

winner 稳健医疗

Purcotton 全棉时代



2022

Winner Medical Co., Ltd.

Annual Report

To Shareholders

Dear shareholders and partners:

It's time to release our annual report again.

I am glad to share with you face to face what we have achieved over the past year and our strategic plan for the next three years. On behalf of our Board of Directors and the management team, I would like to take this opportunity to express our sincere gratitude to our investors, customers, suppliers, employees, and partners for their long-term trust and support for Winner Medical.

The past year has been a year of changes. The uncertainty of the environment leads to instability of work, which further causes changes to the plan. One of the primary problems that the management team faces is how to maximize business growth despite of uncontrollable external disturbance. What we do is to stay calm, boost morale and respond quickly. Under the leadership of the top management and adhering to the enterprise spirit of striving to work under demanding conditions, the medical business team responds quickly to the urgent demands of emergency events to help address social problems and contribute to social stability while achieving sales growth. As the operation of offline business is constrained by the external environment, the management team of Consumer Goods guides the offline consumption to online portal with O2O mode. Thanks to these measures, our online business grows rapidly through the channel of mini program of online shop. Since the customers are unable to personally experience or feel the products in the mode of online shopping, we take multiple measures to strengthen their online experience. In this way, we can meet the personalized needs of consumers, complement offline experience with online measures, and prevent performance decline on a year-on-year basis. With the unremitting efforts of Medical team and Consumer Goods team, the Group has achieved a revenue of 11.351 billion yuan, an increase of 41% year-on-year, of which the medical consumables business accounts for 7.203 billion yuan, an increase of 84% year-on-year, and the healthy consumer goods accounts for 4.055 billion yuan, basically flat year-on-year. The net profit attributable to shareholders of the listed company is 1.651 billion yuan, an increase of 33% year-on-year.

In 2022, although our supply chain undertook unprecedented pressure, Winner Medical and Purcotton ensured the terminal supply to the maximum regardless of cost, and donated a large amount of medical supplies to frontline health care professionals and some communities in Shenzhen, Shanghai, Henan, Beijing and Hong Kong. This is a reflection of our core business principle of “social value over corporate value”.

In 2022, despite heavy workload and inconvenient traffic, the management team went to Deqing, Lixian, and Guilin from Shenzhen multiple times by driving, and successfully completed the acquisition of Longterm Medical, Hunan Pingan, Guilin Latex and other excellent enterprises. These acquisitions have expanded the coverage of our medical products from three dimensions, increased our business channels and customers both at home and abroad, and further improved the strategic layout of one-stop medical consumables solutions, laying a solid foundation for high-speed growth in the future.

I often say in the company, it is an extraordinary achievement for a person to take ordinary things to the extreme.

In the past three years, our volume of production and sale doubled. However, we still have realized zero quality incident, for we have accumulated extensive quality management experience and significantly improved our ability during the past 30 years. It is an extraordinary achievement to satisfy both the health care professionals in respect of clinical application and the consumers in respect of daily use.

In the past three years, the pressure on our production capacity has increased several times with the dramatical increase of demand for medical supplies in the market; meanwhile, as the customers' demand for speed and accuracy of delivery has become more stringent, the pressure on our logistics has increased several times. While addressing these “emergency demands”, our employees have improved their ability to adapt to changes, and our IT and digital operation capacity also have been enhanced. As a result, our customer satisfaction scores are much higher than the industry average, which is also an extraordinary achievement.

In the past three years, the emerging brand of Purcotton has seen an unprecedented public health incident. Since then, we boldly explore a variety of new operation models, and seek in-depth understanding of consumer and market changes. With the inherent advantages of medical background, all-cotton concept and quality gene, Purcotton firmly adheres to the concept of comfort, health and environmental protection. Through unswerving innovation in basic materials, and product development from the perspective of consumers, we have launched a number of new products that are highly popular among consumers. We developed the first-of-its-kind ultra-soft and ultra-thick beauty pure cotton tissue of high cleaning power, the first disposable period panties and sanitary pads with organic cotton surface, the new super crinkle cotton gauze towels of zero softener additive, bath towels, air-conditioning quilts, 95% cotton socks and so on. This is also an extraordinary achievement to take the application of cotton fiber to the extreme.

Looking back, both I and the management team have identified the areas to be improved. Both in the medical field and the field of consumer goods, the benchmark companies of the industry feature more outstanding operation, and our peers have better performance in some segments, which mounts a lot of pressure on me. As one of the leading companies in the field of medical consumables, we must establish cooperation with more hospitals, especially with the secondary and tertiary hospitals. To this end, we need to give full play to our advantages of comprehensive categories, elaborate services, and user engagement. In the international market, we will rapidly improve our ODM and OEM operation and sales capacities to lay a solid foundation for going global. Purcotton needs to learn from the international brands in respect of product operations, improve the response speed of the supply chain, increase the seasonal sell-out rate, and reduce inventory. In respect to brand operation and marketing, we need to stay closer to consumers, speak the language that consumers (especially young consumers) understand, develop products that our loyal users and the younger generation love, design products that are popular but not vulgar, beautiful but not fancy, comfortable but not clumsy, to meet the pursuit of consumers for a better life. In the next three years, China's economy faces both opportunities and challenges. In the future, we will directly respond to all kinds of environmental changes with an open mind, embrace new challenges and new opportunities, develop new technologies, launch new products, and adapt to new consumption. We will apply the capabilities developed in the past three years into our daily operation, and “turn the impossible into possible”.

In the next three years, our strategy is “product leadership and operation excellence”, and we will advance towards high-quality development. Product leadership means that we will continue to be consumer-centric and market-oriented, creating best-selling products that are popular among consumers and will be circulated in the social media. Operation excellence means applying new technologies (such as AI technology) to achieve smart manufacturing, digital management of the entire chain of R&D, design, production, warehousing, marketing and delivery, and maximizing management, efficiency and effectiveness.

In the next three years, in order to ensure the smooth implementation of the “product leadership and operation excellence” strategy, we have established the “four high” talent strategy - “high quality, high efficiency, high performance and high reward” to increase talent density and accelerate organizational evolution so as to achieve our strategic goals.

Panning for gold from grains of sand is strenuous work. We will always keep hard-working, stick to industry and innovation, focus on our main business and operate pragmatically, promoting high-speed and sustainable development of our company.

Finally, once again, I would like to thank all shareholders and investors, customers and consumers, partners and all social sectors for their trust, support and encouragement. Thank all employees for their efforts and dedication! I would also like to express my gratitude for all people pursuing the cause of health, environmental protection and sustainability!

Thank you!

Li Jianquan

Chairman and general manager of Winner
Medical

April 23, 2023



Guo Jingjing

Guo Jingjing
Brand Ambassador of Purcotton

01

**Important Notes,
Contents, and Definitions**

**Improve life quality
and reduce environment pollution with cotton products**

We protect the environment with cotton products

4.22 World Earth Day

Important Notes

The board of directors, the board of supervisors and directors, supervisors and senior management of the Company hereby guarantee that no false or misleading statement or major omission was made to the materials in this report and that they will assume all the responsibility, individually and jointly, for the authenticity, accuracy and completeness of the contents of the annual report.

Li Jianquan, the head of the Company, Fang Xiuyuan, the head of accounting work, and Wu Kezhen, the head of accounting body (accountant in charge), guarantee the authenticity, accuracy, and completeness of the financial report in the current year 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 preplanned profit distribution deliberated and approved by the board of directors is as follows: taking 419,737,649 as the radix, the Company will send cash dividends of 19.00 yuan (tax included) and 0 bonus share (tax included) to all shareholders for every 10 shares, converting capital reserve into 4 share capital for every 10 shares.

