2. R&D and Innovation

In the field of medical consumables, the Company will focus on developing the application of core basic materials in epidemic prevention products such as masks and protective clothing, so as to provide better product experience for epidemic prevention personnel and ordinary users when the epidemic is normalized and continue to create greater value for users. In the field of high-end medical dressing products, the Company will continue to upgrade and iterate on the wet dressing products. In the first half of the year, the Company continued to strive to R&D and upgrade of adhesive product formula, medical urethanes materials, polymer superabsorbent materials and other core raw material process formulas. At present, some materials is being performed with the product verification, which can meet the differentiated customization needs of different customers and different markets after mass production. At the same time, the Company is also accelerating the deployment of domestic and foreign product certificate access to prepare in advance for the switch of EU regulations and the substitution of imported products with domestic products. In the first half of this year, the Company's self-developed antibacterial fiber dressing was approved by the US FDA, and its scar cream products were awarded with China's registration certificate for Class II medical devices, and more than a dozen high-end dressings were successfully registered in CE, FDA and China. Relying on the medical R&D technology platform, the Company's product R&D layout has gradually expanded from medical dressing consumables to daily skin care products, and plans to focus on creating a series of medical and beauty products with bioactivity functions in the next few years, such as facial mask, cream and other categories.

In the field of health consumer goods, the wide knitted liquid ammonia cotton fabric, which is pioneered by the Company in the industry

and featured with luxurious texture and comfortable and skin-friendly feelings, has been applied to bedding suites; The cotton sunscreen 2.0 developed by the Company is featured with not only the super sunscreen effect of UPF50 + and good moisture absorption and permeability, but also upgraded function of peppermint cooling; The high elastic gauze technology, which provides the solution for the problem of gauze with no elastic and restrained wearing, is widely used in pure cotton gauze products; At the same time, the Company has also started the carbon footprint certification of core cotton products. Through the carbon footprint certification of cotton tissues, wet tissues, gauze baby clothes, four-piece bedding sets and T-shirts, the total amount of greenhouse gas emissions of products can be quantitatively calculated, making it convenient to identify the key points of improvement in the production process of products, and providing the basis and direction for the sustainable improvement of products. The implementation of carbon footprint certification is an important step to achieve the goal of reaching the peak carbon of all cotton. In terms of industry–university–research (IUR) collaboration, in view of the fact that the current state-approved cotton varieties, which are more suitable for use in the textile and clothing industry, but not suitable for the production and use of non-woven spunlaced cotton, the Company and South China Agricultural University have jointly established a cotton research institute and appointed Professor Zhang Xianlong as the chief cotton scientist of Purcotton to carry out cooperation in cotton breeding and spunlaced cotton R&D projects. Currently, (Sanya) Purcotton No. 1, a variety developed through hybrid breeding of sea land fusion, has been expanded and planted in Xinjiang in April; At the same time, the Company has cooperated with the National Environmental Protection Engineering Technology Center of Donghua University - Textile Industry Pollution Textile to carry out the analysis and detection project of microplastics released from textile materials, and output the comparison data of microfiber and microplastics produced by the cotton materials and similar products of chemical fiber materials in the process of use based on scientific experiments, so as to strengthen the consumer's awareness of deplasticization.

### 3. Brand building

In the first half of 2022, Winner Medical continued to consolidate the brand image favored by the public and trusted by doctors and nurses, and continuously improved brand awareness and reputation through effective means. During the reporting period, by cooperating with a number of authoritative media and innovating forms, the Company's influence in the industry and consumers was further promoted. Wherein, Winner Medical was invited by Shenzhen Press Group, and visited by a number of media for high-quality development investigation and special reports publication; Winner Medical was invited to participate in CCTV's *Dialogue* program, Phoenix's *Chief Interview* program to tell the brand story of Winner Medical to create value for society as a national enterprise; Winner Medical and *China Youth Daily* jointly launched an advertising film for the interview of Winter Olympic athletes with the theme of "Go to the Stadium and Win Together"; In collaboration with *China Women's News* and famous actress Liu Mintao, Winner Medical released the public welfare theme film *My Slash Mother*, which was widely discussed and praised by the public. In terms of cross-border brand cooperation, we have cooperated with Carlsan and Genki Forest to expand the attention of Winner Medical in "Generation Z" and social media platforms. In terms of pharmacy chain, during the college entrance examination, we cooperated with pharmacies in China to launch more than 70 offline activities of "Winner's Energy Station for Candidates" in various places, helping students to attend the examination successfully and winning praise from a large number of teachers, students and parents. In the field of professional academic, we have held academic conferences at all levels to have an effect on the professional market, and held the charity activity of caring for white angels on the Nurse's Day on May 12, involving more than 50 hospitals in China, further strengthening exchanges and cooperation with domestic heading hospitals.

In terms of brand construction, Purcotton continued to deepen its communication with consumers, and continued to convey to consumers the multiple advantages of "cotton" in environmental protection and sustainable development through spokespersons, creation of original high-quality content, offline exhibition tours and press conferences, so as to enhance consumer awareness and loyalty to the brand. On March 1, Purcotton officially announced Guo Jingjing, a former national diving team athlete and Olympic champion, as the brand spokesperson. At the same time, the "reassuring guardian ambassador" Guo Jingjing launched the "Power of a Cotton" public welfare action together with Purcotton; Based on the conjunction with China Women's News and Xin Shixiang, Purcotton has created the original brand character documentary series "Her Changes" Luo Haixiang and Shui Qingxia, through real characters and stories representing the spirit of the times and high-quality original content, to communicate with consumers at a deeper level, establish the link of spirit and value, and form the brand's own content IP; On the occasion of the coming "World Ocean Day", Purcotton held the "Go Green Go Live" brand conference and the 2021 social responsibility report conference of Winner Medical, to deeply understand the environmental protection value of cotton and convey the brand's sustainable development vision to consumers through online live broadcasts. At the same time, it launched offline themed image exhibitions with China National Geography Magazine in Shenzhen and Chengdu to enhance the public's attention to environmental protection and the brand of Purcotton.

### 4. Extensional M&A

During the reporting period, the Company adhered to the strategy of creating a one-stop solution for medical consumables and launched an extensional M&A around the field of low-value medical consumables. It has successively acquired the controlling interest in Longterm Medical and Hunan Pingan Medical Device, and 100% equity of Guilin Latex, further enriched the product line, supplemented the product weakness, expanded domestic and foreign business channels, and improved the Company's strategic layout.

On April 8, by virtue of its own funds of RMB 730 million, the Company acquired a total of 55% equity of Longterm Medical, whose main business was the research and development, production and sales of high-end wound dressings, and the acquisition date was April 30. With more than 10 years of long-term accumulation of high-quality customers, Longterm Medical has 4 registration certificates for Class III medical devices and 21 registration certificates for Class II medical devices, leading the industry among high-end wound dressing enterprises in China. In 2021, it obtained an operating income of RMB 350 million and a net profit of RMB 86.374 million. The acquisition is helpful to the Company to build a leading position in high-end wound dressings in China, which is of great strategic significance.

On May 18, the Company invested a total of RMB 750 million to hold 68.7% equity of Hunan Pingan Medical Device after capital increase and share expansion. The acquisition date was July 1. Hunan Pingan Medical Device, which is mainly engaged in the research

and development, production and sales of medical devices such as syringes, infusion sets, blood collection tubes, blood collection needles and indwelling needles, is a well-known trademark in China and a national high-tech enterprise. In 2020, it was awarded the "second batch of specialized, refined, special and new small giant enterprises". In 2021, Hunan Pingan Medical Device obtained an operating income of RMB 360 million and a net profit of RMB 85.032 million. Hunan Pingan Medical Device has 17 and 19 registration certificates for Class III and Class II medical devices respectively, and 24 patent certificates. It makes business at domestic and overseas markets, and has a leading market share in the hospital market of Hunan Province. Through the acquisition, the gap of the Company's products in the field of injection and puncture was filled, helping the Company become one of the most comprehensive enterprises in medical consumables product line in China.

On June 6, the Company acquired 100% equity of Guilin Latex with its own capital of RMB 450 million, and the acquisition date was June 30. Guilin Latex is mainly engaged in the production and sales of medical latex surgical gloves, medical inspection gloves and latex condoms. In 2021, Guilin Latex obtained an operating income of RMB 320 million and a net profit of RMB 50.854 million. Guilin Latex is a participant and leader in the formulation of 4 national standards and 6 industrial standards such as latex surgical gloves and condom products, in possession of 11 medical device registration certificates and 35 patent certificates, including 13 invention patents. Guilin Latex's medical latex surgical gloves are leading in brand awareness, scale and quality in the hospitals in China, and also indispensable conventional consumables for various surgeries. They can be used together with the Company's operating room consumables and wound care products to form various combinations, providing one-stop customized solutions to hospital users and solving the pain points of hospital users. At the same time, Guilin Latex's condom products will be introduced into the Company's consumer channels, enriching the Company's consumer product line.

### (III) YoY changes in key financial data

Unit: yuan

	Current reporting period	Same period last year	Year-on-year increase/decrease	Reason for change
Operating income	5,157,944,495.72	4,059,865,654.92	27.05%	Mainly due to the larger revenue growth in medical consumables section
Operating costs	2,640,556,563.64	1,921,789,702.47	37.40%	Mainly due to the increase in commodity price and the increase in labor costs
Sales expenses	950,172,124.74	825,805,820.57	15.06%	For details, please refer to "3. selling expenses and Composition" of "IV. Other information required by the disclosure guidelines for textile and apparel-related sectors" below.
Administrative expenses	325,391,883.32	310,652,551.64	4.74%	No major changes
Financial expenses	(73,619,152.34)	(12,616,456.80)	483.52%	Mainly due to the increase in interest income and exchange gains and losses
Income tax expenses	145,670,282.34	143,286,407.76	1.66%	No major changes
R&D expenses	238,644,498.62	189,917,265.47	25.66%	Mainly due to the increase in R&D investment
Net cash flow from operating activities	801,150,899.38	197,604,865.77	305.43%	(1) In 2020, the Company applied a credit policy of 100% payment for protective products, and in the first half of 2021, the Company's credit policy for the protective products has returned to the normal level; (2) The good performance in 2020 has resulted in more taxes and fees paid after the final settlement in the first half of 2021.

Net cash flow from investing activities	(966,552,145.71)	1,134,322,825.18	-185.21%	Mainly due to the payment or prepayment of investment funds in 3 M&A units during the reporting period
Net cash flow from financing activities	192,733,749.29	(821,629,805.97)	123.46%	Mainly due to bank loans obtained during the reporting period
Net increase in cash and cash equivalents	54,933,264.88	510,599,067.48	-89.24%	Mainly due to the increase in cash paid for investment during the reporting period

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

Applicable  Not applicable

There was no significant change occurred in the profit composition or profit source of the Company during the reporting period.

Products or services accounting for more than 10%

Applicable  Not applicable

Unit: RMB '0,000

	Operating income	Operating costs	Gross margin ratio	Year-on-year increase/decrease of operating income	Increase or decrease in operating costs over the same period of the previous year	Year-on-year increase/decrease of gross margin ratio
By products or services						
Medical consumables - products on disease prevention and control	225,166.66	113,971.32	49.38%	53.89%	92.31%	-10.12% <sup>Note 1</sup>

The Company needs to comply with the disclosure requirements of the "Textile and Apparel Business" stipulated in the No. 3 Guideline of Shenzhen Stock Exchange for Self-regulatory of Listed Companies - Industry Information Disclosure.

Unit: yuan

	Operating income	Operating costs	Gross margin ratio	Year-on-year increase/decrease of operating income	Increase or decrease in operating costs over the same period of the previous year	Year-on-year increase/decrease of gross margin ratio
By sectors						
Medical consumables	3,232,806,937.03	1,734,857,098.62	46.34%	45.30%	60.88%	-5.19%
Healthy consumer goods	1,881,070,146.61	878,872,880.90	53.28%	5.07%	7.07%	-0.87%
By products						
By regions						
Domestic	4,367,167,496.07	2,200,074,326.83	49.62%	50.28%	56.31%	-1.94%
Abroad	746,709,587.58	413,655,652.69	44.60%	-32.69%	-15.87%	-11.08% <sup>Note 2</sup>

Note: 1. Mainly due to the decline in gross margin of overseas sales;

2. Mainly due to the decline in gross margin caused by the decreased demand from overseas markets and increase in raw material prices and other factors;

3. The incomes mentioned above are main business income.

In the event that the statistical caliber of the Company's main business data is adjusted in the reporting period, the Company shall follow the main business data in the past year adjusted by the caliber at the end of the reporting period

Applicable  Not applicable

Whether the Company has sales terminals in brick-and-mortar stores

Yes  No

Distribution of brick-and-mortar stores

Types of stores	Number of stores	Area of stores	Number of new stores during the reporting period	Number of stores closed at the end of the reporting period	Reasons for store closings	Brands involved
Direct-sale stores	312	119,886	19	29	Expiration of contract and active store closing for strategic consideration	Purcotton, PureH2B
Franchises	27	5,901	5	1	Transfer from franchise store to directly-operated store	Purcotton

Total area and performances of directly-operated stores

Levels of areas	Number of stores	Total area	Operating income in January-June 2022(10,000 yuan)	Operating income for the same period last year (10,000 yuan)	Average year-on-year increase/dec rease in performance of stores	Reasons
Less than 300 m <sup>2</sup>	116	25,485.06	15,904.31	16,066.76	-1.01%	
300-500 m <sup>2</sup>	73	27,360.62	14,045.91	14,187.08	-1.00%	
500-800 m <sup>2</sup>	57	35,201.40	12,626.51	13,243.44	-4.66%	
More than 800 m <sup>2</sup>	20	18,900.70	5,097.70	5,176.20	-1.52%	
<b>Total</b>	<b>266</b>	<b>106,947.78</b>	<b>47,674.43</b>	<b>48,673.49</b>	<b>-2.05%</b>	<b>It is mainly due to the fact that in the first half of 2022, some stores were unable to open their doors normally due to the successive closures and personnel isolation measures taken for epidemic control, which had an impact on the offline business of the stores</b>

Note: The above stores are Purcotton's stores opened for more than 12 months as of June 30, 2022. The operating income of offline stores does not include the sales of offline stores diverted to online Wechat mini-programs.

Top 5 Stores in terms of Operating Revenues

S/N	Name of stores	Opening date	Operating income (yuan)	Average performance of the store (yuan/m <sup>2</sup> )
1	Store I	October 25, 2017	6,577,590.87	16,289.23
2	Store II	September 19, 2014	5,027,339.22	6,685.29
3	Store III	January 18, 2018	4,689,890.40	3,518.30
4	Store IV	May 15, 2010	4,510,150.29	6,933.36
5	Store V	October 31, 2021	4,448,679.42	10,203.39
<b>Total</b>	--	--	<b>25,253,650.20</b>	<b>43,629.57</b>

New stores of listed companies

Yes No

Name of stores	Address of stores	Opening time	Contract area (m <sup>2</sup> )	Investment amount (RMB)	Product Category	Operation form	Business model	Property ownership status	Number of stores
Direct-sale stores of Purecotton	Central China	2022	2,479.18	14,049,871.98	Healthy consumer goods	Retail	Direct-sale stores	Purecotton leasing	10
Direct-sale stores of Purecotton	North China	2022	1,024.00	6,289,649.97	Healthy consumer goods	Retail	Direct-sale stores	Purecotton leasing	4
Direct-sale stores of Purecotton	West China	2022	660.70	3,267,045.22	Healthy consumer goods	Retail	Direct-sale stores	Purecotton leasing	3
Direct-sale stores of Purecotton	South China	2022	486.00	2,453,416.35	Healthy consumer goods	Retail	Direct-sale stores	Purecotton leasing	2
Direct-sale stores of Purecotton	North China	2022	300	433,305.92	Healthy consumer goods	Retail	Franchises	Purecotton leasing	1
Direct-sale stores of Purecotton	South China	2022	221	412,273.00	Healthy consumer goods	Retail	Franchises	Purecotton leasing	1
Direct-sale stores of Purecotton	West China	2022	370	629,994.30	Healthy consumer goods	Retail	Franchises	Purecotton leasing	2
Direct-sale stores of Purecotton	Central China	2022	191.3	309,182.22	Healthy consumer goods	Retail	Franchises	Purecotton leasing	1
<b>Total</b>			<b>5,732.18</b>	<b>27,844,738.96</b>					<b>24</b>

Does the Company disclose the information on Top 5 franchises

Yes No

#### IV. Other information required by the disclosure guidelines for textile and apparel-related sectors

##### 1. Production capacity

The Company's own production capacity

	Current reporting period	Same period last year
--	--------------------------	-----------------------

More than 10% YoY change in production capacity utilization rate

Yes No

Business category	Product Category	Unit	January-June 2022			January-June 2021			Percentage of change in production capacity utilization rate	Change reason description
			Production capacity	Output	Production capacity	Output	Production capacity			
					Utilization rate		Utilization rate			
Medical consumables	Gauze	ton	5,585	3,568	64%	5,276	3,210	61%	3%	No major changes
	Cotton	ton	1,373	1,026	75%	1,030	857	83%	-9%	No major changes
	Mask	'0,000 pieces	328,051	295,621	90%	197,351	148,799	75%	15%	Frequent sporadic outbreaks of COVID-19

										pandemic in China, leading to the demand for products increasing faster than the increase in production capacity
	Protective clothing	'0,000 suits	2,652	2,627	99%	780	517	66%	33%	Sporadic outbreaks of COVID-19 pandemic, leading to a significant increase in the demand for products quantity
	Surgical gowns	'0,000 suits	1,950	1,796	92%	1,560	1,215	78%	14%	Frequent sporadic outbreaks of COVID-19 pandemic in China, leading to the demand for products increasing faster than the increase in production capacity
	Medical combo kits	'0,000 kits	2,600	2,329	90%	2,595	2,219	86%	4%	No major changes
	Cotton spun lace non-woven fabric	ton	25,628	14,241	56%	24,090	12,435	52%	4%	No major changes
Healthy consumer goods	Cotton tissues	'0,000 kits	17,397	6,565	38%	13,822	6,934	50%	-12%	Mainly due to the increase of new production capacity and the slight decrease of sales volume
	Sanitary pads	'0,000 pieces	25,040	19,496	78%	25,040	18,925	76%	2%	No major changes

Is there overseas production capacity?

Yes No

## 2. Sales model and channels

Sales channels and actual operation of products

The Company's healthy consumer goods is involved in textile and apparel industries. The sales channels for healthy consumer goods include e-commerce, direct chains and supermarkets, key accounts and franchisees.

Unit: yuan

Sales channels	Operating income	Operating costs	Gross margin ratio	Year-on-year increase/decrease of operating income	Increase or decrease in operating costs over the same period of the	Year-on-year increase/decrease of gross margin ratio

					previous year	
Online sales	1,129,669,514.64	577,404,203.98	48.89%	26,879,726.10	22,437,124.73	-0.79%
Offline stores	568,663,387.31	226,868,732.28	60.10%	26,029,153.51	16,031,334.21	-1.04%
Supermarket channels	143,327,527.80	54,670,363.89	61.86%	37,156,885.44	18,477,517.03	-4.05%
Key Client	39,409,716.86	19,929,580.75	49.43%	665,822.66	1,105,998.59	-1.99%
Total	1,881,070,146.61	878,872,880.90	53.28%	90,731,587.71	58,051,974.55	-0.87%

Reasons for change

There was no significant change in the gross profit margin of sales of healthy consumer goods through various channels during the current period.

### 3. Selling expenses and composition

Sales expenses	January-June 2022	January-June 2021	Year-on-year increase/decrease	Description of significant changes
Employee compensation	322,603,966.58	229,922,405.33	40.31%	Mainly due to the increase in sales staff and medical business performance, and the corresponding increase in employee compensation
Travel expenses	3,848,684.40	5,786,992.03	-33.49%	Mainly due to the decrease in business trips of sales staff caused by the impact of epidemic
Office communication costs	8,396,979.22	3,075,901.11	172.99%	Mainly due to the increase in office and network service fees
Sales commission	118,542,577.52	98,622,807.60	20.20%	No major changes
Insurance premiums	3,018,944.71	2,574,426.91	17.27%	No major changes
Depreciation and amortization	156,566,925.78	113,209,102.14	38.30%	Mainly due to the amortization of right-of-use assets added for new stores of the consumer goods business and the amortization of long-term deferred expenses added for closed stores
Advertising and marketing expenses	235,198,138.16	233,984,397.50	0.52%	No major changes
Rent	66,454,933.41	85,737,804.97	-22.49%	No major changes
Other	35,540,974.97	52,891,982.98	-32.80%	Mainly due to the decrease in other miscellaneous selling expenses
<b>Total</b>	<b>950,172,124.74</b>	<b>825,805,820.57</b>	<b>15.06%</b>	

### 4. Franchising and distribution

The proportion of franchisees and distributors' sales revenues exceeds 30%

Yes No

Top 5 franchisees

S/N	Name of franchisee	Time of cooperation	A related party or not	Total sales (Rmb)	Level of franchisee
1	Franchisee I	November 09, 2020	No	2,047,316.15	Primary
2	Franchisee II	May 01, 2020	No	1,637,036.90	Primary
3	Franchisee III	June 12, 2020	No	1,339,037.08	Primary
4	Franchisee IV	December 24, 2020	No	1,000,843.62	Primary
5	Franchisee V	June 01, 2021	No	866,781.02	Primary



Total	--	--	--	6,891,014.77	--
-------	----	----	----	--------------	----

Top 5 distributors

S/N	Name of franchisee	Time of cooperation	A related party or not	Total sales (Rmb)
-----	--------------------	---------------------	------------------------	-------------------

## 5. Online sales

The proportion of online sales in sales revenues exceeds more than 30%

Yes No

Is there a self-built sales platform?

Yes No

Operation starting time	January 06, 2014
Number of registered users	19,084,848
Average number of monthly active users	2,060,000

Does it work with a third-party sales platform?

Yes No

Unit: yuan

Name of platform	Transaction amount during the reporting period	Payment to the platform	Return rate
Taobao (healthy living consumer products)	545,164,917.16	46,120,707.23	1.80%
Jingdong (healthy living consumer products)	259,640,720.20	23,003,627.07	1.39%
Amazon (medical consumables)	40,826,636.09	19,388,903.05	2.82%
Vipshop (healthy living consumer products)	25,755,382.12	1,440,373.59	4.86%

Opening or closing online sales channels by the Company

Applicable Not applicable

Description of the impact on the current and future development of the Company

Not applicable.

## 6. Agency operation

Does it adopt agency operation?

Yes No

## 7. Inventory

Inventory

Main products	Inventory turnover in days	Inventory value	YoY increase/decrease in inventory balance	Reasons
Medical dressings	70	789,656,200.96	273,128,769.49	A year-on-year increase of 52.88%, mainly due to the increase of merchandise inventory to meet the sales demand
Healthy consumer goods	235	1,019,398,812.02	(61,450,800.50)	A decrease of 5.69% over the end of last year without significant changes
Overall	125	1,809,055,012.98	211,677,968.99	An increase of 13.25% over the end of last year

				without significant changes
--	--	--	--	-----------------------------

## Provision accrual for inventory depreciation

Product Category	Amount of inventory depreciation reserves	Proportion of depreciation reserves	Net value of inventories	Original value of inventories	Inventory age			
					Within 1 year	1-2	2-3	3 years and above
Medical consumables	38,144,310.20	4.63%	789,656,200.96	827,800,511.16	790,119,141.49	23,569,214.34	10,482,438.74	3,629,716.59
Healthy consumer goods	104,116,890.45	9.27%	1,019,398,812.02	1,123,515,702.47	964,923,556.81	137,686,484.52	12,791,122.55	8,114,538.59
Total	142,261,200.65	7.30%	1,809,055,012.98	1,951,316,213.63	1,755,042,698.30	161,255,698.86	23,273,561.29	11,744,255.18

## Inventory information of end channels such as franchises or distributors

In 2022, in terms of healthy life consumer goods, the Company opened 5 new stores under the brand of Purcotton, with a total of 27 stores. The franchise stores are operated in a business model in which franchisees are responsible for store construction and daily operations, and Purcotton provides brand marketing, merchandise and supply chain support. After the sales of stores, Purcotton and the franchisees obtain their respective profits through sharing; The ownership of the franchise store inventory belongs to Purcotton. As of June 30, 2022, there was a inventory balance of RMB 10,530,000, with average RMB 390,000 in each store.

## 8. Brand building

Whether the company is involved in the production and sales of branded clothing, apparel and home textile products

Yes  No

Private brand

Brand name	Trademark name	Main product types	Features	Target customers	Main product price bands	Main market territory	Level of cities
Purcotton	Purcotton	Cotton tissues	Made of 100% high-quality natural cotton without fluorescent whitening agent; mild and non-irritating; meeting the daily needs of consumers	All-age customer base	RMB 5-30 /pack (100 pieces)	Nationwide	Second- and third-tier cities and above
Purcotton	Nice Princess	Sanitary pads	100% cotton surface layer (surface layer, spacer, sanitary wing surface layer)	Female population at appropriate ages	RMB 1.99-3.99 /piece	Nationwide	Second- and third-tier cities and above
Purcotton	BBNice	Cotton diapers	100% cotton surface layer;	Parental population	RMB 3.32-4.14 /piece	Nationwide	Second- and third-tier cities

			unique in the market; made from natural cotton; 2mm ultra-thin core with 28 times ultra-high absorption capacity				and above
Purecotton	Purecotton	Wet wipes	100% cotton material; soft and non-slippery; gentle and non-irritating	All-age customer base	RMB 20-40 /pack	Nationwide	Second- and third-tier cities and above
Purecotton	Purecotton	Baby products/clothing	100% cotton material without fluorescent nor formaldehyde; the unique gauze fabric to provide more comfortable care	Expecting mothers, newborns, babies, toddlers	RMB 100-400 /piece	Nationwide	Second- and third-tier cities and above
Purecotton	Purecotton	Adult clothing / intimate apparel	100% cotton material; high-quality cotton without fluorescent nor formaldehyde; soft to the touch; the unique gauze fabrics to provide more comfortable care	adults at appropriate ages	Outwear: RMB 200-600 yuan/piece; home wear: 200-500 yuan/piece; thermal underwear: RMB 100-500 yuan/piece; underwear: RMB 48-68 yuan/pair; socks: RMB 20-80 yuan/pair	Nationwide	Second- and third-tier cities and above
Purecotton	Purecotton	Bedding, toiletries	100% cotton material; high-quality cotton without fluorescent nor formaldehyde; soft to the touch; the unique gauze fabrics to provide more comfortable care	Expecting mothers, newborns, babies, toddlers and adult customer base	Baby bedding: RMB 200-500 /set; toddler bedding: RMB 300-800 /set; adult bedding: RMB 500-2000 /set; bathroom supplies: RMB 50-200 /piece	Nationwide	Second- and third-tier cities and above

## Partner brands

Brand name	Trademark name	Main product types	Features	Target customers	Main product price bands	Main market territory	Level of cities	Brand and trademark rights ownership	Partner name	Cooperation mode	Cooperation period
------------	----------------	--------------------	----------	------------------	--------------------------	-----------------------	-----------------	--------------------------------------	--------------	------------------	--------------------

## Licensed brand

Brand name	Trademark name	Main product types	Features	Target customers	Main product price bands	Main market territory	Level of cities	Licensor	License period	Exclusive license or not
Purcotton, China Aerospace	Purcotton, China Aerospace modeling figures	Baby clothing and supplies	The product is made from 100% cotton material and designed with China Aerospace image	Infants and young children customer group	RMB 198-458 /piece	Nationwide	Second- and third-tier cities and above	Shanghai Character License Administrative Co.,Ltd.	9/15/2021 - 10/14/2021	No
Purcotton, Ultraman	Purcotton, Ultraman modeling characters	Cotton tissues, wet tissues, bath towels	The product is made from 100% cotton material and designed with Ultraman cartoon image	All-age customer base	RMB 21.8-298 /piece	Nationwide	Second- and third-tier cities and above	Party A: Koni Culture (Beijing) Co., Ltd. Party B: Hangzhou Qianxi Culture Communication Co., Ltd	September 01, 2021 - October 31, 2022	No

Marketing and operation of each brand during the reporting period

Please refer to the "Brand marketing" in "III. Analysis of Main Business" of "Section 3 Management Discussion and Analysis" for marketing and operation of brands.

Cases involved in trademark ownership disputes

Applicable  Not applicable

## 9. Other

Whether the Company is engaged in apparel design-related business

Yes  No

The number of fashion designers in the Company	33	The number of contracted fashion designers	1
The operation of the built designer platform	PLM system, 3D design platform and digital color tool Coloro Creative Intelligence		

Did the company hold an order meeting?

Yes  No

## V. Non-main business analysis

Applicable  Not applicable

Unit: yuan

	Amount	Proportion in total profits	Formation reasons	Is it sustainable
Investment income	31,452,189.90	3.01%	Mainly refers to the income from cash management with raised funds and self-owned funds	No
Profit/loss from changes in fair value	35,182,098.83	3.37%	Mainly refers to the income from cash management with raised	No

			funds and self-owned funds	
Impairment of assets	-73,045,565.34	-7.00%	Mainly refers to the impairment arising from fair value assessment of inventories and fixed assets	No
Non-operating income	2,152,935.65	0.21%	Mainly refers to the gains from scrapping fixed assets	No
Non-operating expenses	8,633,722.09	0.83%	Mainly refers to the loss of scrapping fixed assets	No
Credit impairment Loss	(7,749,168.11)	-0.74%	Mainly refers to the estimated provision for credit impairment loss of accounts receivable and other receivables	No
Gains from asset disposal	(547,132.74)	-0.05%	Mainly refers to the loss on disposal of non-current assets	No

## VI. Analysis of assets and liabilities

### 1. Significant changes in the composition of assets

Unit: yuan

	End of the reporting period		End of the previous year		Increase/decrease in proportions	Description of significant changes
	Amount	The proportion in total assets	Amount	The proportion in total assets		
Monetary capital	4,213,668,508.76	27.15%	4,273,938,326.82	32.22%	-5.07%	No major changes
Accounts receivable	1,002,762,209.29	6.46%	775,546,589.42	5.85%	0.61%	Mainly due to sales growth
Inventory	1,809,055,012.98	11.65%	1,597,377,043.99	12.04%	-0.39%	No major changes
Long-term equity investments	19,358,011.13	0.12%	16,949,801.24	0.13%	-0.01%	No major changes
Fixed assets	1,924,347,463.68	12.40%	1,477,320,848.63	11.14%	1.26%	Mainly due to the increase caused by new mergers and acquisitions
Construction in progress	531,760,298.29	3.43%	216,096,622.30	1.63%	1.80%	Mainly due to the increase in plant and equipment investment by subsidiaries
Right-of-use assets	473,619,587.07	3.05%	531,735,443.44	4.01%	-0.96%	No major changes
Short-term debt	1,141,476,733.93	7.35%	0.00	0.00%	7.35%	Mainly due to increased borrowing
Contract liabilities	320,794,802.74	2.07%	341,175,665.42	2.57%	-0.50%	No major changes
Long-term loans	28,000,000.00	0.18%	0.00	0.00%	0.18%	Mainly due to the increase caused by new mergers and acquisitions
Lease liabilities	316,525,936.97	2.04%	381,808,925.09	2.88%	-0.84%	No major changes
Advance to	420,787,215.37	2.71%	110,462,594.38	0.83%	1.88%	Mainly due to

supplier						the increase in advance payment for raw material purchase
Intangible assets	799,026,401.97	5.15%	265,700,890.65	2.00%	3.15%	Mainly due to the appraisal appreciation of newly acquired companies
Other non-current assets	252,312,831.03	1.63%	115,571,001.80	0.87%	0.76%	Mainly due to prepayment of equity funds to Pingan Medical Device
Goodwill	588,885,371.18	3.79%	0.00	0.00%	3.79%	Mainly due to the premium generated by the newly acquired company
Notes payable	146,065,963.57	0.94%	36,200,130.04	0.27%	0.67%	Mainly due to the increase in the amount settled by bills
Accounts payable	996,960,746.96	6.42%	734,521,490.60	5.54%	0.88%	Mainly due to the increase in the amount payable for raw material purchase
Taxes payable	183,490,178.24	1.18%	93,859,069.68	0.71%	0.47%	Mainly due to the increase in corporate income tax payable
Deferred income tax liabilities	80,180,343.95	0.52%	13,337,159.68	0.10%	0.42%	Mainly due to the increase of deferred income tax liabilities recognized by the newly acquired companies in the appraisal appreciation

## 2. Major overseas assets

Applicable  Not applicable

## 3. Assets and liabilities measured at fair value

Applicable  Not applicable

Unit: yuan

Item	Opening balance	Gain/loss from changes in fair value for the period	Accumulated fair value changes included in equity	Impairment in accrual of current period	Purchase amount during the reporting period	Sales amount during the reporting period	Other changes	Closing balance
Financial assets								
1. Trading financial assets (excluding derivative)	3,130,529,709.10	35,182,098.83			3,093,150,000.00	3,499,161,820.00		2,726,914,556.35

financial assets)								
Financial assets subtotal	3,130,529,709.10	35,182,098.83			3,093,150,000.00	3,499,161,820.00		2,726,914,556.35
Total of the above	3,130,529,709.10	35,182,098.83			3,093,150,000.00	3,499,161,820.00		2,726,914,556.35
Financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Other changes

Not applicable.

Whether there were any significant changes in the measurement attributes of the Company's major assets during the reporting period

Yes No

#### 4. Restricted rights to assets as of the end of the reporting period

The breakdown of monetary funds that are restricted in use due to mortgages, pledges or freezes, restricted in withdrawal due to centralized management of funds, as well as those placed outside China with restrictions on repatriation of funds, is as follows:

Item	Closing Balance	Beginning balance
L/C deposit*1	50,672,072.00	27,597,366.13
Deposit for bank acceptance bill*2	11,119,000.00	-
Performance bond*3	2,354,080.27	2,162,025.10
Balance of other restricted monetary funds * 4	5,977,829.57	155,566,673.55
Total	70,122,981.84	185,326,064.78

\*1 L/C deposit refers to the deposit deposited by Winner Medical and Winner Medical (Tianmen) to for the processing of letters of credit.

\*2 Deposit for bank acceptance bill refers to the deposit deposited by Longterm Medical for issuance of acceptance bill.

\*3 The performance bond is the deposit deposited by Winner Medical (Hong Kong) in the bank for transactions with customers.

\*4 Balance of other restricted monetary funds refers to the balance of special deposit accounts for restricted non-budget units opened by Shenzhen Purcotton and PureH2B in accordance with the regulations of prepaid card issuance formulated by the Ministry of Commerce.

## VII. Analysis of investment

### 1. Overall situation

Applicable  Not applicable

Investment amount in the reporting period (RMB)	Investment amount in the same period of the previous year (RMB)	Change percentage
4,609,168,278.88	2,855,178,484.95	61.43%

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

Applicable  Not applicable

Unit: yuan

Name of the invested company	Principal operation	Investment method	Investment amount	Shareholding ratio	Source of funds	Partner	Investment period	Product type	Progress as of the balance sheet date	Estimated income	Current investment profit and loss	Involvement in litigation	Date of disclosure (if any)	Disclosure index (if any)
Zhejiang Longterm	R&D, production and	Acquisition	727,540,000.00	55.00%	Self-owned funds	/	/	Medical consumables	The acquisition date	0.00	4,894,217.53 Note	No	April 11, 2022	

Medical Technology Co., Ltd.	sales of high-end wound dressings									was April 30, 2022, the income statement for May-June 2022 and the balance sheet as of June 30, 2022 are included in the consolidation scope				
Guilin Zizhu Latex Products Co., Ltd.	Production and sales of medical latex surgical gloves, medical inspection gloves and latex condoms	Acquisition	450,000.00	100.00%	Self-owned funds	/	/	Medical consumables		The acquisition date was June 30, 2022, the balance sheet as of June 30, 2022 is included in the consolidation scope	0.00	0.00	No	June 08, 2022
Total	--	--	1,177,540,000.00	--	--	--	--	--	--		0.00	4,894,217.53	--	--

Note: The current investment profit and loss of Longterm Medical is RMB 4,894,217.53, which is the net profit attributable to the parent company from May to June 2022 continuously calculated on the basis of the fair value of identifiable net assets on the purchase date.

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

Applicable  Not applicable

Unit: yuan

Project name	Investment method	Investment in fixed assets or not	Industries involved in investment projects	Investment amount in the current reporting period	Cumulative actual investment amount as of the	Source of funds	Project progress	Estimated income	Cumulative realized gains as of the end of the	Reasons for not meeting the scheduled progress	Date of disclosure (if any)	Disclosure index (if any)



					end of the reporting period				reporting period	and projected earnings		
High-end dressing production line construction project	Independent	Yes	Medical consumables	54,806,787.08	86,790,500.00	Proceeds	40.02%	0.00	0.00	N/A		
Marketing network construction project	Independent	Yes	Healthy consumer goods	60,632,961.37	279,014,300.00	Proceeds	39.60%	0.00	0.00	N/A		
R&D Center construction project	Independent	Yes	Medical consumables + healthy living consumer products	27,481,988.87	101,222,600.00	Proceeds	43.00%	0.00	0.00	N/A		
Digital management system project	Independent	Yes	Medical consumables + healthy living consumer products	12,861,053.53	113,234,500.00	Proceeds	42.12%	0.00	0.00	N/A		
Winner Industrial Park (Jiayu) Project	Independent	Yes	Medical consumables	11,971,947.87	64,086,300.00	Proceeds	16.02%	0.00	0.00	N/A		
Phase II expansion project of Winner Medical Wuhan	Independent	Yes	Medical consumables + healthy living consumer products	170,723,540.16	377,566,700.00	Proceeds	62.93%	0.00	0.00	N/A		
Total	--	--	--	338,478,278.88	1,021,914,900.00	--	--	0.00	0.00	--	--	--

#### 4. Financial assets measured at fair value

Applicable  Not applicable

Unit: yuan

Asset classes	Initial investment cost	Gain/loss from changes in fair value for the period	Accumulated fair value changes included in equity	Purchase amount in the current reporting period	Sales amount in the current reporting period	Accumulated investment income	Other changes	Closing balance	Source of funds
Trust products	1,330,000.00	8,923,223.76		959,000.00	1,039,000.00	3,240,646.93		1,273,043,323.76	Self-owned funds

Funds				40,000,000.00				40,000,000.00	Self-owned funds
Other	1,770,996,820.00	26,258,875.07		2,094,150,000.00	2,460,161,820.00	25,803,333.08		1,413,871,232.59	Owned + raised funds
Other	0.00	0.00		0.00	0.00	0.00		0.00	Self-owned funds
Total	3,100,996,820.00	35,182,098.83	0.00	3,093,150,000.00	3,499,161,820.00	29,043,980.01	0.00	2,726,914,556.35	--

## 5. The use of proceeds

Applicable  Not applicable

### (1) The overall use of proceeds

Applicable  Not applicable

Unit: RMB '0,000

Total amount of proceeds	355,884.93
Total amount of proceeds invested during the reporting period	87,378.13
Total accumulated amount raised for proceeds	219,621.78
Total amount of proceeds for alteration purposes during the current reporting period	8,787
Total accumulated amount of proceeds for alteration purposes during the current reporting period	8,787
Proportion of total amount of proceeds for alteration purposes during the current reporting period	2.47%

#### Description of the overall use of proceeds

In the first half of 2022, the Company used raised funds of RMB 873,781,300. As of June 30, 2022, the Company had actually used raised funds of RMB 2,196,217,800.

### (2) Projects committed with raised funds

Applicable  Not applicable

Unit: RMB '0,000

Committed investment projects and investment of over-raised proceeds	Whether the project has been changed (including partial change)	Total investment in committed proceeds	Adjusted total investment (1)	Investment amount in the current reporting period	Cumulative investment amount as of the end of the reporting period (2)	Investment progress as of the end of the reporting period (3) = (2)/(1)	The project reaches the intended usable status date	Benefits realized in the current reporting period	Cumulative benefits realized as of the end of the reporting period	Whether projected benefits are met	Whether there is a significant change in project feasibility
Committed investment projects											
High-end dressing production line construction project	No	21,685.86	21,685.86	5,480.68	8,679.05	40.02%	September 30, 2024	0	0	N/A	No
Marketing network construction project	Yes	70,456.87	61,669.87	6,063.3	27,901.43	39.60%	September 30, 2024	0	0	N/A	No
R&D	No	23,542.1	23,542.1	2,748.2	10,122.2	43.00%	September	0	0	N/A	No

Center construction project		5	5		6		er 30, 2024				
Digital management system project	No	26,881.05	26,881.05	1,286.11	11,323.45	42.12%	September 30, 2024	0	0	N/A	No
Bolster working capital	No		8,787	0	0	0.00%		0	0	N/A	No
Subtotal of committed investment projects	--	142,565.93	142,565.93	15,578.29	58,026.19	--	--	0	0	--	--
Investment of over-raised proceeds											
Winner Industrial Park (Jiayu) Project			40,000	1,197.19	6,408.63	16.02%	June 30, 2023	0	0	N/A	No
Phase II expansion project of Winner Medical Wuhan			60,000	17,072.35	37,756.67	62.93%	December 30, 2022	0	0	N/A	No
Return of bank loans (if any)	--						--	--	--	--	--
Bolster working capital (if any)	--		113,319	53,530.3	117,430.3	100.00%	--	--	--	--	--
Subtotal of use of over-raised proceeds	--		213,319	71,799.84	161,595.6	--	--			--	--
Total	--	142,565.93	355,884.93	87,378.13	219,621.79	--	--	0	0	--	--
Information on and reasons for not meeting the scheduled progress or projected earnings (by specific project)	N/A										

Description of significant changes in project feasibility	N/A
Amount, purpose and progress of use of over-raised proceeds	<p>Applicable</p> <p>On October 12, 2020, the 13th meeting of the Second Board of Directors and the seventh meeting of the Second Board of Supervisors of the Company reviewed and approved the "Proposal Regarding the Use of Some Over-raised Proceeds To Permanently Supplement the Working Capital", and agreed that the Company could allocate RMB 639 million of the over-raised proceeds to permanently supplement the working capital. As of June 30, 2022, RMB 1174.303 million of over-raised proceeds have been used to bolster working capital.</p> <p>On November 27, 2020, the 15th meeting of the Second Board of Directors and the 9th meeting of the Second Board of Supervisors of the Company reviewed and approved the "Proposal Regarding the Use of Over-raised Proceeds for the Investment in Winner Industrial Park (Jiayu) Project". The main body of the Proposal is as follows: The Company plans to allocate RMB 400.0000 million of the over-raised proceeds to the investment in the Winner Industrial Park (Jiayu) Project. The total investment in Winner Industrial Park (Jiayu) Project is estimated at RMB 900.0000 million, and the implementing entity is Winner Medical (Jiayu) Co., Ltd. The project is located in Hubei Jiayu Economic Development Zone, adjacent to the Park's 2nd Road in the north, 3rd Road in the south, Jiayu Avenue in the east, and Shijingpu Road in the west. The total land area is about 451 mu. The project relies on independent research and development of patented technology achievements, and based on the existing advantages of the Company in the industry, considers natural cotton as the main raw material to innovate and improve degreasing and spunlace technology. It adopts comprehensive use of high-pressure "water needle" and other high-efficiency production technologies, and plans to build production projects in relation to spunlace, wash care, wet wipes, medical cotton/gauze/nonwoven fabrics, hand sanitizer and other products. As of June 30, 2022, the total amount invested in the above projects was 64.0863 million.</p> <p>On November 27, 2020, the 15th meeting of the Second Board of Directors and the 9th meeting of the Second Board of Supervisors of the Company reviewed and approved the "Proposal Regarding the Use of Over-raised Proceeds for the Phase II Expansion Project of Winner Medical Wuhan". The main body of the Proposal is as follows: The Company plans to allocate RMB 600.0000 million of the over-raised proceeds to the investment in the Phase II Expansion Project of Winner Medical Wuhan. The total investment in Phase II Expansion Project of Winner Medical Wuhan totals RMB 1,500.0000 million, and the implementing entity is Winner Medical (Wuhan) Co., Ltd. The project includes nonwoven coil center, sterilization processing center, domestic medical sales and marketing center, intelligent distribution center of Hubei regional headquarters, regional headquarters in Central China and the second R&amp;D center of the Group, which are fully invested and independently operated by the Company. Thanks to the project construction, the Company's production capacity and market share will be increased, enabling it to become a global leader in overall technical level and product quality scale.</p> <p>The Company held the sixth meeting of the third session of the Board of Directors and the fifth meeting of the third session of the Supervisory Committee on April 20, 2022, and the annual general meeting of 2021 on May 13, 2022, respectively, and reviewed and approved the "Proposal Regarding the Use of Some Over-raised Proceeds To Permanently Supplement the Working Capital", and agreed that the Company could allocate RMB 494.19 million of the over-raised proceeds and the corresponding cash proceeds to permanently supplement the working capital.</p>
Change of location for the implementation of the proceeds investment project	<p>Applicable</p> <p>Occurred in previous years</p> <p>On November 27, 2020, the 15th meeting of the Second Board of Directors and the 9th meeting of the Second Board of Supervisors of the Company reviewed and approved the "Proposal Regarding Capital Increase in Wholly owned Subsidiaries with Some of the Proceeds, Changes to Implementing Entity of the Fundraising Projects, and Addition of Implementation Sites of Some Fundraising Projects". The main body of the Proposal is as follows: To further improve the production, management efficiency and comprehensive utilization rate of resources, seize market development opportunities, and better promote the implementation of fundraising projects, the Company plans to use some of the proceeds to increase the capital of the wholly-owned subsidiaries and change the implementing entity of the fundraising projects, and add new implementation sites for the fundraising projects. Among them, the original implementing entity of the "R&amp;D Center Construction Project" was Winner Medical (Wuhan) Co., Ltd. According to the Company's development strategy and actual business needs, it plans to include Winner Medical Products Co., Ltd. as the implementing entity of "R&amp;D Center Construction Project", a fundraising project. A new implementation site in Winner Industrial Park, No. 660 Bulong Road, Longhua New District, Shenzhen is also included accordingly.</p>
Adjustment of the implementation	<p>Applicable</p> <p>Occurred during the reporting period</p> <p>2021 annual general meeting reviewed and approved the "Proposal on Adjusting the Implementation Mode, Extending</p>

mode of the proceeds investment project	the Construction Period and Permanently Bolstering the Working Capital of Some Fund Raising Projects", and agreed to adjust the implementation mode of some of the fund-raising projects. To quickly respond to market changes, improve the efficiency of the use of funds raised, and build marketing network projects, the investment related to the online marketing of the wholly-owned subsidiary Shenzhen PurCotton Technology Co., Ltd. was increased.
Pre-investment and replacement of the proceeds investment project	Applicable
	<p>On February 26, 2021, the 18th meeting of the Second Board of Directors and the 12th meeting of the Second Board of Supervisors of the Company reviewed and approved the "Proposal on the Replacement of Self-financing Funds Pre-invested in New Projects with Excess Funds Raised", respectively, and agreed that the Company could replace the self-raised funds pre-invested in the fundraising project with RMB 100.1742 million of proceeds. It has been verified by the [2021] No.ZI10031 "Special Auditor's Report on Proceeds Replacement of Winner Medical Products Co., Ltd." issued by BDO Certified Public Accountants (Special General Partnership) on February 23, 2021. Among them: the actual investment amount of the Company's self-raised funds pre-invested in the proceeds investment project is RMB 100.1742 million, of which: RMB 85.8942 million was invested in the Wuhan Phase II expansion project, and RMB 14.28 million was invested in Winner Industrial Park (Jiayu) Project. In February and March 2021, the Company transferred 14.28 million yuan and RMB85.8942 million respectively from the special account for proceeds to replace the self-raised funds that had been invested in advance in the proceeds project.</p> <p>On October 12, 2020, the 13th meeting of the Second Board of Directors and the seventh meeting of the Second Board of Supervisors of the Company reviewed and approved the "Proposal Regarding the Use of Proceeds to Replace Self-raised Funds Pre-invested in the Fundraising Project", respectively, and agreed that the Company could replace the self-raised funds pre-invested in the fundraising project with RMB 233.7173 million of proceeds. It has been verified by the [2020] No.ZI10635 "Special Auditor's Report on Proceeds Replacement of Winner Medical Products Co., Ltd." issued by BDO Certified Public Accountants (Special General Partnership) on October 12, 2020. Among them: the actual investment amount of the Company's self-raised funds pre-invested in the proceeds investment project is RMB 233.7173 million, of which: RMB 26.5062 million was invested in high-end dressing production line construction project, RMB 110.0794 million was invested in marketing network building project, RMB 50.2174 million was invested in R&amp;D center construction project, RMB 46.9143 million was invested in digital management system project. In October and November 2020, the Company transferred RMB 73.4204 million and RMB 160.2968 million respectively from the special account for proceeds to replacing the self-raised funds that had been invested in advance in the proceeds project.</p>
Temporary replenishment of working capital with idle proceeds	N/A
Amount of and reasons for the balance of proceeds resulting from project implementation	N/A
Usage and purposes of proceeds not used during the current reporting period	As of June 30, 2022, the balance of unused proceeds of the Company was RMB1,471.0514 million, of which: the balance of cash management was RMB1,436.9954 million and the balance of RMB34.056 million was deposited in the account for proceeds.
Problems or other circumstances	NA

ances in the use and disclosure of proceeds	
---	--

**(3) Changes in proceeds projects**
Applicable Not applicable

Project after change	Corresponding original committed projects	Total amount of proceeds to be invested in the changed project (1)	Actual investment amount in the current reporting period	Actual cumulative investment amount as of the end of the reporting period (2)	Investment progress as of the end of the reporting period (3) = (2)/(1)	The project reaches the intended usable status date	Benefits realized in the current reporting period	Whether projected benefits are met	Whether there is a significant change in the feasibility of the changed project
Marketing network construction project	Marketing network construction project	61,669.8	6,063.3	27,901.43	45.24%	September 30, 2024	0	N/A	No
Total	--	61,669.8	6,063.3	27,901.43	--	--	0	--	--
Reasons for change, decision-making procedures and information disclosure (by specific project)		Due to the strategic adjustment of the Company, the Company held the sixth meeting of the third session of the Board of Directors and the fifth meeting of the third session of the Supervisory Board on April 20, 2022 and the annual general meeting of 2021 on May 13, 2022, respectively, and reviewed and approved the <i>Proposal on Adjusting the Implementation Mode, Extending the Construction Period and Permanently Bolstering the Working Capital of Some Fund Raising Projects</i> , and investment on the marketing network building project of the wholly-owned subsidiary Shenzhen PureH2B Technology Co., Ltd. was terminated. On April 22, 2022, the Company disclosed the <i>Announcement on Adjusting the Implementation Mode, Extending the Construction Period and Permanently Bolstering the Working Capital of Some Fund Raising Projects</i> (Announcement No. 2022-021)							
Information on and reasons for not meeting the scheduled progress or projected earnings (by specific project)		The fund-raising capital investment project has not been completed and the benefits generated by the fund-raising capital investment project cannot be calculated yet							
Description of significant changes in the feasibility of the changed project		The feasibility of the marketing network building project has not changed significantly							

**6. Entrusted financial management, derivatives investment and entrusted loans****(1) Entrusted financial management**
Applicable Not applicable

Overview of entrusted financial management during the reporting period

Unit: RMB '0,000

Specific type	Source of funds for entrusted financial management	Amount incurred in entrusted financial management	Outstanding balance	Overdue amount not recovered	Impairment of overdue financial management
Bank financial products	Self-owned funds	74,160	28,000	0	0
Bank financial products	Proceeds	135,255	112,498.5	0	0
Trust financial products	Self-owned funds	95,900	125,000	0	0
Other categories	Self-owned funds	4,000	4,000	0	0
Total		309,315	269,498.5	0	0

Specific circumstance of high-risk entrusted financing with significant single amount or with low security, poor liquidity and not break-even

Applicable  Not applicable

The entrusted financing is expected not to recover the principal or has other circumstances that may cause impairment

Applicable  Not applicable

## (2) Derivative investment

Applicable  Not applicable

The Company has no derivative investment in the reporting period.