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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 original audit reports with the seal of the accounting firm and the signatures and seals of the certified public accountants.
- (III) 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 pre-IPO shareholder of the Company
Xiamen Leyuan	Refers to	Xiamen Leyuan Investment Partnership (Limited Partnership), a pre-IPO shareholder of the Company
Xiamen Yutong	Refers to	Xiamen Yutong Investment Partnership (limited Partnership), a pre-IPO shareholder of the Company
Xiamen Huikang	Refers to	Xiamen Huikang Investment Partnership (Limited Partnership), a pre-IPO shareholder of the Company
Xiamen Zepeng	Refers to	Xiamen Zepeng Investment Partnership (limited partnership), a pre-IPO shareholder of the Company
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)
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
Pure HB (Shanghai)	Refers to	Pure HB (Shanghai) 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	2022: January 1, 2022 to December 31, 2022

Longterm Medical	Refers to	Zhejiang Longterm Medical Technology Co., Ltd., of which the Company intends to acquire 55% equity
Winner Medical (Hunan)	Refers to	Winner Medical (Hunan) Co., Ltd., of which the Company holds 68.70% equity after acquisition and capital increment
Winner Guilin	Refers to	Winner Guilin Latex Co., Ltd., of which the Company has acquired 100.00% equity
Junjian Medical	Refers to	Shenzhen Junjian Medical Device Co., Ltd., of which the Company has acquired 100% equity



Sun Qian

Brand Ambassador of Purcotton

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02

Company Profile and
Major Financial
Indicators



I. Company Information

Stock abbreviation	Winner Medical	Stock code	300888
Company name in Chinese	Winner Medical Co., Ltd.		
Chinese abbreviation of the Company	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		
Registered address:	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 District, Shenzhen City		
Postal code of the Company's registered address	518131		
Change history of the company's registered address	On June 1, 2021, the Company completed the registration of industrial and commercial change of registered address from "Winner Industrial Park, No. 660 Bulong Road, Longhua New District, Shenzhen City" to "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 District, Shenzhen City"		
Office address of the Company	F42, Building 2, Huilong Business Center, Shenzhen North Railway Station Area, Minzhi Subdistrict, Longhua District, Shenzhen City		
Postal code of the Company's office address	518131		
Website	http://www.winnermedical.com		
Email	investor@winnermedical.com		

II. Contacts 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 City	F42, Building 2, Huilong Business Center, Shenzhen North Railway Station Area, Minzhi Subdistrict, Longhua District, Shenzhen City
Tel	0755-28066858	0755-28066858
Fax	0755-28134688	0755-28134688
Email	investor@winnermedical.com	investor@winnermedical.com

III. Information disclosure and keeping place

Website of the stock exchange where the company discloses its annual report	http://www.szse.cn/
Name and websites of the media on which the Company discloses its annual report	STCN, China Securities Journal, Shanghai Securities News, Securities Daily http://www.cninfo.com.cn/new/index
Place of preparation of the Company's annual report	Securities Department of the Company

IV. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP
Office address of the accounting firm	4th Floor, No.61 Nanjing East Road, Huangpu District, Shanghai
Name of signatory accountant	Cheng Jin, Wu Lihong

The sponsor institution engaged by the Company to perform the continuous supervision responsibility during the reporting period

Applicable Not applicable

Name of sponsor institution	Office address of sponsor institution	Name of sponsor representative	Continuous supervision period
China International Capital Corporation Limited	27th and 28th Floors, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing	Shen Lulu, Wang Shenchen	From the date of initial public offering to December 31, 2023

The financial advisor engaged by the Company to perform the continuous supervision responsibility during the reporting period

Applicable Not applicable

V. Major Accounting Data and Financial Indicators

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

Yes No

	2022	2021	Increase/decrease this year compared to the previous year	2020
Operating income (yuan)	11,351,331,545.08	8,037,420,812.91	41.23%	12,533,945,946.63
Net profits attributable to shareholders of listed companies (yuan)	1,650,582,427.43	1,239,320,067.26	33.18%	3,810,412,504.40
Net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses (yuan)	1,560,914,973.08	1,029,005,582.98	51.69%	3,750,822,797.63
Net cash flow from operating activities (yuan)	2,983,472,230.27	871,689,901.93	242.26%	4,767,496,287.39
Basic EPS (yuan/share)	3.90	2.91	34.02%	9.8
Diluted EPS (yuan/share)	3.90	2.91	34.02%	9.79
Weighted average return on net assets	14.89%	11.76%	3.13%	64.68%

	End of 2022	End of 2021	Increase/decrease at the end of this year compared to the end of the previous year	End of 2020
Total assets (yuan)	18,237,749,401.56	13,266,610,200.37	37.47%	13,002,251,764.44
Net assets attributable to shareholders of listed companies (yuan)	11,704,606,570.71	10,674,912,166.80	9.65%	10,453,934,045.43

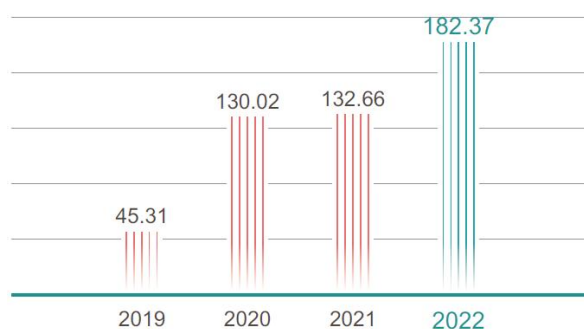
The Company's net profits before or after the deduction of non-recurring profit and loss for the last three fiscal years, whichever is lower, is negative, and the auditor's report for the latest year shows that there are uncertainties about the Company's sustainable operation ability.

Yes No

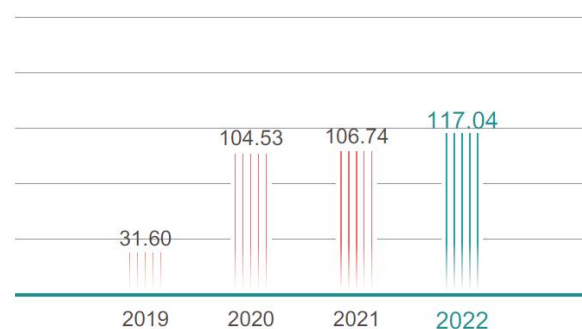
The net profits before or after the deduction of non-recurring profit and loss, whichever is lower, is negative

Yes No

Total assets (100 million yuan)



Net Asset (100 million yuan)



VI. Key Quarterly Financial Indicators

Unit: yuan

	Q1	Q2	Q3	Q4
Operating income	2,322,337,445.27	2,835,607,050.45	2,484,372,974.44	3,709,014,074.92
Net profits attributable to shareholders of listed companies	357,101,020.81	535,722,482.33	357,469,296.76	400,289,627.53
Net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses	328,127,955.96	492,430,811.27	328,157,282.62	412,198,923.23

Whether there is significant difference between the above financial indicators or the total sum of them and the financial indicators related to the quarterly report and semiannual report disclosed by the Company

Yes No

VII. 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

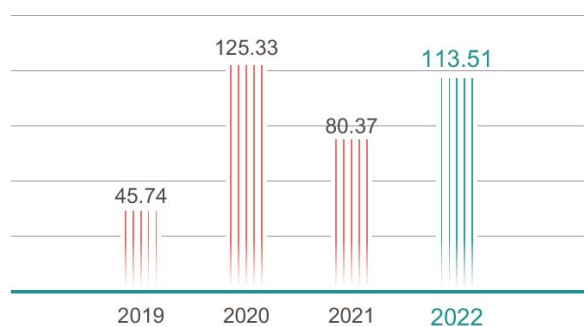
No difference between net profits and net assets in financial statements disclosed according to the International Accounting Standards (IAS) and Chinese Accounting Standards during the reporting period.

2. The difference between net profits and net assets in financial statements disclosed according to the Overseas Accounting Standards (IAS) and Chinese Accounting Standards simultaneously

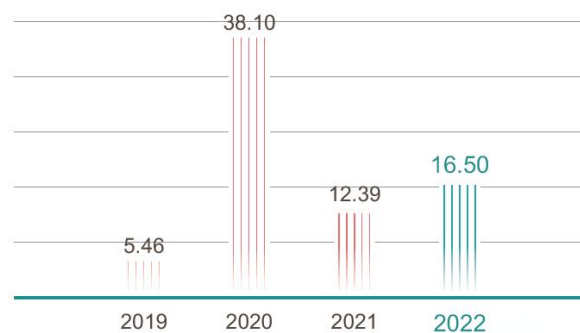
Applicable Not applicable

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.

Operating income (100 million yuan)



Net profits (100 million yuan)



Non-recurring Profit and Loss Items and Amount

√Applicable Not applicable

Unit: yuan

Item	Amount in 2022	Amount in 2021	Amount in 2020	Description
Profits and losses on the disposal of non-current assets (including the write-off part of the provision for asset impairment)	(39,993,220.64)	(9,080,387.29)	(25,914,736.75)	
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 continuously granted in accordance with a certain standard quota or amount.	84,859,103.35	105,132,971.30	74,592,796.36	
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 tradable financial assets and tradable financial liabilities, as well as the investment income from disposal of tradable financial assets, tradable financial liabilities, and available-for-sale financial assets.	78,921,808.85	158,186,445.51	28,197,958.34	
Income and expenditure other than those mentioned above	(13,810,132.25)	(2,530,827.65)	(4,844,628.50)	
Less: Amount affected by income tax	17,067,455.98	41,394,596.42	12,117,518.33	
Amount of minority shareholders' equity affected (after tax)	3,242,648.98	(878.83)	324,164.35	
Total	89,667,454.35	210,314,484.28	59,589,706.77	--

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

No definition of non-recurrent profit and loss items enumerated in the "Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses" as recurring profit and loss items during the reporting period.

03

Management Discussion and Analysis



I. The industry in which we operate

1. Industry definition

According to the Classification Rules of Medical Devices (2015) (Order No. 15 of the China Food and Drug Administration) and the Classification Catalogue of Medical Devices (Notice No. 104 of the China Food and Drug Administration in 2017), the medical dressings produced and sold by the Company belong to the nursing and protective devices in medical devices. According to the Industry Classification of National Economy (GB/T4754-2017) and the Industry Classification Guidelines for Listed Companies (revised in 2012), the industry of the Company is special equipment manufacturing industry (C35) in manufacturing industry (C).

The products of the Company's healthy consumer goods include pure cotton tissues, sanitary pads with pure cotton surface, cotton wet tissues and other non-woven consumer goods, baby supplies, baby clothing, adult clothing and other textile consumer goods. According to the Industry Classification of National Economy (GB/T4754-2017) and the Industry Classification Guidelines for Listed Companies (revised in 2012), the consumer goods operated by the Company mainly belong to the textile industry (C17) and the textile and apparel industry (C18) in the manufacturing industry (C).

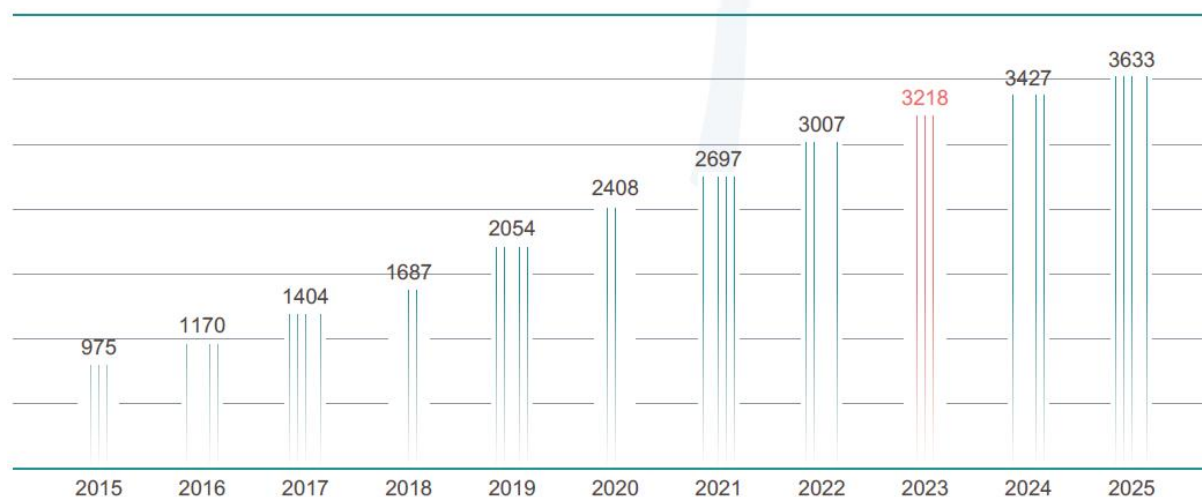
2. Development of the industry

With the strengthening of the national policy support for the medical device industry, the substitution of imported medical device with domestic products has gradually accelerated in recent years. Meanwhile, global aging and chronic disease are becoming increasingly prominent. According to the United Nations World Population Prospects 2022, the global fertility rates continue to decline. In the 1950s, women in the world had around 5 children each. In 2021, this has dropped to 2.3. According to the National Bureau of Statistics, an estimated 280 million people in China will be aged 60 and over, representing 19.8% of the population in 2022. Adapting the social medical environment to the demand of aging population is becoming a major trend. This has provided new space for the development of the medical device industry and will drive the innovation of the medical device industry.

(1) Development of medical consumables industry at home and abroad

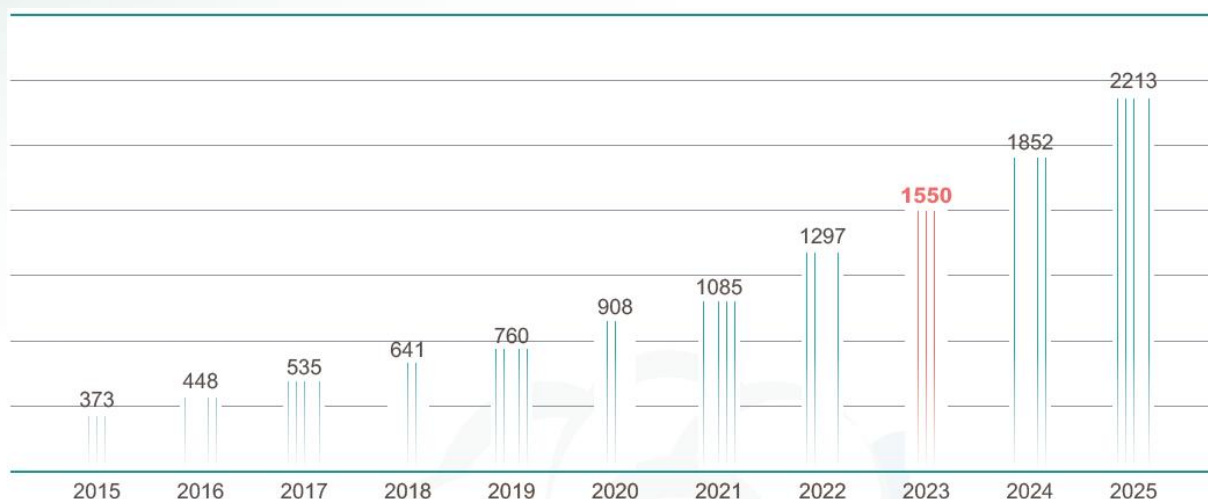
Medical consumables refer to the medical and health materials used in the process of clinical diagnosis and nursing, testing and repair. With a wide variety of models and wide application, they are important materials for medical institutions to carry out daily medical and nursing work. From the perspective of value, medical consumables can be divided into high-value medical consumables and low-value medical consumables.

Size of medical consumables market in China from 2015 to 2025 (100 million yuan)



Data source: China Medical Consumables Market Conditions and Investment Prospect Survey Report 2021-2026, China Medical Device Blue Book, Chinese Medicine, IBM Report

Size of low-value medical consumables market in China from 2015 to 2025 (100 million yuan)



Data source: China Medical Device Blue Book , Chinese Medicine, Magna Information Centre, IBM Report

Compared with high-value medical consumables, low-value medical consumables are mainly medical hygiene materials and dressings, injection and punching, medical polymer materials and products, medical disinfection materials, anesthetic consumables, consumables in the operating room and medical technology consumables, with low entry threshold and fierce market competition. Due to the wide application and benefit from the improvement of people’s living standards and the continuous growth of medical demand in China, the market space of low-value medical consumables is huge, and will continue to maintain high-speed growth in the future. According to the research and analysis of IBM, it is estimated that the market scale of low-value medical consumables in China will reach 221.3 billion yuan by 2025 (Terminal market price). In addition to medical technology consumables, the existing business of Winner Medical has covered six of the seven major categories of low-value medical consumables. The Company’s medical business is positioned as a leader in the medical consumables field, providing one-stop medical consumables solutions. Low-value medical consumables have the characteristics of rigid demand and high usage frequency. Relying on good brand reputation, channel coverage and strong manufacturing capability, the Company will continue to increase its share in the international and domestic markets.

① Market development of operating room infection control products

Due to the growth of the number of surgical operations and the strengthening of infection control measures, the market of operating room infection control products is growing continuously. According to the statistics of CMI, the domestic market size of operating room infection control products is expected to reach USD 3.688 billion in 2026, with an average annual compound growth rate of 4.9%.

Operating room infection control products can be divided into reusable products and disposable products. Compared with the reusable products, the disposable operating room infection control products can significantly reduce the risk of cross infection. According to Coherent, disposable operating room infection control products can reduce the risk of cross infection during surgery by 60%. The Guide to Operating Room Nursing Practice compiled by the Operating Room Professional Committee of Chinese Nursing Association also recommends the use of disposable aseptic products in the operating room to reduce the risk of cross infection during surgery. At the same time, disposable operating room infection control products also have advantages in convenience compared with reusable products, which makes the demand for disposable products more active.