## (3) Entrusted loans

Applicable  Not applicable

The Company had no entrusted loan during the reporting period.

## VIII. Sales of significant asset and equity

### 1. Information of significant assets for sale

Applicable  Not applicable

The Company did not sell any significant assets during the reporting period.

### 2. Information of significant equity for sale

Applicable  Not applicable

## IX. Analysis of major holding companies and joint stock companies

Applicable  Not applicable

Information on major subsidiaries and joint stock companies with an impact of 10% or more on the Company's net profit

Unit: yuan

Company name	Company type	Principal operation	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Winner Medical (Huanggang) Co., Ltd.	Subsidiaries	Mainly responsible for the production of large rolls of cotton and cotton tissues	259,459,200.00	1,377,173,770.23	1,056,382,873.59	1,048,357,744.53	175,602,477.72	153,811,702.62

Acquisition and disposal of subsidiaries during the reporting period

Applicable  Not applicable

Company name	Method of acquisition and disposal of subsidiaries during the reporting period	Impact on overall production operations and performances
Zhejiang Longterm Medical Technology Co., Ltd.	Acquisition	Helps to enrich the Company's product line and expand business channels
Winner Guilin Latex Co., Ltd.	Acquisition	Helps to enrich the Company's product line and expand business channels

Description of major holding companies and joint stock companies

## X. Structured subjects controlled by the Company

Applicable  Not applicable

## XI. Risks faced by the Company and countermeasures

### 1. Risk of earnings volatility due to the COVID-19 outbreak and countermeasures

Affected by the COVID-19 pandemic, the Company's sales of epidemic protective products, such as medical masks and protective

clothing increased significantly in 2020. In 2021, with the effective prevention and control of the Covid-19 across the globe and the growth of a wide range of vaccination, medical protection products and increased competition, the Company's medical protection products sales decreased year-on-year. In the first half of 2022, Shanghai, Hong Kong and other places suffered from severe epidemic prevention and control circumstances, and the Company's medical protection products sales increased year on year. The Company's medical protection products are affected by the epidemic changes, and short-term sales revenue and net profit may fluctuate.

Hit by the COVID-19 pandemic, the country, hospitals and the public have raised the requirements for a hygienic environment, the Company's brand awareness, reputation and influence has been greatly enhanced, while sales channels have been further expanded. The Company then will seize market opportunities, make product adjustments according to market demands, increase its share and coverage in the medical consumables market.

## **2. Risk of fluctuations in downstream market demand and less-than-expected customer development and countermeasures**

Thanks to its three brands, i.e., "Winner Medical", "Purcotton" and "PureH2B", the Company realized synergetic development of medical and consumer sectors. Its business and development prospects depend on the sustainable and healthy development of macro economy, the continued growth of national per capita disposable income, and the consumers' increasing attention to the concept of health and environmental protection. Therefore, in the event of a macroeconomic downturn, a decline in national per capita disposable income or purchasing power, or an uncertain expected economic outlook, the downstream demand situation of the Company, especially consumers' willingness and ability to purchase high-quality products, may be affected, which would adversely affect the Company's operating results. In addition, after more than ten years of rapid development, the growth of e-commerce in China has slowed down and the difficulty of acquiring customers has increased. If the Company cannot adjust its business strategy based on market conditions, it may not be able to continuously expand its customer base and reduce customer acquisition costs, which would adversely affect the Company's long-term profitability.

## **3. Risk of raw material price fluctuations and countermeasures**

The Company's main raw materials are cotton as well as cotton yarn and cotton greige fabric for medical use made from cotton. The prices of cotton are affected by multiple factors such as planting area, natural production, inventory cycle, agricultural price policy of origin, consumer demand and even futures prices. In addition, the prices of imported cotton are also affected by other factors such as international trade policies and exchange rate fluctuations. If the purchase price of raw materials such as cotton continues to rise in the future, it will have a greater cost pressure on the Company's production and operation. If the Company fails to the adjustment of sales price with that of raw material price, it may have a negative impact on the stability of the Company's profitability.

To deal with the risk of cotton price fluctuations, the Company usually purchases forward contracts when the cotton price is relatively low, and when the cotton price rises to a certain level, it will adjust the sales price appropriately to reduce the negative impact on the Company's profitability.

## **4. Risk of changes in industry policies and standards and countermeasures**

Medical device, which directly affects the life and health safety of users, has been a key supervised industry. In recent years, as China further deepens the reform of the medical and health system, relevant government departments have introduced a series of regulations and policies on industry standards, bidding, price formation mechanisms, circulation systems, etc., which have a wide and profound impact on the development of the medical device industry. Affected by the COVID-19 pandemic, the foreign economic environment has been relatively sluggish, which may lead to medical budget cuts, and the price sensitivity of medical products has increased, resulting in a risk of further compressing the operating profits. If the Company fails to adapt to profound changes in industry policies in a timely manner, it may have an impact on the Company's operations.

## **5. Risk of not receiving reimbursement for the Heyuan Winner Medical Investment Project and countermeasures**

Due to the planning of the square of Heyuan High-speed Railway Station and the surrounding high-speed railway new town along the Jiangxi-Shenzhen High-speed Railway, the *Agreement on Investment and Construction of Medical Combo Kits and Cotton Household Products Production Project* entered into by and between the Company and the People's Government of Zijin County, Heyuan City in May 2016 could not be fulfilled. In November 2019, the International Arbitration Court in Ganjiang New District issued an *Award* confirming the termination of the *Investment and Construction Agreement of Medical Combo Kits and Cotton Household Products Production Project*, and the People's Government of the Zijin County shall compensate the Company for economic losses of RMB 550 million, with 50% to be paid by the People's Government of Zijin County by December 31, 2019 and 50% by February 29, 2020. As of the disclosure date of the report, the Company has received a land transfer deposit of RMB 3 million and a compensation payment of RMB 319 million returned by the People's Government of Zijin County. There is a risk that the remaining amount may not be received on time in accordance with the *Award*. The Company is currently closely following up on the subsequent payment plan of the People's Government of Zijin County, Heyuan City.

## **6. Risks of proceeds projects and countermeasures**

The Company plans to allocate the proceeds from this issuance to the construction projects of high-end dressing production lines, marketing network, R&D Center and digital management system. The development progress and operation of such projects will contribute to the Company's development and profitability in the next few years.



## XII. Registration forms for receptions of surveys, communication, interviews and other activities during the reporting period

Applicable  Not applicable

Time	Location	Method	Types of objects	Objects	Main contents of discussions and documents provided	Basic information index of surveys
January 07, 2022	Headquarter conference rooms	Telephone communication	Institutions	85 investors, including Rongtong Fund, Alpha Fund and Fullgoal Fund	Business overview and operation	For details, please refer to SZSE Interactive Ease
February 08, 2022	Headquarter conference rooms	Telephone communication	Institutions	102 investors, including GF Fund, ChinaAMC, Boseru Funds	Business overview and operation	For details, please refer to SZSE Interactive Ease
February 28, 2022	Guojin Securities Strategy Meeting	Telephone communication	Institutions	18 investors, including Springs Capital, Minghe Investment	Business overview and operation	For details, please refer to SZSE Interactive Ease
March 02, 2022	Huachuang Securities Strategy Meeting	Telephone communication	Institutions	37 investors, including Fullgoal Fund, GF Fund, ABC-CA Fund	Business overview and operation	For details, please refer to SZSE Interactive Ease
March 04, 2022	Changjiang Securities & Orient Securities Strategy Meeting and UBS telephone research	Telephone communication	Institutions	47 investors, including ChinaAMC, Invesco Great Wall Funds, China Southern Fund	Business overview and operation	For details, please refer to SZSE Interactive Ease
April 22, 2022	Webcast platform	Other	Other	Online investor	FY2021 operation	For details, please refer to SZSE Interactive Ease
April 26, 2022	Headquarter conference rooms	Telephone communication	Institutions	79 investors, including BlackRock, PAG Fund, UBS	Business overview and operation	For details, please refer to SZSE Interactive Ease
April 27, 2022	Headquarter conference rooms	Telephone communication	Institutions	35 investors, including China Universal Asset, Aegon-industrial Fund, BOCOM Schroders	FY2021 performance communication	For details, please refer to SZSE Interactive Ease
April 28, 2022	Headquarter conference rooms	Telephone communication	Institutions	9 investors, including Huafu Fund, BOC Investment, Guolian Securities	FY2021 performance communication	For details, please refer to SZSE Interactive Ease
April 29, 2022	Headquarter conference rooms	Field surveys	Institutions	2 investors, including China Merchants Securities	FY2021 performance communication	For details, please refer to SZSE Interactive Ease
May 10, 2022	Interactive Ease	Other	Other	All online investors	Business overview and operation	For details, please refer to SZSE Interactive

						Ease
May 19, 2022	Headquarter conference rooms	Telephone communication	Institutions	84 investors, including Invesco Great Wall Funds, China Southern Fund, Great Wall Fund	Company M&A	For details, please refer to SZSE Interactive Ease
May 27, 2022	Headquarter conference rooms	Field surveys	Individual	Various individual investors	Business overview and operation	For details, please refer to SZSE Interactive Ease
June 09, 2022	Headquarter conference rooms	Telephone communication	Institutions	60 investors, including Perseverance Asset, Aegon-industrial Fund and King Time Investment	Company M&A	For details, please refer to SZSE Interactive Ease

## Section IV Corporate governance

### I. Information about the annual general meeting of shareholders and extraordinary general meeting of shareholders held during the reporting period

#### 1. General meeting of shareholders during the reporting period

Meeting session	Meeting type	Investor participation proportion	Convening date	Date of disclosure	Meeting resolutions
Annual general meeting of shareholders in 2021	Annual general meeting of shareholders	77.06%	May 13, 2022	May 13, 2022	Proposal on the <Annual Report and Summary for 2021>, Proposal on the Plan on the Profit Distribution for 2021, etc.

#### 2. The preferred shareholders with voting rights restored request an extraordinary general meeting of shareholders

Applicable  Not applicable

### II. Change of directors, supervisors and senior management

Applicable  Not applicable

There were no changes in the directors, supervisors and senior management of the Company during the reporting period, which can be found in the Annual Report 2021.

### III. Profit distribution and share capital increase from capital surplus during the reporting period

Applicable  Not applicable

The Company plans not to distribute cash dividends, send bonus shares or increase capital by capital reserve for the half-year.

### IV. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures

Applicable  Not applicable

#### 1. Share Incentive

On November 27, 2020 and December 15, 2020, the Company held the 15th meeting of the second board of directors and the 6th extraordinary general meeting of shareholders in 2020 respectively, deliberated and passed the *Proposal on the Company's Restricted Stock Incentive Plan in 2020 (Draft) and Its Abstract* and related matters. The general meeting of shareholders authorized the board of directors to determine the grant date of restricted stocks, and relevant matters which is necessary to grant restricted shares to the incentive object and go through the procedures for granting restricted shares when the incentive object meets the conditions. For details, please refer to relevant announcements disclosed by the Company on the website (<http://www.cninfo.com.cn>) on December 16, 2020 and November 30, 2020.

On December 18, 2020, the Company held the 17th meeting of the second board of directors and the 11th meeting of the second board of supervisors respectively, deliberated and passed the *Proposal on Matters Related to the Adjustment of the Restricted Stock Incentive Plan in 2020* and the *Proposal on the First Grant of Restricted Stocks to the Incentive Objects*, and determined that December 18, 2020 will be the grant date of the incentive plan, 5.833 million restricted shares will be granted to 1,036 eligible incentive objects. For details, please refer to relevant announcement disclosed by the Company on the website (<http://www.cninfo.com.cn>) on December 22, 2020.

On April 20, 2022 and May 13, 2022, the Company held the sixth meeting of the third session of the Board of Directors and the annual general meeting of 2021, respectively to review and approve the *Proposal on the revocation of some of the granted restricted shares that have not yet vested*. As the Company did not meet the performance evaluation target in 2021 and some of the incentive targets are no longer qualified for the incentive, the Company revoked a total number of 3,336.6925 restricted shares.

#### 2. Implementation of Employee Stock Ownership Plan

Applicable  Not applicable

### **3. Other Employee Incentive Measures**

Applicable  Not applicable

## Section V Environment and Social Responsibility

### I. Significant environmental issues

Whether the listed company and its subsidiaries are key pollutant discharging units announced by environmental protection authorities

Yes  No

Company or subsidiary name	Names of main pollutants and characteristic pollutants	Emission mode	Number of discharge outlets	Distribution of discharge outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Total emissions approved	Emissions beyond standards
Winner Medical (Chongyan g) Co., Ltd.	PM, SO <sub>2</sub> , NOX	/	1	Boiler discharge outlet	6.2mg/m <sup>3</sup> , <3mg/m <sup>3</sup> , 134mg/m <sup>3</sup>	20mg/m <sup>3</sup> , 50mg/m <sup>3</sup> , 200mg/m <sup>3</sup>	NOX: 2.051T, SO <sub>2</sub> : 0.048T	NOX: 13.28T/a, SO <sub>2</sub> : 3.32 T/a	Not exceeding the standard
Winner Medical (Chongyan g) Co., Ltd.	PH, COD, BOD, NH <sub>3</sub> -N, SS	Direct discharge	1	Sewage discharge outlet	7.6, 52mg/L, 12.5mg/L, 1.34mg/L, 9mg/L	6-9, 80mg/L, 20mg/L, 10mg/L, 50mg/L	COD: 10.04T, NH <sub>3</sub> -N: 0.233T	COD: 57.6T/a, NH <sub>3</sub> -N: 7.27 T/a	Not exceeding the standard
Winner Medical (Jiayu) Co., Ltd.	PM, SO <sub>2</sub> , NOX	/	1	Boiler discharge outlet	3.3mg/m <sup>3</sup> , 4mg/m <sup>3</sup> , 152mg/m <sup>3</sup>	20mg/m <sup>3</sup> , 50mg/m <sup>3</sup> , 200mg/m <sup>3</sup>	NOX: 1.636T, SO <sub>2</sub> : 0.043T	NOX: 未许可, SO <sub>2</sub> : 未许可	Not exceeding the standard
Winner Medical (Jiayu) Co., Ltd.	PH, COD, BOD, NH <sub>3</sub> -N, SS	Direct discharge	1	Sewage discharge outlet	8.2, 48mg/L, 14.2mg/L, 0.15mg/L, 11mg/L	6-9, 100mg/L, 20mg/L, 15mg/L, 70mg/L	COD: 4.33T, NH <sub>3</sub> -N: 0.04T	COD: 34.29T/a, NH <sub>3</sub> -N: 1.19T/a	Not exceeding the standard
Winner Medical (Huanggan g) Co., Ltd.	PM, SO <sub>2</sub> , NOX	/	2	1#2# boiler discharge outlet	19mg/m <sup>3</sup> , <3 mg/m <sup>3</sup> , 42/117mg/m <sup>3</sup>	20mg/m <sup>3</sup> , 50 mg/m <sup>3</sup> , 200mg/m <sup>3</sup>	NOX: 6.48T, SO <sub>2</sub> : 0.807T	NOX: 23.52T/a, SO <sub>2</sub> : 未许可	Not exceeding the standard
Winner Medical (Huanggan g) Co., Ltd.	PH, COD, BOD, NH <sub>3</sub> -N, SS	Indirect discharge	1	Sewage discharge outlet	7.8, 74mg/L, 14.8mg/L, 1.07mg/L, 10mg/L	6-9, 500mg/L, 300mg/L, 45mg/L, 400mg/L	COD: 32.02T, NH <sub>3</sub> -N: 0.51T	COD: 90T/a, NH <sub>3</sub> -N: 13.5 T/a	Not exceeding the standard
Winner Medical (Tianmen) Co., Ltd.	PM, SO <sub>2</sub> , NOX	/	1	Boiler discharge outlet	2.8mg/m <sup>3</sup> , <3mg/m <sup>3</sup> , 100mg/m <sup>3</sup>	20mg/m <sup>3</sup> , 50mg/m <sup>3</sup> , 200mg/m <sup>3</sup>	NOX: 1.94T, SO <sub>2</sub> : 0.118T	NOX: 16.235T/a, SO <sub>2</sub> : 4.059T/a	Not exceeding the standard
Winner Medical (Tianmen) Co., Ltd.	PH, COD, BOD, NH <sub>3</sub> -N, SS	Indirect discharge	1	Sewage discharge outlet	7.6, 64mg/L, 19.2mg/L, 1.18mg/L, 16mg/L	6-9, 400mg/L, 150mg/L, 30mg/L, 250mg/L	COD: 9.94T, NH <sub>3</sub> -N: 0.095T	COD: 132.52T/a, NH <sub>3</sub> -N: 16.57 T/a	Not exceeding the standard
Winner Medical (Wuhan) Co., Ltd.	PM, SO <sub>2</sub> , NOX	/	/	/	/	/	/	No boiler, no license	Not exceeding the standard
Winner Medical (Wuhan) Co., Ltd.	PH, COD, BOD, NH <sub>3</sub> -N, chromaticity	Indirect discharge	1	Sewage discharge outlet	7.6, 183mg/L, 39.8mg/L, 7.66mg/L, 7	6-9, 500mg/L, 300mg/L, 45mg/L, 64	COD: 20.14T, NH <sub>3</sub> -N: 2.01T	COD: 61T/a, NH <sub>3</sub> -N: 6.1T/a	Not exceeding the standard
Winner Medical	PM, SO <sub>2</sub> , NOX	/	1	Boiler discharge	1.9mg/m <sup>3</sup> , <3 mg/m <sup>3</sup>	20mg/m <sup>3</sup> , 50mg/m <sup>3</sup>	NOX: 1.057T,	NOX: 10.83T/a,	Not exceeding

(Jingmen) Co., Ltd.				outlet	75mg/m <sup>3</sup>	150mg/m <sup>3</sup>	SO <sub>2</sub> : 0.046T	SO <sub>2</sub> : 3.11T/a	the standard
Winner Medical (Jingmen) Co., Ltd.	PH, COD, BOD, NH <sub>3</sub> -N, SS	Indirect discharge	1	Sewage discharge outlet	8.1, 43mg/L, 7.0mg/L, 0.54mg/L, 12mg/L	6-9, 200mg/L, 50mg/L, 20mg/L, 100mg/L	COD: 5.696T, NH <sub>3</sub> -N: 0.570T	COD: 19.48T/a, NH <sub>3</sub> -N: 1.95T/a	Not exceeding the standard
Yichang Winner Textile Weaving Co., Ltd.	PM, SO <sub>2</sub> , NOX	/	1	Boiler discharge outlet	2.8mg/m <sup>3</sup> , <3 mg/m <sup>3</sup> , 135mg/m <sup>3</sup>	20mg/m <sup>3</sup> , 50mg/m <sup>3</sup> , 150mg/m <sup>3</sup>	Unlicensed	Unlicensed	Not exceeding the standard
Yichang Winner Textile Weaving Co., Ltd.	PH, COD, BOD, NH <sub>3</sub> -N, SS	Indirect discharge	1	Sewage discharge outlet	7.6, 131mg/L, 39.3mg/L, 12.5mg/L, 45mg/L	6-9, 500mg/L, 300mg/L, 45mg/L, 400mg/L	No production wastewater discharge	Unlicensed	Not exceeding the standard

#### Construction and operation of pollution prevention and control facilities

In order to ensure the normal operation of environmental protection facilities, the Company selects advanced, mature and technically feasible environmental protection facilities and treatment processes, formulates environmental protection responsibility system, emergency management system, safe operation rules of environmental protection facilities, etc., assigns special personnel to be responsible for the operation and maintenance of environmental protection facilities, formulates maintenance plan, makes operation records and daily monitoring of environmental protection facilities. The environmental protection facilities operate normally, and all the pollutant discharge indexes meet the requirements of pollutant discharge permit. Relevant information is published in the emission permit management platform, and all branches submit emission permit execution reports as required.

All companies have built general waste storage sites and hazardous waste rooms in accordance with regulations. The general solid waste is managed in a ledger; the hazardous waste is managed throughout the process, and an agreement is signed with a third-party company to entrust the disposal of the waste, and the waste is regularly transferred and entrusted to the third party for treatment.

#### Environmental impact assessment of construction projects and other administrative permits for environmental protection

Winner Medical (Chongyang) Co., Ltd.: "Medical absorbent gauze series product line" obtained the EIA approval from Environmental Protection Bureau of Chongyang County on September 21, 2005, and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Chongyang County on August 22, 2008; "the project of sterile packaging and sterile production line" obtained the EIA approval (C.H.S.H [2013] No.07) from Environmental Protection Bureau of Chongyang County on March 29, 2013, and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Chongyang County on June 26, 2014; "Qingshan plant construction project" went through the environmental impact assessment in July 2014 and obtained EIA approval from Environmental Protection Bureau of Chongyang County on November 18, 2015; the new 6390M<sup>2</sup> workshop project" of Xianning Winner Medical (Chongyang) Co., Ltd. completed the declaration of registration form on May 17, 2017.

Winner Medical (Jiayu) Co., Ltd.: "Absorbent cotton project with annual production of 800 tons " obtained the EIA approval from Environmental Protection Bureau of Jiayu County on March 20, 2013, and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Jiayu County on September 20, 2014. "Winner Purcotton construction project" obtained the EIA approval (J.H.S [2014] No.083) from the Environmental Protection Bureau of Jiayu County on December 25, 2014, and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Jiayu County on September 28, 2017. The environmental impact assessment report of the Winner Industrial Park (Jiayu) Project project was approved by Xianning Ecological Environment Bureau on March 15, 2021 (X.H.S [2021] No. 21), and construction is currently underway.

Yichang Winner Textile Weaving Co., Ltd.: "Medical gauze project with an annual output of 90 million meters" obtained the EIA approval from Environmental Protection Bureau of Zhijiang City on December 19, 2014, and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Zhijiang City on October 14, 2015.

Winner Medical (Tianmen) Co., Ltd.: "Cotton spun laced non-woven fabric and medical dressing products production project" obtained the EIA approval (T.H.H. [2015] No.35) from Environmental Protection Bureau of Tianmen City on March 11, 2015. At present, phase I of the project has been completed and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Tianmen City on January 25, 2017; the independent acceptance of phase II will be completed on May 10, 2020. "Medical dressing production line automation upgrading and transformation project" obtained the EIA approval (T.H.H. [2016] No.23) from Environmental Protection Bureau of Tianmen City on January 19, 2016, and completed the independent acceptance on March 23, 2018. "Medical Products Sterilization Center Project" received the approval of the Tianmen Ecological Environment Bureau on January 17, 2022 (T.H.H. [2022] No. 4), and is currently under acceptance.

Winner Medical (Jingmen) Co., Ltd.: "30 million meters per year medical gauze bleaching and refining production line expansion project" obtained the EIA approval from the Environmental Protection Bureau of Jingmen City on October 18, 1999, and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Jingmen City on December 14, 2001;

"renovation and expansion project of gauze pad, gauze sheet and shrinkage bandage" obtained the EIA approval from Environmental Protection Bureau of Jingmen City on September 23, 2003 and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Dongbao District, Jingmen City on August 3, 2005; "degreasing and bleaching medical gauze project with annual production of 1,500 tons" obtained the EIA approval from Environmental Protection Bureau of Dongbao District, Jingmen City on April 5, 2006, and accepted together with the construction project of Purcotton on September 27, 2017; "Winner Purcotton construction project" obtained the EIA approval (D.H.H [2016] No.138) from Environmental Protection Bureau of Jingmen City on October 19, 2016, and passed the environmental protection acceptance of Environmental Protection Bureau of Jingmen City on September 27, 2017; the expansion project of absorbent gauze production line (Purcotton phase II expansion project) obtained the EIA approval (J.H.S. [2020] No.112) from Jingmen Municipal Bureau of Ecology and Environment on December 24, 2020.

Winner Medical (Huanggang) Co., Ltd.: "cotton spun laced non-woven fabric production project (phase I and phase II)" obtained the EIA approval (E.H.H. [2011] No.628) from the Environmental Protection Department of Hubei Province on August 5, 2011; the phase I project passed the environmental protection acceptance after completion (E.H.H.[2012] No.348) of Environmental Protection Department of Hubei Province on May 8, 2012. The phase II project obtained the EIA approval (H.H.H. [2015] No.304) from Environmental Protection Bureau of Huanggang City on December 31, 2015, and the phase I project passed the environmental protection acceptance after completion of Environmental Protection Bureau of Huanggang City on January 24, 2017; "the new project of Purcotton distribution center" obtained the EIA approval (H.H.H. [2016] No.114) from Environmental Protection Bureau of Huanggang City on June 27, 2016, and the independent acceptance of the project was completed on October 10, 2018; the "boiler transformation project" obtained the EIA approval (H.H.H. [2018] No.20) from Environmental Protection Bureau of Huanggang City on January 29, 2018, and completed self acceptance on November 14, 2019; the "foam coiled material production line project (expansion)" obtained the EIA approval (H.H.H. [2018] No.26) from Environmental Protection Bureau of Huanggang City on February 5, 2018, and completed the project's independent acceptance on October 8, 2018; the "construction project of high-end dressing production line" obtained the EIA approval (H.H.H. [2018] No.178) from Environmental Protection Bureau of Huanggang City on November 6, 2018, and the project is currently in the construction period and has not been completed; the "upgrading and transformation project of medical protective products" obtained the EIA approval (H.H.H. [2020] No.109) from Huanggang Municipal Bureau of Ecology and Environment, and completed the project independent acceptance on October 19, 2021.

Winner Medical (Wuhan) Co., Ltd.: "Hubei Winner Medical Co., Ltd. cotton spun laced nonwovens and products production project" obtained the EIA approval (X.S.P.Zi [2017] No.68) from Administrative Approval Bureau of Xinzhou District, Wuhan City on July 12, 2017 (see Annex 3 for the approval), and completed the independent acceptance of phase I on January 18, 2020; "R & D center construction project" obtained the EIA approval (X.S.P.Zi [2018] No.193) from Administrative Approval Bureau of Xinzhou District, Wuhan City on December 24, 2018, but the project has not started construction yet; "new electron accelerator irradiation device project" obtained the EIA approval (W.H.G. [2018] No.5) from Wuhan Environmental Protection Bureau on January 15, 2018. The project will be built in two phases, with the independent acceptance of phase I completed on May 15, 2020, and the independent acceptance of phase II completed on Nov 19, 2021. The environmental impact report form of "Upgrading and transformation project of medical protective products" obtained the approval from Administrative Approval Bureau of Xinzhou District on May 7, 2021 ([2021] No. 95), however, the project is not completed. "Winner Medical Phase II Expansion Project" was approved by Wuhan Ecological Environment Bureau and Wuhan Administrative Approval Bureau on June 21, 2022 ([2022] No. 27), the project is currently under construction.

#### Emergency plan for environmental emergencies

In order to further improve the emergency management system of environmental pollution accidents, improve the ability of branches and subsidiaries of Winner Medical Co., Ltd. to deal with major environmental pollution accidents to ensure the safety of production and operation, improve the ability of employees to deal with accidents, standardize the Company's emergency management and corresponding emergency procedures, and implement emergency rescue work in a timely and effective manner, prevent and reduce the occurrence of accidents to the greatest extent, branches and subsidiaries of Winner Medical Co., Ltd. have set up an environmental accident emergency leading group and formulated the *Emergency Plan for Environmental Accidents*. The branches and subsidiaries of Winner Medical Co., Ltd. have prepared the emergency plans for environmental accidents according to the requirements, sent them to the local environmental protection authorities for record, and regularly conducts emergency drills for environmental emergencies.

#### Environmental self-monitoring scheme

All subsidiaries have applied for discharge permits, of which the self-monitoring programs are formulated in accordance with the relevant industry norms. Pollutants are mainly detected through a combination of manual laboratory tests + commissioned monitoring + online monitoring. The online monitoring systems of the subsidiaries involved in the online monitoring of production wastewater discharge are networked with government authorities for real-time monitoring, and the online monitoring equipment is entrusted to a professional third-party company for operation and maintenance. Commissioned monitoring and manual monitoring projects are implemented according to the requirements of the monitoring program, and the monitoring results are released in a timely manner on the provincial pollutant platform.

Self-monitoring scheme of each subsidiary is made public on the national pollutant discharge permit management platform.

#### Administrative penalties imposed for environmental issues during the reporting period

Company or	Reason	Violation	Result	Impact on the	Corrective measure
------------	--------	-----------	--------	---------------	--------------------

subsidiary name				production and operation of the listed company	
N/A	N/A	N/A	N/A	N/A	N/A

Other environmental information that should be disclosed

None

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

Applicable  Not applicable

The Company conducts monthly statistical analysis of carbon emissions of its subsidiaries, establishes a carbon emission management system and carries out carbon footprint accounting for some products.

Other information related to environmental protection

None

The Company needs to comply with the disclosure requirements of the "Textile and Apparel Business" stipulated in the *No. 3 Guideline of Shenzhen Stock Exchange for Self-regulatory of Listed Companies - Industry Information Disclosure*.

Environmental compliance of the Company during the reporting period

1. Winner Medical (Jiayu) Co., Ltd.

It is a key wastewater discharge enterprise, and the wastewater mainly includes domestic sewage and production wastewater. Domestic sewage (including canteen wastewater) is first treated in oil separation tank and septic tank, and then mixed with production wastewater to enter the sewage treatment station in the plant. The sewage treatment station adopts "hydrolysis acidification + biological contact oxidation method" for treatment, and then discharged from the drainage outlet through pipeline after reaching the standard. The wastewater has been installed with on-line monitoring. The sewage treatment station passed the environmental protection acceptance after completion of Environmental Protection Bureau of Jiayu County on September 28, 2017, implementing the limit value of *Discharge Standard of Water Pollutants for Textile Dyeing and Finishing Industry* (GB4287-2012). The sewage plant's structure is concrete structure, with a service life of 20 years and environmental protection equipment for 10 years.

Solid waste is mainly domestic waste of employees; impurities (cotton residue, cotton dust and cotton batting) generated in the production process and cotton dust collected by dust removal equipment; the leftover materials produced in the slicing process; sludge from sewage treatment station; the hazardous waste generated is chemical material packaging barrel. For general solid wastes, disposal agreements are signed with disposal units, and for hazardous wastes, disposal agreements are signed with qualified disposal units.

2. Winner Medical (Chongyang) Co., Ltd.

It is a key wastewater discharge enterprise. The wastewater of the project mainly includes domestic sewage, production wastewater and experimental wastewater, etc. The production wastewater is discharged into the wastewater treatment station (hydrolysis acidification + biological contact oxidation method), and the treatment reaches the standard; the experimental wastewater is hazardous waste and has been entrusted to a third party company for treatment. The domestic sewage of the employees and production wastewater generated by the enterprise are directly discharged into the sewage treatment plant and discharged after reaching the standard. Online monitoring of wastewater has been installed, and the sewage station completed independent acceptance on March 20, 2017, implementing the limit value of *Discharge Standard of Water Pollutants for Textile Dyeing and Finishing Industry* (GB4287-2012) The sewage plant's structure is concrete structure, with a service life of 20 years and environmental protection equipment for 10 years.

Solid waste mainly includes office and domestic waste of employees, dust, leftover materials and unqualified products produced in the production process. For domestic waste and general solid waste, disposal agreements are signed with disposal units, and for hazardous waste, entrustment agreements are signed with third parties.

3. Yichang Winner Textile Weaving Co., Ltd.:

No production wastewater discharge, domestic wastewater enters the municipal pipe network, and clean energy natural gas is used as fuel. Environmental monitoring is conducted as required.

4. Winner Medical (Tianmen) Co., Ltd.

It is a key wastewater discharge enterprise. The wastewater mainly comes from the production wastewater produced by the degreasing and bleaching workshop and the domestic sewage in the plant area. The main pollutants are pH, COD, suspended solids and BOD5. The production wastewater is discharged to the sewage treatment station (hydrolysis acidification + biological contact oxidation method), and the treatment reaches the standard; domestic sewage enters the sewage treatment station and is treated with the production wastewater. Online monitoring of wastewater has been installed, and the phase I project of the sewage station



completed independent acceptance on March 23, 2018, implementing the limit value of *Discharge Standard of Water Pollutants for Textile Dyeing and Finishing Industry* (GB4287-2012). The sewage plant's structure is concrete structure, with a service life of 20 years and environmental protection equipment for 10 years.

For General solid waste and domestic waste, treatment agreements are signed with disposal units. Hazardous solid waste is mainly chemical material packaging barrels, which are recycled by raw material suppliers, and no hazardous waste is transferred for disposal.

#### 5. Winner Medical (Jingmen) Co., Ltd.

It is a key wastewater discharge enterprise, and the wastewater discharged by the enterprise is mainly production wastewater and domestic sewage. The production wastewater mainly comes from the scouring and bleaching process. The PH value of the wastewater is obviously alkaline and the COD value is high, but there is no harmful poisonous substance in it. The wastewater is discharged into the self-built sewage station, treated by "flocculation precipitation + hydrolysis acidification + biological contact oxidation method + biological aerated filter", and then discharged into the downstream municipal sewage plant. After simple treatment in septic tank, domestic sewage will be treated in self-built sewage station. The sewage station has been built, online monitoring of wastewater has been installed, and the pollutant discharge permit has been obtained. It is to be accepted. It implements the limit value of *Discharge Standard of Water Pollutants for Textile Dyeing and Finishing Industry* (GB4287-2012). The sewage plant's structure is concrete structure, with a service life of 20 years and environmental protection equipment for 10 years.

For domestic waste and general solid wastes, disposal agreements are signed with disposal units, and for hazardous wastes, transfer agreements are signed with third-party disposal units.

#### 6. Winner Medical (Huanggang) Co., Ltd.

It is a key wastewater discharge enterprise, and the wastewater discharged by the enterprise is mainly production wastewater and domestic sewage. The wastewater mainly comes from spun lace forming process, degreasing / bleaching process and soft water preparation process. Most of the wastewater from spun lace forming process is reused for production after being treated by water treatment circulation system, while a small part of the wastewater are discharged into the self-built sewage station with that from degreasing / bleaching process, and then discharged after being treated by "hydrolysis acidification + biological contact oxidation" and reaching the standard. After simple treatment in septic tank, domestic sewage will be treated in self-built sewage station. Online monitoring of wastewater has been installed, and the sewage station passed the environmental protection acceptance after completion of Environmental Protection Bureau of Huanggang City on January 24, 2017, implementing the level III standard limit in Table 4 of *Integrated Wastewater Discharge Standard* (GB8978-1996). The sewage plant's structure is concrete structure, with a service life of 20 years and environmental protection equipment for 10 years.

The solid wastes of the project include general solid wastes, other solid wastes and hazardous solid wastes. The general solid wastes are mainly cotton impurities, leftover materials, defective products, boiler coal cinders, sludge from sewage treatment facilities, etc. generated in the production process. Other solid wastes are domestic wastes generated from office and life. Among them, cotton impurities, leftover materials and defective products are sold for comprehensive utilization; after the sludge is dehydrated, it will be treated by the environmental sanitation department together with the domestic waste. Hazardous solid wastes are mainly chemical waste packaging barrels, which are recycled by raw material suppliers, and the waste oil is stored in the plant area, and delivered to qualified units for disposal after reaching the transportation volume.

#### 7. Winner Medical (Wuhan) Co., Ltd.

It is a key wastewater discharge enterprise. The wastewater of the project mainly includes preparation wastewater, spun laced wastewater, degreasing and bleaching wastewater and domestic water, etc. The wastewater discharge of the project is 2126.93t/d after the completion of phase I, 4067.11t/d after the completion of phase II and 6004.5t/d after the completion of phase III. The wastewater is treated by the process of "hydrolysis acidification + anaerobic + biological contact oxidation method". Online monitoring of wastewater has been installed, and the phase I project of the sewage station completed independent acceptance on January 7, 2020, implementing the level III standard limit in Table 4 of *Integrated Wastewater Discharge Standard* (GB8978-1996). The sewage plant's structure is concrete structure, with a service life of 20 years and environmental protection equipment for 10 years.

The solid wastes of the project are mainly divided into general solid wastes, other solid wastes and hazardous solid wastes. Among them, cotton impurities, leftover materials, defective products and fiber dust are purchased and recycled, and sludge and domestic waste are disposed by the environmental sanitation department.

According to the *Standard for Pollution Control on Hazardous Waste Storage* (GB 18597-2001), the temporary storage room of hazardous waste shall be constructed and the hazardous waste shall be stored as required. Meanwhile, the daily management of hazardous waste should be strengthened. Disposal agreements for all hazardous waste are signed with the qualified units.

#### 8. Winner Guilin Latex Co., Ltd.

The wastewater of the project mainly includes mold cleaning wastewater, leaching wastewater, soaking wastewater and equipment cleaning wastewater, and the production wastewater contains gum, insoluble coagulant and impurities in other raw and auxiliary materials, which are pretreated and removed before entering the comprehensive wastewater treatment station in the plant. The domestic wastewater of employees is treated by the existing three-stage septic tank and then enters the comprehensive sewage treatment station together with the pretreated production wastewater. The station adopts an air flotation + filtration process and

discharges treated water into the municipal sewage treatment plant. The exhaust gas from compound preparation, pre-vulcanization tank, latex parking tank, latex dipping drying and post-vulcanization is collected and discharged after treatment by exhaust gas treatment system (water spray + dehumidification + activated carbon adsorption).

General industrial solid waste is waste rubber, unqualified products, waste packaging shall be taken up by the latex supplier for regular recycling, sludge and domestic waste shall be taken up by the local sanitation department for unified cleaning and disposal. Hazardous wastes are waste resin and waste activated carbon. They shall be collected centrally and entrusted to units with corresponding hazardous waste treatment qualifications for disposal.

#### 9. Zhejiang Longterm Medical Technology Co., Ltd.

Cleaning wastewater, concentrated water for pure water preparation and domestic sewage are discharged. Domestic sewage is pretreated by the septic tank in the factory, and then piped to Deqing Hengfeng Sewage Treatment Co., Ltd for centralized treatment with the concentrated water for pure water preparation and domestic sewage. Process exhaust gas is treated by one set of photo-oxidation catalytic treatment equipment and then discharged through a 15m exhaust funnel. Process dust is treated by 1 set of cloth bag dust collectors and then discharged through a 15m exhaust funnel.

The solid wastes are mainly the waste from the daily life of employees and solid wastes from the canteen are disposed of by sanitation department, the trimmings and defective products generated in the production process, waste packaging bags generated from raw and auxiliary materials are sold to material recycling companies; hazardous wastes are waste activated carbon generated in the process of waste gas treatment and ethylene oxide waste liquid generated in the process of sterilization, which is entrusted to corresponding qualified companies for treatment.

Summary: In the first half of 2022, the above-mentioned enterprises complied with relevant environmental protection laws and regulations, discharged according to the emission outfalls included in the emission permits, conducted monitoring and ledger records as required by the emission permits, and submitted emission permit execution reports as required by the emission permits.

## II. Social responsibility

In 2021, Winner Medical has completed the gorgeous transformation from an industry leader to a capital newcomer. While winning the favor of the capital market, the Company has gained wide recognition from the public for its responsible image, and has continued to forge ahead with its vision of being "the most trusted medical and lifestyle products company". In the face of the new journey of the next 30 years, Winner Medical will continue to work with the nation and the times, adhere to the guiding principle of "build a strong nation with industry and technology", contribute to the prosperity and wealth of society with corporate development, and empower the sustainable development of society with corporate responsibility.

### 1. Caring for health

Looking back on the past thirty years of progress and growth, the Company has always adhered to the principle of "quality first, product safety first, social responsibility first". As a benchmark enterprise in the domestic medical consumables industry, the Company serves market demands and clinical & terminal needs. Driven by R & D innovation, Winner Medical constantly improves its production lines, takes the initiative to perform the duty of "medical consumption expert", and cares for the health of the country.

### 2. Focus on excellent products

Beginning with the pure dream of "bring people to return a natural, healthy and comfortable life" and the pure belief of "the incomparable reverence and infinite love of cotton", Purcotton built its brand with its exclusive cotton spun laced non-woven fabric from the start. With "medicine cares life, cotton cares health" as the brand proposition, Purcotton aims to bring more consumers better natural health products, so as to improve the accessibility of quality products.

Continuous research and development exploration yield fruitful results. An innovative waterless process and gauze atomized washing process was used to achieve zero emissions of water-washed products. Compared with the 1:10 process bath ratio of traditional gauze washing products, the bath ratio of atomized washing process can reach 1:0.6, significantly optimizing the existing washing process, saving water resources and reducing the discharge of sewage. Consumers are offered more cost-effective, safer products.

### 3. Green development

To meet the development trend of the times and respond to the national "carbon peaking and carbon neutrality" action, the Company actively participates in the training and study of low carbon management and emission reduction strategies, and strives to do its bid to achieve carbon neutrality. The Company actively adjusts the energy structure and industrial structure, vigorously promotes green office, creates green factories, and practices the "carbon peaking and carbon neutrality" action in multiple ways, striving to achieve the two goals 3 and 10 years ahead of the national target, respectively.

### 4. Public welfare

In the first half of 2022, the Company also shouldered its corporate responsibility. To support the epidemic prevention work in universities, the Company has donated epidemic prevention materials nearly worth RMB8 million to Shanghai Jiaotong University, Fudan University, Shanghai International Studies University, Xi'an Jiaotong University and other universities across the country to lend a hand; in February, Purcotton donated materials worth more than 1.1 million yuan to the China Women's Development Foundation, including 8,000 pieces of maternity kits, sanitary pads, cotton diapers. In May, the Company donated 100 cases of medical

surgical masks and cooling vests, cool wipes and other materials to 55 hospitals in 25 cities across the country, and sent more than 2,300 nurses across the country a Nurse's Daycare gift box.

## Section VI Important Matters

### I. Commitments fulfilled within and not fulfilled by the end of the reporting period by the Company's actual controller, shareholders, related parties, acquirers and other commitment parties

Applicable  Not applicable

No commitments fulfilled within and within and not fulfilled by the end of the reporting period by the Company's actual controller, shareholders, related parties, acquirers and other commitment parties.

### II. Non-operating occupation of funds of listed companies by controlling shareholders and their related parties

Applicable  Not applicable

No non-operating occupation of funds of listed companies by controlling shareholders and their related parties during the reporting period.

### III. Illegal external guarantee

Applicable  Not applicable

No illegal external guarantee of the Company during the reporting period.

### IV. Appointment of and dismissal of accounting firms

Whether the semi-annual financial report has been audited

Yes  No

The semi-annual report of the Company has not been audited.

### V. Statement of the board of directors and the board of supervisors on the "non-standard audit report" of the accounting firm during the reporting period

Applicable  Not applicable

### VI. Statement of the board of directors on the "non-standard audit report" of the previous year

Applicable  Not applicable

### VII. Bankruptcy reorganization

Applicable  Not applicable

No bankruptcy reorganization of the Company during the reporting period.

### VIII. Litigation matters

Major litigation, arbitration matters

Applicable  Not applicable

Basic information of litigation (arbitration)	Amount involved (RMB 10,000)	Whether to form estimated liabilities	Progress of litigation (arbitration)	Trial result and influence of litigation (arbitration)	Implementation of litigation (arbitration) judgment	Date of disclosure	Disclosure index
Winner Medical v. People's Government of Zijin County, arbitration case of	55,565.53	No	The People's Government of Zijin County has not yet paid attorney's fees, litigation of RMB2,653,30	[Case No.: (2019) G.G.Z Zi No. 095] The ruling confirmed that the original <i>Investment Agreement</i>	As of the disclosure date of the report, the Company has received the land transfer deposit of		

contract dispute [Case No.: (2019) G.G.Z Zi No. 095]			0 and the remaining RMB231 million to the Company in accordance with the award, and the Company has applied to the court for enforcement and has been accepted by the court.	was terminated, and the People's Government of Zijin County had to bear the lawyer's fees, legal costs and other expenses totaling RMB 2.6553 million, return RMB 3 million of land transfer deposit to the Company, and compensate for economic losses of RMB 550 million. The land, above-ground buildings, equipment and facilities and relevant supporting materials of Heyuan Winner investment and construction project were handed over to the People's Government of Zijin County. There will be no adverse impact on the Company.	RMB 3 million and compensation of RMB 319 million returned by the People's Government of Zijin County. The Company has handed over the project land, above-ground buildings, equipment and facilities and relevant supporting materials to the People's Government of Zijin County.		
Tianmen Winner, Shenzhen Purcotton, Huanggang Winner v. China National Intellectual Property Administration, administrative dispute case of patent invalidation	0	No	On June 2, 2020, the Reexamination and Invalidation Department of the Patent Office of China National Intellectual Property Administration issued the <i>Decision on Examination of Invalidation Request</i> , which decided to declare the	If the lawsuit does not support the plaintiff's claim, the patent is finally found to be invalid. The reason for the patent invalidation decision is not that the Company and / or the patent infringes the rights of others. Therefore, the Company can	N/A		

			<p>patent right of “production method of cotton non-woven medical dressings” (Patent No. ZL200510033 147.1, valid until February 6, 2025) invalid. On August 26, 2020, Tianmen Winner, Shenzhen Purcotton and Huanggang Winner filed a <i>lawsuit</i> with the Beijing Intellectual Property Court under the Patent Law regarding the invalidation decision of the patent right, requesting the revocation of the invalidation decision of the patent right. On August 28, 2020, Beijing Intellectual Property Court issued the <i>Notice of Acceptance of Administrative Case</i>. On December 27, 2021, the court of the first instance rejected the plaintiff's request. On January 14, 2022, the plaintiff filed a request for a second instance. On April 21, 2022, the second trial has been held. As of the date of disclosure of this report, the court has not yet</p>	<p>still use the technology and will not have a significant adverse impact on the normal production and operation of the Company.</p>			
--	--	--	---	---	--	--	--

			announced the result of the second trial.				
--	--	--	---	--	--	--	--

Other litigation matters

Applicable  Not applicable

Basic information of litigation (arbitration)	Amount involved (RMB 10,000)	Whether to form estimated liabilities	Progress of litigation (arbitration)	Trial result and influence of litigation (arbitration)	Implementation of litigation (arbitration) judgment	Date of disclosure	Disclosure index
Summary of small lawsuits in which the Company or its subsidiaries are plaintiffs that do not meet the criteria for disclosure of material litigation	6,651.5	No	In progress according to the litigation/arbitration process, some cases have not yet been concluded, and the concluded cases are executed according to the process	No significant impact on the Company's production and operation	Executed according to litigation/arbitration process		
Summary of small lawsuits in which the Company or its subsidiaries are defendants that do not meet the disclosure standards for material litigation	3,394.2	No	In progress according to the litigation/arbitration process, some cases have not yet been concluded, and the concluded cases are executed according to the process	No significant impact on the Company's production and operation	Executed according to litigation/arbitration process		

## IX. Punishment and rectification

Applicable  Not applicable

## X. Credit conditions of the Company, its controlling shareholders and actual controllers

Applicable  Not applicable

## XI. Major related transactions

### 1. Related transactions related to daily operation

Applicable  Not applicable

No related transactions related to daily operation of the Company during the reporting period.

### 2. Related transactions arising from the acquisition or sale of assets or equity

Applicable  Not applicable

No Related transactions arising from the acquisition or sale of assets or equity of the Company during the reporting period.

### 3. Related transactions of joint foreign investment

Applicable  Not applicable

No related transactions of joint foreign investment of the Company during the reporting period.

**4. Related claims and debts**

Applicable  Not applicable

No related claims and debts of the Company during the reporting period.

**5. Transactions with related finance companies**

Applicable  Not applicable

There is no deposit, loan, credit or other financial business between the Company and the finance company with which it is affiliated, the finance company controlled by the Company and the related parties.

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

Applicable  Not applicable

There is no deposit, loan, credit or other financial business between the finance companies controlled by the Company and related parties.

**7. Other major related transactions**

Applicable  Not applicable

No other major related transactions of the Company during the reporting period.

**XII. Major contracts and their performance****1. Trusteeship, contracting and lease****(1) Trusteeship**

Applicable  Not applicable

No trusteeship of the Company during the reporting period.

**(2) Contracting**

Applicable  Not applicable

No contracting of the Company during the reporting period.

**(3) Lease**

Applicable  Not applicable

No leasing of the Company during the reporting period.

**2. Major guarantee**

Applicable  Not applicable

The Company has no significant guarantees during the reporting period.

**3. Major contracts for daily operation**

Unit: yuan

Name of the Company to the contract	Name of the other party to the contract	Total contract amount	Progress of contract performance	Amount of sales revenue recognized during the reporting period	Cumulative amount of sales revenue recognized	Collection status of accounts receivable	Any significant change in the conditions that may affect the performance of major contracts	Any significant risk that may hamper the performance of contracts
-------------------------------------	---	-----------------------	----------------------------------	--	---	--	---	---

**4. Other major contracts**

Applicable  Not applicable



No other major contracts of the Company during the reporting period.

### **XIII. Description of other important events**

Applicable  Not applicable

In order to further enrich the product line, expand the business channels and improve the strategic layout, the Company has signed the agreement to acquire 55% equity interest in Longterm Medical, 68.70% equity interest in Pingan Medical and 100% equity interest in Guilin Latex with a total capital of RMB 1,929.4615 million during the reporting period, which has helped the Company to grow into one of the most comprehensive enterprises in the domestic medical consumables product line.

### **XIV. Major events of subsidiaries**

Applicable  Not applicable

## Section VII Changes in Shares and Shareholders

### I. Changes in shares

#### 1. Changes in shares

Unit: share

	Before this change		Increase/decrease (+, -)					After this change	
	Quantity	Proportion	New issue of shares	Share donation	Share capital increase from reserved funds	Other	Subtotal	Quantity	Proportion
I. Restricted shares	290,438,848	68.10%				56,475	56,475	290,495,323	68.11%
1. State shareholding									
2. State legal person shareholding									
3. Other domestic holdings						56,475	56,475	56,475	0.01%
Where in:									
domestic legal person shareholding									
Domestic natural person shareholding						56,475	56,475	56,475	0.01%
4. Foreign shareholding	290,438,848	68.10%						290,438,848	68.10%
Where in:									
foreign legal person shareholding	290,438,848	68.10%						290,438,848	68.10%
Foreign natural person shareholding									
II. Unrestricted shares	136,053,460	31.90%				(56,475)	(56,475)	135,996,985	31.89%
1. RMB common share	136,053,460	31.90%				(56,475)	(56,475)	135,996,985	31.89%
2.									

Foreign shares listed in China									
3/ Foreign shares listed abroad									
4. Other									
III. Total amount of shares	426,492,308	100.00%						426,492,308	100.00%

Causes for change in shares

Applicable  Not applicable

Approval of changes in shares

Applicable  Not applicable

Transfer of share changes

Applicable  Not applicable

Implementation progress of share repurchase

Applicable  Not applicable

On September 17, 2021, the Company held the third meeting of the third session of the board of directors and the third meeting of the third session of the supervisory board to consider and adopt the *Proposal on the Share Repurchase Program*, in which the Company intends to use its funds of RMB300-500 million to repurchase shares of the Company for equity incentive or employee stock ownership plan at a repurchase price not exceeding RMB116 per share. As of April 7, 2022, the Company repurchased 6,754,659 shares of the Company by way of centralized competitive bidding trading through the special securities account for repurchase, accounting for 1.5838% of the total share capital of the Company, with the highest transaction price of RMB82.42 per share and the lowest transaction price of RMB60.09 per share, for a total transaction amount of RMB499,991,560.55 (excluding transaction fees). The share repurchase program has been implemented.

Implementation progress of reducing repurchased shares by centralized competitive bidding

Applicable  Not applicable

Influence of share changes on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the company and other financial indexes in the most recent year and the most recent period

Applicable  Not applicable

Other information the company deems necessary or required by the securities regulatory authorities to disclose

Applicable  Not applicable

## 2. Changes in restricted shares

Applicable  Not applicable

Unit: share

Shareholder's name	Number of restricted shares at the beginning of the period	Number of shares released from restricted sale in current period	Number of restricted shares increased in current period	Number of restricted shares at the end of the period	Reasons for restricted sale	The proposed date of lifting the restricted sale
Winner Group Limited	290,438,848	0	0	290,438,848	Restricted shares before IPO	September 17, 2023
Fang Xiuyuan	0	0	30,000	30,000	Senior management lock-up shares	100% unlocked after six months from the date of expiration of

						term of office
Wang Ying	0	0	22,500	22,500	Senior management lock-up shares	100% unlocked after six months from the date of expiration of term of office
Chen Huixuan	0	0	3,975	3,975	Senior management lock-up shares	100% unlocked after six months from the date of expiration of term of office
Total	290,438,848	0	56,475	290,495,323	--	--

## II. Securities issuance and listing

Applicable  Not applicable

## III. Number and shareholding of the Company's shareholders

Unit: share

Total number of common shareholders at the end of the reporting period		30,264		Total number of preferred shareholders with voting rights restored at the end of the reporting period (if any) (see Note 8)		0		Total number of shareholders holding special voting shares (if any)		0	
Shareholders holding more than 5% shares or top 10 shareholders											
Shareholder's name	Shareholder nature	Shareholding ratio	Number of shares held at the end of the reporting period	Increase or decrease during the reporting period	Number of shares held with limited sales conditions	Number of shares held with unlimited sales conditions	Pledged, tagged or frozen		Status of shares	Quantity	
Winner Group Limited	Overseas legal person	68.10%	290,438,848	0	290,438,848	0					
Beijing Sequoia Xinyuan Equity Investment Center (limited partnership)	Domestic non-state legal person	6.61%	28,183,253	(964,847)	0	28,183,253					
Xiamen Leyuan Investment Partnership (Limited Partnership)	Domestic non-state legal person	3.97%	16,951,998	(709,502)	0	16,951,998					
Xiamen Yutong Investment Partnership (Limited Partnership)	Domestic non-state legal person	1.89%	8,071,363	(1,294,072)	0	8,071,363					
Shenzhen Capital Group Co.,Ltd.	State legal person	1.55%	6,601,608	(1,890,700)	0	6,601,608					
Xiamen Huikang Investment	Domestic non-state legal person	1.14%	4,883,062	(772,901)	0	4,883,062					

Partnership (Limited Partnership)								
Xiamen Zepeng Investment Partnership (Limited Partnership)	Domestic non-state legal person	0.58%	2,471,488	(431,800)	0	2,471,488		
Industrial Bank Co.,Ltd - Aegon-industrial New Vision Flexible Allocation Regular Open-ended Mixed Initiating Securities Investment Fund	Other	0.30%	1,275,682	1,275,682	0	1,275,682		
China Everbright Bank Co., Ltd - Xingquan Business Model Preferred Hybrid Securities Investment Fund (LOF)	Other	0.29%	1,223,740	1,223,740	0	1,223,740		
Hong Kong Securities Clearing Company Limited	Overseas legal person	0.26%	1,097,333	92,022	0	1,097,333		
Situation of strategic investors or general legal persons becoming the top 10 shareholders due to the allotment of new shares (if any) (see note 3)	None							
Description of the above-mentioned shareholder association or concerted action	None							
Description of the above shareholders involved in entrusting / entrusted voting right and waiver of voting right	None							
Special Note on the existence of repurchase special accounts among the top 10 shareholders (see Note 11)	As of June 30, 2022, the Company repurchased 6,754,659 shares of the Company held in the "special securities account for the repurchase of Winner Medical Co., Ltd."							
Shareholding of top 10 shareholders with unlimited sales conditions								
Shareholder's name	Number of shares with unlimited sales conditions held at the end of the						Share type	

	reporting period	Share type	Quantity
Beijing Sequoia Xinyuan Equity Investment Center (limited partnership)	28,183,253	RMB common share	28,183,253
Xiamen Leyuan Investment Partnership (Limited Partnership)	16,951,998	RMB common share	16,951,998
Xiamen Yutong Investment Partnership (Limited Partnership)	8,071,363	RMB common share	8,071,363
Shenzhen Capital Group Co.,Ltd.	6,601,608	RMB common share	6,601,608
Xiamen Huikang Investment Partnership (Limited Partnership)	4,883,062	RMB common share	4,883,062
Xiamen Zepeng Investment Partnership (Limited Partnership)	2,471,488	RMB common share	2,471,488
Industrial Bank Co.,Ltd - Aegon-industrial New Vision Flexible Allocation Regular Open-ended Mixed Initiating Securities Investment Fund	1,275,682	RMB common share	1,275,682
China Everbright Bank Co., Ltd - Xingquan Business Model Preferred Hybrid Securities Investment Fund (LOF)	1,223,740	RMB common share	1,223,740
Hong Kong Securities Clearing Company Limited	1,097,333	RMB common share	1,097,333
Agricultural Bank of China Limited – Wanjia GEM two-year regular opening of hybrid securities investment fund	999,952	RMB common share	999,952
Description of the association or concerted action between top 10 public shareholders with unlimited sales conditions, and between top 10 public shareholders with unlimited sales conditions and top 10 shareholders	None		
Description of the top 10 common shareholders participating in the financing and securities financing business (if any) (see Note 4)	None		

Whether the Company has arrangements for differences in voting rights

Yes No

Whether the Company's top 10 common shareholders and top 10 common shareholders with unlimited sales conditions agreed on a repurchase transaction during the reporting period

Yes No

The Company's top 10 common shareholders and top 10 common shareholders with unlimited sales conditions did not agree on a

repurchase transaction during the reporting period

#### IV. The cumulative number of shares pledged by the controlling shareholder or the largest shareholder of the Company and its concert parties reaches 80% of the number of shares held by them in the Company

Applicable  Not applicable

#### V. Equity changes of directors, supervisors and senior management

Applicable  Not applicable

Name	Position	Status of service	Number of shares held at the beginning of the period (shares)	Number of shares increased in current period (shares)	Number of shares decreased in current period (shares)	Number of 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 current period (shares)	Number of restricted shares granted at the end of the period (shares)
Fang Xiuyuan	Director, deputy general manager, chief financial officer	Incumbent	0	40,000	0	40,000	50,000	0	25,000
Wang Ying	Supervisor	Incumbent	0	30,000	0	30,000	0	0	0
Chen Huixuan	Deputy general manager, secretary to the board of directors	Incumbent	0	5,300	0	5,300	30,000	0	15,000
Total	--	--	0	75,300	0	75,300	80,000	0	40,000

#### VI. Change in controlling shareholders or actual controllers

Change of controlling shareholders during the reporting period

Applicable  Not applicable

No change in controlling shareholders during the reporting period.

Changes in actual controller during the reporting period

Applicable  Not applicable

No change in actual controller during the reporting period.

## **Section VIII Preferred Shares**

Applicable  Not applicable

No preferred shares of the Company during the reporting period.



## **Section IX Information Related to Bonds**

Applicable  Not applicable

## Section X Financial Report

### I. Audit Report

Whether the semi-annual report is audited

Yes No

The Company's semi-annual financial report has not been audited.

### II. Financial reports

Unit of statements in financial notes: RMB

#### 1. Consolidated Balance Sheet

Prepared by: Winner Medical Co., Ltd.

June 30, 2022

Unit: yuan

Item	June 30, 2022	January 01, 2022
<b>Current assets:</b>		
Monetary capital	4,213,668,508.76	4,273,938,326.82
Deposit reservation for balance		
Lending funds		
Trading financial assets	2,726,914,556.35	3,130,529,709.10
Derivative financial assets		
Notes receivable		
Accounts receivable	1,002,762,209.29	775,546,589.42
Amounts receivable financing	29,770,412.07	9,940,272.21
Advances to suppliers	420,787,215.37	110,462,594.38
Premiums receivables		
Reinsurance accounts receivable		
Provision of cession receivable		
Other receivables	321,798,808.08	329,179,077.01
Including: Interest receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventory	1,809,055,012.98	1,597,377,043.99
Contract assets		
Assets held for sales		
<b>Non-current assets due within a year</b>		
Other current assets	116,083,037.74	118,759,825.56
<b>Total current assets</b>	<b>10,640,839,760.64</b>	<b>10,345,733,438.49</b>
<b>Non-current assets:</b>		
Loans and advances		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investments	19,358,011.13	16,949,801.24
Other equity instrument investments		
Other non-current financial assets		
Investment real estates		
<b>Fixed assets</b>	<b>1,924,347,463.68</b>	<b>1,477,320,848.63</b>
Construction in progress	531,760,298.29	216,096,622.30
Productive biological assets		

Oil and gas assets		
Right-of-use assets	473,619,587.07	531,735,443.44
Intangible assets	799,026,401.97	265,700,890.65
Development expenditure		
Goodwill	588,885,371.18	
Long-term unamortized expenses	155,843,883.68	174,785,770.83
Deferred income tax assets	136,501,355.84	122,716,382.99
Other non-current assets	252,312,831.03	115,571,001.80
Total non-current assets	4,881,655,203.87	2,920,876,761.88
Total assets	15,522,494,964.51	13,266,610,200.37
Current liabilities		
Short-term debt	1,141,476,733.93	
Borrowings from central bank		
Borrowing funds		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	146,065,963.57	36,200,130.04
Accounts payable	996,960,746.96	734,521,490.60
Advance from customers		
Contract liabilities	320,794,802.74	341,175,665.42
Financial assets sold for repurchase		
Deposits from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	216,277,874.11	184,681,184.52
Taxes payable	183,490,178.24	93,859,069.68
Other payables	451,898,553.42	443,946,028.46
Including: Interest payable		
Dividends payable		
Fees and commissions payable		
Dividend payable for reinsurance		
Liabilities held for sales		
Non-current liabilities due within one year	220,802,679.89	216,181,531.82
Other current liabilities	27,051,175.46	24,165,400.50
Total current liabilities	3,704,818,708.32	2,074,730,501.04
Non-current liabilities		
Reserve fund for insurance contracts		
Long-term loans	28,000,000.00	
Bonds payable		
Including: preferred stock		
Perpetual bond		
Lease liabilities	316,525,936.97	381,808,925.09
Long-term payable		
Long-term payroll payable	9,303,066.32	
Estimated liabilities		
Deferred income	99,203,761.08	109,625,401.82
Deferred income tax liabilities	80,180,343.95	13,337,159.68
Other non-current liabilities		
Total non-current liabilities	533,213,108.32	504,771,486.59
Total liabilities	4,238,031,816.64	2,579,501,987.63

Owner's equity:		
Capital stock	426,492,308.00	426,492,308.00
Other equity instruments		
Including: preferred stock		
Perpetual bond		
Capital reserve	4,592,017,346.75	4,549,621,096.81
Less: treasury stock	500,082,734.11	257,992,366.68
Other comprehensive income	(682,771.81)	(1,556,935.43)
Special reserve		
Surplus reserve	420,212,778.13	420,212,778.13
General risk provision		
Undistributed profit	6,053,194,905.01	5,538,135,285.97
Total owners' equities attributable to the owners of parent company	10,991,151,831.97	10,674,912,166.80
Minority equity	293,311,315.90	12,196,045.94
Total owners' equities	11,284,463,147.87	10,687,108,212.74
Total liabilities and owners' equities	15,522,494,964.51	13,266,610,200.37

Legal representative: Li Jianquan      Head of accounting work: Fang Xiuyuan      Head of accounting body: Wu Kezhen

## 2. Balance sheet of parent company

Unit: yuan

Item	June 30, 2022	January 01, 2022
Current assets:		
Monetary capital	3,447,509,579.63	3,580,157,428.37
Trading financial assets	1,799,864,253.19	2,234,720,701.50
Derivative financial assets		
Notes receivable		
Accounts receivable	626,298,295.74	502,217,638.86
Amounts receivable financing	27,989,738.20	13,669,076.67
Advances to suppliers	2,324,572,918.19	1,991,853,374.17
Other receivables	206,866,953.22	218,099,656.42
Including: Interest receivable		
Dividends receivable		
Inventory	407,237,823.98	297,766,006.91
Contract assets		
Assets held for sales		
Non-current assets due within a year		
Other current assets	75,338,414.99	54,582,482.01
Total current assets	8,915,677,977.14	8,893,066,364.91
Non-current assets:		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investments	2,101,448,695.28	921,600,485.39
Other equity instrument investments		
Other non-current financial assets		
Investment real estates		
Fixed assets	85,358,401.56	65,889,542.40
Construction in progress	14,459,427.50	2,671,206.77
Productive biological assets		
Oil and gas assets		

Right-of-use assets	53,594,562.69	61,525,338.09
Intangible assets	57,549,802.25	10,941,470.75
Development expenditure		
Goodwill		
Long-term unamortized expenses	27,285,520.61	27,181,217.32
Deferred income tax assets	14,978,589.71	15,829,010.17
Other non-current assets	149,626,110.67	50,585,930.78
Total non-current assets	2,504,301,110.27	1,156,224,201.67
Total assets	11,419,979,087.41	10,049,290,566.58
Current liabilities		
Short-term debt	980,079,166.67	
Trading financial liabilities		
Derivative financial liabilities		
Notes payable		
Accounts payable	413,158,990.99	744,765,121.01
Advance from customers		
Contract liabilities	197,717,618.41	274,656,460.55
Payroll payable	70,681,638.46	57,013,025.70
Taxes payable	86,754,131.04	68,694,400.06
Other payables	251,827,157.91	257,073,388.79
Including: Interest payable		
Dividends payable		
Liabilities held for sales		
Non-current liabilities due within one year	17,287,832.04	14,395,962.64
Other current liabilities	8,201,671.52	13,678,129.69
Total current liabilities	2,025,708,207.04	1,430,276,488.44
Non-current liabilities		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual bond		
Lease liabilities	39,027,342.35	48,977,325.26
Long-term payable		
Long-term payroll payable		
Estimated liabilities		
Deferred income	18,751,271.02	20,071,043.26
Deferred income tax liabilities	4,082,662.98	3,648,582.23
Other non-current liabilities		
Total non-current liabilities	61,861,276.35	72,696,950.75
Total liabilities	2,087,569,483.39	1,502,973,439.19
Owner's equity:		
Capital stock	426,492,308.00	426,492,308.00
Other equity instruments		
Including: preferred stock		
Perpetual bond		
Capital reserve	4,617,424,109.10	4,575,027,859.16
Less: treasury stock	500,082,734.11	257,992,366.68
Other comprehensive income		
Special reserve		
Surplus reserve	411,397,111.21	411,397,111.21

Undistributed profit	4,377,178,809.82	3,391,392,215.70
Total owners' equities	9,332,409,604.02	8,546,317,127.39
Total liabilities and owners' equities	11,419,979,087.41	10,049,290,566.58

### 3. Consolidated Statement of Income

Unit: yuan

Item	Semiannual 2022	Semiannual 2021
I. Total operating income	5,157,944,495.72	4,059,865,654.92
Including: Operating income	5,157,944,495.72	4,059,865,654.92
Interest revenue		
Premium earned		
Fee and commission income		
II. Operating cost	4,122,305,279.41	3,268,705,562.33
Including: Operating costs	2,640,556,563.64	1,921,789,702.47
Interest expenditure		
Fee and commission expense		
Surrender value		
Net payments for insurance claims		
Net reserve fund extracted for insurance liability		
Bond insurance expense		
Reinsurance costs		
Taxes and surcharges	41,159,361.43	33,156,678.98
Sales expenses	950,172,124.74	825,805,820.57
Administrative expenses	325,391,883.32	310,652,551.64
R&D expenses	238,644,498.62	189,917,265.47
Financial expenses	(73,619,152.34)	(12,616,456.80)
Including: interest expenditure	5,765,880.43	379,713.89 <sup>Note</sup>
Interest revenue	62,087,089.05	35,424,028.29
Plus: other incomes	28,747,393.29	86,754,859.99
Income from investment (loss expressed with "-")	31,452,189.90	50,073,259.81
Including: Income from investment of joint venture and cooperative enterprise	2,408,209.89	1,655,597.53
Income from derecognition of financial assets measured at amortized cost		
Exchange gain (loss expressed with "-")		
Net exposure hedging gain (loss expressed with "-")		
Income from fair value changes (loss expressed with "-")	35,182,098.83	31,408,220.30
Credit impairment losses (loss expressed with "-")	(7,749,168.11)	11,808,406.71
Assets impairment losses (loss expressed with "-")	(73,045,565.34)	(60,597,532.59)
Income from disposal of assets (loss expressed with "-")	(547,132.74)	(37,621.25)
III. Operating profit (loss to be filled out with the minus sign "-")	1,049,679,032.14	910,569,685.56
Plus: Non-operating income	2,152,935.65	2,339,463.94

Less: non-operating expenditure	8,633,722.09	8,502,804.42
IV. Total profit (total loss to be filled out with the minus sign "-")	1,043,198,245.70	904,406,345.08
Less: Income tax expenses	145,670,282.34	143,286,407.76
V. Net profit (net loss to be filled out with the minus sign "-")	897,527,963.36	761,119,937.32
(I) Classified by business continuity		
1. Net profits from ongoing operation (net loss expressed with "-")	897,527,963.36	761,119,937.32
2. Net profits from discontinuing operation (net loss expressed with "-")		
(II) Classified by ownership		
1. Net profits attributable to the owners of parent company	892,823,503.14	761,038,730.24
2. Minority interest income	4,704,460.22	81,207.08
VI. Net amount of other comprehensive income after tax	1,457,765.86	(292,542.91)
Net amount of other comprehensive income after tax attributed to parent company owners	874,163.62	(140,119.24)
(I) Other comprehensive income that can't be reclassified into profit and loss		
1. Remeasure the variation of net indebtedness or net asset of defined benefit plan		
2. Other comprehensive income that can't be reclassified into profit and loss in the invested enterprise under equity method		
3. Fair value change of other equity instrument investments		
4. Fair value change of enterprise credit risks		
5. Other		
(II) Other comprehensive income that will be reclassified into profit and loss	874,163.62	(140,119.24)
1. Other comprehensive income that will be reclassified into profit and loss in the invested enterprise under equity method		
2. Fair value change 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 reserve	874,163.62	(140,119.24)
7. Other		
Net amount of other comprehensive income after tax attributed to minority shareholders	583,602.24	(152,423.67)
VII. Total comprehensive income	898,985,729.22	760,827,394.41
Total comprehensive income attributed to parent company owners	893,697,666.76	760,898,611.00
Total comprehensive income attributed to minority shareholders	5,288,062.46	(71,216.59)

VIII. Earnings per share:		
(I) Basic earnings per share	2.1193	1.7844
(II) Diluted earnings per share	2.1193	1.7715

Note: Interest expense in the first half of 2021 included interest expense on lease liabilities of RMB13,560,020.61.

In case of business combination involving enterprises under common control in current period, the net profits achieved by the merged party before combination were RMB 0.00 and achieved by the merged party in previous period were RMB 0.00.

Legal representative: Li Jianquan      Head of accounting work: Fang Xiuyuan      Head of accounting body: Wu Kezhen

#### 4. Income statement of parent company

Unit: yuan

Item	Semiannual 2022	Semiannual 2021
I. Operating income	3,098,525,248.00	2,152,770,959.97
Subtract: Operating costs	1,934,623,204.93	1,237,349,900.78
Taxes and surcharges	16,034,785.38	8,841,847.49
Sales expenses	180,002,852.70	120,613,735.57
Administrative expenses	207,912,208.98	206,394,645.48
R&D expenses	93,688,666.00	82,054,298.04
Financial expenses	(68,427,155.06)	(22,564,403.10)
Including: interest expenditure	4,091,660.56	288,805.56 <sup>注</sup>
Interest revenue	57,354,975.22	31,213,130.97
Plus: other incomes	8,538,808.91	43,098,834.69
Income from investment (loss expressed with "-")	717,992,220.00	45,603,797.04
Including: Income from investment of joint venture and cooperative enterprise	2,348,078.76	1,655,597.53
Income from derecognition of financial assets measured at amortized cost		
Net exposure hedging gain (loss expressed with "-")		
Income from fair value changes (loss expressed with "-")	31,577,241.02	28,642,089.79
Credit impairment losses (loss expressed with "-")	(6,534,785.58)	17,063,895.54
Assets impairment losses (loss expressed with "-")	(4,973,851.97)	(13,698,792.65)
Income from disposal of assets (loss expressed with "-")		
II. Operating profit (loss to be filled out with the minus sign "-")	1,481,290,317.45	640,790,760.12
Plus: Non-operating income	43,721.08	810,681.71
Less: non-operating expenditure	324,053.04	152,332.97
III. Total profit (total loss to be filled out with the minus sign "-")	1,481,009,985.49	641,449,108.86
Less: Income tax expenses	117,459,507.27	95,097,573.86
IV. Net profit (net loss to be filled out with the minus sign "-")	1,363,550,478.22	546,351,535.00
(I) Net profits from going concern (net loss expressed with "-")	1,363,550,478.22	546,351,535.00
(II) Net profits from discontinuing operation (net loss expressed with "-")		
V. Net amount of other comprehensive income after tax		
(I) Other comprehensive income that can't		



be reclassified into profit and loss		
1. Remeasure the variation of net indebtedness or net asset of defined benefit plan		
2. Other comprehensive income that can't be reclassified into profit and loss in the invested enterprise under equity method		
3. Fair value change of other equity instrument investments		
4. Fair value change of enterprise credit risks		
5. Other		
(II) Other comprehensive income that will be reclassified into profit and loss		
1. Other comprehensive income that will be reclassified into profit and loss in the invested enterprise under equity method		
2. Fair value change 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 reserve		
7. Other		
VI. Total comprehensive income	1,363,550,478.22	546,351,535.00
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Note: Finance costs for the first half of 2021 included interest expense on lease liabilities of RMB1,110,492.88.

## 5. Consolidated Statement of Cash Flow

Unit: yuan

Item	Semiannual 2022	Semiannual 2021
I. Cash flow from financing activities:		
Cash from selling goods or offering labor	5,116,730,407.67	4,211,780,432.64
Net increase of customer deposit and deposit from other banks		
Net increase of borrowings from central bank		
Net increase of borrowing funds from other financial institutions		
Cash from obtaining original insurance contract premium		
Cash received from insurance premium of original insurance contract		
Net increase of deposit and investment of insured		
Cash from interest, handling charges and commissions		
Net increase of borrowing funds		
Net increase of repurchase of business		

funds		
Net cash from acting trading securities		
Refund of tax and levies	54,482,126.94	24,562,159.29
Other cash received related to operating activities	56,108,219.58	150,416,678.31
Subtotal of inward cash inflow from operating activities	5,227,320,754.19	4,386,759,270.24
Cash paid for selling goods or offering labor	2,939,776,049.76	2,731,814,025.31
Net increase of customer loans and advances		
Net increase of amount due from central bank and interbank		
Cash paid for original insurance contract claims payment		
Net increase of lending funds		
Cash paid for interest, handling charges and commissions		
Cash paid for policy dividend		
Cash paid to and for employees	800,031,019.92	596,881,901.63
Taxes and fees paid	319,812,985.54	573,374,688.67
Other cash paid related to operating activities	366,549,799.59	287,083,788.86
Subtotal of outward cash inflow from operating activities	4,426,169,854.81	4,189,154,404.47
Net cash flow from operating activities	801,150,899.38	197,604,865.77
II. Cash flow from investment activities:		
Cash from investment withdrawal	4,024,661,820.00	4,090,000,000.00
Cash from investment income	96,593,854.89	63,620,238.79
Net cash from disposal of fixed assets, intangible assets and other long-term assets	6,741,954.00	153,218,248.95
Net cash received from the disposal of subsidiaries and other business entities		
Other cash received related to investment activities		
Subtotal of inward cash inflow from investment activities	4,127,997,628.89	4,306,838,487.74
Cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets	513,652,602.31	327,515,662.56
Cash paid for investment	3,577,034,300.00	2,845,000,000.00
Net cash received from reinsurance business		
Net cash paid for obtaining subsidiaries and other business units	1,003,862,872.29	
Other cash paid related to investment activities		
Subtotal of outward cash inflow from investment activities	5,094,549,774.60	3,172,515,662.56
Net cash flow from investing activities	(966,552,145.71)	1,134,322,825.18
III. Cash flow from financing activities:		
Receipts from equity securities	14,000,000.00	
Including: Cash received from subsidies' absorption of minority shareholders' investment		

Cash received from borrowings	1,050,000,000.00	
Other cash received related to financing activities		
Subtotal of inward cash inflow from financial activities	1,064,000,000.00	
Cash repayments of amounts borrowed	55,000,000.00	150,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	396,090,530.15	568,137,284.96
Including: Dividends and profits paid by subsidiaries to minority shareholders		
Other cash paid related to financing activities	420,175,720.56	103,492,521.01
Subtotal of outward cash inflow from financial activities	871,266,250.71	821,629,805.97
Net cash flow from financing activities	192,733,749.29	(821,629,805.97)
IV. Impact of exchange rate movements on cash and cash equivalents	27,600,761.92	301,182.50
V. Net increase in cash and cash equivalents	54,933,264.88	510,599,067.48
Plus: Balance of cash and cash equivalents at the beginning of the period	4,088,612,262.04	4,149,734,694.38
VI. Balance of cash and cash equivalents at end of period	4,143,545,526.92	4,660,333,761.86

## 6. Cash flow statement of parent company

Unit: yuan

Item	Semiannual 2022	Semiannual 2021
I. Cash flow from financing activities:		
Cash from selling goods or offering labor	3,258,287,430.41	2,095,126,701.06
Refund of tax and levies	7,667,891.23	15,568,316.68
Other cash received related to operating activities	364,335,473.72	320,575,959.00
Subtotal of inward cash inflow from operating activities	3,630,290,795.36	2,431,270,976.74
Cash paid for selling goods or offering labor	2,053,877,022.21	2,269,677,579.57
Cash paid to and for employees	213,532,606.79	144,426,888.77
Taxes and fees paid	183,161,300.38	418,581,781.00
Other cash paid related to operating activities	645,932,910.29	552,812,218.15
Subtotal of outward cash inflow from operating activities	3,096,503,839.67	3,385,498,467.49
Net cash flow from operating activities	533,786,955.69	(954,227,490.75)
II. Cash flow from investment activities:		
Cash from investment withdrawal	2,697,990,188.87	3,705,000,000.00
Cash from investment income	775,721,707.52	43,683,535.21
Net cash from disposal of fixed assets, intangible assets and other long-term assets	5,431,000.00	54,520,000.00
Net cash received from the disposal of subsidiaries and other business entities		
Other cash received related to investment activities		
Subtotal of inward cash inflow from investment activities	3,479,142,896.39	3,803,203,535.21

Cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets	73,115,880.93	30,867,495.67
Cash paid for investment	3,396,124,300.00	1,949,823,493.17
Net cash paid for obtaining subsidiaries and other business units		
Other cash paid related to investment activities		
Subtotal of outward cash inflow from investment activities	3,469,240,180.93	1,980,690,988.84
Net cash flow from investing activities	9,902,715.46	1,822,512,546.37
III. Cash flow from financing activities:		
Receipts from equity securities		
Cash received from borrowings	100,000,000.00	
Other cash received related to financing activities		
Subtotal of inward cash inflow from financial activities	100,000,000.00	
Cash repayments of amounts borrowed		120,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	394,672,045.23	566,402,956.84
Other cash paid related to financing activities	300,624,090.59	
Subtotal of outward cash inflow from financial activities	695,296,135.82	686,402,956.84
Net cash flow from financing activities	(595,296,135.82)	(686,402,956.84)
IV. Impact of exchange rate movements on cash and cash equivalents	18,970,584.36	8,840,584.52
V. Net increase in cash and cash equivalents	(32,635,880.31)	190,722,683.30
Plus: Balance of cash and cash equivalents at the beginning of the period	3,430,110,781.71	3,669,286,043.43
VI. Balance of cash and cash equivalents at end of period	3,397,474,901.40	3,860,008,726.73

## 7. Consolidated statement of change in equity

Current amount

Unit: yuan

Item	Semiannual 2022												Minority equity	Total owners' equities	
	Owners' equities attributable to the owners of parent company														
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Other			Subtotal
I. Closing balance of the previous year	426,492,308.00				4,549,621,096.81	257,992,366.68	(1,556,935.43)		420,212,778.13		5,538,135,285.97		10,674,912,166.80	12,196,045.94	10,687,108,212.74
Plus: Changes in accounting policies															
Prior period error correction															

Business combination under common control															
	Other														
II. Beginning balance in current year	426,492,308.00				4,549,621,096.81	257,992,366.68	(1,556,935.43)		420,212,778.13		5,538,135,285.97		10,674,912,166.80	12,196,045,944.94	10,687,108,212.74
III. Increase/decrease in the current period (less to be filled out with the minus sign "-")					42,396,249.94	242,090,367.43	874,163.62				515,059,619.04		316,239,665.17	281,115,269.96	597,354,935.13
(I) Total comprehensive income							874,163.62				892,823,503.14		893,697,666.76	5,288,062.46	898,985,729.22
(II) Owner's invested and decreased capital					42,396,249.94								42,396,249.94	275,827,207.50	318,223,457.44
1. Common stock invested by the owner															
2. Capital invested by other equity instrument holders															
3. Amount of share-based payment included in the owner's equity					42,396,249.94								42,396,249.94		42,396,249.94
4. Other														275,827,207.50	275,827,207.50
(III) Profit distribution											(37,763,884.10)		(37,763,884.10)		(37,763,884.10)
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk preparation															
3. Distribution of owners (or shareholders)											(37,763,884.10)		(37,763,884.10)		(37,763,884.10)
4. Other															
(IV) Internal transfer of owner's equity															
1. Capital															

surplus transfer to paid-in capital (or capital stock)																					
2. Earned surplus transfer to paid-in capital (or capital stock)																					
3. Earned surplus covering the deficit																					
4. Carryforward retained earnings in variation of defined benefit plan																					
5. Carryforward retained earnings of other comprehensive income																					
6. Other (V) Special reserve																					
1. Draw in this current																					
2. Use in this current																					
(VI) Other							242,090,367.43							(24,209,367.43)							(24,209,367.43)
IV. Balance at the end of current period	426,492,308.00				4,592,017,346.75	500,082,734.11	(68,277,181)		420,212,778.13		6,053,194,905.01		10,991,151,831.97	293,311,315.90						11,284,463,147.87	

Prior year amount

Unit: yuan

Item	Semiannual 2021														Minority equity	Total owners' equities				
	Owners' equities attributable to the owners of parent company												Subtotal							
	Capital stock	Preferred stock	Perpetual bond	Other	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Other								
I. Closing balance of the previous year	426,492,308.00				4,481,709,983.24		(1,111,035.08)		420,212,778.13		5,126,630,011.14		10,453,934,045.43	14,456,046.01						10,468,390,091.44
Plus: Changes in accounting policies											(60,128,638.03)		(60,128,638.03)							(60,128,638.03)

Prior period error correction														
Business combination under common control														
Other														
II. Beginning balance in current year	426,492,308.00			4,481,709,983.24		(1,111,035.08)		420,212,778.13		5,066,501,373.11		10,393,805,407.40	14,456,046.01	10,408,261,453.41
III. Increase/decrease in the current period (less to be filled out with the minus sign "-")				131,658,639.68		(140,119.24)				(6,647,424.15)		124,871,096.29	(71,216.59)	124,799,879.70
(I) Total comprehensive income						(140,119.24)				761,038,730.24		760,898,611.00	(71,216.59)	760,827,394.41
(II) Owner's invested and decreased capital				131,658,639.68								131,658,639.68		131,658,639.68
1. Common stock invested by the owner														
2. Capital invested by other equity instrument holders														
3. Amount of share-based payment included in the owner's equity				131,658,639.68								131,658,639.68		131,658,639.68
4. Other														
(III) Profit distribution										(767,686,154.39)		(767,686,154.39)		(767,686,154.39)
1. Withdrawal of surplus reserves														
2. Withdrawal of general risk preparation														
3. Distribution of owners (or shareholders)										(767,686,154.39)		(767,686,154.39)		(767,686,154.39)
4. Other														
(IV) Internal transfer of owner's equity														

1. Capital surplus transfer to paid-in capital (or capital stock)														
2. Earned surplus transfer to paid-in capital (or capital stock)														
3. Earned surplus covering the deficit														
4. Carryforward retained earnings in variation of defined benefit plan														
5. Carryforward retained earnings of other comprehensive income														
6. Other														
(V) Special reserve														
1. Draw in this current														
2. Use in this current														
(VI) Other														
IV. Balance at the end of current period	426,492,308.00				4,613,368,622.92	(1,251,154.32)	420,212,778.13		5,059,853,948.96	10,518,676,503.69	14,384,829.42		10,533,061,333.11	

## 8. Statement of change in equity of parent company

Current amount

Unit: yuan

Item	Semiannual 2022											
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Other	Total owners' equities
		Preferred stock	Perpetual bond	Other								
I. Closing balance of the previous year	426,492,308.00				4,575,027,859.16	257,992,366.68			411,397,111.21	3,391,392,215.70		8,546,317,127.39
Plus: Changes in accounting policies												
Prior period error correction												
Other												



r												
II. Beginning balance in current year	426,492,308.00				4,575,027,859.16	257,992,366.68			411,397,111.21	3,391,392,215.70		8,546,317,127.39
III. Increase/decrease in the current period (less to be filled out with the minus sign "-")					42,396,249.94	242,090,367.43				985,786,594.12		786,092,476.63
(I) Total comprehensive income										1,363,550,478.22		1,363,550,478.22
(II) Owner's invested and decreased capital					42,396,249.94							42,396,249.94
1. Common stock invested by the owner												
2. Capital invested by other equity instrument holders												
3. Amount of share-based payment included in the owner's equity					42,396,249.94							42,396,249.94
4. Other												
(III) Profit distribution										(377,763,884.10)		(377,763,884.10)
1. Withdrawal of surplus reserves												
2. Distribution of owners (or shareholders)										(377,763,884.10)		(377,763,884.10)
3. Other												
(IV) Internal transfer of owner's equity												
1. Capital surplus transfer to paid-in capital (or capital stock)												
2. Earned surplus transfer to paid-in capital (or capital stock)												
3. Earned surplus covering the deficit												

4. Carryforward retained earnings in variation of defined benefit plan												
5. Carryforward retained earnings of other comprehensive income												
6. Other												
(V) Special reserve												
1. Draw in this current												
2. Use in this current												
(VI) Other						242,090,367.43						) 242,090,367.43 )
IV. Balance at the end of current period	426,492,308.00				4,617,424,109.10	500,082,734.11			411,397,111.21	4,377,178,809.82		9,332,409,604.02

Last term amount

Unit: yuan

Item	Semiannual 2021											
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Other	Total owners' equities
		Preferred stock	Perpetual bond	Other								
I. Closing balance of the previous year	426,492,308.00				4,507,16,745.59				411,397,111.21	3,349,520,232.39		8,694,526,397.19
Plus: Changes in accounting policies												
Prior period error correction												
Other												
II. Beginning balance in current year	426,492,308.00				4,507,16,745.59				411,397,111.21	3,349,520,232.39		8,694,526,397.19
III. Increase/decrease in the current period (less to be filled out with the minus sign "-")					131,658,639.68					(221,334,619.39)		(89,675,979.71)
(I) Total comprehensive income										546,351,535.00		546,351,535.00
(II) Owner's invested and decreased					131,658,639.68							131,658,639.68

capital												
1. Common stock invested by the owner												
2. Capital invested by other equity instrument holders												
3. Amount of share-based payment included in the owner's equity					131,658,639.68							131,658,639.68
4. Other												
(III) Profit distribution									(767,686,154.39)			(767,686,154.39)
1. Withdrawal of surplus reserves												
2. Distribution of owners (or shareholders)									(767,686,154.39)			(767,686,154.39)
3. Other												
(IV) Internal transfer of owner's equity												
1. Capital surplus transfer to paid-in capital (or capital stock)												
2. Earned surplus transfer to paid-in capital (or capital stock)												
3. Earned surplus covering the deficit												
4. Carryforward retained earnings in variation of defined benefit plan												
5. Carryforward retained earnings of other comprehensive income												
6. Other												
(V) Special reserve												
1. Draw in this current												

2. Use in this current												
(VI) Other												
IV. Balance at the end of current period	426,492,308.00				4,638,775,385.27				411,397,111.21	3,128,185,613.00		8,604,850,417.48

### III. Basic status of the Company

Winner Medical Co., Ltd. (hereinafter referred to as the "Company" or "our Company"), formerly known as Winner Industries (Shenzhen) Co., Ltd. (hereinafter referred to as "Winner Industries"), is a wholly foreign-owned enterprise established on August 24, 2000 with the approval of Shenzhen Municipal Administration for Industry and Commerce. The original business license number of the Company is: Q.D.Y.S.Z.Zi No. 307199. The original registered capital is HKD 30 million, and the total investment is HKD 60 million. The Company is wholly owned by Winner International Trading Corporation. The registered capital was invested in three installments. On April 2, 2001, the registered capital of HKD 18,023,154.30 was invested in monetary funds, which was verified by the capital verification report (Z.T.Z.T. No.Y2001-1133) of Zhuhai Zhongtuo Zhengtai Accounting Firm. The business scope of the original company is: the production and operation of sanitary materials, dressings and their products, medical clothing, textiles, non-woven products and moulded packaging (excluding the products subject to national export license management).

On May 18, 2001, the Board of Directors of the Company decided to increase the registered capital from HKD 30.00 million to HKD 60.00 million, and the total investment from HKD 60.00 million to HKD 120.00 million, which was paid in three installments since the date of registration of the Company. On June 05, 2001, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Municipal Bureau for Industry and Commerce and amended the Articles of Association accordingly.

As of December 21, 2001, it has received the second installment of the registered capital paid by Winner International Trading Corporation. Winner International Trading Corporation contributed HKD 31,445,194.91 in monetary funds, and this investment was verified by Shenzhen Zhongpeng Certified Public Accountants, Ltd. (S.P.K.Y. Zi [2002] No.037 capital verification report). As of February 21, 2002, it has received the third installment of the registered capital totaling HKD 6,005,722.20 paid by Winner International Trading Corporation, including HKD 3,665,722.20 in currency and HKD 2,340,000.00 in kind. This investment was verified by Shenzhen Lishang Certified Public Accountants Co., Ltd. (S.L.S.Y. Zi [2002] No.039 capital verification report)

On October 8, 2002, the Board of Directors of the Company decided to increase the Company's registered capital from HKD 60.00 million to HKD 70.00 million, and the total investment from HKD 120.00 million to HKD 134.00 million. On December 10, 2002, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Municipal Bureau for Industry and Commerce and amended the Articles of Association accordingly. As of May 27, 2003, it has received the fourth installment of the registered capital totaling HKD 14,525,928.59 paid by (Hong Kong) Winner International Trading Corporation. This capital increase was verified by Shenzhen Yuehua Certified Public Accountants Co., Ltd. (S.Y.H.Y. Zi [2003] No.339 capital verification report).

On May 25, 2003, with the approval of the Board of Directors of the Company, the shareholder Winner International Trading Corporation signed the Equity Transfer Agreement with Winner Group Limited, under which Winner International Trading Corporation transferred 100% of its equity to Winner Group Limited. On July 28, 2003, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Municipal Bureau for Industry and Commerce and amended the Articles of Association accordingly.

On June 8, 2006, the Board of Directors of the Company decided to increase the Company's registered capital from HKD 70.00 million to HKD 126.00 million, and the total investment from HKD 134.00 million to HKD 270.00 million. The newly increased registered capital of HKD 56 million was transferred from the undistributed profits after tax of the Company, and such newly increased registered capital was invested within half a year after registration of the change. On June 30, 2006, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Municipal Bureau for Industry and Commerce and amended the Articles of Association accordingly.

As of August 30, 2006, the Company transferred undistributed profits HKD 49,423,804.00 to paid -in capital, and the paid-in capital after the change was HKD 119,423,804.00. This capital increase was verified by the Shenzhen Branch of Beijing Zhonglian Certified Public Accountants Co., Ltd. (Z.L.S.S.Y. Zi [2007] No.043 capital

verification report).

On December 2, 2006, the Board of Directors of the Company decided to change the original investment period of the shareholders from June 30, 2006 to December 31, 2006 into June 30, 2006 to June 30, 2007. On December 6, 2006, the Company was approved by General Administration for Industry and Commerce of Shenzhen to change its type of enterprise from a wholly foreign-owned enterprise into a limited liability company (wholly owned by foreign legal person) and change its business term.

As of March 15, 2007, the Company transferred undistributed profits HKD 6,576,196.00 to paid -in capital, and the cumulative paid-in capital after the change was HKD 126.00 million. This capital increase was verified by Shenzhen Hengping Certified Public Accountants Co., Ltd. (S.H.P.W.Y. Zi [2007] No.0004 capital verification report). On August 13, 2007, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Municipal Bureau for Industry and Commerce and amended the Articles of Association accordingly. The registration number was changed from Q.D.Y.S.Z. Zi No. 307199 to 440306503230896.

On June 8, 2009, the Board of Directors of the Company decided to add sterilization technology services to the business scope. On June 30, 2009, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Municipal Bureau for Industry and Commerce and amended the Articles of Association accordingly.

On April 1, 2010, the Board of Directors of the Company decided to increase the Company's registered capital from HKD 126.00 million to HKD 192.00 million, and the total investment from HKD 270.00 million to HKD 380.00 million. The increased amount of the registered capital was contributed by the original shareholders in cash in foreign currency.

As of June 18, 2010, it has received the registered capital totaling USD 8,473,500.00 (equivalent to HKD 66,000,653.75) paid by Winner Group Limited. This capital increase was verified by Shenzhen Hengping Certified Public Accountants LLP (S.H.P.S. (W.) Y. Zi [2010] No.13 capital verification report). On July 2, 2010, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Administration for Market Regulation (since September 9, 2009, Shenzhen Municipal Bureau for Industry and Commerce has been integrated into Shenzhen Administration for Market Regulation) and amended the Articles of Association accordingly.

On April 27, 2011, with the approval of General Administration for Industry and Commerce of Shenzhen, the Company changed its residence address from No. 1 Wenjian Avenue, Bulong Road, Longhua Street, Bao'an District, Shenzhen to Winner Industrial Park beside Bulong Road, Longhua Street, Bao'an District, Shenzhen.

On February 20, 2013, the Board of Directors of the Company decided and agreed to increase the Company's registered capital by HKD 4,271,300. The registered capital after the change was HKD 196,271,300, and the total investment was still HKD 380,000,000.

The shareholder, Winner Group Limited made capital contribution with its equity in the six enterprises. The equity contribution is as follows:

Name of invested entity	Proportion (%)	Book value of equity contribution net assets (RMB 10,000)	Amount of equity contribution (RMB 10,000)	Amount included in capital surplus (RMB 10,000)	Amount of equity contribution (Convert to HKD 10,000)
		(a)	(b)	(c)=(a)-(b)	(D) = (b)*conversion exchange rate
Winner Medical (Chongyang) Co., Ltd. (formerly known as "Chongyang Winner Medical Textile Co., Ltd.")	100.00	3,232.93	32.33	3,200.60	39.94
Winner Medical (Jiayu) Co., Ltd. (formerly known as "Jiayu Winner Medical Textile Co., Ltd.")	100.00	3,520.95	35.21	3,485.74	43.50
Winner Medical (Jingmen) Co., Ltd. (formerly known as "Jingmen Winner Medical Textile Co., Ltd.")	100.00	2,527.24	25.27	2,501.97	31.22

Yichang Winner Textile Weaving Co., Ltd.	100.00	1,800.69	18.01	1,782.68	22.25
Winner Medical (Huanggang) Co., Ltd.	75.00	19,729.30	197.29	19,532.01	243.76
Winner Medical (Tianmen) Co., Ltd. (formerly known as "Hubei Winner Textile Co., Ltd.")	100.00	3,760.89	37.61	3,723.28	46.46
Total		34,572.00	345.72	34,226.28	427.13

After the capital increase, the original shareholders still have 100% of the Company's equity, and the above six companies become the Company's subsidiaries. On July 25, 2013, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Municipal Bureau for Industry and Commerce and amended the Articles of Association accordingly. This capital increase was verified by the Shenzhen Branch of Zhonglian Certified Public Accountants Co., Ltd. (Z.L.S.S.Y. Zi [2013] No.102 capital verification report).