Compared with individual products, customized surgical package products may be customized according to the type of surgery and doctor’s needs. Therefore, it may improve surgical efficiency and safety, avoid waste of surgical devices and materials and reduce hospital costs and environmental burdens. For these reasons, the market of customized surgical package is growing rapidly. According to the statistics of CMI, the market size of global customized surgical packs is expected to grow to USD 21.347 billion in 2026, with an average annual compound growth rate of 10.2%. In China, the market size of customized surgical packs is expected to rise to USD 1.504 billion, with an average compound annual growth rate of 12.2%, which is quite promising.

② Market development of advanced wound dressing products

Compared to the traditional wound dressings, advanced wound dressings are able to control exudate and have better breathability. In addition, it does not adhere to the wound, does not destroy new tissue, and may avoid bacterial infection. The typical products include hydrogel dressings, hydrocolloid dressings, transparent film dressings, foam dressings, alginate dressings, etc. Judging from the global trend, the demand for high value-added and multifunctional medical dressings made of new materials is increasing, and the advanced medical dressing industry will usher in good development opportunities. According to the research compiled by QYResearch, the global advanced wound dressings market size reached USD 5.846 billion in 2020, and is expected to reach USD 7.230 billion in 2027.

The market size in China is growing rapidly and the major factors contributing to the growth of the advanced wound dressings market include increasing aging population, increasing awareness of advanced wound dressings, increasing number of road accidents and burn cases, and high incidence of diabetic wounds and chronic infections.

Most of the sales of the advanced wound dressing enterprises in China advanced are still from overseas markets. After years of development, the product quality has reached a higher level and gained recognition in the international market. With the increase of consumption by domestic residents, the rising awareness of medical care, the popularization of domestic home care system, and the gradual convergence with international advanced medical care knowledge, the advanced wound dressings market in China will embrace a promising future.

In recent years, the relevant government departments and agencies have introduced supporting policies, indicating a general trend of replacement of international brands by domestic brands. There will also be a greater space in the advanced medical dressings field for domestic products, and the market concentration in China will further increase.

③ Development status of injection and puncture devices market

The injection and puncture device industry is divided into two categories: infusion and puncture. The main products in the infusion category are infusion sets, syringes and other infusion devices. Most of them are disposable medical supplies of high demand. As one of the most conventional medical devices, syringes are mainly used for injecting medicine into human muscles, subcutaneous tissue and vein. Puncture products mainly refer to puncture needle, and are rich in categories such as nursing and specialist categories.

According to QYResearch, at present, China's injection and puncture devices industry mainly presents three major development trends. From the perspective of market concentration, with the rise of volume procurement for medical injection and puncture devices at the provincial and municipal level, large enterprises are expected to occupy more market by virtue of scale advantage, and the market of small and medium-sized enterprises will be further compressed. Therefore, the industry concentration will continue to increase. From the perspective of application scenarios, it is extending from the dominant infusion scenarios to more scenarios. The demand for puncture needle products arising from the clinical needs mainly includes advanced multi-site advanced biopsy needles, and needles for assisted reproduction such as egg retrieval. From the technical point of view, advanced, intelligence and safety will become the technical development trend of infusion and puncture devices.

QYResearch estimates that the sales of injection and puncture devices in China will reach 36.75 billion yuan in 2026.

④ Development status of medical latex gloves market

Medical gloves are mainly divided into latex gloves, nitrile gloves, polyethylene (PE) gloves and polyvinyl chloride (PVC) gloves according to the material; according to the application scenarios, they are divided into medical surgical gloves and medical examination gloves. Latex gloves feature high elasticity and skin-friendliness, and occupy an important position in medical gloves. According to QYResearch data, the global market size of disposable medical gloves reached \$23.014 billion in 2021, with a latex gloves market size of \$6.99 billion, accounting for 30%. Latex gloves are expected to grow at a CAGR of 5.84% during 2021-2027 and will reach a market size of \$9,829 million by 2027.

(2) Development of consumer goods segmentation industry

In recent years, as people grow more confident on the national culture, the domestic goods have injected new vitality into the national economy, becoming an important driving force of consumption and domestic demand. At the same time, consumers are increasingly concerned about the environmental performance and sustainability of products, and the rise of environmental protection and low carbon concept is also driving the transformation and upgrading of the consumer goods industry. In January 2022, the National Development and Reform Commission and other departments issued the Implementation Plan for Promoting Green Consumption to comprehensively promote the green transformation of consumption in key areas. It is mentioned in one of the main goals of the plan that by 2025, the concept of green consumption will be deeply rooted in people's minds; by 2030, green consumption will become a conscious choice of the public and green low-carbon products will become the mainstream of the market.

① Development of cotton tissues

Because of its more environmental protection and less sensitization, pure cotton tissues can replace traditional paper products and towels with increasing market penetration. According to the “China’s Cotton Tissues Industry Status and Development Trend Research Report 2019-2025” published by the ChinaIRN Industry Research Institute, based on product attributes, production efficiency, environmental protection and other advantages, the customers groups of infants, maternity, people with sensitive skin and people with frequent beauty makeup and skin care needs are more willing to pay higher prices for high-quality products. So the consumer awareness for cotton tissue product is rapidly increasing, promoting the rapid growth of market demand. According to Euromonitor statistics, China’s cotton tissues market demand reached 48.76 billion pieces in 2022, and is in a high-speed growth phase.

The Company developed a new product category for cotton tissues and led the rapid growth of the cotton tissues segment. In 2021, as the first drafting unit, Purcotton participated in the development of national standards for cotton tissues. Thanks to the increasingly strict environmental regulation, this segmentation will become more mature and standardized.



② Development of disposable sanitary products industry

According to Euromonitor statistics, the market of absorptive care products in China increased from 151.1 billion yuan to 170.6 billion in 2017-2022, with an average annual compound growth rate of 2.5%.

Among them, female health care products increased from 82.3 billion yuan in 2017 to 99.1 billion yuan in 2022, with an average annual compound growth rate of 3.8%. As Chinese women's health care awareness and consumption ability continue to rise, consumers are paying more attention to product quality, functionality, material safety and product experience, leading to the increasing proportion of medium- and advanced sanitary napkin consumption.

The market scale of infant diapers decreased from 58.3 billion yuan in 2017 to 52.8 billion yuan in 2022, with an average annual compound growth rate of -2.0%.

The market scale of adult incontinence products increased from 3.7 billion yuan in 2017 to 6.0 billion yuan in 2022, with an average annual compound growth rate of 10.3%. Since the overall development of adult incontinence products in China is lagging behind the feminine sanitary pads and infant diapers market, it is still in the introduction period. Considering multiple factors such as growing life expectancy per capita, increasing number of elderly population, increasing disposable income per capita and increasing hygiene and health awareness, China's adult incontinence products market is at a stage of rapid growth in sales and market penetration.

The market scale of wet tissues increased from 6.7 billion yuan in 2017 to 12.6 billion yuan in 2022, with an average annual compound growth rate of 13.4%. At present, the market is dominated by baby wet tissues and general-purpose wet tissues. Female hygiene wet tissues, makeup removal wet tissues, home cleaning wet tissues and other categories account for a relatively small proportion, so there is a large market space to develop.

③ Development of textile industry and textile clothing and apparel industry

The sales of specialized retail goods of textiles, clothing and daily necessities increased from 70.302 billion yuan in 2007 to 773.864 billion yuan in 2021, with an average compound annual growth rate of 18.7%. Among them, the sales of textile, clothing and daily necessities in chain retail enterprises have increased rapidly in recent years, reaching 168.973 billion yuan in 2021.

The development of e-commerce industry also led to the transformation and upgrading of textile, clothing and daily necessities industries. According to the statistics of China National Textile And Apparel Council, the total volume of e-commerce transactions of textile and clothing in China in 2020 was 7.29 trillion yuan, accounting for 19.59% of the total volume of national e-commerce transactions.

The market size of China's children's clothing industry fluctuated up from 2016 to 2021, with slight decline in 2020 and 2022 under the influence of public health events. With reference to the rapid recovery of the children's clothing market in 2021, it is expected to recover rapidly in 2023. As of 2022, China's children's clothing market size is about 237.4 billion yuan. In the future, under the influence of the continuous promotion of the three-child policy and the growing attitude of "exquisite child raising", the children's clothing industry still has a large development potential.

As people's demand for health and comfort continues to rise, the market of intimate apparel (in the broad sense of underwear, meaning clothing worn close to the skin or under outerwear, including underwear, warm clothing, loungewear, socks, etc.) is also evolving in the direction of high quality and comfort. According to the customer group, underwear can be divided into three categories: men's underwear, women's underwear and children's underwear, of which women's underwear occupies a dominant position, accounting for about half of the overall market share. According to

the "Chinese Lingerie Industry Development Blue Book" released by CIC, the market size of women's lingerie will reach 217.14 billion yuan and men's lingerie will reach 84.91 billion yuan by 2026, and the overall market size of men's and women's lingerie will increase at a CAGR of 5.2% from 2020 to 2026.