On September 2, 2013, the board of directors of the Company decided to increase the Company's registered capital by HKD 18,068,200. The registered capital after the change was HKD 214,339,500, and the total investment was still HKD 380,000,000. The new investment was subscribed by Shenzhen Kangsheng Investment Partnership (L.P.) (renamed as Shenzhen Leyuan Investment Partnership (L.P.), hereinafter referred to as the "Leyuan Investment"), Shenzhen Kangxin Investment Partnership (L.P.) (renamed as Xiamen Yutong Investment Partnership (L.P.), hereinafter referred to as the "Yutong Investment"), Shenzhen Kanglong Investment Partnership (L.P.) (renamed as Xiamen Huikang Investment Partnership (L.P.), hereinafter referred to as the "Huikang Investment") with HKD 10,322,400, HKD 4,414,500 and HKD 3,331,300 respectively. After the completion of the capital increase, the Company's ownership structure was changed as follows:

Investor	Capital contribution amount (HKD ten thousand)	Proportion (%)
Winner Group Limited	19,627.13	91.5703
Leyuan Investment	1,032.24	4.8159
Yutong Investment	441.45	2.0596
Huikang Investment	333.13	1.5542
Total	21,433.95	100.0000

On October 17, 2013, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Administration for Market Regulation and amended the Articles of Association accordingly. This capital increase was verified by Shenzhen Hengping Certified Public Accountants LLP (S.H.P.S.Y. Zi [2013] No.035 capital verification report).

On October 26, 2013, the Board of Directors of the Company decided to change its residence from Winner Industrial Park beside Bulong Road, Longhua Street, Bao'an District, Shenzhen City to Winner Industrial Park, No. 660 Bulong Road, Longhua New District, Shenzhen. On November 4, 2013, the Company completed the industrial and commercial registration of changes, obtained the changed business license of the enterprise legal person issued by Shenzhen Municipal Bureau for Industry and Commerce and amended the Articles of Association accordingly.

On July 01, 2014, the Board of Directors of the Company decided and agreed to increase the Company's registered capital by HKD 3,646,600. The registered capital after the change was HKD 217,981,610, and the total investment was still HKD 380,000,000. The capital increase was made by the original shareholder, Leyuan Investment, which subscribed HKD 3,646,600 with RMB 13,585,000, and the increased registered capital was paid in two installments. After the completion of the capital increase, the Company's ownership structure was changed as follows:

Investor	Capital contribution amount (HKD ten thousand)	Proportion (%)
Winner Group Limited	19,627.13	90.0385
Leyuan Investment	1,396.90	6.4082
Yutong Investment	441.45	2.0251
Huikang Investment	333.13	1.5282
Total	21,798.61	100.0000

On July 24, 2014, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Administration for Market Regulation and amended the Articles of Association accordingly. This capital increase was verified by Shenzhen Hengping Certified Public Accountants LLP (S.H.P.S.Y. Zi [2014] No.030 and S.H.P.S.Y. Zi [2015] No.003 capital verification reports).

On July 28, 2014, the Board of Directors of the Company decided to agree that the shareholder of the Company, Winner Group Limited, would transfer its 2.9503% equity of the Company to Yutong Investment, Huikang Investment, and the newly introduced shareholder, Shenzhen Kangli Investment Partnership (L.P.) (renamed as Xiamen Zepeng Investment Partnership (L.P.), hereinafter referred to as "Zepeng Investment"). After the completion of the equity transfer, the Company's ownership structure was changed as follows:

Investor	Capital contribution amount (HKD ten thousand)	Proportion (%)
Winner Group Limited	18,984.01	87.0882
Leyuan Investment	1,396.90	6.4082
Yutong Investment	740.83	3.3985
Huikang Investment	447.37	2.0523
Zepeng Investment	229.50	1.0528
Total	21,798.61	100.0000

On August 29, 2014, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Administration for Market Regulation and amended the Articles of Association accordingly.

On September 28, 2014, the Board of Directors of the Company decided and agreed to increase the Company's registered capital by HKD 22,550,300. The registered capital after the change was HKD 240,536,400, and the total investment was still HKD 380,000,000. The new registered capital was subscribed by Beijing Sequoia Xinyuan Equity Investment Center (L.P.) (hereinafter referred to as "Sequoia Xinyuan") with RMB 300.00 million. After the completion of the capital increase, the Company's ownership structure was changed as follows:

Investor	Capital contribution amount (HKD ten thousand)	Proportion (%)
Winner Group Limited	18,984.01	78.9236
Leyuan Investment	1,396.90	5.8074
Yutong Investment	740.83	3.0800
Huikang Investment	447.37	1.8599
Zepeng Investment	229.50	0.9541
Sequoia Xinyuan	2,255.03	9.3750
Total	24,053.64	100.0000

As of October 31, 2014, it has received RMB 300.00 million from Sequoia Xinyuan in monetary funds. On November 06, 2014, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Administration for Market Regulation and amended the Articles of Association accordingly. This capital increase was verified by the Shenzhen Branch of Zhonglian Certified Public Accountants Co., Ltd. (Z.L.S.S.Y. Zi [2014] No.087 capital verification report).

On April 30, 2015, through the resolution of the Board of Directors of the Company, with February 28, 2015 as the base date, Winner Industries was wholly changed into a limited liability Company, with a registered capital of RMB 368 million. In accordance with the provisions of the Sponsorship Agreement and Articles of Association, the shareholders converted their audited net assets as of February 28, 2015 of RMB 1,058,194,956.32 into 368 million shares at a ratio of 1:0.3478, par value of each share was RMB 1, and the total share capital was RMB 368 million and held separately by the original shareholders in accordance with their original proportions; the remaining RMB 690,194,956.32 was included in the capital surplus (due to the change of calculation policy of Company's receivables bad debt provision during the reporting period, the audited net assets of the Company as of the base date of share reform were adjusted to RMB 1,050,812,354.45, and the corresponding share conversion ratio was adjusted to 1: 0.3502). June 4, 2015, with the approval of Economy, Trade and Information Commission of Shenzhen Municipality, Winner Industries was wholly changed into a limited liability company, renamed as "Winner Medical Co., Ltd.", and obtained the business license of enterprise legal person with the registration number of 440306503230896.

On May 28, 2018, after being voted through and approved by the extraordinary general meeting of shareholders, the Company agreed to increase the registered capital by RMB 8,492,308, with the registered capital after the change of RMB 376,492,308. The new registered capital was subscribed by Shenzhen Capital Group Co., Ltd. (hereinafter

referred to as "SCGC") with RMB 300.00 million. After the completion of the capital increase, the Company's ownership structure was changed as follows:

Investor	Amount of contribution (RMB 10,000)	Proportion (%)
Winner Group Limited	29,043.8848	77.1434
Leyuan Investment	2,137.1232	5.6764
Yutong Investment	1,133.4400	3.0105
Huikang Investment	684.4432	1.8179
Zepeng Investment	351.1088	0.9326
Sequoia Xinyuan	3,450.0000	9.1635
SCGC	849.2308	2.2556
Total	37,649.2308	100.0000

As of June 13, 2018, it has received RMB 300.00 million from SCGC in monetary funds. On June 15, 2018, Shenzhen Administration for Market Regulation issued the *Notice of Change (Filing)* (No.: 21801665051) on this change and approved the capital increase. The Company amended the Articles of Association in respect of the above matters. The Company amended the Articles of Association in respect of the above matters. This capital increase was verified by BDO China Shu Lun Pan Certified Public Accountants LLP (X.K.S.B.Zi [2018] No.ZI10525 capital verification report).

On February 28, 2018, the Company obtained the renewed business license of the enterprise legal person issued by Shenzhen Administration for Market Regulation with the unified social credit code 91440300723009295R.

On August, 18, 2020, after the reply of China Securities Regulatory Commission on *Approval of the Registration of the Initial Public Offering of Winner Medical Co., Ltd.* (Z.J.X.K. [2020] No.1822), the Company issued 50 million common shares in RMB to the public, which was listed on the Shenzhen Stock Exchange on September 17, 2020. Upon completion of the issuance, the registered capital of the Company was RMB 426,492,308.

Business term: sustainable operation.

General business scope: production of special labor protection articles; sales of special labor protection articles; production of labor protection articles; sales of labor protection articles; clothing manufacturing; clothing and apparel wholesale; clothing and apparel retail; sales of sanitary supplies and disposable medical supplies; sales of personal hygiene products; shoes manufacturing; wholesale of shoes and hats; retail of shoes and hats; sales of shoemaking raw and auxiliary materials; manufacturing of maternal and infant supplies; sales of maternal and infant supplies; sales of Class I medical devices; retail of Class II medical devices; lease of non residential real estate; engagement in investment activities with self-owned funds. (The above items do not involve special management measures for foreign investment access) (Except for the items subject to approval according to law, independently carry out business activities according to law with business license) Licensed business scope: production and operation of medical biological materials, dressings and products, medical clothing, protective articles, textiles, non-woven products and molded packaging (the above products do not include the goods subject to national export license administration) and related products, disposable consumables and molded packaging; wholesale, import and export, retail (including online sales) of cotton household articles, cotton spunlaced non-woven fabric and its products, cotton, disinfection products, daily necessities, cosmetics, protective articles, health care products and instruments and meters, and other related ancillary businesses (if it does not involve goods subject to state trading, or involves goods subject to quotas, license management and other special provisions, it shall be subject to the application in accordance with relevant regulations of the state); research and development, production and sales of smart home appliances; development of new materials; provision of the technical consulting, technical services and after-sales services for above-mentioned products; sterilization technical services (if relevant qualifications are required for operation, it shall be subject to the application in accordance with relevant regulations); enterprise management consulting, business information consulting, economic information consulting, logistics supply chain management and warehouse services (excluding hazardous chemicals, precursor chemicals, refined oil and other dangerous goods), self-owned property leasing (only operation with the legal property ownership certificate under the Company's name is approved); production of Class I medical devices; production of Class II medical devices; sales of Class II medical devices; production of Class III medical devices; operation of Class III medical devices. (The above items do not involve special management measures for foreign investment access) (Items subject to approval according to the law can only be carried out after getting the approval of relevant departments. Specific operating projects are subject to the approval documents or permits of relevant departments.)



Domicile of the Company: F42, Building 2, Huilong Business Center, Shenzhen North Railway Station Area, Minzhi Subdistrict, Longhua District, Shenzhen City; Winner Industrial Park, No.660 Bulong Road, Longhua New District, Shenzhen.

The financial statements were approved by the Board of Directors of the Company on August 16, 2022.

As of June 30, 2022, the subsidiaries in the consolidated financial statements of the Company are as follows:

Subsidiary name
Winner Medical (Jingmen) Co., Ltd. (hereinafter referred to as "Winner Medical (Jingmen)")
Yichang Winner Medical Textile Co., Ltd. (hereinafter referred to as "Winner Medical (Yichang)")
Winner Medical (Tianmen) Co., Ltd. (hereinafter referred to as "Winner Medical (Tianmen)")
Winner Medical (Chongyang) Co., Ltd. (hereinafter referred to as "Winner Medical (Chongyang)")
Winner Medical (Jiayu) Co., Ltd. (hereinafter referred to as "Winner Medical (Jiayu)")
Winner Medical (Hong Kong) Ltd. (hereinafter referred to as "Hong Kong Winner")
Winner (Huanggang) Cotton Processing & Trading Co., Ltd. (hereinafter referred to as "Winner (Huanggang) Cotton")
Winner Medical (Huanggang) Co., Ltd. (hereinafter referred to as "Winner Medical (Huanggang)")
Shenzhen Purcotton Technology Co., Ltd. (hereinafter referred to as "Shenzhen Purcotton")
Guangzhou Purcotton Medical Technology Co., Ltd. (hereinafter referred to as "Guangzhou Purcotton")
Beijing Purcotton Technology Co., Ltd. (hereinafter referred to as "Beijing Purcotton")
Shanghai Purcotton Technology Co., Ltd. (hereinafter referred to as "Shanghai Purcotton")
Shenzhen Qianhai Purcotton E-Commerce Co., Ltd. (hereinafter referred to as "Qianhai Purcotton")
Winner Medical Malaysia Sdn. Bhd. (hereinafter referred to as "Winner Medical Malaysia")
Winner Medical (Heyuan) Co., Ltd. (hereinafter referred to as "Winner Medical (Heyuan)")
Winner Medical (Wuhan) Co., Ltd. 2* (hereinafter referred to as "Winner Medical (Wuhan)") (former name: Hubei Winner Medical Co., Ltd.)
Shenzhen PureH2B Technology Co., Ltd. 3* (hereinafter referred to as "PureH2B")
Shenzhen Purunderwear Sci-Tech Innovation Co., Ltd. 4* (hereinafter referred to as "Purunderwear")
Huanggang Purcotton Ltd. 5* (hereinafter referred to as "Huanggang Purcotton")
Zhejiang Longterm Medical Technology Co., Ltd. (hereinafter referred to as "Longterm Medical")
Hangzhou Shengyi Technology Co., Ltd. (hereinafter referred to as "Hangzhou Shengyi")
Xi'an Longtemu Medical Technology Co., Ltd. (hereinafter referred to as "Xi'an Longtemu")
Deqing Longterm Medical Silica Gel Products Co., Ltd. (hereinafter referred to as "Deqing Longterm")
Longterm Medical US LLC (hereinafter referred to as "American Longterm")
Winner (Guilin) Latex Products Co., Ltd. (hereinafter referred to as "Guilin Latex")

1\*: Heyuan Winner was established on May 18, 2016.

2\*: Wuhan Winner was established on January 23, 2017, which former name was Hubei Winner Medical Co., Ltd. (abbreviated as "Hubei Winner"). On August 28, 2020, Hubei Winner was renamed as Winner Medical (Wuhan) Co., Ltd.

3\*: PureH2B was established on January 25, 2018.

4\*: Cotton Lining was established on July 9, 2019.

5\*: Huanggang Purcotton was established on September 27, 2020.

In the current period, Longterm Medical and Guilin Latex were newly added through business combination not under the same control. Under Longterm Medical, there are four subsidiaries, namely Hangzhou Shengyi, Xi'an Longtemu, Deqing Longterm and American Longterm.

Pure HB (Shanghai) Co., Ltd. (hereinafter referred to as "Pure HB (Shanghai)") was established on March 16, 2018 and cancelled on February 21, 2022.

The scope of the consolidated financial statements for this reporting period and its changes are detailed in the Note "VIII. Consolidation scope changes" and "IX. Interests in other entities".

## IV. Preparation Basis of Financial Statements

### 1. Preparation basis

This financial statement is prepared in accordance with the *Accounting Standard for Business Enterprises -- Basic*

*Standard* issued by the Ministry of Finance, various special accounting standards, guideline for application of accounting standard for business enterprises, ASBE interpretations and other relevant regulations (hereinafter collectively referred to as "Accounting Standard for Business Enterprises") and *No.15 of Compilation Rules for Information Disclosure by Companies Offering Securities to the Public - General Provisions of Financial Reports* issued by China Securities Regulatory Commission.

## **2. Continual operation**

There are no events affecting the Company's going-concern ability and it is expected that the Company will be able to operate as a going concern within the next 12 months. The Company's financial statements are prepared on the basis of the assumption of going concern.

## **V. Significant accounting policy and accounting estimate**

Specific accounting policy and accounting estimate:

The following significant accounting policy and accounting estimate of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. The business not mentioned is implemented in accordance with the relevant accounting policies in the Accounting Standards for Business Enterprises.

### **1. Statement of compliance with Accounting Standards for Business Enterprises**

These financial statements comply with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the consolidated and parent company financial position of the Company on June 30, 2022 and the business performance and cash flows of the Company in the first half of 2022.

### **2. Accounting period**

The fiscal year of the Company runs from January 1 to December 31 of each calendar year.

### **3. Operating cycle**

The operating cycle of the Company is 12 months.

### **4. Reporting currency**

The bookkeeping currency of the Company is RMB.

### **5. Accounting treatment of business combination involving enterprises under and not under common control**

Business combination involving enterprises under the same control: the assets and liabilities acquired by the merging party in the business combination (including the goodwill formed by the final controlling party by purchasing the merged party) shall be measured on the basis of the book value of the assets and liabilities of the merged party in the consolidated financial statements of the final controlling party on the merger date. The difference between the book value of the net assets obtained and the consideration paid for the combination (or total par value of issued shares) is adjusted against capital reserve (capital stock premium); if the capital reserve (capital stock premium) is not sufficient to absorb the difference, the retained earnings shall be adjusted.

Business combination not involving enterprises under common control: the cost of combination is the fair value of the assets paid, liabilities incurred or assumed and equity securities issued by the acquirer on the acquiring date for acquisition of the control right of the acquiree. If the cost of combination is greater than the share of the fair value of the acquiree's identifiable net assets acquired in the combination, the difference is recognized as goodwill; if the cost of combination is less than the share of the fair value of the acquiree's identifiable net assets acquired in the combination, the difference is included in the profit and loss of the current period. The acquiree's identifiable assets, liabilities and contingent liabilities obtained by the acquirer in the combination meeting the recognition conditions are measured at fair value on the acquiring date.

The directly related expenses incurred for the business combination are included in the profit and loss of the current period; the transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognized amounts of the equity or debt securities.

## 6. Methods for preparing consolidated financial statements

### 1) Consolidation scope

The consolidation scope of the consolidated financial statements is determined on a control basis and includes the Company and all subsidiaries. Control means that the Company has the power over the invested entity, enjoys variable returns by participating in the relevant activities of the invested entity, and has the ability to use the power to influence the amount of returns.

### 2) Consolidation procedures

The Company regards the whole enterprise group as an accounting entity and prepares consolidated financial statements in accordance with unified accounting policies to reflect the overall financial position, operating results and cash flow of the enterprise group. The impact of internal transactions between the Company and its subsidiaries and between the subsidiaries are offset. If the internal transaction indicates that impairment loss has occurred to relevant assets, such loss shall be recognized in full. If the accounting policies and the accounting periods adopted by the subsidiaries are inconsistent with those of the Company, necessary adjustments shall be made in accordance with the accounting policies and the accounting periods of the Company when preparing the consolidated financial statements.

The minority shareholders' share of the subsidiary's owners' equity, current net profit and loss and current comprehensive income shall be separately listed under the owners' equity item in the consolidated balance sheet, under the net profit item and under the total comprehensive income item in the consolidated income statement. If the current loss shared by the minority shareholders of the subsidiary exceeds their share in the owner's equity of the subsidiary at the beginning of the period, the minority equity shall be offset by the balance.

#### (1) Increase of subsidiaries or business

During the reporting period, if subsidiaries or business are increased due to business combination involving enterprises under the same control, the operating results and cash flow from the beginning of the current period to the end are incorporated into the consolidated financial statements, and the opening balance in the consolidated financial statements and the related items in comparative statements are adjusted, which shall be regarded that the reporting subject after combination has been existed since the initial control point of the ultimate controlling party.

If the invested party under the same control is controlled by the additional investment and other reasons, the equity investment held before obtaining the control of the merged party, and the relevant profits and losses, other comprehensive income and other net assets and other net assets changes between the date of acquisition of the original equity and the date on which the merging party and the merged party are under the same control (whichever is later) and the merger date shall offset the period of between the opening retained earnings or current profits and losses in the comparative reporting period.

During the reporting period, if subsidiaries or business are increased due to business combination of enterprises not under the same control, it shall be included in the consolidated financial statements as of the acquisition date on the basis of the fair value of all identifiable assets, liabilities and contingent liabilities determined on the acquisition date.

If it is able to exercise control over the invested entity that is not under the same control due to additional investment or other reasons, the equity held by the acquiree before the acquisition date shall be re-measured according to the fair value of the equity on the acquisition date, and the difference between the fair value and the book value shall be included into the current investment income. Other comprehensive income, which can be reclassified into profit and loss in the future, and other changes in owners' equity under the equity method as related to the acquiree's equity held before the acquisition date are converted to the investment income of the current period as of the acquisition date.

#### (2) Disposal of subsidiary

##### ① General disposal method

When the Company loses the control right over the invested entity due to disposal of part of the equity investment or other reasons, the residual equity investment after the disposal shall be re-measured at its fair value on the date of losing the control right. The difference between the sum of the consideration acquired by disposal of the equity and the fair value of the residual equity, minus the sum of the share of the net assets of the original subsidiary

continuously calculated from the acquisition date or the merging date and the goodwill according to the original shareholding ratio, shall be included in the investment income in the period of loss of the control right. Other comprehensive income related to the equity investment of the original subsidiary that can be reclassified into profit and loss in the future, and other changes in owners' equity under the equity method are converted to the investment income in the period of loss of the control right.

## ② Disposal of subsidiary by steps

For disposal of the equity investment in the subsidiary by steps through multiple transactions till loss of the control right, the terms, conditions and economic impact of the disposal on each transaction in respect of the equity investment of the subsidiary are subject to one or more of the following circumstances, which generally indicate that the multiple transactions are package deals:

- i. The transactions were entered into simultaneously or with consideration of their mutual influence;
- ii. These transactions as a whole can only achieve a complete business result;
- iii. The occurrence of one transaction depends on the occurrence of at least one other transaction;
- iv. A transaction is not economical alone, but economic when considered with other transactions.

If each transaction belongs to a package deal, each transaction shall be subject to accounting treatment as a deal for disposal of subsidiary and loss of the control right; the difference between the disposal price and the share of net assets of the subsidiary corresponding to the disposal of investment before the loss of control right is recognized as other comprehensive income in the consolidated financial statements and transferred into the current profit and loss in the period of loss of control right.

If each transaction does not belong to a package deal, the equity investment of the subsidiary shall be subject to accounting treatment without loss of control right before losing the control right; and accounting treatment shall be carried out in accordance with the general disposal method of the subsidiary when losing the control right.

## (3) Purchase of the minority equity of the subsidiaries

The difference between the long-term equity investment obtained due to the purchase of minority equity and the share of the net assets to be enjoyed and continuously calculated from the acquisition date or merging date according to the increased shareholding ratio is adjusted against the capital stock premium in the capital reserve in the consolidated balance sheet; if the capital stock premium in the capital reserve is not sufficient to offset the difference, the retained earnings shall be adjusted.

## (4) Partial disposal of equity investment in subsidiaries without loss of control right

The difference between the disposal price and the disposal of long-term equity investment and the share of the net assets to be enjoyed and continuously calculated from the acquisition date or merging date, is adjusted against the capital stock premium in the capital reserve in the consolidated balance sheet; if the capital stock premium in the capital reserve is not sufficient to offset the difference, the retained earnings shall be adjusted.

## 7. Joint venture arrangements classification and Co-operation accounting treatment

The joint venture arrangement is divided into joint management and joint venture.

Joint management means the joint venture arrangement in which the joint venture parties enjoy the assets and assumes the liabilities related to the arrangement.

The Company confirms the following items related to the share of interests in the joint operation:

- (1) Recognize the assets held solely by the Company and the assets jointly held according to the share of the Company;
- (2) Recognize the liabilities undertaken solely by the Company and the liabilities jointly undertaken according to the share of the Company;
- (3) Recognize the income generated from the sale of the Company's share of the joint operation output;
- (4) Recognize the income generated from the sale of outputs of the joint operation according to the share of the

Company;

- (5) Recognize the expenses incurred separately and the expenses incurred in joint operation according to the share of the Company

The Company's investment in the joint venture shall be accounted by the equity method. Please refer to Note "V. 22. Long-term equity investment" for details.

## **8. Determining standards of cash and cash equivalents**

Cash represents the Company's cash on hand and the deposit readily available for payment. Cash equivalents represent the short-term, highly liquid investments that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

## **9. Foreign currency transaction and foreign currency statement translation**

### **1) Foreign Currency Business**

Foreign currency transaction adopts the spot exchange rate on the date of the transaction as the conversion exchange rate to convert the foreign currency amount into RMB for bookkeeping.

At the balance sheet date, the balance of foreign currency monetary items is converted by using the spot exchange rates at the balance sheet date. Exchange differences arising therefrom are recognized in current profit and loss, except the exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are treated according to the capitalization of borrowing costs.

### **2) Conversion of financial statements denominated in foreign currencies**

The asset and liability items in the foreign currency balance sheets shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except the ones as "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the income statement are converted at the spot rate on the date of transaction.

When disposing of the overseas operation, the balance of the financial statements denominated in foreign currencies related to the overseas operation shall be transferred from the owner's equity item to the profit and loss of the disposal period.

## **10. Financial instruments**

The Company recognizes a financial asset, financial liability or equity instrument when becoming a party of the financial instrument contract.

### **1) Classification of financial instruments**

According to the Company's business model of managing financial assets and the contractual cash flow characteristics of financial assets, the financial assets are classified at the initial recognition as: financial assets measured at the amortized cost, financial assets measured at fair value of which changes are recorded into other comprehensive income, and financial assets at fair value of which changes are recorded in current profit and loss.

The Company classifies the financial assets that meet the following conditions and are not designated to be measured at fair value and whose changes are recorded into the profits and losses of the current period as financial assets measured at the amortized cost:

- The business model is aimed at collecting contract cash flows;
- The contract cash flow is only the payment of the principal and interest based on the outstanding principal amount.

The Company classifies the financial assets that meet the following conditions and are not designated to be measured at fair value and whose changes are recorded into the profits and losses of the current period as financial assets measured at fair value of which changes are recorded into other comprehensive income (debt instrument):

- The business model is aimed at collecting contract cash flows and the sale of such financial assets;

- The contract cash flow is only the payment of the principal and interest based on the outstanding principal amount.

For non-trading equity instrument investments, the Company may, at the time of initial recognition, irrevocably designate them as financial assets measured at fair value of which changes are recorded into other comprehensive income (equity instrument). The designation is made on a single investment basis and the related investments meet the definition of an equity instrument from an issuer's perspective.

Except the above financial assets measured at the amortized cost and the financial assets measured at fair value of which changes are recorded into other comprehensive income, the Company classifies all other financial assets as financial assets at fair value of which changes are recorded in current profit and loss. Upon initial recognition, if accounting mismatches can be eliminated or significantly reduced, the Company can irrevocably designate the financial assets that should have been classified as those measured at the amortized cost or measured at fair value of which changes are recorded into other comprehensive income as the financial assets measured at fair value of which changes are recorded in current profit and loss.

Financial liabilities are classified at the initial recognition as: financial liabilities measured at fair value of which changes are recorded in current profit and loss and financial liabilities measured at the amortized cost.

Financial liabilities that meet one of the following conditions may be designated at the initial recognition as the financial liabilities measured at fair value of which changes are recorded in current profit and loss.

- ① This designation can eliminate or significantly reduce accounting mismatches.
- ② Manage and conduct performance evaluation of the financial liability portfolio or financial assets and financial liability portfolio on the basis of fair value according to the enterprise risk management or investment strategy set forth in the official written documents, and report to the key management personnel within the enterprise on this basis.
- ③ The financial liability contains embedded derivatives that need to be split separately.

## 2) Recognition basis and measurement method of financial instruments

### (1) Financial asset measured on the basis of post-amortization costs

The financial assets measured at the amortized costs include bills receivable, accounts receivable, other receivables, long-term receivables, debt investment, etc., which shall be initially measured at fair value, and the relevant transaction expenses are included in the initial recognized amount; the receivables excluding major financing components and the accounts receivable that the Company decides not to consider the financing components of less than one year shall be initially measured at the contract transaction price.

The interest calculated by the effective interest rate method during the holding period is recorded into the current profit and loss.

Upon recovery or disposal, the difference between the price obtained and the book value of the financial assets shall be recorded into the current profit or loss.

- (2) Financial assets measured at fair value of which changes are recorded into other comprehensive income (debt instrument)

Financial assets measured at fair value of which changes are recorded into other comprehensive income (debt instrument), including receivables financing and other debt investments, are initially measured at fair value and related transaction costs are included in the initial recognized amount. The financial asset is subsequently measured at its fair value, and changes in the fair value are recorded in other comprehensive income, except the interest, impairment loss or gains and exchange gain and loss calculated by the effective interest rate method.

Upon the de-recognition, the accumulated gains or losses previously recorded in other comprehensive income will be transferred from other comprehensive income to current profit and loss.

- (3) Financial assets measured at fair value of which changes are recorded into other comprehensive income (equity instrument)

Financial assets measured at fair value of which changes are recorded into other comprehensive income (equity

instrument), including other equity instrument investment, are initially measured at fair value and related transaction costs are included in the initial recognized amount. Such financial assets are subsequently measured at the fair value and the change in the fair value is recorded into other comprehensive income. The dividends obtained are recorded in current profit and loss.

Upon the de-recognition, the accumulated gains or losses previously recorded in other comprehensive income will be transferred from other comprehensive income to retained earnings.

(4) Financial assets measured with fair value and with the changes included in current profit and loss

Financial assets measured at fair value of which changes are recorded in current profit and loss, including trading financial assets, derivative financial assets, other non-current financial assets, etc., are initially measured at fair value and related transaction expenses are recorded in current profit and loss. Such financial assets are subsequently measured at the fair value and the change in the fair value is recorded into current profit and loss.

(5) Financial liabilities measured at fair values, changes of which recorded in the current profits or losses

Financial liabilities measured at fair value of which changes are recorded in current profit and loss, including trading financial liabilities, derivative financial liabilities, etc., are initially measured at fair value and related transaction expenses are recorded in current profit and loss. Such financial liabilities are subsequently measured at the fair value and the change in the fair value is recorded into current profit and loss.

Upon the de-recognition, the difference between its book value and the consideration paid is recorded in current profit and loss.

(6) Financial liabilities measured at the amortized cost

Financial liabilities measured at amortized cost, including short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, are initially measured at fair value, and related transaction expenses are included in the initial recognized amount.

The interest calculated by the effective interest rate method during the holding period is recorded into the current profit and loss.

Upon the de-recognition, the difference between the consideration paid and the book value of such financial liability is recorded in current profit and loss.

3) De-recognition and transfer of financial assets

The Company shall derecognize the financial assets if one of the following conditions is satisfied:

- Termination of the contractual right to collect the cash flow of financial assets;
- The financial assets have been transferred, and almost all the risks and remuneration in its ownership have been transferred to the transferee;
- The financial assets have been transferred, and while the Company has neither transferred nor retained virtually all of the risks and remuneration in the ownership of the financial assets, it has not retained control of the financial assets.

In the event of a financial asset transfer, if almost all the risks and remuneration in the ownership of the financial asset are retained, the recognition of the financial asset will not be terminated.

The principle of substance over form is adopted when judging whether the transfer of financial assets meets the above conditions for de-recognition of financial assets.

The Company divides the transfer of financial assets into the whole transfer of financial assets and the partial transfer of financial assets. If the overall transfer of the financial asset meets the de-recognition conditions, the difference between the following two amounts shall be recorded into the current profits and losses:

- (1) The book value of the transferred financial asset;
- (2) The sum of the consideration received from the transfer and the cumulative amount of the fair value changes

originally included in owner's equity directly (where the financial asset involved in the transfer is measured at fair value and the change is recorded in other comprehensive income (debt instrument)).

If the partial transfer of the financial asset meets the de-recognition conditions, the book value of the overall transferred financial asset is distributed between the derecognized and non-derecognized part according to the relative fair value and the difference between the following two amounts is included in current profit and loss:

- (1) The book value of derecognized part;
- (2) Sum of the consideration of the derecognized part and the amount of corresponding derecognized part in the total fair value changes originally included in owner's equity directly (where the financial asset involved in the transfer is measured at fair value and the change is recorded in other comprehensive income (debt instrument)).

If the transfer of the financial asset does not meet the conditions of de-recognition, such financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

#### 4) De-recognition of financial liabilities

Where the current obligation of a financial liability has been discharged in whole or in part, such financial liability or part thereof shall be derecognized; if the Company enters into an agreement with the creditor to replace the existing financial liabilities by assuming new financial liabilities, and the contract terms of the new financial liabilities and the existing financial liabilities are substantially different, the Company shall derecognize the existing financial liabilities and recognize the new financial liabilities at the same time.

If all or part of the contract terms of the existing financial liabilities are substantially modified, the existing financial liability or part thereof shall be derecognized, and the financial liabilities after the modification shall be recognized as new financial liabilities.

When a financial liability is derecognized in whole or in part, the difference between the book value of the derecognized financial liability and the consideration paid (including non-cash asset transferred out or the new financial liability undertaken) is recorded in current profit and loss.

If the Company repurchases part of the financial liability, it shall allocate the overall book value of the financial liability on the repurchase date according to the relative fair value of the continuing recognition part and the de-recognition part. The difference between the book value allocated to the derecognized part and the consideration paid (including non-cash asset transferred out or the liability undertaken) is recorded in current profit and loss.

#### 5) Fair value determination method of financial assets and financial liabilities

The fair value of a financial instrument with an active market shall be recognized based on the quotation in the active market. The fair value of a financial instrument without an active market shall be recognized by means of valuation techniques. Upon valuation, the Company adopts valuation techniques applicable to the current situation and supported by sufficient available data and other information, selects input values consistent with the asset or liability characteristics considered by market participants in the transaction of related assets or liabilities, and gives priority to relevant observable input values. The Company uses non-observable input values only when relevant observable input values cannot be obtained or are not practicable to obtain.

#### 6) Test method and accounting treatment method of financial assets impairment

The Company estimates the expected credit losses of financial assets measured at amortized cost, financial assets measured at fair value of which changes are recorded into other comprehensive income (debt instrument) and financial guarantee contracts on a single or combined basis.

The Company calculates the probabilistic weighted amount of the present value of the difference between the cash flows receivable under the contracts and the cash flows expected to be received and recognizes the expected credit loss, taking into account reasonable and evidential information concerning past events, current conditions and projections of future economic conditions, and weighting the risk of default.

If the credit risks of such financial instrument have increased significantly since the initial recognition, the Company shall measure its loss provision according to the amount equivalent to the expected credit loss in the entire duration of such financial instrument. If the credit risks of such financial instrument have not increased significantly since the initial recognition, the Company shall measure the loss provision according to the amount equivalent to the expected credit loss of such financial instrument in the next 12 months. The amount of the increase or reversal of



the loss provision resulting therefrom shall be recorded into the current profit and loss as an impairment loss or profit.

By comparing the risk of default of financial instruments on the balance sheet date with the risk of default on the initial recognition date, the Company determines the change of the default risk during the expected duration of the financial instruments, so as to assess whether the credit risks of financial instruments have significantly increased since the initial recognition. In general, the Company will consider that the credit risks of the financial instrument has increased significantly if it is more than 30 days overdue, unless there is conclusive evidence that the credit risks of such financial instrument have not increased significantly since the initial recognition.

If the credit risks of the financial instrument are low on the balance sheet date, the Company considers that the credit risks of the financial instrument have not increased significantly since the initial recognition.

If there is objective evidence that a certain financial asset has suffered credit impairment, the Company shall make provision for the impairment of the financial asset on an individual basis.

For receivables and contract assets formed by transactions regulated by *Accounting Standards for Business Enterprises No.14 - Revenue* (2017), the Company always measures its loss provision at an amount equivalent to the expected credit loss over the entire duration, whether or not it contains major financing components.

For lease receivable, the Company shall always measure its loss provision according to the amount equivalent to the expected credit loss within the entire duration.

If the Company no longer reasonably expects that the contract cash flow of a financial asset can be recovered in whole or in part, it will directly write down the book balance of such financial asset.

## 11. Notes receivable

Please refer to "12. Accounts receivable".

## 12. Accounts receivable

### 1) Impairment of notes receivable and accounts receivable

For notes receivable and accounts receivable, whether or not they contain major financing components, the Company always measures its loss provision at an amount equivalent to the expected credit loss over the entire duration, and the increase or reversal amount of the loss provision thus formed is recorded into the current profit and loss as impairment loss or gain.

For notes receivable, the Company shall always measure its loss provision according to the amount equivalent to the expected credit loss within the entire duration. Based on the credit risk characteristics of notes receivable, it is divided into different portfolios:

Item	Basis for recognition of combination and accrual method of provision for bad debt
Banker's acceptance bill	If the acceptor is a bank with higher credit rating (such as large state-owned commercial banks and listed joint-stock commercial banks), no provision for bad debts shall be made; if the acceptor is another bank or financial company, the expected credit loss is analyzed based on historical information and judged whether it is necessary to make provision for bad debts.
Trade acceptance	If the acceptor is a non-financial institution, its division is the same as that of accounts receivable (if accounts receivable are transferred to notes receivables, the age of accounts is calculated continuously).

The Company combines the notes receivable-trade acceptance, accounts receivable (except in the consolidation) and prepayments with similar credit risk characteristics (aging), and estimates the proportion of bad debt provision for notes receivable -trade acceptance, accounts receivable and prepayments based on all reasonable and informed information, including forward-looking information, as follows:

Aging	Accruing proportion of accounts receivable (%)	Accruing proportion of trade acceptance (%)	Accruing proportion of prepaid accounts (%)
Within 1 year (including 1 year)	5	5	0
1-2 years	10	10	0

2-3 years	30	30	50
3-4 years	50	50	100
4-5 years	80	80	100
More than 5 years	100	100	100

If there is objective evidence that a certain note receivable, account receivable or prepayment has incurred credit impairment, the Company shall make a provision for bad debts for the note receivable or account receivable or prepayment separately and recognize the expected credit loss.

## 2) Other receivables

For the measurement of impairment loss of other receivables other than accounts receivable and notes receivable (including other receivables, long-term receivables, etc.), it shall be treated by referring to the "V. 10. Financial instruments 6) Test method and accounting treatment method of financial assets (excluding receivables) impairment".

## 13. Amounts receivable financing

Please refer to "10. Financial instruments".

## 14. Other receivables

Recognition method and accounting treatment method of the expected credit loss of other receivables

For the measurement of impairment loss of other receivables other than accounts receivable and notes receivable (including other receivables, long-term receivables, etc.), it shall be treated by referring to the "V. 10. Financial instruments 6) Test method and accounting treatment method of financial assets (excluding receivables) impairment".

## 15. Inventory

### 1) Classification and cost of inventories

The inventories are classified as raw materials, low priced and easily worn articles, merchandise inventory, work in progress, goods shipped in transit, goods processed by commission, wrappage, etc.

Inventories are initially measured at cost. The inventory cost includes procurement costs, processing costs, and other expenses incurred to bring the inventory to its current location and condition.

### 2) Valuation method of delivered inventory

The sales of purchased finished products are priced according to the moving weighted average method at the time of shipment; the sales of self-produced products are priced according to the standard cost method at the time of shipment, and the difference between the actual cost and the standard cost shall be apportioned according to the inventory and sales ratio at the end of the period.

### 3) Recognition basis of net realizable value of different types of inventories

The inventories shall be measured on the balance sheet date according to the cost of inventories or net realizable value, whichever is lower. If the cost of the inventories is higher than the net realizable value, the inventory falling price reserves shall be withdrawn. The net realizable value of inventories is the amount of the estimated sale price of the inventories subtracted by the estimated cost about to occur in completion, estimated selling expenses and related taxes in daily activities.

For the finished products, merchandise inventory, materials for sale and other merchandise inventories directly used for sale, the net realizable value is recognized by the amount of the estimated sale price of the inventories subtracted by the estimated selling expenses and related taxes in normal production and operation process; for the material inventory required to be processed, the net realizable value is recognized by the amount of the estimated sale price of the finished products subtracted by the estimated cost about to occur in completion, estimated selling expenses and related taxes in normal production and operation process; for the inventories held to perform the sales contract or labor contract, the net realizable value is calculated on the basis of contract price. If the number of the inventories held is greater than the quantity ordered in the sales contract, the net realizable value of the excessive inventories is

calculated on the basis of general sale price.

If the influence factors writing down the inventory value before have disappeared after withdrawal of the inventory falling price reserves, resulting in the net realizable value of the inventories higher than the book value, the amount written down is reversed within the originally withdrawn amount of inventory falling price reserves and the amount reversed is included in current profits and losses.

#### 4) Inventory system

The perpetual inventory system is adopted.

#### 5) Amortization methods of low priced and easily worn articles and wrappage

- (1) The 50-50 amortization method is adopted for low-value consumables;
- (2) The packaging adopts the one-time write-off method.

### 16. Contract assets

#### 1) Methods and standards for the recognition of contract assets

The Company lists the contractual assets or contractual liabilities in the balance sheet according to the relationship between performance obligations and customer payment. The Company's rights to receive consideration for the transfer of goods or services to the customer (and such rights are subject to factors other than the passage of time) are listed as contractual assets. The contractual assets and contractual liabilities under the same contract are listed in the net amount. The rights that the Company owns and unconditionally (depending only on the passage of time) to collect consideration from the customer are listed separately as receivables.

#### 2) Recognition method and accounting treatment method of the expected credit loss of contractual assets

For the recognition methods and accounting treatment methods of the expected credit loss of the contract assets, please refer to Note "V. 10. Financial Instruments 6) Test method and accounting treatment method of financial assets impairment (excluding receivables)".

### 17. Contract cost

Contract cost includes the contract performance cost and the contract acquisition cost.

If the cost incurred by the Company for the performance of the contract is not within the scope of relevant standards for inventory, fixed assets or intangible assets, it shall be recognized as an asset as a contract performance cost when the following conditions are met:

The cost is directly related to a current or anticipated contract.

The cost increases the Company's future resources to meet its performance obligations.

The cost is expected to be recoverable.

If the Company is expected to recover the incremental cost incurred in acquiring the contract, it shall be recognized as an asset as the contract acquisition cost.

Assets related to contract costs are amortized on the same basis as income recognition of goods or services related to the asset; however, if the amortization period of the contract acquisition cost is less than one year, the Company shall record it into the current profit and loss when it is incurred.

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

- (1) Remaining consideration expected to be obtained as a result of the transfer of the goods or services related to the asset;
- (2) The costs is estimated and to be incurred for the transfer of the relevant goods or services.

If the factors of impairment in the previous period change so that the difference above is higher than the book value

of the asset, the Company shall reverse the withdrawn impairment provision and include it into the current profit and loss, but the book value of the reversed asset shall not exceed the book value of such asset on the reversal date if the impairment provision is not withdrawn.

### **18. Assets held for sales**

If the book value of an asset is recovered mainly through the sale (including the non-monetary assets exchange of commercial nature) rather than continuous use of a non-current asset or disposal group, such asset is classified as an asset held for sale.

The Company classifies non-current assets or disposal groups as held for sale if they meet the following conditions simultaneously:

- (1) Immediately available for sale under current conditions in accordance with the usual practice of selling such type of assets or disposal groups in similar transactions;
- (2) The sale is highly likely, that is, the Company has resolved a sale plan and obtained a firm purchase commitment, and the sale is expected to be completed within one year. Where the relevant provisions require the approval of the relevant authority or regulatory authority of the Company before the sale, the approval has been obtained.

Where it is classified as non-current assets (not including financial assets, deferred income tax assets, investment properties that are subsequently measured at fair value, the assets formed by the employee compensation) or disposal groups held for sale, if its book value is higher than the net amount of the fair value minus the selling expense, the book value is written down to the net amount of the fair value minus the selling expense, the amount written down is recognized as the assets impairment loss and included in the current profit and loss, and the impairment provision for assets held for sale shall be made at the same time.

### **19. Debt investment**

Please refer to "10. Financial instruments".

### **20. Other debt investments**

Please refer to "10. Financial instruments".

### **21. Long-term receivables**

N/A

### **22. Long-term equity investments**

- 1) Criteria for determining joint control and significant influence

Joint control refers to the joint control over an arrangement in accordance with the relevant agreement, and the related activities of the arrangement can only be decided upon the unanimous consent of the parties sharing the control. Where the Company and other joint venture parties jointly exercise joint control over the invested entity and enjoy rights over the net assets of the invested entity. The invested entity shall be the joint venture of the Company.

Significant influence means the power to participate in the formulation of financial and operating decisions of the invested entity, but not the power to control or jointly control the formulation of these policies together with other parties. If the Company is able to exert significant influence on the invested entity, the invested entity is a joint venture of the Company.

- 2) Recognition of initial investment cost

- (1) Long-term equity investment formed by business combination

For the long-term equity investment in a subsidiary formed by business combination under common control, the share of the book value of the owner's equity of the combining party in the consolidated financial statements of the final controlling party, on the combination date, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the book value of paid consideration shall adjust the capital stock premium in capital reserve. If the capital stock premium in capital reserve is insufficient

to offset, the retained earnings shall be adjusted. Where it implements the control upon the invested entity under the same control due to additional investment or other reasons, the difference between the initial investment cost of the long-term equity investment recognized according to the above principle and the sum of the book value of the long-term equity investment before the combination plus the book value of the new consideration for the acquisition of further shares on the merging date shall adjust the capital stock premium. If the capital stock premium is insufficient to offset, the retained earnings shall be offset.

For the long-term equity investment in a subsidiary formed by business combination not under common control, the combined cost recognized on the acquisition date is regarded as the initial cost of the long-term equity investment. Where it implements the control upon the invested entity not under the same control due to additional investment and other reasons, the sum of the book value of the original equity investment plus the new investment cost is taken as the initial investment cost.

(2) Long-term equity investment acquired by means other than business combination

If the long-term equity investment is acquired by means of cash payment, the initial investment cost shall be the purchase price actually paid.

If the long-term equity investment is acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

3) Subsequent Measurement and Approach for the Determination of Profit and Loss

(1) Long-term equity investment checked by cost method

The long-term equity investment made by the Company in its subsidiaries adopts the cost method, unless the investment meets the conditions of holding for sale. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the investment, the Company recognize the investment income in current period in accordance with the attributable share of cash dividends or profit distributions declared by the invested entity.

(2) Long-term equity investment checked by equity method

The long-term equity investment of joint ventures and cooperative enterprises shall be calculated by the equity method. The initial investment cost of the long-term equity investment is not adjusted if it is greater than the difference between the fair value share of the net identifiable assets of the invested entity in the investment; if the initial investment cost of the long-term equity investment is less than the difference between the fair value share of the net identifiable assets of the invested entity in the investment, it is recorded in current profit and loss and the cost of the long-term equity investment is adjusted.

The Company recognizes the investment income and other comprehensive income according to its share of net profit or loss and other comprehensive income of the invested entity, and adjusts the book value of the long-term equity investment accordingly; the Company decreases the book value of the long-term equity investment accordingly in accordance with the share of the profit distribution or cash dividends declared by the invested entity; for changes in owner's equity of the invested entity other than those arising from its net profit or loss, other comprehensive income and profit distribution (abbreviated as "other changes in owner's equity"), the Company adjusts the book value of the long-term equity investment and records in the owner's equity.

Upon recognizing the share of the net profit and loss, other comprehensive income and other changes in owner's equity of the invested entity, it shall be recognized after adjusting the net income and other comprehensive income of the invested entity on the basis of the fair value of the identifiable net assets of the invested entity when obtaining the investment, and in accordance with the Company's accounting policies and accounting periods.

The profits and losses of unrealized internal transactions between the Company and joint ventures, cooperative enterprises shall be calculated according to the proportion that should be enjoyed by the Company and shall be offset. On this basis, investment income shall be recognized, except that the assets invested or sold constitute business. The unrealized internal deal loss between the Company and the invested entity is recognized in full amount if attributable to the assets impairment loss.

The net loss incurred by the Company to the cooperative enterprise or joint venture, except for the liability for additional loss, shall be written down to zero by the book value of long-term equity investment and other long-term equity substantially constituting the net investment in the cooperative enterprise or joint venture. If the cooperative

enterprise or joint venture achieves the net profits in the later periods, the Company recovers to recognize the gain sharing amount after making up for the unrecognized loss sharing amount with the gain sharing amount.

### (3) Disposal of long-term equity investment

On disposal of the long-term equity investment, the balance between the book value of the equity disposed of and the actual price obtained is charged to current profit and loss.

If part of the long-term equity investment is disposed of by the equity method, and the remaining equity is still accounted by the equity method, the other comprehensive income recognized by the original equity method shall be carried forward on the same basis as the relevant assets or liabilities directly disposed of by the invested entity at the corresponding proportion, and the changes in other owners' equity shall be carried forward to the current profit and loss on a proportional basis.

If the joint control or significant influence on the invested entity is lost due to the disposal of equity investment or other reasons, other comprehensive income of the original equity investment recognized by the equity method shall be subject to accounting treatment through adopting the basis for the direct disposal of relevant assets or debts when the equity method is terminated. Other changes in owners' equity will be transferred to current profit and loss when the equity method is terminated.

If the Company loses its control rights over the invested entity due to the disposal of part of the equity investment, when preparing individual financial statement, in case of the residual equity with joint control or significant influence on the invested entity, the Company shall calculate and adjust the residual equity with equity method as upon obtaining. Other comprehensive income recognized before the acquisition of the control right of the invested entity shall be carried forward proportionately on the same basis as the direct disposal of relevant assets or liabilities by the invested entity, and other changes in owners' equity recognized by the equity method shall be carried forward proportionately to the current profit and loss. If the residual equity cannot exercise joint control or exert significant influence on the invested entity, it shall be recognized as financial assets, the difference between its fair value and book value on the date of loss of control shall be included in the current profit and loss, and all other comprehensive income and other changes in owner's equity recognized before obtaining the control right of the invested entity shall be carried forward.

If the deals for disposal of the subsidiary's equity investment by steps through several times of transaction until the loss of the control right belong to a package deal, the deals shall be subject to accounting treatment as a deal for disposal of the equity investment in the subsidiary and loss of the control right; the difference between each disposal price and the book value of the long-term equity investment corresponding to the equity disposed of before the loss of control right is, in individual financial statements, recognized as other comprehensive income and then transferred into the current profit and loss in the period of loss of control right. If it does not belong to a package deal, each deal shall be accounted for separately.

## 23. Investment real estates

Measurement mode of investment properties

N/A

## 24. Fixed assets

### (1) Recognition conditions

The fixed assets refer to the tangible assets which are held for production of goods, provision of labor, lease or operating management and whose service life exceeds a fiscal year. The fixed assets can be recognized when meeting the following conditions:

- ① The economic benefits related to the fixed assets are likely to flow to the enterprise;
- ② The cost of the fixed assets can be reliably measured.

The fixed assets are initially measured according to the cost (and the influence of the expected disposal cost factors).

Subsequent expenditure related to fixed assets, if the economic benefits related may flow in and the cost can be reliably measured, is included in the fixed asset cost; and the book value of the replaced part is derecognized; all other subsequent expenditures are recorded into current profit and loss when incurred.

## (2) Depreciation method

Class	Depreciation method	Depreciation life	Residual rate	Yearly depreciation
Houses and building	Straight-line depreciation	10-35 years	10.00%	2.57%-9%
Machinery equipment	Straight-line depreciation	2-15 years	10.00%	6%-45%
Transportation equipment	Straight-line depreciation	3-10 years	10.00%	9%-30%
Electronic equipment and office equipment, etc.	Straight-line depreciation	2-10 years	10.00%	9%-45%

Depreciation of fixed assets is calculated by straight-line depreciation method and the depreciation rate is determined according to the category, expected useful life and expected net residual rate of the fixed assets. For fixed assets with provision for impairment, the amount of depreciation shall be recognized in future periods according to the book value after deducting the provision for impairment and based on the usable life. If the components of the fixed assets have different useful life or provide economic benefits for the Company in different ways, the depreciation is calculated respectively by different depreciation rates or depreciation methods.

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

**25. Construction in progress**

The construction in progress is measured according to the actual cost incurred. Actual costs include construction costs, installation costs, borrowing costs eligible for capitalization, and other expenses necessary to bring the construction in progress to a predetermined usable state. When the construction in progress reaches the intended serviceable condition, it is transferred into fixed assets and begin to withdraw the depreciation since the next month.

**26. Borrowing costs**

## 1) Recognition principle of capitalization of borrowing costs

If the borrowing costs incurred by the Company can be directly attributed to the purchase, construction or production of the assets eligible for capitalization, they shall be capitalized and recorded into the cost of the relevant assets; other borrowing costs shall be recognized as expenses according to the amount incurred at the time of occurrence and shall be recorded into the current profit and loss.

Assets meeting the capitalization conditions refer to the fixed assets, investment properties, inventories and other assets which can reach the intended usable or marketable status only after quite a long time of construction or production activities.

## 2) Capitalization period of borrowing costs

Capitalization period refers to the period from the time point at which borrowing costs begin to be capitalized to the time point at which borrowing costs cease to be capitalized, excluding the period during which the capitalization of borrowing costs is suspended.

Capitalization begins when borrowing costs meet the following conditions:

- (1) Asset expenditures have been incurred, including expenditures incurred in the form of cash payment, transfer of non-cash assets or undertaking interest-bearing liabilities for the purchase and construction of or production of assets eligible for capitalization;
- (2) Borrowing costs have been incurred;
- (3) The purchase, construction or production activities which are necessary to prepare the asset for its intended use or sale have started.

When the purchase, construction or production of assets that meet the capitalization conditions reach the predetermined usable or marketable state, the capitalization of borrowing costs shall cease.

## 3) Capitalization suspension period

If the assets that meet the capitalization conditions are abnormally interrupted in the process of purchase and construction or production, and the interruption period is more than 3 consecutive months, the capitalization of borrowing costs shall be suspended; if the interruption is necessary for the purchase, construction or production of the assets that meet the capitalization conditions to reach the predetermined usable state or marketable state, the borrowing costs shall continue to be capitalized. The borrowing costs incurred during the interruption period are recognized as the current profit and loss, until the borrowing costs continue to be capitalized after the purchase and construction or the production activities of the assets are restarted.

#### 4) Calculation method of capitalization rate and capitalization amount of borrowing costs

For the specific borrowing for the purchase and construction or production of assets eligible for capitalization, the capitalization amount of borrowing costs shall be recognized by the borrowing costs actually occurring in the current period of specific borrowing, minus the amount of the interest income obtained by depositing the unused borrowing funds in the bank or the investment income obtained by making temporary investment.

For the general borrowing occupied for the purchase, construction or production of assets that meet the capitalization conditions, the amount of borrowing expenses to be capitalized for the general borrowing shall be calculated and recognized according to the weighted average of the accumulated asset expenditure exceeding the specific borrowing multiplied by the capitalization rate of the general borrowing occupied. The capitalization rate is calculated and recognized according to the weighted average effective interest rate of the general borrowing.

During the capitalization period, the difference between the exchange of the principal and interest of the specific foreign currency borrowing shall be capitalized and recorded into the cost of the assets eligible for capitalization. The exchange difference arising from the principal and interest of foreign currency borrowings other than specific foreign currency borrowing is recorded into the current profit and loss.

### 27. Biological assets

N/A

### 28. Oil and gas assets

N/A

### 29. Right-of-use assets

Please refer to Note "V. 42: Lease".

### 30. Intangible assets

#### (1) Valuation method, service life and impairment test

##### 1) Pricing methods for intangible assets

① The intangible assets are initially measured according to the cost;

The costs of purchased intangible assets include the purchase price, related taxes as well as other expenses incurred to make the assets reach the intended serviceable conditions and attributable to the assets.

##### ② Subsequent measurement

The Company analyzes and judges the useful life of the intangible assets when obtaining.

The intangible assets with limited useful life are amortized within the period when the intangible assets bring economic benefits to the Company; the intangible assets that cannot be expected to bring economic benefits to the Company are deemed to have uncertain life and are not amortized.

#### 2) Estimation of useful life of intangible assets with limited life

Item	Expected useful life	Basis
Land use right	50	Term of use specified in the land-use right certificate
Software use right	2-8	Useful life estimated by the management
Trademark right	5-10	Benefit period specified in the certificate of



Item	Expected useful life	Basis
		trademark use
Patent right	5-10	Benefit period specified in the certificate of patent use
Franchised use right	3	Term of use stipulated in the contract

### 3) Basis for judging intangible assets with uncertain service life and the procedures for reviewing their service life

During this reporting period, the Company has no intangible assets with uncertain service life.

#### (2) Accounting policy of expenditure for internal research and development

##### 1) Specific criteria for dividing research stage and development stage

The expenditure of the Company's internal R&D projects is classified into the expenditure at the research stage and the expenditure at the development stage.

Research stage: the stage of original, planned investigation and research activities to acquire and understand new scientific or technical knowledge, etc.

Development stage: the stage in which research or other knowledge is applied to a plan or design to produce new or substantially improved materials, devices, products, etc., prior to commercial production or use.

##### 2) Specific conditions for the capitalization of expenditures in the development stage

The expenditure at the research stage is charged to the current profit and loss in occurrence. The expenditure at the development stage can be recognized as intangible assets only when meeting the following conditions and charged to the current profit and loss if not meeting the following conditions:

- ① Technically feasible to complete the intangible assets, so that they can be used or sold;
- ② It is intended to finish and use or sell the intangible assets;
- ③ Ways of intangible assets to generate economic benefits, including those can prove that the products generated by the intangible assets can be sold or the intangible assets themselves can be sold and prove that the intangible assets to be used internally are useful;
- ④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and
- ⑤ The development expenditures of the intangible assets can be reliably measured

If the expenditure at the research stage and the expenditure at the development stage cannot be distinguished, the R&D expenditure incurred is fully charged to the current profit and loss.

The Company needs to comply with the disclosure requirements of the "Medical Device Business" in the *No. 4 Guideline of Shenzhen Stock Exchange for Self-regulatory of Listed Companies - Information Disclosure by Growth Enterprises*.

### 31. Long-term assets impairment

Long-term assets such as long-term equity investment, fixed assets, construction in progress, right-of-use assets, intangible assets with limited service life, and oil and gas assets, which show signs of impairment on the balance sheet date, shall be subject to impairment tests. If the impairment test results show that recoverable amount of the asset is below its book value, the provision for impairment is withdrawn according to the balance and charged to the impairment loss. The recoverable amount is determined according to the higher of the net amount of the assets fair value subtracted by the disposal costs and the present value of the expected future cash flow of the assets. The provision for impairment of assets is calculated and recognized on the basis of single asset. The Company recognizes the recoverable amount of the asset group based on the asset group to which the asset belongs if the recoverable amount of the single asset is difficult to estimate. An asset group is the smallest group of assets that can generate cash inflows independently.

The goodwill formed due to business combination, intangible assets with uncertain service life and intangible assets

that have not yet reached the usable state shall be subject to impairment test at least at the end of each year regardless of whether there are signs of impairment.

The Company conducts the goodwill impairment tests. For the book value of the goodwill formed due to business combination, it shall be apportioned to the relevant asset group by a reasonable method from the date of purchase; if it is difficult to apportion to the relevant asset group, it shall be apportioned to the relevant asset group combination. The relevant asset group or asset group combination is an asset group or asset group combination that can benefit from the synergies of business combination.

When conducting impairment test on the relevant asset group or asset group combination containing goodwill, if there are signs of impairment in the asset group or asset group combination related to goodwill, conduct impairment test on the asset group or asset group combination without goodwill at first, calculate the recoverable amount and recognize the corresponding impairment loss compared with the relevant book value. Then conduct an impairment test on the asset group or asset group combination containing goodwill to compare its book value with the recoverable amount. If the recoverable amount is less than the book value, the amount of impairment loss shall first offset the book value of goodwill amortized to the asset group or asset group combination, and then offset the book value of other assets proportionally according to the proportion of the book value of assets other than goodwill in the asset group or asset group combination. The above impairment loss of assets will not be reserved in subsequent accounting periods once recognized.

### **32. Long-term unamortized expenses**

Long-term unamortized expenses refer to the expenses that have occurred but shall be burdened in current period and later periods with the apportionment period more than one year.

Amortization method: long-term unamortized expenses are amortized on an average basis over the benefit period.

### **33. Contract liabilities**

The Company lists the contractual assets or contractual liabilities in the balance sheet according to the relationship between performance obligations and customer payment. The obligations of the Company to transfer goods or provide services to customers for which consideration has been received or receivable are listed as contractual liabilities. The contractual assets and contractual liabilities under the same contract are listed in the net amount.

### **34. Employee compensation**

#### **(1) Short-term compensation accounting method**

The Company recognizes the short-term compensation incurred actually during the accounting period when the employees provide services for the Company as the liabilities and includes in current profits and losses or related asset costs.

For the social insurance premiums and housing funds paid by the Company for the employees as wells as the labor union expenditure and personnel education fund withdrawn according to the provisions, the corresponding employee compensation amount is recognized according to the stipulated accruing basis and accruing proportion during the accounting period when the employees provide services for the Company.

The employee welfare expenses incurred by the Company shall be recorded into the current profit and loss or relevant asset cost according to the actual amount when actually incurred, and the non-monetary welfare shall be measured at its fair value.

#### **(2) Post-employment benefits accounting method**

##### **① Defined contribution plan**

The Company pays the basic endowment insurance and unemployment insurance for the employees according to relevant provisions of the local government, calculates the amount payable according to local payment base and proportion in the accounting period when the employees provide services for the Company, recognizes the amount payable as the liabilities and includes in current profits and losses or related asset costs. In addition, the Company has also participated in the corporation pension plan / supplementary pension insurance fund approved by the relevant departments of the state. The Company pays the fees to the pension plan/local social security institution according to a certain proportion of the total employee wages and includes corresponding expenses in current profits and losses or related asset costs.

## ② Defined benefit plan

The Company attributes the welfare obligations generated from the defined benefit plan to the period when the employees provide services by the formula recognized according to the expected cumulative welfare unit method and includes in current profits and losses or related asset costs.

The deficit or surplus formed from the present value of the defined benefit plan obligation subtracted by the fair value of the defined benefit plan assets is recognized as a net liability or net asset of the defined benefit plan. In case of surplus in the defined benefit plan, the Company measures the net assets of the defined benefit plan according to the lower of the surplus and asset upper limits of the defined benefit plan.

All defined benefit plan obligations, including the obligations for payment within 12 months after the end of the expected annual reporting period in which the employees provide services, are discounted according to the national debts matching the defined benefit plan obligatory term and currency or the market return of the high-quality corporation bonds active in the market on the balance sheet date.

The service costs generated from the defined benefit plan and the net interest of the net liabilities or net assets of the defined benefit plan are included in current profits and losses or related asset costs; the changes from re-measurement of the net liabilities or net assets of the defined benefit plan are included in other comprehensive income and not written back to the profits and losses in subsequent accounting period. Upon the termination of the original defined benefit plan, the part originally recorded into other comprehensive income within the scope of rights and interests shall be carried forward to undistributed profit.

In the settlement of the defined benefit plan, the settlement profits or losses are recognized according to the balance between the present value of the defined benefit plan obligation and the settlement price recognized on the settlement date.

## (3) Termination benefits accounting method

When providing dismissal welfare, the Company shall recognize the employee compensation liabilities arising from the dismissal welfare and record it in the current profit and loss whenever is earlier below: when the Company fails to unilaterally withdraw the dismissal welfare due to termination of labor relation plan or downsizing suggestions; when the Company recognizes the costs or expenses related to restructuring involving payment of dismissal welfare.

## (4) Other long-term employee benefits accounting method

N/A

## 35. Lease liabilities

Please refer to Note "V. 42: Lease".

## 36. Estimated liabilities

The estimated liabilities are recognized when the obligation related to contingencies meets the following conditions simultaneously:

- (1) The obligation is the current obligation undertaken by the Company;
- (2) Performance of the obligation is likely to lead to the outflow of economic benefits;
- (3) The amount of the obligation can be reliably measured.

The estimated liabilities are initially measured at the best estimate of the expenditure required to perform the relevant current obligations.

In recognizing the best estimate, factors such as risk, uncertainty 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.

If there is a continuous range of expenditure required and the probability of various outcomes within this range is the same, the best estimate is recognized according to the middle value within this range; in other cases, the best estimates are handled as follows:

- When a contingency involves a single item, the best estimate is recognized by the most possible amount.
- When a contingency involves more than one item, the best estimate is recognized according to a variety of possible outcomes and related probabilities.

When all or some of the expenses necessary for the liquidation of an estimated liabilities is expected to be compensated by a third party, the compensation shall be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. Besides, the amount recognized for the reimbursement shall not exceed the book value of the estimated liabilities.

The Company reviews the book value of the estimated liabilities on the balance sheet date, and if there is conclusive evidence that the book value cannot reflect the current best estimate, it shall adjust the book value according to the current best estimate.

### **37. Share-based payment**

The Company's share-based payment refers to a transaction in which the company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties. The Company's share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

#### 1) Equity-settled share-based payments and equity instruments

Where the equity-settled share-based payment is exchanged for the services provided by the employee, it shall be measured at the fair value of the equity instrument granted to the employee. For share-based payment transactions with exercisable rights immediately after the grant, it shall be included in the relevant costs or expenses in accordance with the fair value of the equity instrument on the grant date, and the capital reserves shall be increased accordingly. For the share-based payment transaction where the service within the waiting period is completed after the grant or specified performance conditions are met, on every balance sheet date of the waiting period, the Company shall include the service obtained at the current period into relevant costs or expenses according to the fair value of the grant date on the basis of the best estimate of the number of equity instruments with exercisable rights, and increase the capital reserve accordingly.

If the terms of the equity-settled share-based payment are modified, the services acquired are recognized at least in terms of the unmodified terms. In addition, any modification that increases the fair value of the equity instrument granted, or that is beneficial to the employee at the date of modification, recognizes an increase in the acquisition of services.

During the waiting period, if the granted equity instrument is canceled, the company will treat the canceled equity instrument as the accelerated exercise of power, and immediately include the balance that shall be recognized in the remaining waiting period into the current profit and loss, and simultaneously confirm the capital reserve. However, if a new equity instrument is granted and the new equity instrument granted is deemed to be a replacement for the cancelled equity instrument on the grant date, the granted replacement equity instrument will be handled in the same manner as any amendment to the terms and conditions of the original equity instrument.

#### 2) Cash-settled share-based payments and equity instrument

The share-based payment settled by cash will be measured according to the fair value of the liability confirmed basing on the shares borne by the company and other equity instruments. For share-based payment transactions with exercisable rights immediately after the grant, the Company shall include it in the relevant costs or expenses in accordance with the fair value of the equity instrument on the grant date, and the liabilities shall be increased accordingly. If the rights can only be exercised after the situation that service within the waiting period is completed and set performance is achieved, the service obtained in the current period, according to the fair value of the liabilities borne by the Company, and basing on the best estimate for the condition of exercising rights, will be recorded into relevant costs or expenses on each and every balance sheet date during the waiting period, and correspondingly recorded into the liabilities. Each and every balance sheet date and settlement before relevant liability settlement, the fair value of liability will be remeasured, of which changes occurred will be counted into the current period.

### **38. Preferred shares, perpetual bonds and other financial instruments**

At the time of initial recognition, the Company classifies the financial instrument or its components as a financial asset, financial liability or equity instrument based on the terms of the contract and the economic substance reflected

in the issued preferred stock / perpetual bond, and not solely in legal form.

In case that the financial instrument such as perpetual bond / preferred stock issued by the Company meet one of the following conditions, it, in whole or in part thereof, is classified as financial liabilities at the time of initial recognition:

- (1) There are contractual obligations which the Company cannot unconditionally avoid fulfilling by delivering cash or other financial assets;
- (2) It contains contractual obligations of delivering a variable number of its own equity instruments for settlement;
- (3) It contains derivative instrument (such as equity transfer, etc.) that is settled with its own equity, and such derivative instrument does not exchange a fixed number of its own equity instruments for a fixed amount of cash or other financial assets for settlement;
- (4) There are contract clauses that indirectly form contractual obligations;
- (5) When the issuer liquidates, the perpetual bonds are in the same order of liquidation as the ordinary bonds and other debts issued by the issuer.

In case that the financial instrument such as perpetual bond / preferred stock issued by the Company does not meet one of the above conditions, it, in whole or in part thereof, is classified as equity instrument at the time of initial recognition.

### **39. Income**

Accounting policies for income recognition and measurement

The Company has fulfilled its contractual obligation to recognize income when the customer acquires control of the relevant goods or services. Obtaining control of the relevant goods or services is the ability to dominate the use of the goods or services and gain almost all economic benefits from them.

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 or services committed by each individual performance obligation. The Company's income shall be measured according to the transaction price apportioned to each individual performance obligation.

The transaction price means the amount of consideration that the Company is expected to be entitled to collect for the transfer of goods or services to the customer, excluding payments collected on behalf of third parties and amounts expected to be returned to the customer. The Company determines the transaction price in accordance with the terms of the contract and in combination with its past practices, and in determining the transaction price, it takes into account the impact of variable consideration, material financing elements in the contract, non-cash consideration, consideration payable to customers and other factors. The Company determines the transaction price including the variable consideration by an amount not exceeding the amount of accumulated recognized income which is highly unlikely to be materially reversed when the relevant uncertainty is eliminated. If there is a material financing component in the contract, the Company shall determine the transaction price based on the amount payable in cash when the customer acquires control of the goods or services, and shall amortize the difference between the transaction price and the contract consideration by the effective interest method during the contract period. If one of the following conditions is satisfied, it shall be deemed to have performed its performance obligation within a certain period of time; otherwise, it shall be deemed to have performed its performance obligation at a certain time point:

- The customer obtains and consumes the economic benefits arising from the Company's performance at the same time of the Company's performance.
- The customer can control the goods under construction during the Company's performance.
- The goods produced by the Company during the performance are of irreplaceable use, and the Company shall be entitled to receive payment for the accumulated part of the performance completed so far during the whole contract period.

For the performance obligations performed within a certain period of time, the Company shall recognize the income

in accordance with the performance progress during that period, except where the performance progress cannot be reasonably determined. Taking into account the nature of the goods or services, the Company will use the output method or input method to determine the performance schedule. If the performance schedule cannot be reasonably determined and the cost already incurred is expected to be compensated, the Company shall recognize the income according to the cost already incurred until the performance schedule can be reasonably determined.

For performance obligations performed at a certain time point, the Company recognizes income at the time point when the customer acquires control of the relevant goods or services. In determining whether the customer has acquired control of goods or services, the Company considers the following indications:

- The Company has the current collection right for the goods or services, that is, the customer has the current payment obligation for the goods or services.
- The Company has transferred legal ownership to the goods to the customer, that is, the customer has legal ownership of the goods.
- The Company has physically transferred the goods to the customer, that is, the customer has physically possessed the goods.
- The Company has transferred the main risk and remuneration in the ownership of the goods to the customer, that is, the customer has acquired the main risk and remuneration in the ownership of the goods.
- The customer has accepted the goods or services, etc.

Specific principles of recognition of income from selling goods:

- (1) General foreign sales: recognize the income after commodity inspection, customs declaration and shipment of goods (the Company's export income settlement mainly adopts FOB and CIF methods. For a very small number of other settlement methods, such as for those adopting EXW terms, the buyer designates carrier door-to-door delivery as the time point of recognition of product sales revenue; for those adopting FCA terms, the delivery of products to the carrier designated by the buyer shall be the time point of recognition of product sales revenue; for those adopting the DDP/DDU terms, the delivery of products to the destination designated by the buyer shall be the time point of recognition of product sales revenue).
- (2) General domestic sales: the recognition time of sales revenue is based on the customer's confirmation of receipt (that is, the income is recognized after the customer signs for the receipt, but if the contract stipulates that acceptance is needed, the income will be recognized after acceptance by the customer).
- (3) E-commerce business (B2C): the recognition time of sales revenue is based on the customer's confirmation of the completion of the transaction (i.e., the income is recognized when the customer initiatively confirms receipt of the goods on the e-commerce platform and when the e-commerce platform automatically confirms receipt of the goods within a certain period of time after delivery, whichever is earlier).
- (4) Store sales model: sales revenue is recognized according to settlement time and price (that is, the income is recognized after the store salesperson receives payment and delivers the goods to the customer).
- (5) Consignment mode: the Company delivers the goods to the place designated by the agent, and recognizes the income after receiving the sales list and checking it according to the time of reconciliation agreed in the contract.

Differences in income recognition accounting policies caused by different business modes for the same business

#### **40. Government subsidies**

##### **1) Type**

Government subsidies refer to the monetary assets or non-monetary assets obtained free of charge by the Company from the government, and are classified into asset related government subsidies and the income related government subsidies.

Government subsidies related to assets refer to the government subsidies obtained by the Company for the purchase and construction of long-term assets or the formation of long-term assets by other means. Government subsidies related to income refer to government subsidies in addition to government subsidies related to assets.

The Company's classifying government subsidies as related to assets is subject to the following specific criteria: the

government documents clearly stipulate the use of funds, and the expected use direction of the funds is expected to form related assets;

The Company's classifying government subsidies as related to income is subject to the following specific criteria: the government documents do not stipulate the use purpose, and the expected use direction of the funds is to supplement working capital;

If the subsidy object is not clearly specified in the government documents, the judgment basis for the Company to classify the government subsidy as related to assets or related to income is as follows: except that the Company designates its purpose as related to assets, it will be included in the current profit and loss.

## 2) Recognition time point

Government subsidies will be recognized when the conditions attached to them are met and received by the Company.

## 3) Accounting treatment

The government subsidies related to assets write down the book value of the relevant assets or is recognized as deferred income. If it is recognized as deferred income, it shall be recorded into the current profit and loss by stages in accordance with reasonable and systematic methods during the service life of the relevant assets (if it is related to the daily activities of the Company, it shall be recorded into other income; those not related to the daily activities of the Company shall be included in non-operating income);

If the government subsidy related to the income is used to compensate the Company's related costs, expenses or losses in the following period, it shall be recognized as deferred income and recorded into the current profit and loss during the period of recognition of the relevant costs, expenses or losses (if it is related to the Company's daily activities, it shall be recorded into other income; if it is not related to the daily activities of the Company, it shall be included in non-operating income) or write down relevant costs, expenses or losses; those used to compensate the relevant costs, expenses or losses incurred by the Company shall be directly recorded into the current profit and loss (if it is related to the daily activities of the Company shall be recorded into other income; if it is not related to the daily activities of the Company, it shall be included in non-operating income) or write down relevant costs, expenses or losses.

The interest subsidy on policy-based preferential loans obtained by the Company shall be accounted for under the following two conditions:

- (1) If the finance department allocates the interest subsidy fund to the lending bank, and the lending bank provides the loan to the Company at the policy-based preferential interest rate, the Company shall take the loan amount actually received as the entry value of the borrowing, and calculate the relevant borrowing cost in accordance with the loan principal and the policy-based preferential interest rate.
- (2) If the finance department allocates the interest subsidy fund directly to the Company, the Company will offset the corresponding interest subsidy against the related borrowing costs.

## 41. Deferred income tax assets and deferred income tax liabilities

The income tax includes current income tax and deferred income tax. Except for the income tax arising from the business combination and the transaction or item directly booked into the owners' equity (including other comprehensive income), the Company will record the current income tax and deferred income tax into the current profit and loss.

Deferred income tax assets and deferred income tax liabilities shall be calculated and recognized on the basis of the difference (temporary difference) between the tax basis of the assets and liabilities and their book value.

For the deferred income tax assets recognized through deductible temporary difference, it is limited to the amount of taxable income which is likely to be obtained to offset the deductible temporary difference in the future period. For the deductible loss and tax deduction that can be carried forward to the subsequent year, the corresponding deferred income tax assets are recognized within the limit of the future taxable income amount that is possibly obtained to deduct the deductible loss and tax deduction.

For taxable temporary differences, except in special circumstances, the deferred income tax liability is recognized.

Special circumstances in which deferred income tax assets or deferred income tax liabilities are not recognized include:

Initial recognition of goodwill;

Transaction or item that is neither a business combination nor does it affect accounting profit and taxable income (or deductible loss) at the time of occurrence.

For the taxable temporary difference related to the investment of the subsidiaries, associated enterprises and joint ventures, relevant deferred income tax liabilities are not recognized, unless the Company can control the temporary difference write-back time and the temporary difference will probably not be written back in the foreseeable future. For the deductible temporary difference related to the investment of the subsidiaries, joint ventures and cooperative enterprises, deferred income tax assets are recognized when it is likely to write back the temporary difference in the foreseeable future or to obtain the income tax payable used to offset the deductible temporary difference in the future.

The deferred income tax assets and deferred income tax liabilities are measured on the balance sheet date according to the tax law and the applicable tax rate in the period of expected recovery of relevant assets or liquidation of relevant liabilities.

On the balance sheet date, the Company reviews the book value of the deferred income tax assets. If it is likely not to obtain sufficient income tax payable to deduct the interests of the deferred income tax assets in the future, the book value of the deferred income tax assets is written down. If it is likely to obtain sufficient income tax payable, the amount written down is written back.

When the Company has the legal right to settle with net amount and intends to settle with net amount or obtain the assets and liquidate the liabilities simultaneously, the income tax assets and income tax liabilities in the current period are presented by the net amount after offset.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities are listed in net amount after offset when both of the following conditions are met:

The tax payer has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;

The deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and management department from the same subject of tax payment or from different subjects of tax payment but the subject of tax payment involved intends to settle the current income tax assets and liabilities with the net amount or obtain the assets and liquidate the liabilities simultaneously in each future important period when the deferred income tax assets and liabilities are written back.

## **42. Leased**

### **(1) Accounting treatment method of operating lease**

Accounting policy effective on January 1, 2021.

Lease refers to a contract in which the lessor transfers the right to use the asset to the lessee within a certain period of time to for consideration. On the commencement date of the contract, the Company assesses whether the contract is a lease or contains a lease. If a party to the contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract is a lease or contains a lease.

If a contract contains several separate leases information, the Company will split the contract and conduct accounting treatment for each of the separate leases. When a contract contains both lease and non-lease information, the lessee and the lessor shall separate lease information from and non-lease information.

For rent concessions, such as rent reduction and deferred payment, directly caused by the COVID-19 epidemic and agreed on the existing lease contracts, where the following conditions are satisfied, the Company shall adopt a simplified method for all lease options, and shall not assess on whether there is a lease change or reevaluate the lease classification:

- 1) The lease consideration after the concession is reduced or essentially unchanged compared with that before the concession, where the lease consideration can not be discounted or discounted at the discount rate before



concession;

- 2) The concession is only made for lease payments payable before June 30, 2022; If the lease payments payable after June 30, 2022 is increased, it shall not affect the condition satisfaction; If the lease payments payable after June 30, 2022 is decreased, it shall not satisfy this condition; The other terms and conditions of the lease were found to be unchanged after considering qualitative and quantitative factors.

1. The Company acts as the lessee:

- (1) Right-of-use assets

On the commencement date of the lease period, the Company recognizes right-of-use assets for leases other than short-term leases and leases of low-value assets. The right-of-use assets is initially measured at cost. The cost includes:

- 1) The initial measurement amount of the lease liabilities;
- 2) If there is a lease incentive for the lease payment paid on or before the start of the lease term, the amount of the granted lease incentive shall be deducted;
- 3) The initial direct expenses incurred by the Company;
- 4) Costs expected to be incurred by the Company to disassemble and remove a leased asset, restore the site where the leased asset is located, or restore the leased asset to the condition agreed upon under the terms of the lease (excluding costs incurred to produce inventory).

The Company subsequently withdraws depreciation of right-of-use assets with the straight-line method. Where it can be reasonably determined that the ownership of the leased assets can be acquired upon the expiration of the lease term, depreciation shall be calculated and withdrawn by the Company within the service life of the leased assets; Otherwise, the depreciation shall be calculated and withdrawn within a shorter period of the lease term and the service life of the leased assets.

The company determines whether the right-of-use asset has been impaired in accordance with the principles described in Note "V. 31. Long-term assets impairment", and conducts accounting treatment for the identified impairment losses.

- (2) Lease liabilities

On the commencement date of the lease period, the Company recognizes lease liabilities for leases other than short-term leases and leases of low-value assets. Lease liabilities are initially measured at the present value of outstanding lease payments. Lease payments include:

- 1) Fixed payments (including actual fixed payments), if there is lease incentive, the relevant amount of lease incentive shall be deducted;
- 2) Variable lease payments that depend on an index or rate;
- 3) The amount estimated to be paid based on the residual value of the guarantee provided by the Company;
- 4) The exercise price of the purchase option, provided that the Company reasonably determines that the option will be exercised;
- 5) The amount to be paid to exercise the option to terminate the lease, provided that the lease term reflects that the Company will exercise the option to terminate the lease.

The Company adopts the interest rate implicit in the lease as the discount rate. However, if the interest rate implicit in the lease cannot be reasonably determined, the incremental borrowing interest rate of the Company will be adopted as the discount rate.

The Company calculates the interest expense of the lease liability during each period of the lease term at a fixed periodic rate, and includes it in the current profit and loss or the cost of related assets.

Variable lease payments that are not included in the measurement of the lease liabilities shall be included in current profit or loss or the cost of the related asset when they are actually incurred.

After the commencement date of the lease term, in case of the following circumstances, the Company shall remeasure the lease liabilities and adjust the corresponding right-of-use assets. If the book value of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the difference shall be included in the current profit and loss:

- 1) In case of any change in the appraisal results of the purchase option, lease renewal option or termination option, or the actual exercise of the aforementioned options is inconsistent with the original appraisal result, the Company shall remeasure the lease liability according to the present value which is calculated based on the changed lease payment and the revised discount rate;
  - 2) In case of any change in substantial fixed payment, the estimated payable amount of the residual value of the guarantee, or the index or ratio used to determine the lease payment, the Company shall remeasure the lease liability according to the present value which is calculated based on the changed lease payment and the revised discount rate. However, if the changes in lease payment results from the changes in floating interest rate, a revised discount rate shall be used for calculation of the present value.
- (3) Short-term leases and low-value asset leases

The Company chooses not to recognize right-of-use assets and lease liabilities for short-term leases and low-value asset leases, and includes the relevant lease payments in the current profit and loss or related asset costs on a straight-line basis over each period of the lease term. Short-term leases refer to the leases with a lease term of not more than 12 months and excluding purchase options on the commencement date of the lease term. Low-value asset leases refers to the leases with a lower value when the single leased asset is a new asset. Where the Company subleases or expects to sublease the leased assets, the original lease will not be a low-value asset lease.

(4) Lease changes

In case of any lease changes that meet the following conditions, the Company shall treat the lease change as a separate lease for accounting treatment:

- 1) The lease change expands the lease scope by adding the right to use one or more leased assets;
- 2) The increased consideration is equivalent to the amount of the separate price of the expanded part of the lease upon adjustment based on the contract.

If the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Company shall reallocate the consideration of the contract after the change, redetermine the lease term, and remeasure the lease liability according to the present value which is calculated based on the changed lease payment and the revised discount rate.

If the lease change leads to the narrowing of the lease scope or the shortening of the lease term, the Company shall reduce the book value of the right-of-use asset accordingly, and credit the relevant gains or losses on partial or complete termination of the lease into the current profit and loss. If other lease changes result in re-measurement of lease liabilities, the Company shall adjust the book value of the right-of-use asset accordingly.

(5) Rent concessions related to COVID-19

If the simplified method of rent concessions related to COVID-19 is adopted, the Company will not assess whether there is any lease change, continues to calculate the interest expense of the lease liability at the same discount rate as that before the concession and include it in the current profit and loss, and continues to withdraw the depreciation of the right-of-use asset with the same method as that before the concession. In case of rent reduction or exemption, the Company will treat the reduced rent as variable lease payment amount. When the original rent payment obligation is relieved by reaching a concession agreement, the Company will offset the relevant asset costs or expenses by the undiscounted amount or the amount discounted at the discount rate before concession, and adjust the lease liabilities accordingly; In case of delayed payment of rent, the Company will offset the lease liabilities recognized in the previous period upon actual payment.

For short-term leases and low-value asset leases, the Company will continue to credit the original contract rent into relevant asset costs or expenses in the same manner as that before the concession. In case of rent reduction or exemption, the Company will treat the rent reduced as variable lease payment amount and offset the relevant asset costs or expenses during the reduction or exemption period; In case of deferred payment of rent, the Company will recognize the rent payable as account payable in the original payment period, and offset the account payable

recognized in the previous period upon actual payment.

2. The Company acts as the lessor:

The Company classifies leases as finance leases and operating leases at the commencement date of the lease term. Finance leases refers to the leases where almost all risks and rewards related to the ownership of leased assets have been substantively transferred regardless of whether the ownership is eventually transferred or not. Operating leases refer to leases other than financial leases. When the Company acts as a sublease lessor, sublease classification will be made based on the right-of-use asset arising from the original lease.

(1) Accounting for operating lease

The lease receipts from operating lease are recognized as rental income on a straight-line basis over each period of the lease term. The Company capitalizes the initial direct expenses incurred in relation to operating leases, which are amortized and included in the current profit and loss on the same basis as the rental income is recognized during the lease term. The variable lease payments not credited into lease receipts shall be included in current profit or loss or when they are actually incurred. In case of any change in the operating lease, the Company shall treat it as a new lease for accounting treatment from the effective date of the change, and the advance receipts or lease receivables related to the lease before the change shall be deemed to be the amount received for the new lease.

(2) Accounting for finance lease

On the commencement date of the lease term, the Company recognizes finance lease receivables for finance leases and terminates the recognition of the finance lease assets. When the Company initially measures the finance lease receivables, the net lease investment is regarded 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 that have not been received at the commencement date of the lease, discounted at the interest rate implicit in the lease.

The Company calculates and recognizes the interest income during each period of the lease term at a fixed periodic rate. The derecognition and impairment of finance lease receivables shall be accounted for in accordance with Note "V. 10. Financial instruments".

The variable lease payments that are not included in the measurement of net lease investment shall be included in current profit or loss or when they are actually incurred.

In case of any changes that meet the following conditions, the Company shall treat the change as a separate lease for accounting treatment:

- 1) The change expands the lease scope by adding the right to use one or more leased assets;
- 2) The increased consideration is equivalent to the amount of the separate price of the expanded part of the lease upon adjustment based on the contract.

In case that the change of a financial lease is not accounted for as a separate lease, the Company shall deal with the changed lease under the following circumstances:

- 1) If the change takes effect on the commencement date of the lease term, and the lease is classified as an operating lease, the Company will account for it as a new lease from the effective date of the lease change, and take the net lease investment before the effective date of the lease change as the book value of the leased asset;
- 2) If the change takes effect on the commencement date of the lease term, and the lease is classified as a financial lease, the Company will conduct accounting treatment according to the policy in Note "V. 10. Financial instruments" regarding the modification or renegotiation of contracts.

(3) Rent concessions related to COVID-19

For the operating leases for which the simplified method of rent concessions related to COVID-19 is adopted, the Company will continue to recognize the original contract rent as lease income in the same method as that before the concessions; In case of rent reduction or exemption, the Company will treat the rent reduced as variable lease payment amount and offset the lease income during the reduction or exemption period; In case of deferred payment of rent, the Company will recognize the rent receivable as account receivable in the original payment period, and offset the account receivable recognized in the previous period when the rent is actually received.

For the finance leases for which the simplified method of rent concessions related to COVID-19 is adopted, the Company will continue to calculate the interest at the same discount rate as that before the concession and recognize it as lease income. In case of rent reduction or exemption, the Company will treat the reduced rent as variable lease payment amount. When the original rent collection right is waived by reaching a concession agreement, the Company will offset the previously recognized lease income by the undiscounted amount or the amount discounted at the discount rate before concession (the part insufficient to offset will be included in the investment income), and adjust the finance lease receivables accordingly; In case of delayed collection of rent, the Company will offset the finance lease receivables recognized in the previous period upon actual receipt.

### 3. Sale-and-leaseback transaction

The Company evaluates and determines whether the asset transfer in the sale and leaseback transaction is a sale in accordance with the principles described in the Note "V. 39. Revenue".

#### (1) As a lessee

If the transfer of an asset in a sale-and-leaseback transaction is a sale, the Company, as the lessee, measures the right-of-use asset resulting from the sale-and-leaseback at the portion of the original asset's book value that relates to the right to use acquired by the leaseback, and recognizes a gain or loss related to the right transferred to the lessor only; if the transfer of an asset in a sale-and-leaseback transaction is not a sale, the Company, as the lessee, continues to recognize the transferred asset and at the same time recognizes a financial liability equal to the transfer income. Please refer to the Note "V. 10 Financial instruments" for the accounting treatment of financial liabilities.

#### (2) As a lessor

If the transfer of assets in a sale-and-leaseback transaction is a sale, the Company, as a lessor, accounts for the purchase of the assets, and accounts for the lease of the assets in accordance with the aforementioned policy of "2. The Company as a lessor"; if the transfer of assets in a sale-and-leaseback transaction is not a sale, the Company, as a lessor, does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income. Please refer to the Note "V. 10 Financial instruments" for the accounting treatment of financial assets.

#### Accounting policy before January 1, 2021

Leases are classified into finance lease and operating lease. Finance lease refers to the lease where all risks and rewards related to asset ownership have been substantively transferred. Operating leases refer to leases other than financial leases.

For rent concessions, such as rent reduction and deferred payment, directly caused by the COVID-19 epidemic and agreed on the existing lease contracts, where the following conditions are satisfied, the Company shall adopt a simplified method for all lease options (reminder: if not adopted for all leases, the nature of the lease contracts treated with the simplified method shall also be disclosed, but the selection of the simplified method shall be consistently applied to similar lease contracts), and shall not assess on whether there is a lease change or reevaluate the lease classification:

The lease consideration after the concession is reduced or essentially unchanged compared with that before the concession, where the lease consideration can not be discounted or discounted at the discount rate before concession;

The concession is only made for lease payments payable before June 30, 2021; If the lease payments payable after June 30, 2021 is increased, it shall not affect the condition satisfaction; If the lease payments payable after June 30, 2021 is decreased, it shall not satisfy this condition;

The other terms and conditions of the lease were found to be unchanged after considering qualitative and quantitative factors.

#### 1. Accounting for operating lease

(1) The lease payments made by the Company for leased assets shall be amortized on a straight-line basis over the entire lease term without deducting the rent-free period and included in the current expense. The initial direct expenses paid by the Company in connection with the lease transaction are included in the current expenses.

When the lessor of the asset bears the lease-related expenses that should be borne by the Company, the Company shall deduct such expenses from the total rent, apportion the deducted rent expenses in the lease term and record them into the current expenses.

For the operating lease for which the simplified method of rent concessions related to COVID-19 is adopted, the Company will continue to include the original contract rent in the relevant asset costs or expenses in the same manner as that before the concession. In case of rent reduction or exemption, the Company will treat the rent reduced as contingent rent and record it in profit and loss during the reduction or exemption period; In case of deferred payment of rent, the Company will recognize the rent payable as account payable in the original payment period, and offset the account payable recognized in the previous period upon actual payment.

- (2) The lease payments received by the Company for leasing assets shall be amortized on a straight-line basis over the entire lease term without deducting the rent-free period and recognized as lease-related income. The initial direct expenses paid by the Company in connection with the lease transaction shall be included in the current expenses; if the amount is large, it will be capitalized and recorded into the current income by stages according to the same basis as the lease-related income recognition throughout the lease period.

When the Company bears the lease-related expenses that should be borne by the lessee, the Company shall deduct such expenses from the total rental income, apportion them according to the deducted rental expenses during the lease period.

For the operating leases for which the simplified method of rent concession related to COVID-19 is adopted, the Company will continue to recognize the original contract rent as lease income in the same method as that before the concession; In case of rent reduction or exemption, the Company will treat the rent reduced as contingent rent and offset the lease income during the reduction or exemption period; In case of deferred payment of rent, the Company will recognize the rent receivable as account receivable in the original payment period, and offset the account receivable recognized in the previous period when the rent is actually received.

- (2) Accounting treatment method of finance lease

- (1) Assets acquired under finance leases: on commencement of the lease term, the Company takes the lower of the fair value of the leased asset and the present value of the minimum lease payment as the entry value of the leased asset, and the minimum lease payment as the entry value of the long-term payables, and their balance as the unrecognized financial expenses. The Company adopts the effective interest rate method to amortize the unrecognized financing costs within the period of the asset lease and record them into financial expenses. The initial direct expenses incurred by the Company shall be included in the value of the leased assets.

For the finance leases for which the simplified method of rent concessions related to COVID-19 is adopted, the Company will continue to recognize unrecognized financial expenses as current financial expenses at the same discount rate as that before the concession and recognize it as lease income, and continue to withdraw the depreciation of the assets acquired under finance leases with the same method as that before concession; In case of rent reduction or exemption, the Company will treat the reduced rent as contingent rent, include it in current profit and loss when the original rent payment obligation is relieved by reaching a concession agreement, and adjust long-term payables accordingly, or make a discount at the pre-concession discount rate before concession and include it in current profit and loss and adjust the unrecognized financial expenses; In case of delayed payment of rent, the Company will offset the long-term payables recognized in the previous period upon actual payment.

- (2) Assets rent out under finance leases: upon commencement of the lease, the Company recognizes the difference between the sum of the receivable finance lease amount and the unguaranteed residual value and its present value as unrealized financing income, and recognizes it as rental income in each period in which the rent is received in the future. The initial direct expenses incurred by the Company in connection with the leasing transaction shall be included in the initial measurement of the finance lease receivable, and the amount of income recognized during the lease term shall be reduced.

For the finance leases for which the simplified method of rent concessions related to COVID-19 is adopted, the Company will continue to recognize the unrealized financing income as lease income at the same interest rate implicit in the lease as that before the concession. In case of rent reduction or exemption, the Company will treat the reduced rent as contingent rent. When the original rent collection right is waived by reaching a concession agreement, the Company will offset the previously recognized lease income with the part insufficient to offset will be included in the investment income, and adjust the long-term receivables accordingly, or make a discount at the pre-concession discount rate before concession and include it in current profit and loss and adjust the unrecognized financial expenses accordingly; In case of delayed collection of rent, the Company will offset the long-term receivables recognized in the previous period upon actual receipt.

**43. Other significant accounting policy and accounting estimate**

## 1) Discontinued operation

Termination of operation is a separate component that meets one of the following conditions and has been disposed of or classified into the held for sale category by the Company:

- (1) The component represents an independent principal business or an independent principal area of operation;
- (2) The component is part of an associated plan proposed to dispose of an independent principal business or an independent principal area of operation;
- (3) The component is a subsidiary acquired exclusively for resale.

## 2) Hedge accounting

## (1) Classification of hedging

- 1) A fair value hedge refers to a hedge of the fair value change risk of an asset or liability that has been recognized and a certain commitment that has not been recognized (except foreign exchange risk).
- 2) A cash flow hedge refers to a hedge of the risk of changes in cash flow arising from a particular type of risk relating to a recognized asset or liability, an anticipated transaction that is likely to occur, or the foreign exchange risk contained in an unrecognized firm commitment
- 3) A hedge of net investment in overseas operations refers to a hedge of foreign exchange risks of net investment of overseas operations. Net investment in overseas operations refers to the equity share of the enterprise in the net assets of overseas operations.

## (2) Designation of hedging relationship and identification of hedging effectiveness

At the beginning of the hedging relationship, the Company has a formal designation of the hedging relationship and has prepared formal written documents on the hedging relationship, risk management objectives and hedging strategies. The documents specify the nature and quantity of the hedging instrument, the nature and quantity of the hedged items, the nature of the hedged risk, type of hedging, and the Company's evaluation of the effectiveness of the hedging instrument. Hedging effectiveness refers to the degree to which the change in the fair value or cash flow of the hedging instrument can offset the change in the fair value or cash flow of the hedged item caused by the hedged risk.

The Company continuously evaluates the effectiveness of hedging and judges whether the hedging meets the requirements of hedging accounting for effectiveness during the accounting period in which the hedging relationship is designated. If it is not satisfied, the hedging relationship shall be terminated.

The application of hedge accounting shall meet the following requirements for the effectiveness of hedging:

- 1) There is an economic relationship between the hedged item and the hedging instrument.
- 2) In the value changes caused by the economic relationship between the hedged item and the hedging instrument, the influence of credit risk does not play a dominant role.
- 3) Adopting the appropriate hedge ratio will not cause the imbalance between the relative weight of the hedged item and the hedging instrument, thus generating accounting results inconsistent with the hedge accounting objectives. If the hedge ratio is no longer appropriate, but the hedging risk management objectives have not changed, the number of hedged items or hedging instruments shall be adjusted to make the hedge ratio meet the requirements of effectiveness again.

## (3) Hedge accounting treatment methods

## 1) Fair value hedging

Changes in the fair value of hedge derivative instruments are recorded in the current profit and loss. Changes formed by the fair value of the hedged item due to the hedging risk shall be included in the current profit and loss, and the book value of the hedged item shall be adjusted simultaneously.

For fair value hedging related to financial instruments measured at amortized cost, the adjustments to the book value

of the hedged item are amortized during the remaining period between the adjustment to the due date and recorded in the current profit and loss. Amortization under the effective interest rate method may commence immediately after the book value adjustment and shall not be later than the adjustment of fair value changes in the termination of hedging risks by the hedged item.

If the hedged item is terminated, the unamortized fair value is recognized as the current profit and loss.

Where the hedged item is a firm commitment that has not been recognized, the accumulative change in the fair value of the firm commitment caused by the hedging risk is recognized as an asset or liability, and the relevant gains or losses are recorded into the current profits and losses. Changes in the fair value of hedging instruments are also recorded in the current profit and loss.

## 2) Cash flow hedging

The part of the gain or loss of the hedging instrument that belongs to the effective hedging shall be directly recognized as other comprehensive income, while the part that belongs to the invalid hedging shall be recorded into the current profit and loss.

If the hedged transaction affects the current profit and loss, such as when the hedged financial income or financial expense is recognized or when the expected sale occurs, the amount recognized in other comprehensive income will be transferred to the current profit and loss. If a hedged item is the cost of a non-financial asset or non-financial liability, the amount originally recognized in other comprehensive income amount is transferred out and recorded into the amount of initial recognition of the non-financial asset or non-financial liability (or the amount originally recognized in other comprehensive income is transferred out during the same period as the non-financial asset or non-financial liability affecting the profit and loss, and recorded into the current profit and loss).