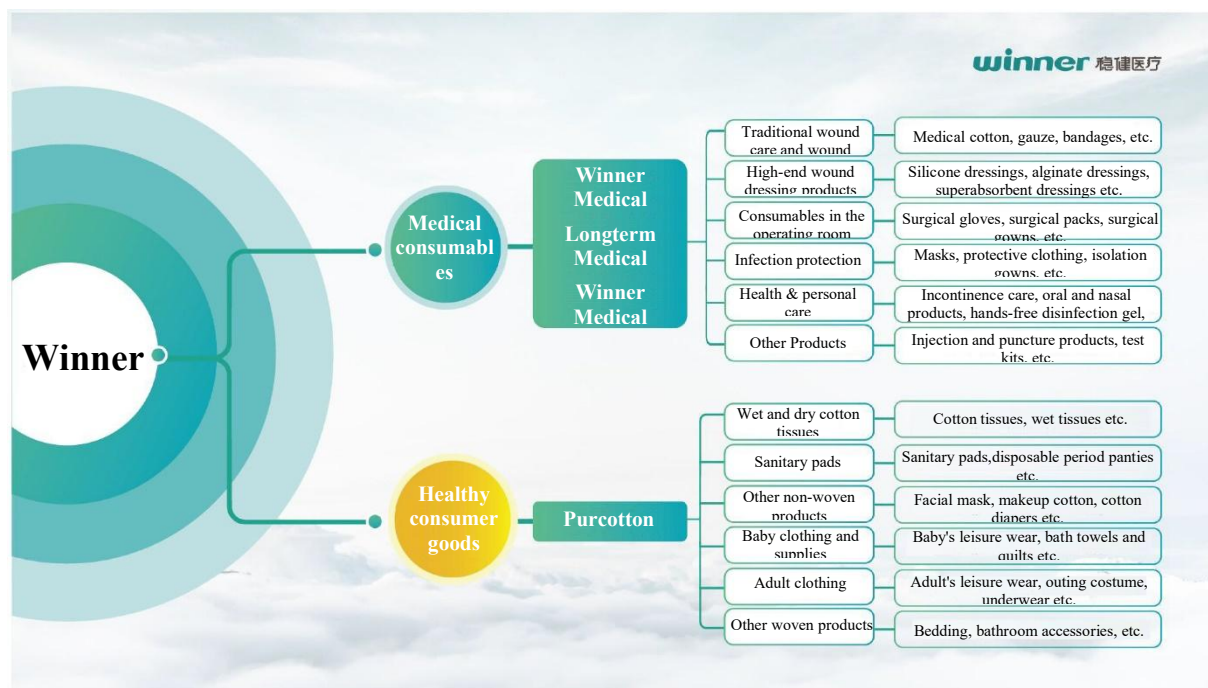


The Company needs to comply with the disclosure requirements of the “Textile and Apparel Business” stipulated in the *No. 3 Guideline of Shenzhen Stock Exchange for Self-regulatory of Listed Companies - Industry Information Disclosure*.

II. Main Business of the Company during Reporting Period

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*.

Winner Medical is a health enterprise developing both medical and consumption products under its brands of “Winner” and “Purcotton”. 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 health & personal care. The specific products include advanced wound dressing products, traditional wound care and dressing products, consumable products in operating room, infection prevention products and health & personal care products.



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 public health incident, the "Winner" brand epidemic prevention products have entered the hospital and the civilian market. Thanks to its 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 integrated solutions of wound care, infection prevention, and health & personal care products. 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 advanced 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 advanced 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 advanced pure cotton tissues, female care, baby care, adult clothing, home textile products, etc.



(II) Main Products and Purposes

With the expansion of the Company's business scope, the product categories have become more abundant. Therefore, the Company has readjusted the caliber of the product categories in this report. The product categories of the medical consumables segment are divided into traditional wound care and dressing, advanced wound dressing, consumables in the operating room, infection prevention, health and personal care and other products; the product categories of the healthy consumer products segment are divided into wet and dry wipes, sanitary pads, other non-woven products, baby apparel and products, adult apparel and other textile products.

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



Traditional wound care and wound dressing products

Main Purpose:

For absorbing wound exudate, dressing wounds, and sports protection

Product:

Medical cotton, gauze, bandages, etc.



High-end wound dressing products

Main Purpose:

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

Product:

Silicone dressings, alginate dressings, superabsorbent dressings etc.



Consumables in the operating room

Main Purpose:

For preventing infections in the operating room

Product:

Surgical gloves, surgical packs, surgical gowns, etc.



Infection protection

Main Purpose:

For occupational protection of medical staff and patient isolation

Product:

Masks, protective clothing, isolation gowns, gloves, foot straps, hats, etc.



Health & personal care

Main Purpose:

For wound cleaning and disinfection, and daily health care

Product:

Incontinence care, oral and nasal products, hands-free disinfection gel, alcohol disinfection tablets, band-aids, etc



Other Products

Main Purpose:

For health management to meet their medical needs

Product:

Injection and puncture products, test kits, etc.

The main categories and images of some products under the company's healthy consumer goods section are as follows:



Wet and dry cotton tissue

Product:

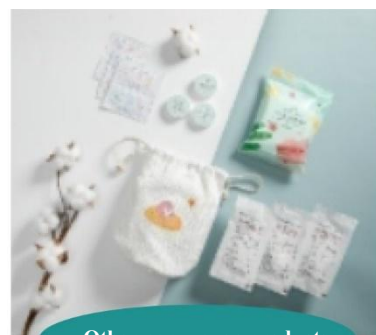
Cotton tissues, wet tissues etc.



Sanitary pads

Product:

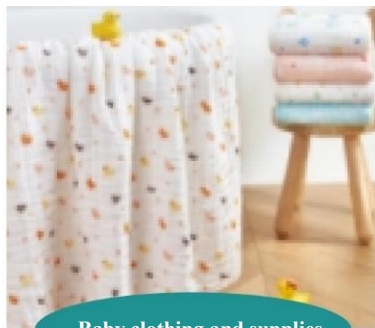
Sanitary pads, disposable period panties etc.



Other non-woven products

Product:

Facial mask, makeup cotton, cotton diapers, disposable underwear, etc.



Baby clothing and supplies

Product:

Baby's leisure wear, outing costume, underwear, bath towels, handkerchiefs and quilts, etc.



Adult clothing

Product:

Adult's leisure wear, outing costume, underwear, footwear, etc.



Other woven products

Product:

Bedding, bathroom accessories, etc.

(III) Main Operating Modes

1. Procurement mode

The Company promotes digital platform management and has established a robust procurement management system, procurement process, and risk control platform. Procurement is driven by planning, with procurement plans and strategies formulated based on annual, quarterly, and monthly demands. Different modes of procurement are implemented according to the types of materials required, including strategic procurement, centralized procurement, and decentralized procurement. Based on purchasing requirements, technical standards are determined through a combination of research and development, product analysis, and quality assessment. Procurement plans are then developed which include vendor selection, price negotiations, quota allocation, arrival schedules and payment terms. In the pursuit of a sustainable supply chain ecosystem, collaborative suppliers across product development, manufacturing, procurement fulfillment and other domains remain steadfast in their commitment to achieving low carbon emissions, cost-effectiveness, transparency and social responsibility.

- 1) **Responsible procurement:** The Company mandates that the demand department submits procurement requests based on customer orders, sales plans, and production plans. Upon approval of these requests and analysis of market conditions for raw materials and auxiliary supplies, the purchasing department will develop appropriate strategies for procuring different materials. These group purchasing strategies may include strategic procurement, bidding procurement, centralized procurement and decentralized procurement. For example, adopt strategic sourcing rules for bulk raw materials (e.g. cotton, cotton yarn, etc.); implement risk level management for outsourced materials, and provide standard technical documents and quality testing standards for each product. From demand identification, sourcing, quotation comparison and selection, contract negotiation and signing, purchase order issuance and approval, goods receipt and warehousing management to invoice reconciliation and payment application, the entire procurement process is visualized for easy supervision. All procurement activities must be strictly implemented in accordance with the established procurement management system.
- 2) **Purchasing control process:** The principle of transparency and quality priority is adopted to ensure the reliability of product quality and stability of supply, while also maintaining the ability to respond to changes in the external market and support ongoing enterprise development. 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*.
- 3) **Supply resources classification management:** according to the Company's development, match the corresponding supplier resources, cooperate with suppliers to seek win-win result, adopt different supplier cooperation strategies and reserve corresponding supply resources for different materials. Perform classification and dynamic management of existing and new suppliers, prioritize cooperation with suppliers with higher evaluation scores, and ensure that key materials are provided at least by two qualified suppliers, thereby reducing supply risk through competition among multiple suppliers. We also regularly assess material supply risks and timely adjust our procurement strategy to supplement our reserve suppliers and minimize supply risks.
- 4) **Qualification review:** For new suppliers, the Company has made strict selection criteria and supplier development and process management systems, including supplier qualification review, and on-site inspection on suppliers (such as medical production license, medical production registration certificate, ISO13485, TUV or CE certification); for suppliers with poor or even unqualified annual performance, the Company will add them to the key watch list or eliminate them.
- 5) **Sustainable supply chain:** The Company keeps improving its green and sustainable development, such as cooperation with schools and hospitals. We are also working with the upstream and downstream of the supply chain to further promote sustainable development. For example, we have promoted the project of product package de-plasticization; multiple categories of Purcotton products have obtained carbon footprint certification; we optimize product process to minimize the use of energy, and upgrade the production equipment to enable energy recovery and reuse.