If the expected transaction or firm commitment is not expected to occur, the accumulated gains or losses of the hedging instrument previously recorded in other comprehensive income are transferred out and recorded in the current profit and loss. If the hedging instrument has expired, been sold, the contract terminated or exercised (but not replaced or renewed), or the designation of the hedging relationship is withdrawn, the amount previously recorded in other comprehensive income is not transferred out until the anticipated transaction or firm commitment affects the current profit or loss.

## 3) Hedging of net investment in overseas operations

The hedging of net investment in overseas operations, including the hedging of monetary items that are part of the net investment, shall be treated similarly to the cash flow hedging. In the gain or loss of the hedging instrument, the part that is recognized as effective hedging is recorded in other comprehensive income, while the part that is invalid hedging is recognized as current profit and loss. When disposing of overseas operations, any accumulated gains or losses previously recorded in other comprehensive income will be transferred out and recorded into current profit and loss.

## 3) Segmental reporting

The Company determines the operating segments based on the internal organizational structure, management requirements and internal reporting system, and determines the reporting segments based on the operating segments and discloses the information of the segments.

Operating segments refer to the components of the Company that meet the following conditions at the same time: (1) The component is able to generate revenue and incur expenses in its daily activities; (2) The management of the Company can regularly evaluate the operating results of the component to determine the allocation of resources to it and evaluate its performance; (3) The Company can obtain relevant accounting information such as the financial position, operating results and cash flow of the component. If two or more operating segments have similar economic characteristics and meet certain conditions, they may be merged into one operating segment.

## 4) Repurchase of the Company's shares

If the Company repurchases its shares due to the reduction of its registered capital, it shall debit the "Treasury Stock" and credit the "Bank Deposits" and other subjects according to the amount actually paid. When the treasury stock is cancelled, the total par value of the shares calculated according to the par value of the shares and the number of cancelled shares shall be debited to the "Share Capital", and the book balance of the cancelled treasury stock shall be credited to the "Treasury Stock". The premium originally recorded in the capital surplus at the time of stock

issuance shall be offset according to the difference, and the "Capital Surplus - capital stock premium" shall be debited. The part of the repurchase price exceeding the above offset of "Share Capital" and "Capital Surplus - capital stock premium" shall be debited to the "Surplus Reserves" and "Profit Distribution - undistributed profits" and other subjects in turn. If the repurchase price is lower than the share capital corresponding to the repurchased shares, the difference between the book balance of the cancelled treasury stock and the offset share capital will be treated as an increase in capital stock premium, and debit to the "Share Capital" according to the par value of the share capital corresponding to the repurchased shares, credit the "Treasury Stock" according to the book balance of the cancelled treasury stock, and credit the "Capital Surplus - capital stock premium" according to the difference.

#### 44. Significant accounting policy and accounting estimate change

##### (1) Changes in significant accounting policies

Applicable  Not applicable

##### (2) Changes in major accounting estimates

Applicable  Not applicable

#### 45. Other

NA

### VI. Taxation

#### 1. Main tax categories and tax rates

Tax category	Taxation basis	Tax rate
Added value tax	Calculate the substituted money on VAT on the basis of the income from selling goods and taxable services according to the tax law. After deduction of the withholdings on VAT allowed to deduct in current period, the balance is the VAT payable	13%, 9%, 6%, 3%
Consumption tax	N/A	N/A
Urban maintenance and construction tax	Actual paid value added tax (including the exemption part) and consumption tax	7%, 5%
Corporate income tax	Levied by income tax payable	25%, 16.5%, 15%, 2.5%
Education surcharge	Actual paid value added tax (including the exemption part) and consumption tax	3%

If there are taxpayers with different enterprise income tax rates, the disclosure statement shall present

Name of taxpayer	Income tax rate
Winner Medical, Winner Medical (Huanggang), Winner Medical (Tianmen), Winner Medical (Jingmen), Winner Medical (Chongyang), Winner Medical (Jiayu), Qianhai Purcotton, Longterm Medical, Guilin Latex	15.00%
Winner Medical (Hong Kong)	16.50%
Hangzhou Shengyi, Xi'an Longtemu, Deqing Longterm	See 2. Tax preference (8)

#### 2. Tax preference

- On December 23, 2021, according to the *Notice on Publicizing the List of First Batch of High-tech Enterprises to be Identified in Shenzhen in 2021* issued by the Leading Group Office of National High-tech Enterprise Accreditation Administration, the Company passed the High-tech Enterprise Qualification Reexamination (Certificate No.: GR202144202494). From 2021 to 2023, corporate income tax can be paid at a preferential tax rate of 15.00%.
- According to the *Notice on Publicizing the List of the Second Batch of High-tech Enterprises to be Identified in Hubei Province in 2019*, Winner Medical (Huanggang) was identified as the second batch of high-tech enterprises with the certificate number GR201942002414. From 2019 to 2021, Winner Medical (Huanggang) could pay corporate income tax at the preferential tax rate of 15.00%.



- (3) Qianhai Purcotton was established on July 21, 2015, with its domicile located in Shenzhen Qianhai Shenzhen-Hong Kong Cooperation Zone. According to the *Notice of Enterprise Income Tax Preferential Policies and Preferential Directory in Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Hengqin New Fujian Pingtan Comprehensive Experimental Area* (C.S. [2014] No. 26) issued by the Ministry of Finance and State Taxation Administration, Qianhai Purcotton pays its enterprise income tax at the tax rate of 15.00%.
- (4) According to the *Notice on Publicizing the List of Fourth Batch of High-tech Enterprises to be Identified in Hubei Province in 2021* issued by the Leading Group Office of National High-tech Enterprise Accreditation Administration on December 23, 2021, Winner Medical (Jingmen) obtained the High-tech Enterprise Certificate (Certificate No.: GR202142004475) on December 03, 2021. From 2021 to 2023, corporate income tax can be paid at a preferential tax rate of 15.00%.
- (5) According to the *Notice on Publicizing the List of Fifth Batch of High-tech Enterprises to be Identified in Hubei Province in 2021* issued by the Leading Group Office of National High-tech Enterprise Accreditation Administration on December 23, 2021, Winner Medical (Jiayu) obtained the High-tech Enterprise Certificate (Certificate No.: GR202142005582) on December 17, 2021. From 2021 to 2023, corporate income tax can be paid at a preferential tax rate of 15.00%.
- (6) According to the *Notice on Publicizing the List of Second Batch of High-tech Enterprises to be Identified in Hubei Province in 2021* on December 15, 2021, Winner Medical (Chongyang) and Winner Medical (Tianmen) obtained the High-tech Enterprise Certificates (Certificate No.: GR202142000579, GR202142002367) on November 15, 2021. The prepayment of corporate income tax shall be at a rate of 15.00% in 2021.
- (7) Longterm Medical was recognized as a high-tech enterprise on November 13, 2017 to pay corporate income tax at a preferential tax rate of 15% with a validity period of three years until November 13, 2020. Longterm Medical obtained an updated high-tech enterprise qualification certificate on December 1, 2020 to pay corporate income tax at a preferential tax rate of 15% with a validity period of three years until November 30, 2023.
- (8) Hangzhou Shengyi, Xi'an Longtemu, Deqing Longterm are all small enterprises with small profits. The part with annual taxable income not exceeding RMB 1 million shall be reduced by 12.5% and included into the taxable income, and the corporate income tax shall be paid at the tax rate of 20%; The part with annual taxable income exceeding RMB 1 million but not exceeding RMB 3 million shall be reduced by 25% and included into the taxable income, and corporate income tax shall be paid at the rate of 20%. At present, the annual taxable income of these three companies is less than RMB 1 million, and the actual tax rate is 2.5%.
- (9) According to the *Notice on Publicizing the List of First Batch of Identified High-tech Enterprises in Guangxi Zhuang Autonomous Region in 2027* (G. K. G. Z [2017] No. 280), Guilin Latex was recognized as a high-tech enterprise to pay corporate income tax at a preferential tax rate of 15% with a validity period of three years until July 30, 2020. Guilin Latex obtained an updated high-tech enterprise qualification certificate on October 23, 2020 to pay corporate income tax at a preferential tax rate of 15% with a validity period of three years until October 22, 2023.

### 3. Other

NA

## VII. Notes to items in consolidated financial statements

### 1. Monetary capital

Unit: yuan

Item	Closing Balance	Beginning balance
Cash on hand	125,582.80	65,897.39
Bank deposit	4,143,197,161.70	4,088,546,364.65
Other monetary capital	70,345,764.26	185,326,064.78
Total	4,213,668,508.76	4,273,938,326.82
Where: total amount deposited abroad	16,799,464.52	11,841,008.78
Total amount of funds with	70,122,981.84	185,326,064.78

restrictions on use due to mortgage, pledge or freeze		
---	--	--

Other description

Wherein, the breakdown of monetary funds that are restricted in use due to mortgages, pledges or freezes, restricted in withdrawal due to centralized management of funds, as well as those placed outside China with restrictions on repatriation of funds, is as follows:

Item	Closing Balance	Beginning balance
L/C deposit*1	50,672,072.00	27,597,366.13
Deposit for bank acceptance bill*2	11,119,000.00	-
Performance bond*3	2,354,080.27	2,162,025.10
Balance of other restricted monetary funds * 4	5,977,829.57	155,566,673.55
Total	70,122,981.84	185,326,064.78

\*1 L/C deposit refers to the deposit deposited by Winner Medical and Winner Medical (Tianmen) to for the processing of letters of credit.

\*2 Deposit for bank acceptance bill refers to the deposit deposited by Longterm Medical for issuance of acceptance bill.

\*3 The performance bond is the deposit deposited by Winner Medical (Hong Kong) in the bank for transactions with customers.

\*4 Balance of other restricted monetary funds refers to the balance of special deposit accounts for restricted non-budget units opened by Shenzhen Purcotton and PureH2B in accordance with the regulations of prepaid card issuance formulated by the Ministry of Commerce.

## 2. Trading financial assets

Unit: yuan

Item	Closing Balance	Beginning balance
Financial assets measured with fair value and with the changes included in current profit and loss	2,726,914,556.35	3,130,529,709.10
Including:		
Bank financial products	1,413,871,232.59	1,778,361,521.42
Forward foreign exchange contract	0.00	6,334,756.86
Trust products	1,313,043,323.76	1,345,833,430.82
Including:		
Total	2,726,914,556.35	3,130,529,709.10

Other description:

## 3. Derivative financial assets

Unit: yuan

Item	Closing Balance	Beginning balance

Other description:

## 4. Notes receivable

### (1) Classified presentation of notes receivable

Unit: yuan

Class	Closing Balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Accruing proportion		Amount	Proportion	Amount	Accruing proportion	
Including:										
Including:										

If the bad debt provision of notes receivable is withdrawn according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of bad debt provision:

Applicable  Not applicable

**(2) Provision, recovery or reversal of bad debt reserves in the current period**

Provision for bad debts in current period:

Unit: yuan

Class	Beginning balance	Amount of change in current period				Closing Balance
		Accrual	Recovered or reversed	Write-off	Other	

Where the amount of bad debt provision recovered or reversed is important:

 Applicable  Not applicable**(3) Notes receivable pledged by the Company at the end of the period**

Unit: yuan

Item	Pledged amount at the end of the period

**(4) Notes receivable endorsed or discounted by the Company at the end of the period and not expired yet on the balance sheet date**

Unit: yuan

Item	Amount with recognition terminated at the end of the period	Amount with recognition not terminated at the end of the period

**(5) Notes transferred to accounts receivable by the Company at the end of the period due to failure of the drawer to perform**

Unit: yuan

Item	Amount transferred to accounts receivable at the end of the period

Other description

**(6) Notes receivable actually written off at the current period**

Unit: yuan

Item	Amount written off

Write-off of important notes receivable:

Unit: yuan

Unit name	Nature of notes receivable	Amount written off	Reasons for write-off	Write-off procedures performed	Whether the payments arise from related transactions

Description of write-off notes receivable:

**5. Accounts receivable****(1) Classified disclosure of accounts receivable**

Unit: yuan

Class	Closing Balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Accruing proportion		Amount	Proportion	Amount	Accruing proportion	
Including:										
Accounts receivable of provision for bad debt by combination	1,056,460,600.44	100.00%	53,698,391.15	5.08%	1,002,762,209.29	816,650,641.20	100.00%	41,104,051.78	5.03%	775,546,589.42

on										
Including:										
Total	1,056,460,600.44	100.00%	53,698,391.15	5.08%	1,002,762,209.29	816,650,641.20	100.00%	41,104,051.78	5.03%	775,546,589.42

Provision for bad debt by combination: aging analysis method

Unit: yuan

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion
Within 1 year (including 1 year)	1,046,576,065.98	52,328,803.29	5.00%
1~2 years (including 2 years)	8,784,226.49	878,422.65	10.00%
2~3 years (including 3 years)	650,385.68	195,115.71	30.00%
3~4 years (including 4 years)	266,722.93	133,361.47	50.00%
4~5 years (including 5 years)	102,556.66	82,045.33	80.00%
More than 5 years	80,642.70	80,642.70	100.00%
Total	1,056,460,600.44	53,698,391.15	

Description of the basis for determining the combination:

Recognition criteria and description of bad debts by combination: On June 30, 2022, the Company reviewed the appropriateness of the provision for bad debts of receivables in the previous year according to the historical bad debt loss, and believed that the default probability has a strong correlation with the aging of accounts, and the account age is still a sign of whether the credit risk of the company's receivables has significantly increased. Therefore, the Company's credit risk loss on June 30, 2022 is estimated based on the aging of accounts and estimated at the original loss ratio.

If the bad debt provision of accounts receivable is withdrawn according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of bad debt provision:

Applicable  Not applicable

Disclosure by aging

Unit: yuan

Aging	Closing Balance
Within 1 year (including 1 year)	1,046,576,065.98
1~2 years	8,784,226.49
2~3 years	650,385.68
More than 3 years	449,922.29
3~4 years	266,722.93
4~5 years	102,556.66
More than 5 years	80,642.70
Total	1,056,460,600.44

## (2) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: yuan

Class	Beginning balance	Amount of change in current period				Closing Balance
		Accrual	Recovered or reversed	Write-off	Other	
Provision for bad debt of accounts receivable	41,104,051.78	18,659,980.51	5,879,391.59	186,249.55		53,698,391.15
Total	41,104,051.78	18,659,980.51	5,879,391.59	186,249.55		53,698,391.15

Where the amount of bad debt provision recovered or reversed is important:

Unit: yuan

Unit name	Amount recovered or reversed	Recovery way
-----------	------------------------------	--------------

**(3) Accounts receivable actually written off at the current period**

Unit: yuan

Item	Amount written off
Irrecoverable balance receivable	186,249.55

Write-off of important accounts receivable:

Unit: yuan

Unit name	Nature of accounts receivable	Amount written off	Reasons for write-off	Write-off procedures performed	Whether the payments arise from related transactions
-----------	-------------------------------	--------------------	-----------------------	--------------------------------	--

Description of write-off accounts receivable:

**(4) Accounts receivable with Top 5 ending balances by debtor**

Unit: yuan

Unit name	Ending balance of accounts receivable	Proportion in total other ending balance of accounts receivable	Ending balance of bad debt provision
First	43,760,936.31	4.14%	2,188,046.82
Second	32,648,629.50	3.09%	1,632,431.48
Third	26,752,033.96	2.53%	1,337,601.70
Fourth	25,220,932.55	2.39%	1,261,046.63
Fifth	24,028,702.91	2.27%	1,201,435.15
Total	152,411,235.23	14.42%	

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

NA

**(6) Amount of assets and liabilities formed by transferring accounts receivables and continuing involvement**

NA

Other description:

**6. Amounts receivable financing**

Unit: yuan

Item	Closing Balance	Beginning balance
Notes receivable - banker's acceptance bill	29,770,412.07	9,940,272.21
Total	29,770,412.07	9,940,272.21

Changes in the increase and decrease of receivables financing and changes in the fair value in the current period

 Applicable  Not applicable

If the impairment provision of receivables financing is withdrawn according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of impairment provision:

 Applicable  Not applicable

Other description:

**7. Advances to suppliers****(1) Presentation of advances to suppliers by aging**

Unit: yuan

Aging	Closing Balance	Beginning balance
-------	-----------------	-------------------

	Amount	Proportion	Amount	Proportion
Within 1 year	419,561,887.69	99.71%	104,201,209.67	94.33%
1~2 years	1,225,327.68	0.29%	6,261,384.71	5.67%
Total	420,787,215.37		110,462,594.38	

Reasons for non-timely settlement of important advances from customers with the aging more than 1 year:

Not applicable.

## (2) Advances to suppliers with Top 5 ending balances by prepayment object

Advance object	Closing Balance	Proportion in total ending balance of advances (%)
First	233,196,958.77	55.42%
Second	26,352,196.69	6.26%
Third	19,256,447.50	4.58%
Fourth	9,237,549.34	2.20%
Fifth	5,686,389.90	1.35%
Total	293,729,542.20	69.81%

Other description:

## 8. Other receivables

Unit: yuan

Item	Closing Balance	Beginning balance
Other receivables	321,798,808.08	329,179,077.01
Total	321,798,808.08	329,179,077.01

### (1) Interest receivable

#### 1) Classification of interest receivable

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

#### 2) Important overdue interest

Unit: yuan

Borrower	Closing Balance	Overdue time	Overdue reason	Whether there is impairment and its judgment basis
----------	-----------------	--------------	----------------	--

Other description:

### 3) Provision for bad debt

Applicable  Not applicable

### (2) Dividends receivable

#### 1) Classification of dividends receivable

Unit: yuan

Project (or invested unit)	Closing Balance	Beginning balance
----------------------------	-----------------	-------------------

#### 2) Important dividends receivable with the aging more than 1 year

Unit: yuan

Project (or invested unit)	Closing Balance	Aging	Reason for non-recovery	Whether there is impairment and its judgment basis
----------------------------	-----------------	-------	-------------------------	--

### 3) Provision for bad debt

Applicable  Not applicable

Other description:

**(3) Other receivables****1) Other receivables classified by nature**

Unit: yuan

Nature of payment	Ending book balance	Beginning book balance
Compensation for investment and construction project of Heyuan Winner	233,655,320.00	238,655,320.00
Margin and deposit	110,776,324.02	112,419,848.22
Export drawback		7,309,079.43
Employee pretty cash	4,325,411.77	3,238,544.33
Other	25,445,142.44	15,766,563.91
<b>Total</b>	<b>374,202,198.23</b>	<b>377,389,355.89</b>

**2) Provision for bad debt**

Unit: yuan

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment occurred)	Expected credit losses over the entire duration (credit impairment has occurred)	
Balance on January 1, 2022	36,469,649.34		11,740,629.54	48,210,278.88
Balance on January 1, 2022 in the current period				
Accrual in current period	5,306,099.38			5,306,099.38
Reversal in current period	1,112,988.11			1,112,988.11
Balance on June 30, 2022	40,662,760.61		11,740,629.54	52,403,390.15

Changes in book balance with significant changes in the current period of provision for loss

 Applicable  Not applicable

Disclosure by aging

Unit: yuan

Aging	Closing Balance
Within 1 year (including 1 year)	44,171,307.73
1~2 years	27,133,898.82
2~3 years	244,245,037.51
More than 3 years	58,651,954.17
3~4 years	15,598,377.40
4~5 years	34,010,114.42
More than 5 years	9,043,462.35
<b>Total</b>	<b>374,202,198.23</b>

**3) Provision, recovery or reversal of bad debt reserves in the current period**

Provision for bad debts in current period:

Unit: yuan

Class	Beginning balance	Amount of change in current period				Closing Balance
		Accrual	Recovered or reversed	Write-off	Other	

Provision for bad debts of other receivables	48,210,278.88	5,306,099.38	1,112,988.11			52,403,390.15
<b>Total</b>	<b>48,210,278.88</b>	<b>5,306,099.38</b>	<b>1,112,988.11</b>			<b>52,403,390.15</b>

Where the amount of bad debt provision reversed or recovered is important:

Unit: yuan

Unit name	Amount reversed or recovered	Recovery way
-----------	------------------------------	--------------

#### 4) Other receivable actually written off at the current period

Unit: yuan

Item	Amount written off
------	--------------------

Write-off of important other receivables:

Unit: yuan

Unit name	Nature of other receivables	Amount written off	Reasons for write-off	Write-off procedures performed	Whether the payments arise from related transactions
-----------	-----------------------------	--------------------	-----------------------	--------------------------------	--

Description of write-off of other receivables

#### 5) Other receivables with Top 5 ending balances by debtor

Unit: yuan

Unit name	Nature of payment	Closing Balance	Aging	Proportion in total other ending balance receivable	Ending balance of bad debt provision
First	Receivables related to Heyuan project	233,655,320.00	2-3	62.44%	35,048,298.00
Second	Receivable advance payments	5,870,314.77	1-2	1.57%	5,870,314.77
Third	Margin and deposit	5,088,270.42	1-2	1.36%	254,413.51
Fourth	Margin and deposit	2,746,332.73	1-2	0.73%	137,316.64
Fifth	Margin and deposit	2,311,115.80	1-2	0.62%	115,555.79
<b>Total</b>		<b>249,671,353.72</b>		<b>66.72%</b>	<b>41,425,898.71</b>

#### 6) Accounts receivable involving government subsidies

Unit: yuan

Unit name	Name of government subsidy project	Closing Balance	Ending aging	Estimated collection time, amount and basis
-----------	------------------------------------	-----------------	--------------	---

Not applicable.

#### 7) Other receivables derecognized due to transfer of financial assets

Not applicable.

#### 8) Amount of assets and liabilities formed by transferring other receivables and continuing involvement

Not applicable.

Other description:

#### 9. Inventory

Does the Company need to follow the disclosure requirements of real estate industry

No



**(1) Inventory classification**

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Inventory falling price reserves or provision for impairment of contract performance costs	Book value	Book balance	Inventory falling price reserves or provision for impairment of contract performance costs	Book value
Raw materials	340,448,507.55	10,087,607.17	330,360,900.38	250,762,666.63	5,117,956.28	245,644,710.35
Work in process	177,205,514.74	5,233,445.24	171,972,069.50	172,991,958.16	4,599,718.11	168,392,240.05
Merchandise inventory	1,387,049,883.22	126,935,379.76	1,260,114,503.46	1,256,964,242.78	100,692,345.17	1,156,271,897.61
Semi-finished products shipped in transit	29,319,155.18		29,319,155.18	16,843,633.88		16,843,633.88
Low priced and easily worn articles	17,293,152.94	4,768.48	17,288,384.46	10,226,415.09	1,852.99	10,224,562.10
<b>Total</b>	<b>1,951,316,213.63</b>	<b>142,261,200.65</b>	<b>1,809,055,012.98</b>	<b>1,707,788,916.54</b>	<b>110,411,872.55</b>	<b>1,597,377,043.99</b>

**(2) Inventory falling price reserves and provision for impairment of contract performance costs**

Unit: yuan

Item	Beginning balance	Amount increased in current period		Amount decreased in current period		Closing Balance
		Accrual	Other	Reversal or write-back	Other	
Raw materials	5,117,956.28	10,629,905.21		5,660,254.32		10,087,607.17
Work in process	4,599,718.11	4,963,356.07		4,329,628.94		5,233,445.24
Merchandise inventory	100,692,345.17	79,537,814.77		53,294,780.18		126,935,379.76
Low priced and easily worn articles	1,852.99	5,015.13		2,099.64		4,768.48
<b>Total</b>	<b>110,411,872.55</b>	<b>95,136,091.18</b>		<b>63,286,763.08</b>		<b>142,261,200.65</b>

**(3) Description of ending balance of inventory containing the capitalized amount of borrowing costs****(4) Description of current amortization amount of contract performance cost****10. Contract assets**

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

Amount and reason of significant change in the book value of contract assets in current period:

Unit: yuan

Item	Amount of change	Reason for change
------	------------------	-------------------

If the impairment provision of contract assets is accrued according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of impairment provision:

Applicable  Not applicable

Provision for impairment of contract assets in current period:

Unit: yuan

Item	Accrual in current period	Reversal in current period	Write off/verification in current period	Reasons
------	---------------------------	----------------------------	--	---------

Other description

**11. Assets held for sales**

Unit: yuan

Item	Ending book balance	Provision for impairment	Ending book value	Fair value	Estimated disposal cost	Estimated disposal time
------	---------------------	--------------------------	-------------------	------------	-------------------------	-------------------------

Other description

**12. Non-current assets due within a year**

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

Important debt investments/other debt investments

Unit: yuan

Debt item	Closing Balance				Beginning balance			
	Book value	Coupon rate	Actual rate	Maturity date	Book value	Coupon rate	Actual rate	Maturity date

Other description:

**13. Other current assets**

Unit: yuan

Item	Closing Balance	Beginning balance
Return cost receivable	761,415.68	733,984.30
Interest on fixed deposit / large deposit	67,754,605.45	50,158,601.37
VAT input tax to be deducted / uncertified input tax	15,059,421.72	43,055,676.36
Prepaid corporate income tax	3,513,266.27	17,873,716.95
Unamortized expenses	26,395,912.04	5,174,471.98
Other	2,598,416.58	1,763,374.60
<b>Total</b>	<b>116,083,037.74</b>	<b>118,759,825.56</b>

Other description:

**14. Debt investment**

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

Important debt investments

Unit: yuan

Debt item	Closing Balance				Beginning balance			
	Book value	Coupon rate	Actual rate	Maturity date	Book value	Coupon rate	Actual rate	Maturity date

Provision for impairment

Unit: yuan

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment occurred)	Expected credit losses over the entire duration (credit impairment has occurred)	
Balance on January 1, 2022 in the current period				

Changes in book balance with significant changes in the current period of provision for loss

Applicable  Not applicable

Other description:

## 15. Other debt investments

Unit: yuan

Item	Beginning balance	Accrued interest	Fair value change in current period	Closing Balance	Cost	Accumulated fair value change	Accumulated provision for loss recognized in other comprehensive income	Remark

Important other debt investments

Unit: yuan

Other debt item	Closing Balance				Beginning balance			
	Book value	Coupon rate	Actual rate	Maturity date	Book value	Coupon rate	Actual rate	Maturity date

Provision for impairment

Unit: yuan

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment occurred)	Expected credit losses over the entire duration (credit impairment has occurred)	
Balance on January 1, 2022 in the current period				

Changes in book balance with significant changes in the current period of provision for loss

Applicable  Not applicable

Other description:

## 16. Long-term receivables

### (1) Long-term receivables

Unit: yuan

Item	Closing Balance			Beginning balance			Discount rate range
	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value	

Impairment of provision for bad debt

Unit: yuan

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment occurred)	Expected credit losses over the entire duration (credit impairment has occurred)	
Balance on January 1, 2022 in the current period				

Changes in book balance with significant changes in the current period of provision for loss

Applicable  Not applicable

**(2) Long-term receivables derecognized due to transfer of financial assets****(3) Amount of assets and liabilities formed by transferring long-term receivables and continuing involvement**

Other description:

**17. Long-term equity investments**

Unit: yuan

Invested unit	Beginning balance (book value)	Increase or decrease in current period								Ending balance (book value)	Balance of impairment provision at the end of period
		Further investment	Capital reduction	Investment gains and losses recognized by the equity method	Adjustment of other comprehensive income	Changes in other equity	Declared payment of cash dividends or profits	Provision for impairment	Other		
I. Cooperative enterprise											
II. Joint venture											
Chengdu Winner	16,949,801.24			2,408,209.89						19,358,011.13	
Subtotal	16,949,801.24			2,408,209.89						19,358,011.13	
Total	16,949,801.24			2,408,209.89						19,358,011.13	

Other description

**18. Other equity instrument investments**

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

Itemized disclosure of the current non-trading equity instrument investment

Unit: yuan

Item	Recognized dividend income	Accumulated gains	Accumulated losses	Amount of other comprehensive income transferred into retained income	Reasons for designating to be measured at fair value and its changes are recorded into other comprehensive income	Reasons for other comprehensive income transferring into retained income
------	----------------------------	-------------------	--------------------	---	---	--

Other description:

**19. Other non-current financial assets**

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

Other description:

**20. Investment real estates****(1) Investment real estates using cost measurement mode** Applicable  Not applicable**(2) Investment real estates using fair value measurement mode** Applicable  Not applicable

**(3) Investment real estates without certificate of title**

Unit: yuan

Item	Book value	Reasons for not obtaining the certificate of title
------	------------	--

Other description

**21. Fixed assets**

Unit: yuan

Item	Closing Balance	Beginning balance
Fixed assets	1,924,347,463.68	1,477,320,848.63
Total	1,924,347,463.68	1,477,320,848.63

**(1) Fixed assets**

Unit: yuan

Item	Houses and building	Machinery equipment	Transportation equipment	Electronic equipment and office equipment, etc.	Total
I. Original book value:					
1. Beginning balance	995,105,302.17	1,150,719,865.14	24,268,054.46	125,370,729.10	2,295,463,950.87
2. Amount increased in current period	327,519,322.75	285,385,530.40	6,410,989.58	37,546,834.23	656,862,676.96
(1) Purchase	14,800,560.38	126,644,435.06	2,563,730.54	17,827,298.19	161,836,024.17
(2) Transfer from construction in progress	17,062,082.99	9,605,229.66		292,035.40	26,959,348.05
(3) Increase by business combination	295,656,679.38	149,135,865.68	3,847,259.04	19,427,500.64	468,067,304.74
3. Amount decreased in current period	5,602,517.04	11,022,972.08	2,039,488.03	4,039,706.83	22,704,683.98
(1) Disposal or scrap	5,602,517.04	11,022,972.08	2,039,488.03	4,039,706.83	22,704,683.98
4. Closing Balance	1,317,022,107.88	1,425,082,423.46	28,639,556.01	158,877,856.50	2,929,621,943.85
II. Accumulated depreciation					
1. Beginning balance	236,817,072.10	404,994,040.98	12,158,907.47	56,370,318.49	710,340,339.04
2. Amount increased in current period	52,378,173.52	122,253,316.39	3,844,345.66	17,476,518.45	195,952,354.02
(1) Accrual	21,744,316.91	52,425,745.03	1,136,872.10	9,239,553.57	84,546,487.61
(2) Increase by business combination	30,633,856.61	69,827,571.36	2,707,473.56	8,236,964.88	111,405,866.41
3. Amount decreased in current period	2,106,887.24	2,501,836.59	1,791,342.77	1,245,263.24	7,645,329.84
(1) Disposal or scrap	2,106,887.24	2,501,836.59	1,791,342.77	1,245,263.24	7,645,329.84

4. Closing Balance	287,088,358.38	524,745,520.78	14,211,910.36	72,601,573.70	898,647,363.22
III. Provision for impairment					
1. Beginning balance	45,682,191.02	61,985,265.65		135,306.53	107,802,763.20
2. Amount increased in current period		1,346,409.85	0.00	0.00	1,346,409.85
(1) Accrual		1,346,409.85			1,346,409.85
3. Amount decreased in current period	2,519,194.81	2,861.29	0.00	0.00	2,522,056.10
(1) Disposal or scrap	2,519,194.81	2,861.29			2,522,056.10
4. Closing Balance	43,162,996.21	63,328,814.21	0.00	135,306.53	106,627,116.95
IV. Book value					
1. Ending book value	986,770,753.29	837,008,088.47	14,427,645.65	86,140,976.27	1,924,347,463.68
2. Beginning book value	712,606,039.05	683,740,558.51	12,109,146.99	68,865,104.08	1,477,320,848.63

**(2) Fixed assets that are temporarily idle**

Unit: yuan

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Machinery equipment	745,242.33	611,498.76	84,482.78	49,260.79	Not needed for now
Electrical equipment	14,664.80	12,641.28		2,023.52	Not needed for now
Total	759,907.13	624,140.04	84,482.78	51,284.31	

**(3) Fixed assets leased out by operating lease**

Unit: yuan

Item	Ending book value
------	-------------------

**(4) Fixed assets without certificate of title**

Unit: yuan

Item	Book value	Reasons for not obtaining the certificate of title
Main plant of Phase II Spunlace Non-woven Fabric of Tianmen Winner	15,995,217.15	The formalities have not yet been completed
Tianmen Winner Medical Building 1st Floor	9,316,365.54	The formalities have not yet been completed
Tianmen Winner Medical Building 2nd Floor	5,609,288.05	The formalities have not yet been completed
Tianmen Winner No.3 Workshop for finished products (Mask Workshop)	3,451,995.65	The formalities have not yet been completed

Other description

**(5) Liquidation of fixed assets**

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

Other description:

**22. Construction in progress**

Unit: yuan

Item	Closing Balance	Beginning balance
Construction in progress	531,760,298.29	216,096,622.30
Total	531,760,298.29	216,096,622.30

**(1) Construction in progress**

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Tianmen infrastructure project	97,029,056.67		97,029,056.67	28,206,760.19		28,206,760.19
Huanggang Winner Engineering Project	69,122,685.24		69,122,685.24	264,970.51		264,970.51
Jiayu Winner engineering project	15,925,565.46		15,925,565.46	4,821,946.07		4,821,946.07
Wuhan Winner engineering project	293,116,022.30		293,116,022.30	75,214,244.85		75,214,244.85
Jingmen Winner Engineering Project	18,469,250.42		18,469,250.42			
Other equipment to be installed and sporadic projects	39,558,126.04	1,460,407.84	38,097,718.20	109,049,108.52	1,460,407.84	107,588,700.68
Total	533,220,706.13	1,460,407.84	531,760,298.29	217,557,030.14	1,460,407.84	216,096,622.30

**(2) Current changes in major projects under construction**

Unit: yuan

Project name	Budget number	Beginning balance	Amount increased in current period	Amount carried forward to fixed assets in current period	Other decreases in current period	Closing Balance	Proportion of total project input to the budget	Progress of works	Accumulated amount of interest capitalization	Including: interest capitalization funds in the current period	Interest capitalization rate in the current period	Source of funds
Huanggang Winner - Production Line 4 and Line 5 for Sanitary Pads	50,000,000.00		20,927,430.33			20,927,430.33	41.85%	45.00%				Other
Huanggang Winner - Compre	90,000,000.00		48,195,254.91			48,195,254.91	53.55%	50.00%				Other

hensive Workshop												
Jingmen Winner - Automated Plant - Southwest	60,000,000.00		15,869,748.44			15,869,748.44	26.45%	40.00%				Other
Tianmen Winner - Intelligent 3D e-commerce warehouse for pure cotton business	86,600,000.00	7,096,181.97	34,454,460.85			41,550,642.82	47.98%	50.00%				Other
Tianmen Winner - Spunlace Line 7	73,500,000.00	10,817,198.26	44,566,875.97			55,384,074.23	75.35%	80.00%				Other
Jiayu Winner - New Factory Project	980,000,000.00	4,810,884.12	10,564,828.48			15,375,712.60	1.57%	2.00%				Other
Wuhan Winner Phase II 1-3 Sorting Center Project	268,000,000.00	10,000,000.00	119,908,256.93			129,908,256.93	48.47%	50.00%				Other
Wuhan Winner Phase II Main Project	110,871,722.11	49,892,274.96	30,515,152.88			80,407,427.84	72.52%	75.00%				Other
Total	1,718,971,722.11	82,616,539.31	325,002,008.79	0.00	0.00	407,618,548.10						

**(3) Provision for impairment of construction in progress in current period**

Unit: yuan

Item	Current accrued amount	Reason for accrual
------	------------------------	--------------------

Other description

**(4) Engineering materials**

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

Other description:



**23. Productive biological assets****(1) Productive biological assets using cost measurement mode**

Applicable  Not applicable

**(2) Biological assets using fair value measurement mode**

Applicable  Not applicable

**24. Oil and gas assets**

Applicable  Not applicable

**25. Right-of-use assets**

Unit: yuan

Item	Houses and building	Total
<b>I. Original book value</b>		
1. Beginning balance	1,046,616,109.25	1,046,616,109.25
2. Amount increased in current period	128,675,744.76	128,675,744.76
(1) New lease	127,983,810.86	127,983,810.86
(2) Increase by business combination	691,933.90	691,933.90
3. Amount decreased in current period	204,890,720.86	204,890,720.86
Disposal	204,890,720.86	204,890,720.86
4. Closing Balance	970,401,133.15	970,401,133.15
<b>II. Accumulated depreciation</b>		
1. Beginning balance	514,880,665.81	514,880,665.81
2. Amount increased in current period	114,858,188.74	114,858,188.74
(1) Accrual	114,777,463.11	114,777,463.11
(2) Increase by business combination	80,725.63	80,725.63
3. Amount decreased in current period	132,957,308.47	132,957,308.47
(1) Disposal	132,957,308.47	132,957,308.47
4. Closing Balance	496,781,546.08	496,781,546.08
<b>III. Provision for impairment</b>		
1. Beginning balance		
2. Amount increased in current period		
(1) Accrual		
3. Amount decreased in current period		
(1) Disposal		
4. Closing Balance		
<b>IV. Book value</b>		
1. Ending book value	473,619,587.07	473,619,587.08
2. Beginning book value	531,735,443.44	531,735,443.44

Other description:

**26. Intangible assets****(1) Intangible assets**

Unit: yuan

Item	Land use right	Patent right	Nonpatented technology	Trademark right	Software use right	Franchised use right	Client relations	Total
<b>I. Original book value</b>								
1. Beginning	266,174,018.	1,573,637.86		1,710,590.99	57,653,383.2	10,228,226.5		337,339,857.

balance	88				9	3		55
2. Amount increased in current period	147,702,289.42	296,866,627.89		5,390.00	48,890,133.08		61,750,000.00	555,214,440.39
(1) Purchase	28,460,748.00				25,829,859.17			54,290,607.17
(2) Internal R&D								
(3) Increase by business combination	119,241,541.42	296,866,627.89		5,390.00	23,060,273.91		61,750,000.00	500,923,833.22
3. Amount decreased in current period								
(1) Disposal								
4. Closing Balance	413,876,308.30	298,440,265.75		1,715,980.99	106,543,516.37	10,228,226.53	61,750,000.00	892,554,297.94
II. Accumulated amortization								
1. Beginning balance	28,039,117.18	1,247,454.39		1,674,857.66	30,449,311.14	10,228,226.53		71,638,966.90
2. Amount increased in current period	12,887,021.92	4,981,841.98		7,046.52	4,013,018.65			21,888,929.07
(1) Accrual	3,418,167.85	4,650,458.67		6,700.00	3,188,981.83			11,264,308.35
(2) Increase by business combination	9,468,854.07	331,383.31		346.52	824,036.82			10,624,620.72
3. Amount decreased in current period								
(1) Disposal								
4. Closing Balance	40,926,139.10	6,229,296.37		1,681,904.18	34,462,329.79	10,228,226.53		93,527,895.97
III. Provision for impairment								
1. Beginning balance								
2. Amount increased in current period								
(1) Accrual								
3. Amount decreased in current period								
(1) Disposal								

4. Closing Balance								
IV. Book value								
1. Ending book value	372,950,169.20	292,210,969.38		34,076.81	72,081,186.58		61,750,000.00	799,026,401.97
2. Beginning book value	238,134,901.70	326,183.47		35,733.33	27,204,072.15			265,700,890.65

The proportion of intangible assets formed through internal R & D of the Company in the balance of intangible assets at the end of current period: 0.00%

## (2) Land use right without certificate of title

Unit: yuan

Item	Book value	Reasons for not obtaining the certificate of title
------	------------	--

Other description

## 27. Development expenditure

Unit: yuan

Item	Beginning balance	Amount increased in current period			Amount decreased in current period			Closing Balance
	Beginning balance	Internal development expenditure	Other		Recognized as intangible assets	Transfer to current profit and loss		Closing Balance
Total								

Other description

## 28. Goodwill

### (1) Original book value of goodwill

Unit: yuan

invested entity name or goodwill forming matter	Beginning balance	Increase in current period		Decrease in current period		Closing Balance
		Formed by business combination		Disposal		Closing Balance
Business combination not under common control - Acquisition of Malaysia Winner	2,681,232.09					2,681,232.09
Business combination not under common control - Acquisition of Longterm Health		390,417,857.50				390,417,857.50
Business combination not under common control - Acquisition of Guilin Latex		198,467,513.68				198,467,513.68
Total	2,681,232.09	588,885,371.18				591,566,603.27

**(2) Provision for impairment of goodwill**

Unit: yuan

invested entity name or goodwill forming matter	Beginning balance	Increase in current period		Decrease in current period		Closing Balance
		Accrual		Disposal		Closing Balance
Business combination not under common control - Acquisition of Malaysia Winner	2,681,232.09					2,681,232.09
<b>Total</b>	<b>2,681,232.09</b>					<b>2,681,232.09</b>

Information relating to the asset group or asset group combination of goodwill

Explain the goodwill impairment test process, key parameters (such as forecast period growth rate at the present value of expected future cash flow, steady period growth rate, profit margin, discount rate, forecast period, etc.) and recognition method of goodwill impairment loss:

Impact of goodwill impairment tests

Other description

**29. Long-term unamortized expenses**

Unit: yuan

Item	Beginning balance	Amount increased in current period	Amortization amount in current period	Other decreases	Closing Balance
Decoration cost	43,725,887.73	22,232,950.85	18,937,489.95	283,018.87	46,738,329.76
Decoration expenses for operating leased fixed assets	131,059,883.10	35,810,406.28	28,613,763.85	29,150,971.61	109,105,553.92
<b>Total</b>	<b>174,785,770.83</b>	<b>58,043,357.13</b>	<b>47,551,253.80</b>	<b>29,433,990.48</b>	<b>155,843,883.68</b>

Other description

**30. Deferred income tax assets and deferred income tax liabilities****(1) Unoffset deferred income tax assets**

Unit: yuan

Item	Closing Balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	344,543,642.72	62,442,938.37	308,989,374.25	55,407,470.14
Unrealized profit of internal transaction	114,388,686.49	23,660,535.47	114,388,686.49	23,660,535.47
Deductible loss	113,962,501.30	28,272,447.37	60,670,842.73	15,167,710.69
Dismission welfare	2,315,103.48	347,265.52	2,315,103.48	347,265.52
Deferred income	99,203,761.08	16,109,546.16	109,625,401.82	17,710,015.89
Member points	10,309,457.59	2,577,364.40	10,319,207.78	2,579,801.95
Expected return, Accrued expenses	3,101,202.39	775,300.60	1,881,955.47	410,114.78
Advertising expenses in excess of the tax deductible limit	15,439,719.70	2,315,957.95	39,046,992.53	5,857,048.88
Equity incentive fee			10,509,464.48	1,576,419.67
<b>Total</b>	<b>703,264,074.75</b>	<b>136,501,355.84</b>	<b>657,747,029.03</b>	<b>122,716,382.99</b>

**(2) Unoffset deferred income tax liabilities**

Unit: yuan

Item	Closing Balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Asset evaluation increment for business combination not under common control	440,280,645.62	66,042,096.84		
Changes in fair value of trading financial assets	30,794,000.09	4,636,565.77	27,097,991.08	4,242,794.56
Depreciation of fixed assets	43,558,481.15	7,702,940.68	52,132,715.97	9,094,365.12
Asset evaluation increment restructure	11,991,604.40	1,798,740.66		
<b>Total</b>	<b>526,624,731.26</b>	<b>80,180,343.95</b>	<b>79,230,707.05</b>	<b>13,337,159.68</b>

**(3) Deferred income tax assets or liabilities presented as net amount after offset**

Unit: yuan

Item	Ending offset amount of deferred income tax assets and liabilities	Ending balance of deferred income tax assets and liabilities after offset	Beginning offset amount of deferred income tax assets and liabilities	Beginning balance of deferred income tax assets and liabilities after offset
Deferred income tax assets		136,501,355.84		122,716,382.99
Deferred income tax liabilities		80,180,343.95		13,337,159.68

**(4) Details of unrecognized deferred income tax assets**

Unit: yuan

Item	Closing Balance	Beginning balance
Deductible loss	259,682,230.82	206,266,023.76
Provision for impairment of assets and amortization of depreciation	11,390,552.21	5,372,991.42
<b>Total</b>	<b>271,072,783.03</b>	<b>211,639,015.18</b>

**(5) Deductible losses on unrecognized deferred income tax assets will expire in the following year**

Unit: yuan

Year	Closing balance	Beginning amount	Remark
2022	13,908,108.66	14,402,997.46	
2023	25,574,944.59	25,574,944.59	
2024	48,794,287.92	48,810,687.88	
2025	44,675,230.79	44,934,541.40	
2026	65,783,169.18	65,783,169.18	
2027	53,948,512.86		
No maturity date	6,997,976.82	6,759,683.25	
<b>Total</b>	<b>259,682,230.82</b>	<b>206,266,023.76</b>	

Other description

**31. Other non-current assets**

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advance project	121,928,531.03		121,928,531.03	115,571,001.80		115,571,001.80

payment / equipment purchase payment / advance store engineering and decoration payment						
Advance equity payment for Pingan Medical Device	130,384,300.00		130,384,300.00			
<b>Total</b>	<b>252,312,831.03</b>		<b>252,312,831.03</b>	<b>115,571,001.80</b>		<b>115,571,001.80</b>

Other description:

### 32. Short-term debt

#### (1) Classification of short-term loans

Unit: yuan

Item	Closing Balance	Beginning balance
Guaranteed borrowing	10,000,000.00	
Debt of honor	106,244,942.26	
Bill Discount Credit	930,000,000.00	
Assurance + Mortgage	95,000,000.00	
Borrowing interest	231,791.67	
<b>Total</b>	<b>1,141,476,733.93</b>	

Description of classification of short-term borrowing:

#### (2) short-term loans unpaid overdue

The total amount of overdue short-term borrowings at the end of the period is RMB 0.00, of which the important overdue short-term borrowings are as follows:

Unit: yuan

Borrower	Closing Balance	Borrowing interest rate	Overdue time	Overdue interest rate
----------	-----------------	-------------------------	--------------	-----------------------

Other description

### 33. Trading financial liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
Including:		
Including:		

Other description:

### 34. Derivative financial liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

Other description:

### 35. Notes payable

Unit: yuan

Type	Closing Balance	Beginning balance
Banker's acceptance bill	146,065,963.57	36,200,130.04
<b>Total</b>	<b>146,065,963.57</b>	<b>36,200,130.04</b>

The total amount of notes payable due and have not been paid at the end of current period is RMB 0.00.

**36. Accounts payable****(1) Presentation of accounts payable**

Unit: yuan

Item	Closing Balance	Beginning balance
Within 1 year (including 1 year)	958,493,036.41	714,681,791.55
1~2 years (including 2 years)	24,845,986.18	16,519,858.09
2~3 years (including 3 years)	9,430,201.31	2,213,757.41
More than 3 years	4,191,523.06	1,106,083.55
Total	996,960,746.96	734,521,490.60

**(2) Important accounts payable with the aging more than 1 year**

Unit: yuan

Item	Closing Balance	Reasons for failure of payment or carryover
------	-----------------	---

Other description:

**37. Advance from customers****(1) Presentation of advance from customers**

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

**(2) Important advances from customers with the aging more than 1 year**

Unit: yuan

Item	Closing Balance	Reasons for failure of payment or carryover
------	-----------------	---

Other description:

**38. Contract liabilities**

Unit: yuan

Item	Closing Balance	Beginning balance
Customer consideration received	310,485,345.15	330,856,457.64
Member points	10,309,457.59	10,319,207.78
Total	320,794,802.74	341,175,665.42

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

Unit: yuan

Item	Amount of change	Reason for change
------	------------------	-------------------

**39. Payroll payable****(1) Presentation of payroll payable**

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
I. Short-term compensation	174,579,726.18	774,710,310.27	743,921,517.69	205,368,518.76
II. Welfare after dismissal - defined contribution plan	7,786,354.86	51,303,324.94	51,595,869.62	7,493,810.18
III. Dismissal welfare	2,315,103.48	5,834,517.52	4,734,075.83	3,415,545.17
Total	184,681,184.52	831,848,152.73	800,251,463.14	216,277,874.11

**(2) Presentation of short-term compensation**

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
1. Salary, bonus, allowance and subsidy	171,917,627.57	728,899,297.88	696,616,036.73	204,200,888.72
2. Welfare expenses for employees	1,898,566.41	5,878,955.09	7,354,221.09	423,300.41
3. Social security	583,615.98	24,672,967.96	24,835,303.12	421,280.82
Including: medical insurance premium	391,727.18	22,276,564.46	22,422,720.49	245,571.15
Industrial injury insurance premium	127,114.57	1,175,408.69	1,180,066.59	122,456.67
Birth insurance premium	64,774.23	1,220,994.81	1,232,516.04	53,253.00
4. Housing accumulation fund	5,184.00	14,909,362.35	14,872,755.35	41,791.00
5. Union dues and staff education fund	174,732.22	349,726.99	243,201.40	281,257.81
Total	174,579,726.18	774,710,310.27	743,921,517.69	205,368,518.76

**(3) Presentation of defined contribution plans**

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
1. Basic endowment insurance	7,669,900.83	49,647,179.30	49,928,202.75	7,388,877.38
2. Unemployment insurance premium	116,454.03	1,656,145.64	1,667,666.87	104,932.80
Total	7,786,354.86	51,303,324.94	51,595,869.62	7,493,810.18

Other description

**40. Taxes payable**

Unit: yuan

Item	Closing Balance	Beginning balance
Added value tax	47,691,221.78	4,177,794.77
Corporate income tax	118,878,264.76	80,626,257.39
Individual income tax	3,136,081.77	2,915,638.55
Urban maintenance and construction tax	4,262,872.30	484,733.91
Housing property tax	3,050,422.73	2,544,714.33
Education surcharge and local education surcharge	3,239,295.22	365,615.00
Land use tax	1,370,278.75	1,462,224.90
Stamp duty	654,514.96	1,260,046.05
Other	1,207,225.97	22,044.78
Total	183,490,178.24	93,859,069.68

Other description

**41. Other payables**

Unit: yuan

Item	Closing Balance	Beginning balance
Other payables	451,898,553.42	443,946,028.46
Total	451,898,553.42	443,946,028.46



**(1) Interest payable**

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

Important overdue and unpaid interest:

Unit: yuan

Borrower	Overdue amount	Overdue reason
----------	----------------	----------------

Other description:

**(2) Dividends payable**

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

Other explanations, including important dividends payable that have not been paid for more than 1 year, shall disclose the reasons for non-payment:

**(3) Other payables****1) Other payables listed by nature**

Unit: yuan

Item	Closing Balance	Beginning balance
Intercourse funds of the third parties	21,515,400.83	20,895,856.79
Margin and deposit	170,181,127.48	162,215,690.65
Provision of commission	30,615,588.75	76,615,789.42
Freight, advertising expenses and other accrued expenses	202,730,644.78	176,844,834.39
Other	26,855,791.58	7,373,857.21
Total	451,898,553.42	443,946,028.46

**2) Important other payable with the aging more than 1 year**

Unit: yuan

Item	Closing Balance	Reasons for failure of payment or carryover
------	-----------------	---

Other description

**42. Liabilities held for sales**

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

Other description

**43. Non-current liabilities due within one year**

Unit: yuan

Item	Closing Balance	Beginning balance
Lease liabilities due within one year	220,429,023.53	216,181,531.82
Long-term payroll payable due within one year	373,656.36	
Total	220,802,679.89	216,181,531.82

Other description:

**44. Other current liabilities**

Unit: yuan

Item	Closing Balance	Beginning balance
Refund payable	3,101,202.39	2,012,198.90
Output tax to be transferred	23,949,973.07	22,153,201.60
Total	27,051,175.46	24,165,400.50

Increase/decrease of short-term bonds payable:

Unit: yuan

Name of bond	Book value	Issue date	Maturity of bond	Issue amount	Beginning balance	Current issue	Accrued interest at book value	Amortization of premium and discount	Current repayment		Closing Balance
Total											

Other description:

**45. Long-term loans****(1) Classification of long-term borrowing**

Unit: yuan

Item	Closing Balance	Beginning balance
Mortgage	28,000,000.00	
Total	28,000,000.00	

Description of classification of long-term borrowing:

Longterm Health and Zhejiang Deqing Rural Commercial Bank Co., Ltd. signed a long-term loan contract with the contract number 881120180040452 on December 2018 with a loan amount of RMB28 million and a maturity date on December 20, 2023. It is agreed that the interest will be paid in installments and the principal will be repaid at maturity with the borrowing rate of 4.90%. The mortgaged amount is RMB53,712,324.86, and the mortgage contract numbered 8811320210000908 is signed with the real estate certificate [No. Zhejiang (2021) Deqing County Real Estate No. 0001524] of its own No.1-6 Building. The loan has not been repaid as of June 30, 2022.

Other descriptions, including interest rate range:

**46. Bonds payable****(1) Bonds payable**

Unit: yuan

Item	Closing Balance	Beginning balance

**(2) Increase and decrease of bonds payable (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)**

Unit: yuan

Name of bond	Book value	Issue date	Maturity of bond	Issue amount	Beginning balance	Current issue	Accrued interest at book value	Amortization of premium and discount	Current repayment		Closing Balance
Total											

**(3) Description of conditions and time of conversion of convertible corporate bonds****(4) Description of other financial instruments classified as financial liabilities**

Basic information of the outstanding preferred shares, perpetual bonds and other financial instruments at the end of the period

Table of changes in outstanding financial instruments, such as preferred shares, perpetual bonds at the end of the period

Unit: yuan

Outstanding financial instruments	The beginning of the period		Increase in current period		Decrease in current period		The end of the period	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value

Description of the basis for the classification of other financial instruments into financial liabilities

Other description

**47. Lease liabilities**

Unit: yuan

Item	Closing Balance	Beginning balance
Lease payments	358,823,599.66	431,547,562.69
Unrecognized financing expenses	(42,297,662.69)	(49,738,637.60)
<b>Total</b>	<b>316,525,936.97</b>	<b>381,808,925.09</b>

Other description:

**48. Long-term payable**

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

**(1) Long-term payables listed by nature**

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

Other description:

**(2) Special accounts payable**

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance	Causes
------	-------------------	----------------------------	----------------------------	-----------------	--------

Other description:

**49. Long-term payroll payable****(1) Table of long-term payroll payable**

Unit: yuan

Item	Closing Balance	Beginning balance
Retirement welfare and Dismissal payments	9,303,066.32	
<b>Total</b>	<b>9,303,066.32</b>	

**(2) Changes in defined benefit plan**

Present value of defined benefit plan obligations:

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
------	-----------------------------------	------------------------------------

Planned assets:

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
------	-----------------------------------	------------------------------------

Net liabilities (net assets) of defined benefit plan

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
------	-----------------------------------	------------------------------------

Description of the content of defined benefit plan and its related risks, impact on the Company's future cash flow, time and uncertainty:

Description of significant actuarial assumptions and sensitivity analysis results of defined benefit plan:

Other description:

**50. Estimated liabilities**

Unit: yuan

Item	Closing Balance	Beginning balance	Causes
------	-----------------	-------------------	--------

Other descriptions, including relevant important assumptions and estimation descriptions of important estimated liabilities:

**51. Deferred income**

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance	Causes
Government subsidies	109,625,401.82	1,349,807.52	11,771,448.26	99,203,761.08	Government subsidies related to assets
Total	109,625,401.82	1,349,807.52	11,771,448.26	99,203,761.08	

Projects involving government subsidies:

Unit: yuan

Liability item	Beginning balance	Amount of additional subsidy in current period	Amount included in current non-operating income	Amount included in other income in current period	Amount offsetting the cost in the current period	Other changes	Closing Balance	Asset/income related
Subsidy for Huanggang Chibi Avenue demolition company planning change - Huanggang Winner	2,377,019.38			52,822.64			2,324,196.74	Asset related
Subsidy funds for municipal government project infrastructure construction - Chongyang Winner	8,856,862.50			206,775.00			8,650,087.50	Asset related
Subsidy funds for land and subsidy funds for sewage treatment - Jiayu Winner	9,802,666.67			203,416.66			9,599,250.01	Asset related
Automatic transformation of surgical consumables production line - the Company	1,023,000.00			93,000.00			930,000.00	Asset related

Second batch of traditional industry transformation subsidy in 2017 - Huanggang Winner	1,098,165.26			104,587.14			993,578.12	Asset related
Technical innovation subsidy for the Purcotton Phase II Expansion Project - Jingmen Winner	4,325,520.65			83,183.10			4,242,337.55	Asset related
2018 provincial traditional industry transformation and upgrading special funds for the second batch of liquidation block fund subsidies - Jiayu Winner	1,339,047.62			26,428.57			1,312,619.05	Asset related
Provincial traditional industry transformation and upgrading special funds for the first batch of block funds allocation plan in Tianmen City in 2019 - Tianmen Winner	1,024,137.94			68,275.86			955,862.08	Asset related
2020 technical transformation project of Shenzhen COVID-19 epidemic prevention and control key material production enterprises - the Company	17,500,000.00			1,000,000.00			16,500,000.00	Asset related

Production subsidy for COVID-19 epidemic prevention materials in 2020 - Huanggang Winner	3,420,000.00			3,420,000.00			0	Asset related
Surgical gown production line project subsidy - Chongyang Winner	3,279,279.27			216,216.22			3,063,063.05	Asset related
Funds subsidy for purchasing epidemic prevention equipment in key enterprises of "Three Batches" - Chongyang Winner	4,979,327.73			281,848.74			4,697,478.99	Asset related
Project on implementing the technical reformation policy of "Zero Land" in Wuhan and the municipal industrial investment and technical transformation special fund project of Bureau for Science, Technology and Economic Information Technology of Xinzhou District - Hubei Winner	7,126,566.91			291,144.36			6,835,422.55	Asset related
Subsidy of COVID-19 epidemic prevention and control materials production enterprise for capacity	2,779,116.66			295,860.16			2,483,256.50	Asset related

expansion & technical upgrading project - Wuhan Winner								
Subsidy for purchasing equipment in key enterprise "Three Batches" at provincial levels - Huanggang Winner	2,522,692.27			2,522,692.27			0	Asset related
2020 special funds for the high-quality development of manufacturing - Huanggang Winner	2,691,588.78			168,224.30			2,523,364.48	Asset related
2021 urban technical transformation fund - Huanggang Winner	1,040,625.00			56,250.00			984,375.00	Asset related
2021 equipment subsidies during the COVID-19 pandemic - Jingmen Winner	5,525,000.00			850,000.00			4,675,000.00	Asset related
Annual equipment investment subsidies (Spunlace Phase III) - Tianmen Winner	15,000,000.00						15,000,000.00	Asset related
Received subsidies from the development of the central government emergency material security system for production capacity improvement - Wuhan Winner	1,558,860.54			22,465.06			1,536,395.48	Asset related
Other	12,355,924.64	1,349,807.52	0	1,808,258.18	0	0	11,897,473.98	Asset related

Total	109,625,401.82	1,349,807.52	0	11,771,448.26	0	0	99,203,761.08
-------	----------------	--------------	---	---------------	---	---	---------------

Other description:

**52. Other non-current liabilities**

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

Other description:

**53. Capital stock**

Unit: yuan

	Beginning balance	Increase/decrease (+, -)					Closing Balance
		New issue of shares	Share donation	Share capital increase from reserved funds	Other	Subtotal	
Total amount of shares	426,492,308.00						426,492,308.00

Other description:

**54. Other equity instruments****(1) Basic information of the outstanding preferred shares, perpetual bonds and other financial instruments at the end of the period****(2) Table of changes in outstanding financial instruments, such as preferred shares, perpetual bonds at the end of the period**

Unit: yuan

Outstanding financial instruments	The beginning of the period		Increase in current period		Decrease in current period		The end of the period	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value

The increase and decrease of other equity instruments in current period, the reasons for the change, and the basis of relevant accounting treatment:

Other description:

**55. Capital reserve**

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
Capital premium (capital stock premium)	4,457,762,555.30			4,457,762,555.30
Other capital surplus	91,858,541.51	42,396,249.94		134,254,791.45
Total	4,549,621,096.81	42,396,249.94		4,592,017,346.75

Other description, including current increase/decrease and change reasons:

**56. Treasury stock**

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
Treasury stock	257,992,366.68	242,090,367.43		500,082,734.11
Total	257,992,366.68	242,090,367.43		500,082,734.11

Other description, including current increase/decrease and change reasons:

**57. Other comprehensive income**

Unit: yuan

Item	Beginning balance	Amount incurred in current period						Closing Balance
		Amount before current income	Less: amount included in other	Less: amount included in other	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	



		tax	comprehensive income in previous period transferred into profit and loss in current period	comprehensive income in previous period transferred into retained income in current period				
II. Other comprehensive income that will be reclassified into profit and loss	(1,556,935.43)	1,457,765.86				874,163.62	583,602.24	(682,771.81)
Balance arising from the translation of foreign currency financial statements	(1,556,935.43)	1,457,765.86				874,163.62	583,602.24	(682,771.81)
Total other comprehensive income	(1,556,935.43)	1,457,765.86				874,163.62	583,602.24	(682,771.81)

Other explanations, including the adjustment of the effective part of the cash flow hedging gains and losses transferred to the initial recognized amount of the hedged item:

## 58. Special reserve

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
------	-------------------	----------------------------	----------------------------	-----------------

Other description, including current increase/decrease and change reasons:

## 59. Surplus reserve

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
Statutory surplus reserves	420,212,778.13			420,212,778.13
Total	420,212,778.13			420,212,778.13

Description of surplus reserves, including current increase/decrease and change reasons:

## 60. Undistributed profit

Unit: yuan

Item	Current period	Prior period
Undistributed profit at the end of previous period before adjustment	5,538,135,285.97	5,126,630,011.14
Total undistributed profits at the beginning of the adjustment period (+ for increase and - for decrease)		(60,128,638.03)
Undistributed profits at the beginning of the period after adjustment	5,538,135,285.97	5,066,501,373.11
Plus: Net profits attributable to the owners of parent company in the current period	892,823,503.14	1,239,320,067.26
Common stock dividends payable	377,763,884.10	767,686,154.40
Undistributed profits at the end of the period	6,053,194,905.01	5,538,135,285.97

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

- 1) Due to retroactive adjustment of Accounting Standards for Business Enterprises and relevant new regulations, RMB0.00 of the undistributed profit at the beginning of the period was affected.
- 2) Due to the change of accounting policy, RMB0.00 of the undistributed profit at the beginning of the period was affected.
- 3) Due to the correction of major accounting errors, RMB0.00 of the undistributed profit at the beginning of the period was affected.
- 4) Due to the change of consolidation scope caused by the same control, RMB0.00 of the undistributed profit at the beginning of the period was affected.
- 5) RMB0.00 of the undistributed profit at the beginning of the period was affected by the total amount of other adjustments

## 61. Revenue and cost

Unit: yuan

Item	Amount incurred in current period		Amount incurred in previous period	
	Income	Cost	Income	Cost
Main business	5,113,877,083.65	2,613,729,979.52	4,015,254,836.74	1,899,194,820.44
Other businesses	44,067,412.07	26,826,584.12	44,610,818.18	22,594,882.03
Total	5,157,944,495.72	2,640,556,563.64	4,059,865,654.92	1,921,789,702.47

Income related information:

Unit: yuan

Contract classification	Medical consumables (segment 1)	Healthy consumer goods (segment 2)		Total
Type of goods				
Including:				
Main business	3,232,806,937.04	1,881,070,146.61		5,113,877,083.65
Other businesses	44,067,412.07			44,067,412.07
Classified by operating area				
Including:				
Domestic sales	2,530,164,761.53	1,881,070,146.61		4,411,234,908.14
Overseas sales	746,709,587.58			746,709,587.58
Type of markets or clients				
Including:				
Type of contracts				
Including:				
Sorted by time of goods transfer				
Including:				
Sorted by contract duration				
Including:				
Sorted by sales channels				
Including:				
Total				

Information related to performance obligations:

NA

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

The amount of income corresponding to the performance obligations signed but not yet performed or completed at the end of this reporting period is RMB0.00, of which RMB0.00 is expected to be recognized as revenue in year, RMB0.00 is expected to be recognized as revenue in year, and RMB0.00 is expected to be recognized as revenue in year.

Other description

## 62. Taxes and surcharges

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Urban maintenance and construction tax	18,495,175.61	13,351,264.31
Education surcharge	8,259,222.82	6,083,856.56
Housing property tax	4,020,316.15	4,009,111.81
Land use tax	1,666,760.16	3,601,190.09
Vehicle and vessel use tax	8,823.96	5,699.53
Stamp duty	3,124,207.56	1,751,155.99
Surcharge for local education	5,505,078.38	4,282,630.01
Environmental protection tax	79,776.79	71,770.68
Total	41,159,361.43	33,156,678.98

Other description:

NA

## 63. Sales expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	322,603,966.58	229,922,405.33
Travel expenses	3,848,684.40	5,786,992.03
Office communication costs	8,396,979.22	3,075,901.11
Sales commission	118,542,577.52	98,622,807.60
Insurance premiums	3,018,944.71	2,574,426.91
Depreciation and amortization	156,566,925.78	113,209,102.14
Advertising and promotion expenses	235,198,138.16	233,984,397.50
Rent	66,454,933.41	85,737,804.97
Other	35,540,974.96	52,891,982.98
Total	950,172,124.74	825,805,820.57

Other description:

NA

## 64. Administrative expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	153,347,954.56	102,543,267.30
Equity incentive fee	42,396,249.94	142,429,497.69
Depreciation and amortization charge	31,523,347.61	17,278,124.21
Consultant and intermediary service fees	17,011,517.75	5,420,967.74
Maintenance cost	15,965,110.27	7,113,384.60
Communication and network services, cloud service fees, etc.	10,844,678.10	27,088,830.21
Water/electricity fee	4,826,421.80	2,270,363.17
Material consumption	2,583,067.32	2,792,481.93
Recruitment fee	2,138,742.55	1,834,795.43

Other	44,754,793.42	1,880,839.36
<b>Total</b>	<b>325,391,883.32</b>	<b>310,652,551.64</b>

Other description

**65. R&D expenses**

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	80,616,282.16	60,924,410.97
Depreciation and amortization	9,034,205.00	8,456,760.23
Material	97,340,715.49	81,191,111.26
Other miscellaneous expenses	51,653,295.97	39,344,983.01
<b>Total</b>	<b>238,644,498.62</b>	<b>189,917,265.47</b>

Other description

NA

**66. Financial expenses**

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Interest expenditure	5,765,880.43	379,713.89
Interest expense of lease liabilities	13,353,482.15	13,560,020.61
Less: Interest revenue	62,087,089.05	35,424,028.29
Exchange gain or loss	(31,671,165.22)	8,101,623.57
Other	1,019,739.35	766,213.42
<b>Total</b>	<b>(73,619,152.34)</b>	<b>(12,616,456.80)</b>

Other description

**67. Other incomes**

Unit: yuan

Other sources of income	Amount incurred in current period	Amount incurred in previous period
Government subsidies	28,747,393.29	86,754,859.99

**68. Investment income**

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Long-term equity investment gains measured by employing the equity method	2,408,209.89	1,655,597.53
Investment income from purchasing financial products	29,043,980.01	48,417,662.28
<b>Total</b>	<b>31,452,189.90</b>	<b>50,073,259.81</b>

Other description

NA

**69. Net exposure hedging**

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
------	-----------------------------------	------------------------------------

Other description

**70. Income from changes in fair value**

Unit: yuan

Sources of gains from fair value change	Amount incurred in current period	Amount incurred in previous period
Income from structured deposits of bank financial products and trust products	35,182,098.83	31,408,220.30

Total	35,182,098.83	31,408,220.30
-------	---------------	---------------

Other description:

NA

**71. Credit impairment Loss**

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Loss on bad debts of other receivables	571,417.02	13,360,426.19
Loss on bad debts of accounts receivable	(8,320,585.13)	(1,552,019.48)
Total	(7,749,168.11)	11,808,406.71

Other description

The credit impairment loss cannot be cross-checked with the provision for bad debts and the provision for bad debts reversed in the current period in the notes of other receivables and accounts receivable. The difference is mainly due to the impact of the balance of bad debt provision on the purchase date of Longterm Health and Guilin Latex, which were newly included in the scope of consolidation in the current period.

**72. Assets impairment losses**

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
II. Inventory falling price loss and impairment loss of contract performance costs	(71,699,155.49)	(52,186,443.71)
V. Impairment loss of fixed assets	(1,346,409.85)	(8,411,088.88)
Total	(73,045,565.34)	(60,597,532.59)

Other description:

**73. Gains from asset disposal**

Unit: yuan

Source of income from disposal of assets	Amount incurred in current period	Amount incurred in previous period
Loss on disposal of non-current assets	(547,132.74)	(37,621.25)
Including: Loss on disposal of fixed assets	(547,132.74)	(37,621.25)

**74. Non-operating income**

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period	Amounts recorded in the non-recurring gains and losses of the current period
Government subsidies	8,545.43	36,262.29	8,545.43
Non-current assets scrap gains	755,380.00	14,489.12	755,380.00
Income from compensation or fines	509,551.22	498,130.83	509,551.22
Other	879,459.00	1,790,581.70	879,459.00
Total	2,152,935.65	2,339,463.94	2,152,935.65

Government subsidies recorded in current profit and loss

Unit: yuan

Subsidized project	Granting subject	Granting reason	Type of nature	Whether the subsidy affects the profit and loss of current year	Special subsidy or not	Amount incurred in current period	Amount incurred in previous period	Asset/income related
--------------------	------------------	-----------------	----------------	---	------------------------	-----------------------------------	------------------------------------	----------------------

Other description:

**75. Non-operating expenses**

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period	Amounts recorded in the non-recurring gains and losses of the current period
External donations	956,452.02	208,387.94	956,452.02
Loss on damage and scrap of non-current assets	2,609,947.50	7,968,231.63	2,609,947.50
Including: Loss on scrap of fixed assets	2,609,947.50	7,968,231.63	2,609,947.50
Other	5,067,322.57	326,184.85	5,067,322.57
<b>Total</b>	<b>8,633,722.09</b>	<b>8,502,804.42</b>	<b>8,633,722.09</b>

Other description:

**76. Income tax expenses****(1) Income tax expense table**

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Current income tax expenses	158,472,538.37	152,217,622.09
Deferred income tax expenses	(12,007,847.00)	(15,926,486.89)
Adjustment of the previous annual income tax amount in the current period	(794,409.03)	6,995,272.56
<b>Total</b>	<b>145,670,282.34</b>	<b>143,286,407.76</b>

**(2) Accounting profit and income tax expense adjustment process**

Unit: yuan

Item	Amount incurred in current period
Total profit	1,043,198,245.70
Income tax expenses calculated at the appropriate/applicable tax rate	156,479,736.86
Impact of different tax rates applied on subsidiaries	(8,373,278.31)
Impact of income tax before adjustment	(794,409.03)
Impact of non-deductible costs, expenses and losses	8,252,480.79
Impact of deductible losses on unrecognized deferred income tax assets in the prior period	-123,722.20
Impact of temporary difference or deductible losses on unrecognized deferred income tax assets in the current period	13,599,533.22
Impact of weighted deduction of R&D costs	-23,370,058.99
<b>Income tax expenses</b>	<b>145,670,282.34</b>

Other description:

NA

**77. Other comprehensive income**

See Note 57 for details

**78. Cash flow statement items****(1) Other cash received related to operating activities**

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Deposit, margin and quality guarantee deposit received	14,529,056.53	5,168,682.39
Interest income received	7,191,289.35	35,424,028.29

Government subsidies received	18,335,704.11	107,535,255.10
Other	16,052,169.59	2,288,712.53
<b>Total</b>	<b>56,108,219.58</b>	<b>150,416,678.31</b>

Explanation on other cash received related to operating activities:

## (2) Other cash paid related to operating activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Management and development costs paid in cash	130,183,042.11	40,188,212.76
Selling expenses paid in cash	117,260,516.70	146,432,180.23
Deposit, margin and quality guarantee deposit paid	16,980,843.60	36,326,773.36
Bank handling charge	1,019,739.35	766,213.42
Other	101,105,657.83	63,370,409.09
<b>Total</b>	<b>366,549,799.59</b>	<b>287,083,788.86</b>

Description of other cash paid related to operating activities

## (3) Other cash received related to investment activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
------	-----------------------------------	------------------------------------

Description of other cash received related to investment activities:

## (4) Other cash paid related to investment activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
------	-----------------------------------	------------------------------------

Description of other cash paid related to investment activities:

## (5) Other cash received related to financing activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
------	-----------------------------------	------------------------------------

Description of other cash received related to financing activities:

## (6) Other cash paid related to financing activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Lease liability principal and interest paid on lease payments	128,085,353.13	103,492,521.01
Treasury stock repurchase paid	242,090,367.43	
L/C loan deposit paid	50,000,000.00	
<b>Total</b>	<b>420,175,720.56</b>	<b>103,492,521.01</b>

Description of other cash paid related to financing activities:

## 79. Further information on cash flow statement

### (1) Further information on cash flow statement

Unit: yuan

Further information	Current amount	Last term amount
1. Reconciliation from net profits to cash flows from operating activities		
Net profit	897,527,963.36	761,119,937.32
Plus: Provision for impairment of assets	80,794,733.45	48,789,125.89
Depreciation of fixed assets, oil and gas assets and productive biological assets	84,546,487.61	79,903,000.47
Depreciation of Right-of-use assets	114,777,463.11	99,318,820.49

Amortization of intangible assets	11,264,308.35	4,688,455.41
Amortization of long-term deferred expenses	34,480,229.33	25,521,431.94
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains expressed with “-”)	547,132.74	37,621.25
Loss on retirement of fixed assets (gains expressed with “-”)	1,854,567.50	7,968,231.63
Loss from fair value change (gains expressed with “-”)	(35,182,098.83)	(31,408,220.30)
Financial expenses (gains expressed with “-”)	(63,381,020.43)	13,939,734.50
Investment losses (gains expressed with “-”)	(31,452,189.90)	(50,073,259.81)
Decreased in deferred income tax assets (increase expressed with “-”)	(10,159,727.35)	(6,463,163.49)
Increase in deferred income tax liabilities (decrease expressed with “-”)	(1,977,084.09)	1,307,851.74
Decrease in inventories (increase expressed with “-”)	(61,057,169.21)	(100,165,058.76)
Decrease in operating receivables (increase expressed with “-”)	(395,035,590.30)	(202,353,385.01)
Increase in operating payables (decrease expressed with “-”)	141,628,284.84	(606,929,030.07)
Other	31,974,609.20	152,402,772.57
Net cash flow from operating activities	801,150,899.38	197,604,865.77
2. Significant investment and financing activities not involving cash deposit and withdrawal		
Conversion of debt into capital		
Convertible bonds due within 1 year		
Fixed assets under financing lease		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	4,143,545,526.92	4,660,333,761.86
Less: Beginning balance of cash	4,088,612,262.04	4,149,734,694.38
Plus: Ending balance of cash equivalents		
Less: Ending balance of cash equivalents		
Net increase in cash and cash equivalents	54,933,264.88	510,599,067.48

**(2) Net cash paid for obtaining subsidiaries in current period**

Unit: yuan

	Amount
Cash or cash equivalents paid in the current period for business combinations occurred in current period	1,177,540,000.00
Including:	
Longterm Medical	727,540,000.00
Guilin Latex	450,000,000.00
Less: Cash and cash equivalents held by the company on the acquisition date	173,677,127.71
Including:	
Longterm Medical	57,724,670.60



Guilin Latex	115,952,457.11
Including:	
Net cash paid for obtaining subsidiaries	1,003,862,872.29

Other description:

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

Unit: yuan

	Amount
Cash or cash equivalents received by disposal of subsidiaries in the current period	39,868.87
Including:	
Mifu Shanghai	39,868.87
Less: Cash and cash equivalents held by the company on the date of losing the control right	39,868.87
Including:	
Mifu Shanghai	39,868.87
Including:	
Net cash from disposal of subsidiaries	0.00

Other description:

### (4) Composition of cash and cash equivalents

Unit: yuan

Item	Closing Balance	Beginning balance
I. Cash	4,143,545,526.92	4,088,612,262.04
Including: cash on hand	125,582.80	65,897.39
Bank deposit readily available for payment	4,143,197,161.70	4,088,546,364.65
Other monetary capital readily available for payment	222,782.42	
III. Balance of cash and cash equivalents at end of period	4,143,545,526.92	4,088,612,262.04

Other description:

### 80. Notes to items in statement of owner's equity

State the name of "other" items and the amount of adjustment to the ending balance of previous year:

Not applicable.

### 81. Assets with ownership or use rights restricted

Unit: yuan

Item	Ending book value	Causes for restriction
Monetary capital	70,122,981.84	For details, see Section X. Financial Statements "\7. Notes to consolidated financial statements \1. Monetary Funds".
Fixed assets	6,320,201.24	For details, please refer to Section X. Financial Statements "\XVI. Other Important Issues \7. Other Important Transactions and Events that Affect Investors' Decisions 1. Urban Renewal Project of Winner Industrial Park".
Total	76,443,183.08	

Other description:

**82. Foreign currency monetary items****(1) Foreign currency monetary items**

Unit: yuan

Item	Ending balance in foreign currency	Conversion exchange rate	Ending balance converted to RMB
Monetary capital			313,057,448.52
Including: USD	43,410,193.68	6.7114	291,343,173.86
EUR	816,600.39	7.0084	5,723,062.17
HKD	18,581,344.23	0.8552	15,890,765.59
Yen	97,323.00	0.0491	4,778.56
Ringgit	62,733.34	1.5250	95,668.34
Accounts receivable			254,102,893.25
Including: USD	36,147,256.23	6.7114	242,598,695.46
EUR	1,024,452.51	7.0084	7,179,772.97
HKD	5,048,285.94	0.8552	4,317,294.14
Yen	145,227.73	0.0491	7,130.68
Long-term loans			
Including: USD			
EUR			
HKD			
Other receivables			7,041,898.35
Including: USD	62,500.00	6.7114	419,462.50
HKD	7,743,727.61	0.8552	6,622,435.85
Accounts payable			1,681,802.35
Including: USD	66,588.65	6.7114	446,903.07
EUR	119,403.49	7.0084	836,827.42
HKD	446,151.00	0.8552	381,548.34
Yen	336,528.00	0.0491	16,523.52
Other payables			45,095,601.17
Including: USD	5,578,404.06	6.7114	37,438,901.01
EUR	28,890.51	7.0084	202,476.25
HKD	8,716,351.63	0.8552	7,454,223.91

Other description:

NA

**(2) Description of overseas operating entities, including for important overseas operating entities, the main overseas business place, recording currency and selection basis shall be disclosed, and the reasons for changes in recording currency shall also be disclosed.** Applicable  Not applicable**83. Hedge**

Disclose the qualitative and quantitative information of hedging items, related hedging instruments and hedged risks according to the hedging category:

**84. Government subsidies****(1) Basic information of government subsidies**

Unit: yuan

Type	Amount	Presented item	Amount recorded in current profit and loss
1. Government subsidies related to assets			
Subsidy of 2014 Hubei provincial science and technology support plan project (the second batch) - Huanggang Winner	1,500,000.00	Deferred income	75,000.00
Subsidy for Huanggang Chibi Avenue demolition company planning change - Huanggang Winner	3,169,359.20	Deferred income	52,822.64
Second batch of traditional industry transformation subsidy in 2017 - Huanggang Winner	1,900,000.00	Deferred income	104,587.14
First batch of traditional subsidies in 2019 - Huanggang Winner	1,210,000.00	Deferred income	60,500.00
Municipal Economic and Information Bureau on the issuance of emergency material support system construction technical transformation special subsidy - Huanggang Winner	1,440,000.00	Deferred income	375,648.00
Production subsidy for COVID-19 epidemic prevention materials in 2020 - Huanggang Winner	11,400,000.00	Deferred income	3,420,000.00
Subsidy for purchasing equipment in key enterprise "Three Batches" at provincial levels - Huanggang Winner	9,370,000.00	Deferred income	2,522,692.27
2020 special funds for the high-quality development of manufacturing - Huanggang Winner	3,000,000.00	Deferred income	168,224.30
2021 urban technical transformation fund - Huanggang Winner	1,050,000.00	Deferred income	56,250.00
Technology Center R & D project subsidy - the Company	4,070,932.05	Deferred income	106,394.88
Automatic transformation of surgical consumables production line - the Company	1,860,000.00	Deferred income	93,000.00
20180311 Subsidies for research, science and innovation on the technology of thermo-responsive self-curing wound regeneration and repair materials - the Company	1,200,000.00	Deferred income	120,377.36
2020 technical transformation project of Shenzhen COVID-19 epidemic prevention and control key material production enterprises - the Company	20,000,000.00	Deferred income	1,000,000.00

Technical innovation subsidy for the Purcotton Phase II Expansion Project - Jingmen Winner	4,755,300.00	Other incomes	83,183.10
2021 equipment subsidies during the COVID-19 pandemic - Jingmen Winner	6,800,000.00	Deferred income	850,000.00
Key technical reform and expansion project (cotton spunlunge wipes production line project) - Tianmen Winner	1,000,000.00	Deferred income	54,054.00
Production line project with an annual output of 120 million bales of cotton fabric in 2017 - Tianmen Winner	930,000.00	Deferred income	53,653.86
Provincial traditional industry transformation and upgrading special funds for the first batch of block funds allocation plan in Tianmen City in 2019 - Tianmen Winner	1,320,000.00	Deferred income	68,275.86
Annual equipment investment subsidies (Spunlace Phase III) - Tianmen Winner	15,000,000.00	Deferred income	0.00
Key technical transformation and expansion projects (Spunlace production line project Phase II) - Tianmen Winner	1,000,000.00	Deferred income	49,999.98
Project on implementing the technical reformation policy of "Zero Land" in Wuhan and the municipal industrial investment and technical transformation special fund project of Bureau for Science, Technology and Economic Information Technology of Xinzhou District - Wuhan Winner	8,000,000.00	Deferred income	291,144.36
Subsidy of COVID-19 epidemic prevention and control materials production enterprise for capacity expansion & technical upgrading project - Wuhan Winner	3,645,000.00	Deferred income	295,860.16
1 million provincial special funds for the development of manufacturing - Wuhan Winner	1,000,000.00	Deferred income	31,413.39
Received subsidies from the development of the central government emergency material security system for production capacity improvement - Wuhan Winner	1,600,000.00	Deferred income	2,740.44
Subsidy funds for municipal government project infrastructure construction - Chongyang Winner	12,406,500.00	Deferred income	206,775.00
Subsidies for first batch of technological transformation award of industrial enterprises	1,000,000.00	Deferred income	53,078.56

in 2018 - Chongyang Winner			
Surgical gown production line project subsidy - Chongyang Winner	4,000,000.00	Deferred income	216,216.22
Funds subsidy for purchasing epidemic prevention equipment in key enterprises of "Three Batches" - Chongyang Winner	5,590,000.00	Deferred income	281,848.74
Award for technical upgrading project - Chongyang Winner	600,000.00	Deferred income	32,727.27
2020 Provincial special funds for the high-quality development of manufacturing - Jiayu Winner	1,000,000.00	Deferred income	52,631.58
Subsidy funds for land and subsidy funds for sewage treatment - Jiayu Winner	11,265,000.00	Deferred income	203,416.66
Xianning finance provincial traditional industry transformation and upgrading fund - Jiayu Winner	1,480,000.00	Deferred income	26,428.57
2019 fund project of the transformation and upgrading of traditional industries - Jiayu Winner	750,000.00	Deferred income	13,392.85
Other	7,718,055.23	Deferred income	749,111.08
Total	152,030,146.48		11,771,448.26
2. Government subsidies related to income			
0117 2021 Tax fee refund received - the Company	453,393.92	Other incomes	453,393.92
0111 Special fund for scientific and technological innovation received - the Company	429,537.00	Other incomes	429,537.00
0111 2021 Special fund by Longhua District for industry development received - The first batch in 2020 - the Company	801,294.00	Other incomes	801,294.00
0111 2021 Special fund by Longhua District for industry development received - The second batch in 2019 - the Company	457,735.00	Other incomes	457,735.00
0330 Subsidy by the Information Technology Bureau for the single champion of manufacturing received - the Company	2,000,000.00	Other incomes	2,000,000.00
0425 Special subsidy against epidemic by Shenzhen Institute of Advanced Technology received - the Company	750,000.00	Other incomes	750,000.00
0428 Special fund by Shenzhen Longhua District Science and Technology Innovation Bureau for scientific and technological innovation received - the Company	489,000.00	Other incomes	489,000.00
0531 Subsidy by Commerce Bureau of Shenzhen	1,540,000.00	Other incomes	1,540,000.00

Municipality for a premium from Jan. to Jun. in 2021 received - the Company			
0628 2022 Special fund for the development of epidemic prevention industry received - the Company	137,900.00	Other incomes	137,900.00
Xinjiang Finance - Subsidies for shipping cotton out of Xinjiang - Huanggang Winner	675,700.00	Other incomes	675,700.00
Award for high-tech enterprise - Tianmen Winner	200,000.00	Other incomes	200,000.00
2021 Subsidies for shipping cotton out of Xinjiang - Tianmen Winner	253,300.00	Other incomes	253,300.00
Subsidy for no shutdown and early resumption of work during the 2022 Spring Festival - Tianmen Winner	206,100.00	Other incomes	206,100.00
Tax Contribution Award - Chongyang Winner	500,000.00	Other incomes	500,000.00
Social security subsidies for people with enterprise employment difficulty - Chongyang Winner	602,114.00	Other incomes	602,114.00
Export Performance Award - Chongyang Winner	276,900.00	Other incomes	276,900.00
Overtime subsidy for enterprise during the Spring Festival - Chongyang Winner	254,500.00	Other incomes	254,500.00
Special fund by the central government for foreign trade development - Chongyang Winner	200,000.00	Other incomes	200,000.00
Recruitment of key groups for employment - Chongyang Winner	514,800.00	Other incomes	514,800.00
Incentive funds for scientific and technological innovation (Municipal-level joint innovation by enterprise and university / Transformation of scientific and technological achievements) - Jiayu Winner	325,000.00	Other incomes	325,000.00
2020 Incentive funds for invisible champion enterprise in Jiayu county - Jiayu Winner	100,000.00	Other incomes	100,000.00
Special fund by Longhua District Industry and Information Technology Bureau for industry development - PurCotton	1,192,300.00	Other incomes	1,192,300.00
Other	4,616,371.11	Other incomes	4,616,371.11
Total	16,975,945.03		16,975,945.03

**(2) Return of government subsidies**

Applicable  Not applicable

Other description:

## 85. Other

## VIII. Consolidation scope changes

## 1. Business combination not under common control

## (1) Business combination not under common control occurred in current period

Unit: yuan

Name of the acquiree	Time of equity acquisition	Cost of equity acquisition	Equity acquisition ratio	Method of equity acquisition	Acquisition date	Basis for determination of acquisition date	Income of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period
Zhejiang Longterm Medical Technology Co., Ltd.	April 30, 2022	727,540,000.00	55.00%	Acquisition	April 30, 2022	Actual control right obtained	86,191,160.11	8,898,577.33
Winner Guilin Latex Co., Ltd.	June 30, 2022	450,000,000.00	100.00%	Acquisition	June 30, 2022	Actual control right obtained	0.00	0.00

Other description:

The net profit of Zhejiang Longterm Medical Technology Co., Ltd. from the purchase date to the end of the period is the net profit of the acquiree calculated continuously based on the fair value of identifiable net assets on the purchase date (April 30, 2022)

## (2) Combination cost and goodwill

Unit: yuan

Combination cost	Longterm Medical	Guilin Latex
--Cash	727,540,000.00	450,000,000.00
--Fair value of non-cash assets		
--Fair value of debt issued or assumed		
--Fair value of equity securities issued		
--Fair value of contingent consideration		
--Fair value of the equity held prior to the purchase date on the purchase date		
--Others		
Total combination cost	727,540,000.00	450,000,000.00
Loss: the share of the fair value of identifiable net assets acquired	337,122,142.50	251,532,486.32
The amount of goodwill / combination cost less than the share of the fair value of identifiable net assets acquired	390,417,857.50	198,467,513.68

Determination method of fair value of combination cost, contingent consideration and explanation of its changes:

Not applicable.

Main reasons for the formation of large amount of goodwill:

Other description:

NA

## (3) Identifiable assets and liabilities of the acquiree on the acquisition date

Unit: yuan

	Longterm Medical		Guilin Latex	
	Fair value on the acquisition date	Book value on the acquisition date	Fair value on the acquisition date	Book value on the acquisition date
Assets:	<b>1,000,483,007.30</b>	<b>691,579,798.72</b>	<b>427,163,795.13</b>	<b>289,256,819.04</b>
Monetary capital	68,842,612.15	68,842,612.15	115,952,457.11	115,952,457.11
Accounts receivable payments	69,693,735.14	69,693,735.14	9,223,748.32	9,223,748.32

Inventory	83,199,252.80	76,423,001.15	83,232,113.75	71,013,902.10
Fixed assets	373,892,189.76	364,324,320.78	56,493,495.59	34,935,720.80
Intangible assets	343,100,504.54	50,178,817.10	147,365,520.92	43,234,531.27
Long-term unamortized expenses	2,531,712.35	2,894,311.84		
Other assets	59,223,000.56	59,223,000.56	14,896,459.44	14,896,459.44
<b>Debt:</b>	<b>387,533,657.30</b>	<b>341,198,176.02</b>	<b>175,631,308.81</b>	<b>154,945,262.40</b>
Loan	176,996,912.90	176,996,912.90	0.00	
Account payable payments	43,109,810.82	43,109,810.83	20,528,701.09	20,528,701.09
Deferred income tax liabilities	46,335,481.29	0.00	20,686,046.41	0.00
Notes payable	56,030,000.00	56,030,000.00	0.00	0.00
Contract liabilities	16,984,188.90	16,984,188.90	48,572,857.70	48,572,857.70
Other debts	48,077,263.39	48,077,263.39	85,843,703.61	85,843,703.61
<b>Net assets</b>	<b>612,949,350.00</b>	<b>350,381,622.70</b>	<b>251,532,486.32</b>	<b>134,311,556.64</b>
Loss: Minority equity	275,827,207.50	157,671,730.22	0.00	0.00
<b>Net assets acquired</b>	<b>337,122,142.50</b>	<b>192,709,892.49</b>	<b>251,532,486.32</b>	<b>134,311,556.64</b>

Determination method of fair value of identifiable assets and liabilities:

Contingent liabilities of the acquiree incurred in business combination

Not applicable.

Other description:

**(4) Gains or losses arising from remeasurement of equity held prior to the acquisition date at fair value**

Whether there are transactions that realize the business combination step by step through multiple transactions and obtain control right during the reporting period

Yes No

**(5) Relevant description of the combination consideration or the fair value of the identifiable assets and liabilities of the acquiree that cannot be reasonably determined on the acquisition date or at the end of current period of the combination**

**(6) Other description**

**2. Business combination under common control**

**3. Reverse purchase**

Basic information of transaction, basis of transaction forming reverse purchase, whether the assets and liabilities retained by the listed company constitute business and their basis, determination of combination cost, amount and calculation of adjusted equity in accordance with equity transaction:

**4. Disposal of subsidiary**

Whether there is a single disposal of investment in subsidiaries, i.e. loss of control right

Yes No

Whether there is a situation that the investment in subsidiaries is disposed step by step through multiple transactions and the control right is lost in current period

Yes No

**5. Change of merger scope for other reasons**

Explain the changes in the scope of combination caused by other reasons (such as the establishment of new subsidiaries, liquidation of subsidiaries, etc.) and relevant information:

Pure HB (Shanghai) was deregistered on February 21, 2022.

**6. Other**

NA



## IX. Interests in other entities

### 1. Interests in a subsidiary

#### (1) Composition of enterprise group

Subsidiary name	Main operation site	Registration place	Business nature	Shareholding ratio		Way of obtaining
				Direct	Indirect	
Shenzhen Purcotton	Shenzhen City, Guangdong Province	Shenzhen City, Guangdong Province	Sale of Purcotton products	100.00%		Establishment
Beijing Purcotton	Beijing	Beijing	Sale of Purcotton products		100.00%	Establishment
Guangzhou Purcotton	Guangzhou City, Guangdong Province	Guangzhou City, Guangdong Province	Sale of Purcotton products		100.00%	Establishment
Shanghai Purcotton	Shanghai	Shanghai	Sale of Purcotton products		100.00%	Establishment
Qianhai Purcotton	Shenzhen City, Guangdong Province	Shenzhen City, Guangdong Province	Sale of Purcotton products		100.00%	Establishment
Winner Medical (Huanggang)	Huanggang City, Hubei Province	Huanggang City, Hubei Province	Production and sales of cotton spun laced non-woven fabric, medical consumables and Purcotton products	100.00%		Business combination under common control
Winner Medical (Jingmen)	Jingmen City, Hubei Province	Jingmen City, Hubei Province	Production and sales of medical consumables and Purcotton products	100.00%		Business combination under common control
Winner Medical (Chongyang)	Chongyang County, Hubei Province	Chongyang County, Hubei Province	Production and sales of medical consumables	100.00%		Business combination under common control
Winner Medical (Jiayu)	Jiayu County, Hubei Province	Jiayu County, Hubei Province	Production and sales of medical consumables and Purcotton products	100.00%		Business combination under common control
Winner Medical (Yichang)	Zhijiang City, Hubei Province	Zhijiang City, Hubei Province	Production and sales of medical gray cloth	100.00%		Business combination under common control
Winner Medical (Tianmen)	Tianmen City, Hubei Province	Tianmen City, Hubei Province	Production and sales of cotton spun laced non-woven fabric and Purcotton products	100.00%		Business combination under common control
Winner Medical (Hong Kong)	Hong Kong	Hong Kong	Sales of medical consumables and consumer goods	60.00%		Business combination under common control
Winner (Huanggang) Cotton	Huanggang City, Hubei Province	Huanggang City, Hubei Province	Cotton trade		100.00%	Business combination under common control
Winner Medical	Malaysia	Malaysia	There is no	100.00%		Business

Malaysia			actual business operation			combination not under common control
Winner Medical (Heyuan)	Heyuan City, Guangdong Province	Heyuan City, Guangdong Province	There is no actual business operation at present	100.00%		Establishment
Winner Medical (Wuhan)	Wuhan City, Hubei Province	Wuhan City, Hubei Province	Production and sterilization of cotton spun laced non-woven fabric and Purcotton products	100.00%		Establishment
PureH2B	Shenzhen City, Guangdong Province	Shenzhen City, Guangdong Province	Sales of personal care and other products	100.00%		Establishment
Purunderwear	Shenzhen City, Guangdong Province	Shenzhen City, Guangdong Province	Sales of Cotton Lining products	100.00%		Establishment
Huanggang Purcotton	Huanggang City, Hubei Province	Huanggang City, Hubei Province	Sale of Purcotton products		100.00%	Establishment
Longterm Medical	Huzhou, Zhejiang	Huzhou, Zhejiang	Production and sales of medical consumables	55.00%		Business combination not under common control
Hangzhou Shengyi	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Technology promotion and application service industry		55.00%	Business combination not under common control
Xi'an Long Temu	Xi'an, Shaanxi	Xi'an, Shaanxi	Software and Information Technology Services Industry		55.00%	Business combination not under common control
Deqing Longterm	Deqing, Zhejiang	Deqing, Zhejiang	Rubber and plastic products industry		55.00%	Business combination not under common control
United States Longterm	Georgia, United States	Georgia, United States	No business yet		55.00%	Business combination not under common control
Guilin Latex	Guilin, Guangxi	Guilin, Guangxi	Rubber products	100.00%		Business combination not under common control

Difference between the shareholding ratio and the voting right ratio in the subsidiary:

Not applicable.

Basis for holding half or less of the voting rights but still controlling the invested entity, and holding more than half of the voting rights but not controlling the invested entity:

Not applicable.

For the important structured entity included in the combination scope, the control basis is as follows:

Basis for determining whether the company is an agent or a principal:

Other description:

**(2) Important non-wholly owned subsidiary**

Unit: yuan

Subsidiary name	Minority shareholding ratio	Current profits and losses attributable to minority shareholders	Current dividends declared to minority shareholders	Ending balance of minority equity
-----------------	-----------------------------	--	---	-----------------------------------

Difference between the shareholding ratio and the voting right ratio of the minority shareholders of the subsidiary:

Not applicable.

Other description:

Not applicable.

**(3) Main financial information of important non-wholly owned subsidiaries**

Unit: yuan

Subsidiary name	Closing 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

Unit: yuan

Subsidiary name	Amount incurred in current period				Amount incurred in previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from financing activities	Operating income	Net profit	Total comprehensive income	Cash flow from financing activities

Other description:

**(4) Major restrictions on the use of enterprise group assets and the settlement of enterprise group debts**

Not applicable.

**(5) Financial or other support provided to structured entity included in the consolidated financial statements**

Not applicable.

Other description:

Not applicable.

**2. Transactions in which the share of ownership interest in a subsidiary changes and the subsidiary is still controlled****(1) Description of changes in the owner's equity share in the subsidiary**

Not applicable.

**(2) Impact of transactions on minority shareholders' equity and owners' equities attributable to the owners of parent company**

Unit: yuan

Purchase cost / Disposal consideration	
--Cash	
--Fair value of non-cash assets	
Total purchase cost / Disposal consideration	
Loss: The share of the net asset of a subsidiary calculated based	

on the proportion of equity acquired/disposed	
Balance	
Including: Capital reserve adjusted	
Surplus reserve adjusted	
Undistributed profit adjusted	

Other description

Not applicable.

### 3. Equity in joint venture arrangement or joint venture

#### (1) Important cooperative enterprises or joint ventures

Important cooperative enterprises or joint ventures	Main operation site	Registration place	Business nature	Shareholding ratio		Accounting treatment method of investment in cooperative enterprises or joint ventures
				Direct	Indirect	

Difference between the shareholding ratio and the voting right ratio in the cooperative enterprise or joint venture:

Not applicable.

Basis for holding less than 20% of the voting rights but having a significant impact, or holding 20% or more of the voting rights but not having a significant impact:

Not applicable.