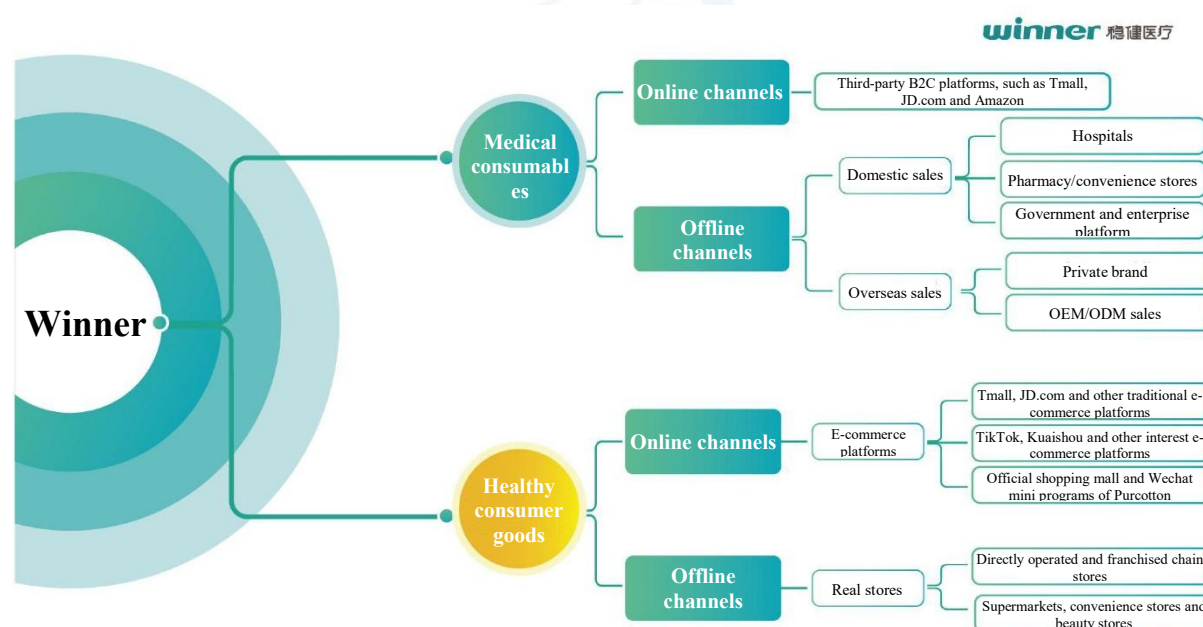
2. Production mode

Aligned with the Company's business strategy objectives, and directed by the Company-level S & OP sales and operation plan, we formulate medium and long-term strategic plans and short-term production and procurement plans according to the Company's development and customer demand. We also coordinate all related upstream and downstream departments to ensure the balance from front-end demand to supply and delivery. In the process of order fulfillment, we match capacity according to the characteristics of different demands and in combination of the actual supply of human, machine, material, method and environment. Through the flexible deployment of different production modes (MTO (Make to Order), MTS (Make to Store), ETO (Design to Order) and ATO (Assemble to Order)), we continuously improve our service level to meet customer demands and create value for customers.

- 1) In the production mode of Make to Order MTO, products are produced according to the customer's original product design; procurement is performed according to the BOM for the accepted order. Therefore, inventory basically remains zero. For OEM customer orders, as the market constantly reduces delivery cycle, it is common now to combine MTO & MTS production modes.
- 2) In the production mode of Make to Stock MTS, products are not customized for specific customers, and are usually delivered to different customers; production plans are formulated according to market demand and existing inventory. Safe inventory is determined for such products according to the production cycle and the frequency of demand to ensure that products are available when the customer places order.
- 3) In the mode of Engineer to Order, specific design requirements from a single customer can be met, usually for small production lots; in the production process, the value mainly lies in product and packaging design work. Support for custom design is an important part of this production mode. Inventory basically remains zero.
- 4) In the Assemble to Order mode, the components required for the production of finished products are stocked in advance. When the customer places order, products can be assembled quickly to meet flexible delivery demands. Common materials are stocked in advance to maintain balance between rapid delivery and inventory.

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 Medical and Purcotton in a coordinated way. With 30 years of experience in the production of medical supplies, Winner is a leading medical consumables brand in the Chinese market and a brand 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.

(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, and medical and healthcare improve, the global medical consumables market is showing a steady growth trend. 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 advanced wound dressings, and it is expected to replace imported dressings by domestic dressings step by step. After the occurrence of public health incident, the government, health care professionals, and consumers pay more attention to health protection and quality, and the demand for masks has increased significantly compared to the pre-public health incident. The medical consumables market in China is growing rapidly, creating a good external environment for enterprise development.

On October 25, 2021, the CPC Central Committee and the State Council officially announced the “Opinions on the complete, accurate and comprehensive implementation of the new development concept to achieve carbon peak and carbon neutrality”. It is pointed out that strengthening China's green and low-carbon technological innovation and continuously expanding green and low-carbon industries will accelerate the formation of new drivers and sustainable growth poles of green economy. We will significantly improve the quality and efficiency of economic and social development and provide strong impetus to build China into a great modern socialist country in all respects. On December 4, 2021, the National Development and Reform Commission, together with nine departments including the Ministry of Ecology and Environment, jointly issued the “14th Five-Year Plan for Promoting Clean Production”, with the core objectives of basically establishing the system of clean production, significantly improving the overall level of clean production, and growing the clean production industry. It is of positive significance to help achieve the goal of carbon peak, carbon neutrality, and promote green development. In recent years, the total retail sales of consumer goods in China has been rising steadily. As people grow more confident on the national culture, the domestic goods have injected new vitality into the national economy, becoming an important driving force to promote consumption and expand domestic demand. At the same time, consumers are increasingly concerned about the environmental performance and sustainability of products, and the rise of environmental protection and low carbon awareness is also driving the transformation and upgrading of 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 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 April 2022, Winner Medical was awarded the honor of “National Pioneer Worker” by the All-China Federation of Trade Unions. Winner Medical has expanded its business from the medical field to the consumer goods field, which has also increased the brand value of its consumer products.

Purcotton is committed to fulfilling consumers' demand for high-quality products which are “comfortable, healthy, and environmentally friendly”. Constantly winning recognition from consumers since its launch in 2009, Purcotton has rapidly grown into a top brand of maternal and child products on Tmall, and has gained greater market shares in the field of maternal and child 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.

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*.

III. 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 quality and innovations, and making its way into the medical consumables and advanced medical dressing market. Through the “internal growth+ external growth” approach, the Company is committed to taking the lead in the field of medical consumables and providing one-stop medical consumables solutions. 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, 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. The visions and business philosophies regarding the Company's two 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 value over corporate value”, and stick by its core values of “hard work, self-criticism, exploration and innovation, 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 public health incident, 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. The Company provided a large number of epidemic prevention and control supplies to hospitals, epidemic prevention agencies, pharmacies and the public.

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 advanced wet wound dressing is specially designed for the vulnerable skin of the elderly with chronic diseases. It may facilitate the observation of wound healing and reduction of pain with dressing change, 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 masks protective clothing, surgical gowns, and isolation gowns, has not only alleviated the shortage of raw materials during the public health incident 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, 2021, 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, academican 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. In February 2023, together with Soochow University, the Company established Health Sleep Product Industry Technology Innovation Center of Shenzhen Purcotton Technology Co., Ltd. affiliated to the College of Textile and Clothing Engineering, with Lu Yehu as the director of the center.