#### (2) Major Financial Information about Important Cooperative Enterprises

Unit: yuan

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in previous period
Current assets		
Including: Cash and cash equivalents		
Non-current assets		
Total assets		
Current liabilities		
Non-current liabilities		
Total liabilities		
Minority equity		
Attributable to the parent company shareholders' equity		
Share of net assets by shareholding ratio		
Adjustment items		
--Goodwill		
--Unrealized profit of internal transaction		
--Others		
Book value of equity investments in joint ventures		
The fair value of equity investments in joint ventures with publicly quoted prices		
Operating income		
Financial expenses		
Income tax expenses		
Net profit		

Net profit of discontinued operation		
Other comprehensive income		
Total comprehensive income		
Dividends received from joint ventures in current year		

Other description

**(3) Major Financial Information About Important Jointly Operated Enterprises**

Unit: yuan

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in previous period
Current assets		
Non-current assets		
Total assets		
Current liabilities		
Non-current liabilities		
Total liabilities		
Minority equity		
Attributable to the parent company shareholders' equity		
Share of net assets by shareholding ratio		
Adjustment items		
--Goodwill		
--Unrealized profit of internal transaction		
--Others		
Book value of equity investments in cooperative enterprises		
Fair value of equity investments in cooperative enterprises with publicly quoted prices		
Operating income		
Net profit		
Net profit of discontinued operation		
Other comprehensive income		
Total comprehensive income		
Dividends received from cooperative enterprises in current year		

Other description

**(4) Summary of financial information of unimportant cooperative enterprises and joint ventures**

Unit: yuan

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in previous period
Cooperative enterprise:		
Total book value of investment	19,358,011.13	16,949,801.24
Total number of following items by shareholding ratio		
- Joint venture:		
Total number of following items by shareholding ratio		

- Net profit	2,408,209.89	3,525,570.83
- Total comprehensive income	2,408,209.89	3,525,570.83

Other description

**(5) Significant restrictions on the ability of cooperative enterprises and joint ventures to transfer funds to the Company**

Not applicable.

**(6) Excess losses of cooperative enterprise or joint venture**

Unit: yuan

Name of cooperative enterprise or joint venture	Accumulated unrecognized losses in the previous period	Unrecognized loss in current period (or net profit shared in current period)	Accumulated unrecognized losses at the end of current period
---	--	--	--

Other description

Not applicable.

**(7) Unconfirmed commitments related to investment in cooperative enterprise**

Not applicable.

**(8) Contingent liabilities related to investment in cooperative enterprise or joint venture**

Not applicable.

**4. Important pooling of interests**

Name of joint operation	Main operation site	Registration place	Business nature	Shareholding ratio / share enjoyed	
				Direct	Indirect

Difference between the shareholding ratio or share enjoyed and the voting right ratio in joint operation:

Not applicable.

If the joint operation is a separate entity, it shall be classified as the basis of joint operation:

Not applicable.

Other description

**5. Equity in the structured entity that is not included in the consolidated financial statements**

Description of structured entity not included in the consolidated financial statements

Not applicable.

**6. Other**

Not applicable.

**X. Risks associated with financial instruments**

The Company faces various financial risks in the process of operation: credit risk, market risk and liquidity risk. The board of directors of the Company is fully responsible for the determination of risk management objectives and policies and ultimately responsible for the risk management objectives and policies, provided that the board of directors has authorized the Company's internal audit department to design and implement procedures to ensure the effective implementation of risk management objectives and policies. The board reviews the effectiveness of the procedures implemented and the reasonableness of risk management objectives and policies through monthly reports submitted by the internal audit supervisor.

The overall objective of the Company's risk management is to develop risk management policies to minimize risk without overly affecting the Company's competitiveness and strain capacity.

**(I) Credit risk** refers to the risk of financial loss to the Company due to the failure of the counterparty to fulfill its contractual obligations.

The Company is mainly faced with the customer credit risk caused by credit sales. Prior to signing a new contract, the Company will assess the credit risk of a new customer, including external credit ratings and, in some cases, bank reference letter (when such information is available). The Company sets a credit sales limit for each customer, which is the maximum amount that does not require additional approval.

The Company ensures that the overall credit risk of the Company is under control by quarterly monitoring of the credit rating of existing customers and monthly review of the aging analysis of accounts receivable. When monitoring the credit risk of customers, they are grouped according to their credit characteristics. Customers rated as “high risk” are placed on the Restricted Customer List and can only be sold on credit for a future period with additional approval, or they must be required to pay in advance.

**(II) Liquidity risk** refers to the risk of capital shortage when the Company performs the obligation of settlement by cash payment or other financial assets. The Company’s policy is to ensure that there is sufficient cash to pay the debt due. Liquidity risk is centrally controlled by the Financial Department of the Company. By monitoring cash balances, securities that can be turned into cash at any time, and rolling forecasting of cash flows over the next 12 months, the Finance Department ensures that the Company has sufficient funds to repay its debts under all reasonable projections.

The Company’s various financial liabilities are shown as follows in terms of undiscounted contract cash flows on maturity dates:

Item	Closing Balance					
	Immediate repayment	Within 1 year	1-2 years	2-5 years	More than 5 years	Total
Short-term debt		1,141,476,733.93				1,141,476,733.93
Notes payable		146,065,963.57				146,065,963.57
Accounts payable		996,960,746.96				996,960,746.96
Other payables		451,898,553.42				451,898,553.42
Long-term loans			28,000,000.00			28,000,000.00
Lease liabilities		220,429,023.53	172,727,158.22	186,096,441.44		578,908,208.74
Total		2,956,831,021.41	200,727,158.22	186,096,441.44		3,343,310,206.62
Item	Beginning balance					
	Immediate repayment	Within 1 year	1-2 years	2-5 years	More than 5 years	Total
Notes payable		36,200,130.04				36,200,130.04
Accounts payable		734,521,490.60				734,521,490.60
Other payables		443,946,028.46				443,946,028.46
Lease liabilities		240,795,667.26	189,493,128.55	808,798,827.96		1,239,087,623.77
Total		1,455,463,316.36	189,493,128.55	808,798,827.96		2,453,755,272.87

### (III) Market risk

Market risk of financial instruments refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to the change of market price, including exchange rate risk, interest rate risk and other price risk.

#### 1. Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to the change of market interest rate.

The interest rate risk that the Company faces mainly comes from the bank's long-term borrowing.

## 2. Exchange rate risk

Exchange rate risk refers to the risk that the fair value or future cash flow of financial instruments fluctuates due to the change of foreign exchange rate.

The Company continuously monitors foreign currency transactions and the scale of foreign currency assets and liabilities to minimize foreign exchange risks. In addition, the Company may enter into forward foreign exchange contracts or currency exchange contracts to achieve the purpose of avoiding the exchange rate risk. The Company has not signed any forward foreign exchange contracts or currency swap contracts during the current period and the previous period.

The exchange rate risk faced by the Company mainly comes from financial assets and financial liabilities denominated in USD. The amounts of foreign currency financial assets and foreign currency financial liabilities converted into RMB are listed as follows:

Item	Closing Balance					
	USD	EUR	HKD	Yen	Ringgit	Total
Foreign currency financial assets						
Monetary capital	291,343,173.86	5,723,062.17	15,890,579.77	4,782.06	95,670.85	313,057,268.71
Accounts receivable	242,598,695.46	7,179,772.97	4,317,243.65	7135.91		254,102,847.99
Other receivables	419,462.50		6,622,358.41			7,041,820.91
Subtotal	534,361,331.82	12,902,835.14	26,830,181.83	11,917.97	95,670.85	574,201,937.61
Foreign currency financial liabilities						0.00
Accounts payable	446,903.07	836,827.42	381,543.87	16,535.64		1,681,810.00
Other payables	37,438,901.01	202,476.25	7,454,136.75			45,095,514.01
Subtotal	37,885,804.08	1,039,303.67	7,835,680.62	16,535.64	-	46,777,324.01
Net amount	496,475,527.74	11,863,531.47	18,994,501.21	(4,617.67)	95,670.85	527,424,613.60

On 30 June 2022, if the RMB appreciates or depreciates by 5% against USD / EUR / HKD / Yen / Ringgit, all other variables being held constant, the net profit of the Company will be reduced or increased by RMB22,683,384.59. Management considers that 5% is a reasonable reflection of the reasonable range of possible changes in RMB against USD.

## 3. Other price risks

Other price risks refer to the risks that the fair value or future cash flows of financial instruments fluctuate due to the changes in market prices other than exchange rate risk and interest rate risk.

## XI. Fair value disclosure

### 1. Ending fair value of assets and liabilities measured with fair value

Unit: yuan

Item	Closing fair value			
	Measurement of fair value at first level	Measurement of fair value at second level	Measurement of fair value at third level	Total
I. Continuous fair value measurement	--	--	--	--
(I) Trading financial assets		1,413,871,232.59	1,313,043,323.76	2,726,914,556.35
I. Financial assets measured with fair value and with the changes included in current profit		1,413,871,232.59	1,313,043,323.76	2,726,914,556.35



and loss				
(1) Debt instruments investment		1,413,871,232.59	1,313,043,323.76	2,726,914,556.35
(2) Amounts receivable financing		29,770,412.07		29,770,412.07
Total assets continuously measured at fair value		1,443,641,644.66	1,313,043,323.76	2,756,684,968.42
II. Non-continuous fair value measurement	--	--	--	--

2. **Continuous and non-continuous measurement items of fair value at first level and recognition basis for market price**
3. **Continuous and non-continuous measurement items of fair value at second level, qualitative and quantitative information on valuation techniques adopted and important parameters**
4. **Continuous and non-continuous measurement items of fair value at third level, qualitative and quantitative information on valuation techniques adopted and important parameters**
5. **Continuous measurement items of fair value at third level, adjustment information between opening and closing book value and sensitivity analysis of unobservable parameters**
6. **For continuous measurement items of fair value, if there is a conversion between different levels in current period, the reasons for the conversion and the policies for determining the conversion time point**
7. **Valuation technology change and reason of change in current period**
8. **Fair value of financial assets and financial liabilities not measured at fair value**
9. **Other**

## **XII. Related parties and connected transactions**

### **1. Parent company of the Company**

Parent company name	Registration place	Business nature	Registered capital	Shareholding ratio of the parent company in the Company	Voting right ratio of the parent company in the Company
Winner Group Limited	Cayman Islands	Equity investment and management business	HKD 1,143,000.00	68.10%	68.10%

Parent company of the Company

Winner Group Limited was incorporated in the Cayman Islands on April 8, 2003 with registration number 124887 and an authorized share capital of 360,000,000.00 shares with a nominal value of HKD 1 per share. 1,143,000 shares have been issued. The registered address is Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.

The ultimate controlling party of the Company is Li Jianquan.

Other description:

NA

### **2. Subsidiaries of the Company**

See Note "IX. Interests in other entities" for information on the subsidiaries of the Company.

### **3. Cooperative enterprises and joint ventures**

See Note "IX. Interests in other entities" for important cooperative enterprises or joint ventures of the Company.

Other cooperative enterprises or joint ventures that made related party transactions with the Company in the current period, or formed the balance of related party transactions with the Company in the previous periods are as follows:

Name of cooperative enterprise or joint venture	Relationship with the Company
Chengdu Winner	Joint venture

Other description

#### 4. Situation of other related parties

Name of other related parties	Relationship of other related parties with the Company
Sequoia Xinyuan	Shareholder of the Company, holding 6.83% of the Company's shares
Xiamen Leyuan Investment Partnership (limited partnership)	Shareholder of the Company, holding 4.14% of the Company's shares
Xiamen Yutong Investment Partnership (limited partnership)	Shareholder of the Company, holding 2.20% of the Company's shares
SCGC	Shareholder of the Company, holding 1.99% of the Company's shares
Xiamen Huikang Investment Partnership (limited partnership)	Shareholder of the Company, holding 1.33% of the Company's shares
Xiamen Zepeng Investment Partnership (limited partnership)	Shareholder of the Company, holding 0.68% of the Company's shares
Wuhan Zhuoling Packaging Co., Ltd. ((hereinafter referred to as "Wuhan Zhuoling"))	A company controlled by close family members of the Company's key managers
Glory Ray Holdings Limited	A company controlled by the actual controller
Shenzhen Breo Technology Co., Ltd. (hereinafter referred to as "Breo")	A company with the Company's independent director Liang Wenzhao as an independent director
Shenzhen Ellassay Fashion Co., Ltd. (hereinafter referred to as "Ellassay")	A company with the Company's independent director Zhou Xiaoxiong as an independent director
Li Jianquan	Actual controller of the company
Xie Ping	Shareholder of the Company, holding 13.94% of the Company's shares
Li Xiaoyuan	Shareholder of the Company, holding 6.32% of the Company's shares
Fang Xiuyuan	Director, deputy general manager, chief financial officer
Xu Xiaodan	Director
Guo Zhenwei	Director
Liang Wenzhao	Independent director, left in the last period
Zhou Xiaoxiong	Independent director, left in the last period
Bi Qun	Independent director, left in the last period
Liu Weiwei	Chairman of the Board of Supervisors, left in the last period
Ye Yangjing	Independent director, left in the last period
Key Ke Liu (Liu Ke)	Independent director
Peng Jianfeng	Independent director
Xie Jiawei	Independent director
Zhang Tingting	Chairman of the board of supervisors
Liu Hua	Supervisor
Wang Ying	Supervisor
Yin Wenling	Deputy general manager, left in the last period
Zhang Li	Deputy general manager
Chen Huixuan	Deputy general manager, secretary to the board of directors
Song Haibo	Key technical personnel
Wang Huan	Key technical personnel

Other description

## 5. Connected transaction

### (1) Connected transaction of purchases and sales of goods, provision and acceptance of services

Purchase of goods/acceptance of services

Unit: yuan

Related party	Related transaction content	Amount incurred in current period	Approved transaction quota	Whether the transaction quota is exceeded	Amount incurred in previous period
Wuhan Zhuoling Packaging Co., Ltd.	Purchasing goods or services	37,624,707.33		No	10,406,270.74
Chengdu Winner	Purchasing goods or services	343,008.97		No	88,633.66
Breo	Purchasing goods or services	0.00		No	124,234.00

Selling commodities/offering labor

Unit: yuan

Related party	Related transaction content	Amount incurred in current period	Amount incurred in previous period
Chengdu Winner	Selling goods or services	5,497,777.06	2,362,509.36
SCGC	Selling goods or services	59,350.00	28,238.94

Related transaction of purchases and sales of goods, provision and acceptance of services

### (2) Associated fiduciary management/contracting and entrusted management/subcontracting

Entrusted management/contracting of the Company:

Unit: yuan

Name of entrusting party / subcontractor	Name of entrusting party / contractor	Entrusted / contracting asset type	Fiduciary / contracting start date	Fiduciary / contracting termination date	Pricing basis of fiduciary income / contracting income	Fiduciary income / contracting income recognized in current period

Associated fiduciary/contracting

Not applicable.

Entrustment management/subcontracting of the Company:

Unit: yuan

Name of entrusting party / subcontractor	Name of entrusting party / contractor	Entrusted / subcontracting asset type	Entrusted / subcontracting start date	Entrusted / subcontracting termination date	Pricing basis of fiduciary fee / subcontracting fee	Fiduciary fee / subcontracting fee recognized in current period

Associated management/subcontracting

Not applicable.

### (3) Related-party lease

The Company as the lessor:

Unit: yuan

Name of lessee	Type of leased assets	Lease income recognized in the current period	Lease income recognized in the previous period

The Company as the lessee:

Unit: yuan

Name of lessor	Type of leased assets	Simplified processing of short-term leases and rental expenses of	Variable lease payments that are not included in the measurement of the	Rent paid	Interest expenses incurred on lease liabilities	Right-of-use assets increased

		low-value asset leases (if applicable)		lease liabilities (if applicable)							
		Amount incurred in current period	Amount incurred in previous period	Amount incurred in current period	Amount incurred in previous period	Amount incurred in current period	Amount incurred in previous period	Amount incurred in current period	Amount incurred in previous period	Amount incurred in current period	Amount incurred in previous period

Related-party lease description

Not applicable.

#### (4) Related-party guarantee

The Company as the guarantor

Unit: yuan

Secured party	Amount guaranteed	Guarantee start date	Guarantee maturity date	Whether the guarantee has been fulfilled
---------------	-------------------	----------------------	-------------------------	--

The Company as the secured party

Unit: yuan

Guarantor	Amount guaranteed	Guarantee start date	Guarantee maturity date	Whether the guarantee has been fulfilled
-----------	-------------------	----------------------	-------------------------	--

Related-party guarantee

#### (5) Related party loan at call

Unit: yuan

Related party	Borrowing amount	Start date	Maturity date	Description
Borrowing				
Lending				

#### (6) Asset transfer and debt restructuring of related party

Unit: yuan

Related party	Related transaction content	Amount incurred in current period	Amount incurred in previous period
---------------	-----------------------------	-----------------------------------	------------------------------------

#### (7) Key management personnel remuneration

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Key management personnel remuneration	5,879,069.64	4,653,199.81

#### (8) Other connected transactions

NA

### 6. Accounts receivable and payable by related parties

#### (1) Receivables

Unit: yuan

Project name	Related party	Closing Balance		Beginning balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Accounts receivable	Chengdu Winner	0.00	0.00	1,925,119.44	96,255.97
Accounts receivable	SCGC	0.00	0.00	35,880.00	1,794.00

#### (2) Payables

Unit: yuan

Project name	Related party	Ending book balance	Beginning book balance
Accounts payable	Chengdu Winner	4,172.20	69,711.48

Accounts payable	Wuhan Zhuoling	17,701,619.71	17,557,893.52
Contract liabilities	SCGC	11,946.90	11,946.90
Contract liabilities	Chengdu Winner	751,931.29	0.00

## 7. Related party commitment

NA

## 8. Other

NA

## XIII. Share-based payment

### 1. Overall status of share-based payment

Applicable  Not applicable

Unit: yuan	
Total amount of equity instruments granted by the company during the current period	508,824,220.00
Total amount of equity instruments exercised by the company during the current period	0.00
Total amount of equity instruments invalidated by the company during the current period	0.00
Range of the exercise price of the Company's stock options outstanding at the end of the period and the remaining term of the contract	In case of the audited operating income in 2021 $\geq$ RMB 12 billion, the ownership proportion at the Company level is 100%; in case of RMB 10 billion $\leq$ the audited operating income in 2021 < RMB 12 billion, the ownership proportion at the Company level is 80%; in case of the audited business income in 2021 < RMB 10 billion, the restricted stock planned to be vested by the incentive object shall not be vested and become invalid. In case of the audited operating income in 2022 $\geq$ the audited operating income in 2021 * (1+30%), the ownership proportion at the Company level is 100%; in case of the audited operating income in 2021 * (1+20%) $\leq$ the audited operating income in 2022 < the audited operating income in 2021 * (1+30%), the ownership proportion at the Company level is 80%; in case of the audited business income in 2022 < the audited operating income in 2021 * (1+20%), the restricted stock planned to be vested by the incentive object shall not be vested and become invalid.
Range of the exercise price of the Company's other equity instruments outstanding at the end of the period and the remaining term of the contract	None

Other description

#### 2020 Restricted Stock Incentive Plan

##### 1. Number of restricted stock granted

On November 27, 2020, the Company held the 15th meeting of the second Board of Directors and the 9th meeting of the second Board of Supervisors, deliberated and passed *the Proposal on the Company's 2020 Restricted Stock Incentive Plan (Draft) and Its Abstract*. On December 15, 2020, the Company held the sixth extraordinary general meeting of shareholders in 2020 to deliberate and pass *the Proposal on the Company's 2020 Restricted Stock Incentive Plan (Draft) and Its Abstract*. According to the above proposal, the number of restricted stock (Class II restricted stock) to be granted in this incentive plan is 6.5 million, and the underlying stock involved is A -share common stock, accounting for about 1.52% of the total capital stock of the Company at the time of announcement of the draft incentive plan. Among them, 5.9 million shares were granted for the first time, accounting for about 1.38% of the total capital stock of the Company at the time of announcement of the draft incentive plan, and 90.77% of the total equity to be granted. 0.6 million shares were reserved to be granted, accounting for about 0.14% of the total capital stock of the Company at the time of announcement of the draft incentive plan, and 9.23% of the total equity to be granted. No more than 1,053 incentive objects will be granted at the first time, including directors,

senior managers, and other persons deemed to need incentives by the Board of Directors.

On December 18, 2020, the Company's 17th meeting of the second Board of Directors and the 11th meeting of the second Board of Supervisors deliberated and adopted the *Proposal on First Granting Restricted Stocks to Incentive Objects*. In view of the fact that 17 incentive objects gave up the restricted stock to be granted by the Company due to resignation or personal reasons, they no longer qualified for the incentive conditions. According to the *2020 Restricted Stock Incentive Plan (Draft)*, the Company adjusted the incentive objects and the number of grants. The number of incentive objects granted for the first time was adjusted from 1,053 to 1,036, and the total number of restricted stock granted for the first time was adjusted from 5.90 million to 5.833 million.

## 2. Validity, grant date, vesting arrangement and lock-up period of this incentive plan

- ① The incentive plan shall be valid for no more than 48 months from the date of the first grant of restricted stock to the date when all the restricted stock granted to the incentive object is vested or invalidated.
- ② After the incentive plan is approved by the general meeting of shareholders of the Company, the Board of Directors shall determine the grant date, and the grant date must be the trading day. The Company shall grant the restricted stock and complete the announcement within 60 days after the approval of the general meeting of shareholders. If the Company fails to complete the above work within 60 days, the implementation of this incentive plan will be terminated, and the restricted stock not granted will become invalid.

The Company shall, within 12 months after the deliberation and approval of the incentive plan by the general meeting of share holders, specify the incentive objects reserved for award. If the incentive objects are not specified for more than 12 months, the restricted stock corresponding to the reserved part shall become invalid.

- ③ The vesting arrangement for the first grant of restricted stock in this incentive plan is shown in the following table:

Vesting arrangement	Vesting period	Vesting ratio
First vesting period	From the first trading day of 17 months from the date of the first grant to the last trading day within 29 months from the date of the first grant	50%
Second vesting period	From the first trading day of 29 months from the date of the first grant to the last trading day within 41 months from the date of the first grant	50%

If the restricted stock corresponding to the reserved part is granted within 2020, the vesting arrangement for granting restricted stocks reserved in this incentive plan is consistent with the vesting arrangement for the first grant of restricted stock.

If the restricted stock corresponding to the reserved part is granted within 2021, the vesting arrangement for granting restricted stocks reserved in this incentive plan is shown in the following table:

Vesting arrangement	Vesting period	Vesting ratio
First vesting period	From the first trading day of 12 months from the date of reserved granting to the last trading day within 24 months from the date of reserved granting	50%
Second vesting period	From the first trading day of 24 months from the date of reserved granting to the last trading day within 36 months from the date of reserved granting	50%

If the incentive objects are directors and senior management of the Company, the shares transferred each year during their term of office shall not exceed 25% of the total number of the Company's shares they hold; they shall not transfer the shares they hold within half a year after leaving the Company.

## 2. Equity-settled share-based payments

Applicable  Not applicable

Unit: yuan

Method for determining the fair value of equity instruments on the grant date	The fair value of the restricted stock is calculated using the Black-Scholes model option pricing formula; the fair value of other employee restricted stocks is determined by reference to the stock closing price on the grant date without taking into account the liquidity discount.
Basis for the determination of the number of viable equity instruments	None

Reasons for significant differences between the current and previous estimates	None
Accumulated amount of equity-settled share-based payments recorded in capital reserves	134,254,791.45
Total amount of expenses recognized by equity-settled share-based payments in current period	42,396,249.94

Other description

The first vesting period shall become invalid if it fails to meet the performance conditions.

### 3. Cash-settled share-based payments

Applicable  Not applicable

### 4. Modification and termination of share-based payment

NA

### 5. Other

NA

## XIV. Commitment and contingencies

### 1. Important commitment issues

Important commitments on balance sheet date

- (1) Large-scale outsourcing contracts that have been signed or are about to be performed and their financial implications

As of Thursday, June 30, 2022, the outstanding contracts among the large-value contracts signed by the Company and its subsidiaries that are being or are about to be performed are as follows:

Project name	Amount
Purcotton - Smart Logistics	11,427,862.00
Huanggang Winner - Packaging and production line for sanitary pads	7,420,000.00
Huanggang Winner - Sanitary pads production equipment	15,890,000.00
Huanggang Winner - Comprehensive Workshop	57,800,000.00
Jiayu Winner - Workshop development	258,340,000.00
Tianmen Winner - Intelligent 3D e-commerce warehouse for pure cotton business	28,460,636.70
Wuhan Winner - Project payment Phase II	185,789,572.20
Total	565,128,070.90

### 2. Contingencies

#### (1) Important contingencies on balance sheet date

As of June 30, 2022, the Company has no important contingencies to be disclosed.

#### (2) Explanation is also required if the Company has no important contingencies to be disclosed

The Company has no important contingencies to be disclosed.

### 3. Other

NA

**XV. Post-balance sheet events****1. Important non-adjustment items**

Unit: yuan

Item	Description	Influence number of financial position and operating results	Reasons for influence number cannot be estimated
------	-------------	--	--

**2. Profit distribution**

Unit: yuan

**3. Sales return**

The Company has no significant sales returns after the balance sheet date.

**4. Other post-balance sheet events**

NA

**XVI. Other important issues****1. Correction of previous accounting errors****(1) Retrospective restatement**

Unit: yuan

Content of accounting error correction	Processing procedures	Report item name of each affected comparison period	Cumulative influence number
--	-----------------------	---	-----------------------------

**(2) Prospective application**

Content of accounting error correction	Approval procedures	Reason for adopting prospective application
--	---------------------	---

**2. Debt restructuring**

Not applicable.

**3. Assets replacement****(1) Exchange of non-monetary assets**

Not applicable.

**(2) Other asset replacement****4. Pension plan**

Not applicable.

**5. Discontinued operation**

Unit: yuan

Item	Income	Cost	Total profit	Income tax expenses	Net profit	Profit from discontinued operations attributable to the owners of parent company
------	--------	------	--------------	---------------------	------------	--

Other description

Not applicable.

**6. Segment information****(1) Determination basis and accounting policy of reporting segment**

According to the Company's internal organizational structure, management requirements and internal reporting



system, two reporting segments have been determined, respectively: medical consumables, health consumer goods. Reporting segments of the Company offers different products or services or operates in different regions. Since each segment requires different technologies or marketing strategies, the management of the Company manages the operating activities of each reporting segment separately and regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

The inter-segment transfer price is determined on the basis of the actual transaction price, and the expenses indirectly attributable to the segments are distributed among the segments in proportion to the income (as determined by the Company). Assets are allocated according to the operations of a segment and the location of the assets. Liabilities of a segment include liabilities attributable to that segment arising from the operations of a segment. If expenses related to liabilities shared by multiple operating segments are allocated to those operating segments, such shared liabilities are also allocated to those operating segments.

## (2) Financial information of the reporting segment

Unit: yuan

Item	Medical consumables (segment 1)	Healthy consumer goods (segment 2)	Unallocated	Offset between segments	Total
Operating income	3,276,874,349.09	1,881,070,146.63			5,157,944,495.72
Operating costs	1,761,683,682.74	878,872,880.90			2,640,556,563.64
Assets impairment loss & credit impairment loss	27,589,830.16	53,204,903.29			80,794,733.45
Depreciation expense and amortization expense	46,449,128.24	150,675,350.15			197,124,478.39
Operating profit / loss	779,613,976.01	206,682,696.75	63,382,359.38		1,049,679,032.14
Non-operating income and expense			(6,480,786.44)		(6,480,786.44)
Assets and liabilities					
Total assets	5,909,996,547.66	3,431,793,583.51	6,180,704,833.34		15,522,494,964.51
Total liabilities	1,378,796,616.09	1,248,798,572.38	1,610,436,628.17		4,238,031,816.64

### (3) If the Company has no reporting segments, or cannot disclose the total assets and total liabilities of each reporting segment, the reasons shall be explained

#### (4) Other description

## 7. Other important transactions and matters affecting the decision-making of investors

### 1. Urban Renewal Project of Winner Industrial Park

#### (1) Project Overview

On April 6, 2017, the Company and Shenzhen Galaxy Real Estate Development Co., Ltd. (hereinafter referred to as "Galaxy Real Estate") signed the *Cooperation Agreement on Urban Renewal Project of Winner Industrial Park* to apply for and implement the demolition and reconstruction of urban renewal and reconstruction of Winner Industrial Park in Longhua District, Shenzhen City (hereinafter referred to as "the Project"). The scope of land to be demolished for the Project is a state-owned land that has been transferred. The land parcel number is A819-0123. The land area is 29,064.49 m<sup>2</sup>, and the current use is industrial land. According to the statutory plan of [Pinus tabulaeformis area] of No.402-19&20&21, Bao'an District, Shenzhen City, the planned use of this land parcel is a second-class residential land. The land has been registered for title with a construction area of 36,625.89 m<sup>2</sup>, used for office, plant and dormitory. The Company shall be the sole subject of rights to the said parcel and all the buildings (structures) and appendages thereon. At present, the above target land and part of the building are not mortgaged. The first to sixth floors of the second office building, the first to sixth floors of the third dormitory building, and the first to sixth floors of the fourth dormitory building have been mortgaged at present.

## (2) Cooperation mode

The Company agrees to entrust the target land and building to Xinghe Real Estate for application for approval of the urban renewal unit plan, and accepts the relocation compensation of Xinghe Real Estate according to the conditions agreed in this agreement. Xinghe Real Estate is responsible for all the work related to the declaration of renewal unit plan of the target land and building and implementation of urban renewal, responsible for the relocation compensation and demolition and reconstruction funds, and enjoys the interest in the renewal project as the single market implementer.

After the renewal and reconstruction of the target land and buildings is approved by the urban renewal unit plan, the specific transformation and development intensity, planned purpose and indicators, etc. shall be discussed by Xinghe Real Estate with the Company in advance before the formal application for construction, but the final approval shall be subject to the relevant government departments.

Galaxy Real Estate shall pay the cooperation consideration to the Company by paying the relocation compensation consideration to the Company. The Company voluntarily chooses the relocation compensation method that combines monetary compensation and property right exchange (relocation), including: 1) monetary compensation: RMB400 million; 2) Property right exchange (relocation): the area of property right exchange (relocation) obtained by Party B shall be determined at 40% of the gross floor area for sale based on the gross floor area for sale determined in the final approval of the special planning of the renewal unit of this Project.

## (3) Current progress

Up to now, Galaxy Real Estate has paid the first margin of RMB50 million and the second advance compensation of RMB100 million for demolition to the Company according to the agreement. The project has been publicized on September 2019, and approved on December 2019. The special regulations have been approved by the office meeting of the Update Bureau, and are waiting for the review and approval of the leadership group meeting of Longhua District. Subsequent progress will be made in accordance with the procedures stipulated by the government, and the specific progress will be subject to the government's approval.

According to the agreement, if the project fails to obtain the approval of the renewal unit plan due to government policy or force majeure, either party has the right to terminate the contract, and the amount collected by the Company will be returned to Galaxy Real Estate without interest within 30 days after the termination of the contract.

## 2. Heyuan investment and construction project

### (1) Problem background

In 2016, under the guidance and promotion of Shenzhen Longhua District Committee and District Government, the Company plans to transfer part of the production and logistics functions to Heyuan Zijin Linjiang Industrial Park in response to the policy of supporting Heyuan City as a counterpart of Shenzhen City. In May 2016, the Company and the People's Government of Zijin County of Heyuan City signed the *Agreement on Investment and Construction of Medical Package and Cotton Household Goods Production Project* (hereinafter referred to as the "*Investment Agreement*"), with the construction land of the project covering 200,000 m<sup>2</sup>

After the agreement was signed and the *Land Use Notice* was obtained, the Company submitted the planning plan, project application and approval form as required, and started the construction. In August 2016, Winner Medical (Heyuan) obtained the *Record Certificate of Enterprise Investment Projects in Guangdong Province* issued by the Development and Reform Bureau of Zijin County. In June 2017, Environmental Protection Bureau of Zijin County issued the *Approval on the Environmental Impact Report Form of the Construction Project of Winner Medical (Heyuan) Co., Ltd.* In accordance with the agreement, the Zijin County Government assisted in obtaining a series of licenses such as state-owned land use right certificate and construction land planning permit.

After the project was signed and started construction, the government required all construction projects under construction in Zijin Linjiang Industrial Park to stop due to land conflicts between the project site and the planned Heyuan East Station of Jiangxi-Shenzhen High-speed Railway and the High-speed Railway New Town. Meanwhile, the relevant land use procedures were suspended.

### (2) Current progress

In June 2019, the *Regulatory Detailed Planning and Construction Detailed Urban Design of the Core Area of Heyuan High-speed Railway New Town* was published to the public from June 22, 2019 to July 22, 2019. According

to the final publicity content, it is determined that the square in front of Heyuan East Station of High-speed Railway, National Highway 205 and the High-speed Railway New Town overlap with the project land of Winner Medical (Heyuan).

In October 2019, the Company signed a tripartite agreement with the People's Government of Zijin County and the Management Committee of Heyuan Jiangdong New District to clarify the overall disposal plan. The land used for Winner Medical (Heyuan)'s project and its above-ground buildings will be recovered by the People's Government of Zijin County, and the three parties agree to determine the amount of compensation through arbitration. The People's Government of Zijin County paid RMB30 million to the Company as the performance bond.

In November 2019, International Arbitration Court of Ganjiang New District issued the *award* ((2019) G.G.Z.Zi No.095), which confirmed the termination of the original *Investment Agreement*, and the People's Government of Zijin County shall bear the attorney fees, legal costs and other expenses totaling RMB2,655,320.00. The land transfer deposit of RMB3 million shall be returned to the Company and compensate for the economic loss of RMB550 million. The People's Government of Zijin County shall pay 50% of the amount before December 31, 2019 and 50% before February 29, 2020. As of June 30, 2022, the Company has received the land transfer deposit of RMB3 million returned by the People's Government of Zijin County and paid the compensation of RMB319 million. The Company has also handed over the project land, above-ground buildings, equipment and facilities and relevant supporting materials to the People's Government of Zijin County.

### (3) Impact of this matter on the Company's operation

Heyuan Winner's business positioning is mainly the production, logistics and warehousing functions of medical package and cotton daily necessities. At present, the Company has transferred the production, logistics and warehousing functions of Purcotton daily necessities to the Company's subsidiary Hubei Winner, and the production of medical package has been transferred to the Company's subsidiary Chongyang Winner. Hubei Winner and Chongyang Winner have sufficient capacity to undertake the aforementioned production, logistics and warehousing business originally intended to be undertaken by Heyuan Winner. The above matters of Heyuan Winner have not caused significant adverse impact on the normal production and operation of the Company.

## 8. Other

NA

## XVII. Notes on main items of parent company's financial statement

### 1. Accounts receivable

#### (1) Classified disclosure of accounts receivable

Unit: yuan

Class	Closing Balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Accruing proportion		Amount	Proportion	Amount	Accruing proportion	
Including:										
Accounts receivable of provision for bad debt by combination	659,391,278.10	100.00%	33,092,982.36	5.02%	626,298,295.74	528,512,638.89	100.00%	26,295,000.03	4.98%	502,217,638.86
Including:										
Aging analysis combination	652,636,467.43	98.98%	33,092,982.36	5.07%	619,543,485.07	521,018,955.26	98.58%	26,295,000.03	5.05%	494,723,955.23
Other	6,754,810	1.02%			6,754,810	7,493,683	1.42%			7,493,683

combinati on	.67				.67	.63				.63
Total	659,391,278.10	100.00%	33,092,982.36	5.02%	626,298,295.74	528,512,638.89	100.00%	26,295,000.03	4.98%	502,217,638.86

Provision for bad debt by combination: other combination - related parties within the group

Unit: yuan

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion
Other combination - related parties within the group	6,754,810.67	0.00	0.00%
Total	6,754,810.67	0.00	

Description of the basis for determining the combination:

According to the Company's accounting policy, the related parties within the group do not make provision for bad debts.

Provision for bad debt by combination: aging analysis combination

Unit: yuan

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion
Within 1 year (including 1 year)	646,351,977.70	32,317,598.89	5.00%
1~2 years (including 2 years)	7,439,964.88	743,996.49	10.00%
3~4 years (including 4 years)	50,000.00	25,000.00	50.00%
More than 5 years	70,169.20	70,169.20	100.00%
Total	653,912,111.78	33,156,764.57	

Description of the basis for determining the combination:

On June 30, 2022, the Company reviewed the appropriateness of the provision for bad debts of receivables in the previous year according to the historical bad debt loss, and believed that the default probability has a strong correlation with the aging of accounts, and the account age is still a sign of whether the credit risk of the company's receivables has significantly increased. Therefore, the Company's credit risk loss on June 30, 2022 is estimated based on the aging of accounts and estimated at the original loss ratio.

If the bad debt provision of accounts receivable is withdrawn according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of bad debt provision:

Applicable  Not applicable

Disclosure by aging

Unit: yuan

Aging	Closing Balance
Within 1 year (including 1 year)	651,831,144.02
1~2 years	7,439,964.88
More than 3 years	120,169.20
3~4 years	50,000.00
More than 5 years	70,169.20
Total	659,391,278.10

## (2) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: yuan

Class	Beginning balance	Amount of change in current period				Closing Balance
		Accrual	Recovered or reversed	Write-off	Other	
Provision for bad debt of accounts	26,295,000.03	7,376,614.91	392,383.03	186,249.55		33,092,982.36

receivable						
<b>Total</b>	26,295,000.03	7,376,614.91	392,383.03	186,249.55		33,092,982.36

Where the amount of bad debt provision recovered or reversed is important:

Unit: yuan

Unit name	Amount recovered or reversed	Recovery way
-----------	------------------------------	--------------

Not applicable.

### (3) Accounts receivable actually written off at the current period

Unit: yuan

Item	Amount written off
Irrecoverable balance receivable	186,249.55

Write-off of important accounts receivable:

Unit: yuan

Unit name	Nature of accounts receivable	Amount written off	Reasons for write-off	Write-off procedures performed	Whether the payments arise from related transactions
-----------	-------------------------------	--------------------	-----------------------	--------------------------------	--

Description of write-off accounts receivable:

Not applicable.

### (4) Accounts receivable with Top 5 ending balances by debtor

Unit: yuan

Unit name	Ending balance of accounts receivable	Proportion in total other ending balance of accounts receivable	Ending balance of bad debt provision
First	43,760,936.31	6.64%	2,188,046.82
Second	26,752,033.96	4.06%	1,337,601.70
Third	16,781,715.04	2.55%	839,085.75
Fourth	24,028,702.91	3.64%	1,201,435.15
Fifth	32,648,629.50	4.95%	1,632,431.48
<b>Total</b>	143,972,017.72	21.84%	

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

NA

### (6) Amount of assets and liabilities formed by transferring accounts receivables and continuing involvement

NA

Other description:

NA

## 2. Other receivables

Unit: yuan

Item	Closing Balance	Beginning balance
Other receivables	206,866,953.22	218,099,656.42
<b>Total</b>	206,866,953.22	218,099,656.42

### (1) Interest receivable

#### 1) Classification of interest receivable

Unit: yuan

Item	Closing Balance	Beginning balance
------	-----------------	-------------------

2) **Important overdue interest**

Unit: yuan

Borrower	Closing Balance	Overdue time	Overdue reason	Whether there is impairment and its judgment basis
----------	-----------------	--------------	----------------	--

Other description:

3) **Provision for bad debt** Applicable  Not applicable(2) **Dividends receivable**1) **Classification of dividends receivable**

Unit: yuan

Project (or invested unit)	Closing Balance	Beginning balance
----------------------------	-----------------	-------------------

2) **Important dividends receivable with the aging more than 1 year**

Unit: yuan

Project (or invested unit)	Closing Balance	Aging	Reason for non-recovery	Whether there is impairment and its judgment basis
----------------------------	-----------------	-------	-------------------------	--

3) **Provision for bad debt** Applicable  Not applicable

Other description:

(3) **Other receivables**1) **Other receivables classified by nature**

Unit: yuan

Nature of payment	Ending book balance	Beginning book balance
Compensation for investment and construction project of Heyuan Winner	233,655,320.00	238,655,320.00
Export drawback		7,187,293.68
Margin and deposit	6,382,203.51	5,370,048.01
Employee pretty cash	341,256.17	333,170.12
Other	2,280,542.69	2,795,640.07
Total	242,659,322.37	254,341,471.88

2) **Provision for bad debt**

Unit: yuan

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment occurred)	Expected credit losses over the entire duration (credit impairment has occurred)	
Balance on January 1, 2022	36,241,815.46			36,241,815.46
Balance on January 1, 2022 in the current period				
Reversal in current period	449,446.31			449,446.31
Balance on June 30, 2022	35,792,369.15			35,792,369.15

Changes in book balance with significant changes in the current period of provision for loss

 Applicable  Not applicable

## Disclosure by aging

Unit: yuan

Aging	Closing Balance
Within 1 year (including 1 year)	4,118,451.36
1~2 years	4,855,251.01
2~3 years	233,655,320.00
More than 3 years	30,300.00
3~4 years	30,300.00
Total	242,659,322.37

## 3) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: yuan

Class	Beginning balance	Amount of change in current period				Closing Balance
		Accrual	Recovered or reversed	Write-off	Other	
Provision for bad debts of other receivables	36,241,815.46		449,446.31			35,792,369.15
Total	36,241,815.46		449,446.31			35,792,369.15

Where the amount of bad debt provision reversed or recovered is important:

Unit: yuan

Unit name	Amount reversed or recovered	Recovery way

Not applicable.

## 4) Other receivable actually written off at the current period

Unit: yuan

Item	Amount written off

Write-off of important other receivables:

Unit: yuan

Unit name	Nature of other receivables	Amount written off	Reasons for write-off	Write-off procedures performed	Whether the payments arise from related transactions

Description of write-off of other receivables:

Not applicable.

## 5) Other receivables with Top 5 ending balances by debtor

Unit: yuan

Unit name	Nature of payment	Closing Balance	Aging	Proportion in total other ending balance receivable	Ending balance of bad debt provision
First	Receivables related to Heyuan project	233,655,320.00	2-3 years	96.29%	35,048,298.00
Second	Deposit	2,544,135.21	1-2 years	1.05%	127,206.76
Third	Deposit	2,311,115.80	1-2 years	0.95%	115,555.79
Fourth	Deposit	1,000,000.00	Within 1 year	0.41%	50,000.00
Fifth	Deposit	399,599.00	Within 1 year	0.16%	19,979.95
Total		239,910,170.01		98.86%	35,361,040.50

## 6) Accounts receivable involving government subsidies

Unit: yuan

Unit name	Name of government	Closing Balance	Ending aging	Estimated collection

	subsidy project			time, amount and basis
--	-----------------	--	--	------------------------

Not applicable.

**7) Other receivables derecognized due to transfer of financial assets**

Not applicable.

**8) Amount of assets and liabilities formed by transferring other receivables and continuing involvement**

Other description:

**3. Long-term equity investments**

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	2,086,177,678.63	4,086,994.48	2,082,090,684.15	908,737,678.63	4,086,994.48	904,650,684.15
Investment in associated enterprises and joint enterprises	19,358,011.13		19,358,011.13	16,949,801.24		16,949,801.24
<b>Total</b>	<b>2,105,535,689.76</b>	<b>4,086,994.48</b>	<b>2,101,448,695.28</b>	<b>925,687,479.87</b>	<b>4,086,994.48</b>	<b>921,600,485.39</b>

**(1) Investment in subsidiaries**

Unit: yuan

Invested unit	Beginning balance (book value)	Increase or decrease in current period				Ending balance (book value)	Balance of impairment provision at the end of period
		Further investment	Capital reduction	Provision for impairment	Other		
Winner Medical (Huanggang)	267,491,627.79					267,491,627.79	
Winner Medical (Jingmen)	27,242,761.31					27,242,761.31	
Shenzhen Purcotton	130,000,000.00					130,000,000.00	
Winner Medical (Chongyang)	33,629,806.08					33,629,806.08	
Winner Medical (Jiayu)	36,436,595.28					36,436,595.28	
Winner Medical (Tianmen)	39,697,276.28					39,697,276.28	
Winner Medical (Hong Kong)	1,456,720.00					1,456,720.00	
Winner Medical (Yichang)	18,595,897.41					18,595,897.41	
Winner Medical Malaysia	0.00					0.00	4,086,994.48
Winner Medical (Heyuan)	100,000,000.00					100,000,000.00	



Winner Medical (Wuhan)	100,000,000.00					100,000,000.00	
PureH2B	150,000,000.00					150,000,000.00	
Mifu Shanghai	100,000.00		100,000.00			0.00	
Longterm Medical		727,540,000.00				727,540,000.00	
Guilin Latex		450,000,000.00				450,000,000.00	
Total	904,650,684.15	1,177,540,000.00	100,000.00			2,082,090,684.15	4,086,994.48

## (2) Investment in associated enterprises and joint enterprises

Unit: yuan

Invested entity	Beginning balance (book value)	Increase or decrease in current period								Ending balance (book value)	Balance of impairment provision at the end of period
		Further investment	Capital reduction	Investment gains and losses recognized by the equity method	Adjustment of other comprehensive income	Changes in other equity	Declared payment of cash dividends or profits	Provision for impairment	Other		
I. Cooperative enterprise											
II. Joint venture											
Chengdu Winner	16,949,801.24			2,408,209.89						19,358,011.13	
Subtotal	16,949,801.24			2,408,209.89						19,358,011.13	
Total	16,949,801.24			2,408,209.89						19,358,011.13	

## (3) Other description

NA

## 4. Revenue and cost

Unit: yuan

Item	Amount incurred in current period		Amount incurred in previous period	
	Income	Cost	Income	Cost
Main business	3,058,391,903.35	1,930,682,989.44	2,129,805,774.91	1,233,799,517.75
Other businesses	40,133,344.65	3,940,215.49	22,965,185.06	3,550,383.03
Total	3,098,525,248.00	1,934,623,204.93	2,152,770,959.97	1,237,349,900.78

Income related information:

Unit: yuan

Contract classification	Segment 1	Segment 2		Total
Type of goods				
Including:				
Classified by operating area				
Including:				
Type of markets or clients				

Including:				
Type of contracts				
Including:				
Sorted by time of goods transfer				
Including:				
Sorted by contract duration				
Including:				
Sorted by sales channels				
Including:				
Total				

Information related to performance obligations:

NA

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

The amount of income corresponding to the performance obligations signed but not yet performed or completed at the end of this reporting period is RMB0.00, of which RMB0.00 is expected to be recognized as revenue in year 0, RMB0.00 is expected to be recognized as revenue in year 0, and RMB0.00 is expected to be recognized as revenue in year 0.

Other description:

## 5. Investment income

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Long-term equity investment income checked by cost method	700,000,000.00	
Long-term equity investment gains measured by employing the equity method	2,408,209.89	1,655,597.53
Investment income from disposal of long-term equity investment	(60,131.13)	
Investment income from purchasing financial products	15,644,141.24	43,948,199.51
Total	717,992,220.00	45,603,797.04

## 6. Other

NA

## XVIII. Further information

### 1. Current non-recurring gain and loss statement

Applicable  Not applicable

Unit: yuan

Item	Amount	Description
Profit and loss on disposal of non-current assets	(2,401,700.24)	
Government subsidies included into current profits and losses, except the government subsidies which are closely	28,755,938.72	

related to the normal business operations of the Company and conform to the national policies and regulations, and continuously granted in accordance with a certain standard quota or amount.		
In addition to the effective hedging business related to the company's normal business operations, the profit and loss from fair value changes arising from holding trading financial assets, trading financial liabilities, as well as the investment income from disposal of trading financial assets, trading financial liabilities, and salable financial assets.	64,226,078.84	
Income and expenditure other than those mentioned above	(4,634,764.37)	
Less: Amount affected by income tax	13,612,940.25	
Amount of minority shareholders' equity affected	67,876.79	
Total	72,264,735.91	--

Other profit and loss items that are consistent with the definition of non-recurring profit and loss:

Applicable  Not applicable

There was no other profit and loss items that are consistent with the definition of non-recurring profit and loss.

Explanation on defining the non-recurring profit and loss items enumerated in the *Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurring Profits and Losses* as recurring profit and loss items

Applicable  Not applicable

## 2. Return on net assets and earnings per share

Reporting profit	Weighted average return on net assets	Earnings Per Share	
		Basic EPS (yuan/share)	Diluted EPS (yuan/share)
Net profit attributable to common shareholders of the Company	8.17%	2.1193	2.1193
Net profit attributable to common shareholders of the Company after deduction of non-recurring profits and losses	7.51%	1.9478	1.9478

## 3. Differences in Accounting Data under Domestic and Foreign Accounting Standards

### (1) The difference between net profits and net assets in financial statements disclosed according to the International Accounting Standards (IAS) and Chinese Accounting Standards simultaneously

Applicable  Not applicable

### (2) The difference between net profits and net assets in financial statements disclosed according to the Overseas Accounting Standards (IAS) and Chinese Accounting Standards simultaneously

Applicable  Not applicable

### (3) Causes for differences in accounting data under domestic and foreign accounting standards. If the difference adjustment has been made to the data audited by the overseas audit institution, the name of the overseas audit institution shall be indicated

Not applicable.

#### **4. Other**

NA

In case of a divergence of the interpretation the Chinese version of the annual report shall prevail.