As of December 31, 2022, the Company has obtained 76 patents for inventions, 662 patents for utility models, and 349 design patents in China; and obtained 54 patents for inventions and 8 patents for utility models overseas. 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

With a history of more than 30 years since its establishment, Winner Medical has achieved sustainable development and maintained a leading position in the industry. It is inseparable from the Company's three core principles of “quality over profit, brand over speed, social value over corporate value”. In this context, the quality policy of “Rigorous work, strict compliance with laws and regulations, and continuously improve to win the full trust of customers” was formed and has been implemented to date. Based on this guideline, Winner Medical Group has adopted EN ISO13485:2016 (ISO13485:2016), China's Medical Device Manufacturing Quality Management Practice, the United States 21 CFR Part 820, and the European Union MDD (DIRECTIVE 93/42/EEC), EU MDR (REGULATION (EU) 2017/745) and EU PPE (REGULATION (EU) 2016/425) as cornerstones, forming a quality management system model based on process management. Under this model, Winner Medical focuses on the research of product quality standards and regulatory requirements of different countries/regions, and actively passes the corresponding product registration/certification procedures. It has obtained product access qualifications in China, EU, USA, Japan, UK, Switzerland, Russia, Australia, Malaysia, Thailand, Saudi Arabia and other countries/regions, providing domestic and foreign customers with high quality products and good after-sales service. At the same time, Winner Medical has been committed to building professional, reliable and comprehensive product quality testing capabilities. The Company's R&D center laboratory and Jingmen Winner Laboratory have been accredited by the China National Accreditation Service for Conformity Assessment (CNAS). With professional and reliable product testing capabilities, it not only provides guarantee for product quality control, but also serves as a source of data for continuous product improvement.

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 tissues. 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 strict 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 ecologically safe, no fluorescent brighteners are added to its products. Some of its products are OEKO-TEX Standard 100 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

The Company's product categories include advanced wound dressing products, traditional wound care and dressing products, consumable products in operating room, infection protection products and health & personal care products, covering application scenarios like clinical and medical institutions and families, which can better meet clients' needs of one-stop procurement. In addition to traditional wound care products and dressing products, the Company has also developed representative advanced 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 changing 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 protective products, the Company has successfully developed and marketed biodegradable masks, N95 medical protective masks of high permeability and other products, providing solutions for the environmental attributes of mask products and greatly enhancing the comfort of mask products. 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 sheet masks to consumers through portable, sterilized and diversified packages. These professional health care products and services in daily home care help customers reduce the frequency of going to the hospital.

(2) Healthy consumer goods

The Company's healthy consumer goods consist of non-woven consumer goods and apparel textile consumer goods. The non-woven consumer goods include cotton tissues, sanitary pads, and wet wipes; the apparel textile consumer goods include baby supplies, adult clothing, and bedding. 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. The Company takes the lead in proposing the innovative concept of replacing chemical fibers with cotton and getting rid of chemical stimulation, and provides 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. 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 tissues 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. 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

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. Purcotton is creating new categories and lifestyles by applying cotton materials in its core products, including pure cotton wet tissues, sanitary pads with pure cotton surface, BBNice, as well as gauze textile products and clothing. It has shaped an 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, Pinduoduo 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 Kuaishou, which helps it open up new sales growth channels.

(2) Advantages of offline channels

In the medical consumables section, the Company has covered more than 5,000 medical institutions and 150,000 retail pharmacies in China; foreign medical business customers and distributors have covered more than a hundred of countries and regions such as Europe, Japan and the United States.

In the healthy consumer goods section, as of December 31, 2022, Purcotton has opened 340 offline stores (including 26 franchisees) in more than 70 mid- and advanced 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 consumer 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 well-known supermarket chain, advanced boutique supermarkets, local leading supermarkets and chain convenient stores. 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 11,000 outlets of China Resources Vanguard, Rt-Mart 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 stores, third-party e-commerce platforms, 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 Wechat 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 December 31, 2022, the number of Purcotton users has exceeded 43.35 million, including over 21 million registered members of its private platforms (9 million store registered members, and over 12 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 eleven 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, advanced medical dressings and medical infection control protection products. In 2022, the Company acquired three sister companies, i.e. Longterm Medical, Winner Guilin, and Winner Medical (Hunan), to solidify the key foundation for building the capability of one-stop medical consumables solution. Through continuous construction and improvement, the daily management system within the factory was optimized through lean management, standardization, automation, digitalization and greening. In future, 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.

IV. Main business analysis

1. Overview

(I) Business analysis

In 2022, the domestic and international economic situation is complex and volatile under the influence of once-in-a-century global changes and the public health events. Facing the complex and severe external environment, Winner Medical, as a medical and health enterprise that realizes the coordinated development of medical and consumption sectors, always maintain strategic focus. Rooted in the two major sectors of medical supplies and healthy consumer goods, and guided by the three core business principles of “Quality over profit, brand over speed, and social value over corporate value”, the Company has responded positively and risen to the challenge. In 2022, we achieve an operating income of 11.35 billion yuan, an increase of 41.2% year-on-year; the proportion of revenue contributed by private brands increases to 49.1% of the overall revenue; the annual net profit attributable to shareholders of listed companies achieves 1.65 billion yuan, and the net profit after deduction of non-recurring profit and loss reaches 1.56 billion yuan, representing 33.2% and 51.7% year-on-year growth, respectively. The Company insists on independent innovation and research and development of basic materials, sticks to product leadership, focuses on core best-selling products and further promotes the development of channels. Thanks to these measures, our brand awareness and reputation are continuously improved, and the business performance and management quality also demonstrate excellent results.

(I) Medical consumables business: “internal growth + external growth” together drive development, and conventional products business realizes rapid growth

In recent years, under the influence of tightening global medical regulation and accelerated process of population aging and chronic disease, the medical device industry has ushered in a golden period of rapid development. The medical consumables sector is in a rapid development stage for its high frequency of use and low industry penetration rate. Compared with the global market, China's medical consumables market is more promising in terms of scale and growth rate.

Our medical consumables brand, Winner Medical, has been cultivating the medical consumables industry for more than 30 years and has steadily went through several rounds of economic and industry development cycles. In the face of public health events in the past three years, the Company has made every effort to guarantee the supply of medical supplies. While making due contributions to society, its brand awareness and reputation have been significantly improved. Our channels have been further consolidated, laying a solid foundation for the regular products to enter the hospital and the improvement of C-end sales performance. In 2022, the medical segment achieved sales revenue of 7.20 billion yuan, up by 83.7% year-on-year. Among them, the revenue of infection protection products grows by 99.1% year-on-year, and the revenue of conventional products grows by 59.8% year-on-year. Driven by the dual approach of “internal growth + external growth”, our product lines are further enriched through integration, merger and acquisition, which provides a solid foundation for the Company's development. The Company's strategic positioning of “leading the field of medical consumables and providing one-stop medical consumables solutions” has taken a solid step forward.

① Products

The Company is committed to becoming a one-stop solution provider for medical consumables, covering advanced wound dressing products, traditional wound care and dressing products, consumable products in operating room, infection protection products and health & personal care products. With the changing situation of public health incidents at home and abroad, the demand for epidemic prevention products increased significantly during the year. The operating income of infection protection products is 4.74 billion yuan, of which the mask and protective clothing products contribute 4.48 billion yuan, becoming the main products of the medical segment in the year.

Leveraging the brand awareness and reputation strengthened by masks and protective clothing, our conventional products, driven by the dual factors of “internal growth + external growth”, achieved revenue of 2.47 billion yuan during the reporting period, an increase of 59.8% year-on-year, with sales revenue of advanced wound dressing products increasing by more than 3.7 times, an increase of 108.4% after excluding M&A; the sales revenue of consumable products in the operating room increased by 46.8%; the sales revenue of health and personal care products increased by 34.9%. As of the end of the reporting period, we hold 680 patents in the medical consumables segment and 319 medical product registrations (including 22 registrations of Category III medical products).

Through the acquisition of Longterm Medical, Winner Medical (Hunan), Winner Guilin and other companies, the Company increased product lines in the fields of advanced wound dressings, injection and puncture consumables, latex gloves and condoms, which strongly improved its industrial layout. During the year (from the date of equity acquisition to the end of the reporting period), the M&A companies contributed a total revenue of 810 million yuan. In the future, the Company will continue to strengthen the in-depth integration of M&A companies in multiple fields such as capacity enhancement, product technology, brand channels and operation management to help the relevant production lines make greater contributions to the Company.

② Channel

In 2022, the channel structure of medical consumable business revenue has changed significantly. During the reporting period, the sales revenue of foreign sales channels was 1.24 billion yuan. In 2020, some orders were delivered through inter-shipment. In 2021, the revenue of the current period decreased by 18.2 compared with the same period last year under the background of the high increase in the revenue base. The three major channels, B-end- hospitals and C-end - e-commerce and pharmacies, contributed 3.62 billion yuan, 940 million yuan and 580 million yuan respectively in revenue in 2022, with year-on-year growth rates of 190.6%, 39.1% and 76.7%, respectively.

In terms of hospital section, the situation of public health incident is severe in 2022. In order to ensure the safety and health of front-line health care professionals with limited medical resources, the Company prioritizes the supply of epidemic prevention products to hospitals and controls the resources of other channels to a certain extent. As a result, the overall revenue of the hospital section increases significantly. In addition to the increase of brand recognition thanks to the epidemic prevention products, the Company has also consolidated its professional brand image through a series of academic conferences and academic promotion activities, which has strongly enhanced the hospital coverage rate. By the end of 2022, the Company has covered more than 5,000 medical institutions with remarkable expansion effect.

In 2022, C-end sales exceeded 1.5 billion yuan, up by 51.4% compared to 2021, demonstrating vigorous growth momentum. In terms of e-commerce, the Company has outstanding performance on traditional third-party online sales platforms including Tmall, Jingdong and Vipshop, and ranked top three in the core major single product category on the cross-border e-commerce platform of Amazon; by the end of the reporting period, the cumulative number of fans on domestic e-commerce platforms was 13.44 million, with 4.2 million added during the year, and the sales performance on e-commerce platforms remained leading in the industry. As for pharmacies, 150,000 OTC pharmacies were covered by the end of the period, with 30,000 new ones added during the year.

(2) Healthy consumer goods business: cotton technology realizes differentiation, and the revenue remains stable against the trend

Since the occurrence of public health incident, the lifestyle, consumption habits and income levels of people have been profoundly affected. According to the data released by the National Bureau of Statistics, the total retail sales of consumer goods in 2022 was 43.97 trillion yuan, down 0.2% year-on-year; the national per capita consumer spending was 24,538 yuan, down 0.2% in real terms excluding price factors; the total retail sales of consumer goods and the actual growth rate of consumer spending fell slightly year-on-year. In such a market environment, the track of national brand of maternal and infant products that the Company stays is in line with the general trend of modern exquisite child care and the vigorous development of national tide economy, showing strong resilience of development.

Purcotton, the Company's healthy consumer goods brand, focuses on the upgrading market of maternal and infant consumption. Backed by the parent company with a medical background of more than 30 years, it starts with the technology of cotton spunlace non-woven fabric, and continuously enrich its product categories. The consumption scene has expanded from maternal and infant to the whole family consumption of women and home. With comfortable, healthy and environmentally friendly materials, medical background, customer base of high loyalty and excellent product quality, the brand established significant competitive advantage of differentiation. In 2022, facing a weak domestic consumer market, Purcotton actively responded to the challenge, and achieved sales revenue of 4.05 billion yuan during the reporting period, maintaining stability against the trend. Compared with 2019, the revenue grew by 34.8%, with a three-year business scale CAGR of 10.5%.

① Products

Guided by the principle of “cotton fiber only”, Purcotton continuously invests in technology research and development, and has built up a differentiated product matrix. The Company's consumer products include non-woven products and woven products, which contributed to the operating income of 2.17 billion yuan and 1.89 billion yuan respectively during the reporting period, with year-on-year changes of 1.4% and -1.5% respectively.

In terms of non-woven products, Purcotton has created special advantages of cotton material through a variety of patented technologies and actively innovated. In 2022, it has strived to enhance product competitiveness through upgrading basic materials and innovating product categories. The Company created the first cotton soft towel category in 2009, and Purcotton led the formulation of the national standard of “Soft Towels” in 2021, further promoting its position in the industry. The first patent of sanitary napkins of Purcotton is to replace the core body of wood pulp with 100% cotton, which is skin-friendly and not sensitive. Within the year, the dry and refreshing of the cotton surface layer is further improved, and the technical barrier of the product is created. In 2022, against the background of overall weak consumption, the Company is also confronted with the low-price competition from chemical fiber materials substitutes and cotton competitors. It promotes the advantages of cotton through the brand release conference of “Sheyu Gongsheng”, the original IP series video of “What She Changed”, the spokesperson's official announcement, and the documentary of “What Is Cotton”, etc., in an effort to protect the market share. During the reporting period, wet and dry cotton towel and sanitary napkin products achieved operating income of 1.16 billion yuan and 570 million yuan respectively, representing a steady to slight increase compared to 2021. By the end of the reporting period, Purcotton has obtained a total of 469 patents, 134 new patents during the year, and won the China Green Product and carbon footprint certification, leading the green development of the industry.

In terms of textile products, Purcotton centers around the of middle and advanced value positioning, focusing on delicate mothers and high-quality and high-yield groups. With the safety, comfort and skin-friendly features of cotton material, it meets the needs of maternal and infant markets and accumulates ultra-sticky customer groups. Through the expansion of product categories, the consumption scene is extended to adult clothing and home textiles. In 2022, the sales revenue of baby and child clothing, adult clothing and household textile consumer goods reached 850 million yuan, 690 million yuan and 350 million yuan respectively, with gauze bath towels, saliva towels and baby and child cuddles occupying a leading market share. As the main channel for sales of baby products, stores were closed temporarily and frequently during the year, resulting in a 2.6% year-on-year decline in revenue from baby apparel and supplies. The overall revenue of adult apparel remained stable.

② Channel

Purcotton has diversified online and offline channels, including traditional third-party platforms such as Tmall, Jingdong, Vipshop, e-commerce platforms such as TikTok Interest, and its own platforms such as official website and mini program. In terms of the offline channel, it takes the strategy of increasing the density of offline direct-sale stores in first-tier and second-tier cities, and accelerating the development of high-quality franchisees; At the same time, through the mode of offline experience and online re-purchase, deep integration of multiple channels, complementary advantages of multiple platforms, Omni-channel layout was established. By the end of the reporting period, the number of members in the region exceeded 43 million, and the number of omnichannel members increased by 23.7% year-on-year. During the year, Purcotton continued to explore its online channels, looking for breakthroughs from the four dimensions of new products, popular products, new

customers and service. It improves its fine operation ability, focuses on the matrix of new products and popular products, and strengthens the mutual penetration among categories. Through brand activities, content community, membership system and other in-depth operation, the conversion rate of new customers and old customers are increased. In 2022, online channels achieved sales revenue of 2.57 billion yuan, an increase of 0.9% over the previous year.

In 2022, due to the direct impact of public health incident on the offline consumption industry, the pressure of store operation increased significantly. By the end of 2022, the Company had 340 offline stores (including 314 directly operated stores and 26 franchised stores), opened 45 new stores (39 new directly operated stores and 6 franchised stores) and closed 25 inefficient and loss-making stores (22 directly operated stores and 3 franchised stores); the annual sales revenue of offline stores was 1.18 billion yuan, down 4.1% year-on-year. In the face of challenges, the Company took the initiative to optimize the existing store structure, and actively expanded O2O channels and launched ultra-fast service for stores. It promoted the cooperation between offline stores and online platforms such as Meituan, Jingdong Daojia and Ele. me, which not only increased the visibility and customer flow, but also enhanced the customer experience and the offline sales performance. The development of supermarket channels seeks progress while maintaining stability. More than 400 new large stores, more than 4,500 beauty stores and more than 8,000 convenience stores have been added in the year. Besides, dry and wet cotton soft towels and disposable travel products have been gradually introduced. In 2022, supermarket channels contributed 230 million yuan in revenue, up 14.1% year on year.

The natural material and excellent quality bring together loyal customer base who value the material, natural, comfortable and environmental protection, and the re-purchase rate of the brand maintains a high level. In 2022, the re-purchase rate of Purcotton stores is nearly 50%, and the re-purchase rate of official website channels is nearly 45%.

(3) Company profitability analysis

Affected by the decline in the global sales price of medical protection products and the increase in the proportion of business to the company's overall sales, the gross margin of infection protection products decreased by 5.8 percentage points, dragging the overall gross margin down by 2.5 percentage points to 47.4% during the reporting period. In 2022, the Company vigorously carried out cost reduction and efficiency improvement actions. Through end-to-end cost reduction of products and vigorous reduction of the number of SKUs, the cost control effect was remarkable, and the marketing expense rate was significantly reduced. The Company attaches great importance to research and development and continuously increases the investment in R&D expenses. The rate of research and development expense increased from 3.7% to 4.3% in the year, and made remarkable achievements such as continuous breakthrough in core technology, increasing the number of patents and registration certificates of medical products. Under the influence of the above factors, the Company achieved a net profit attributable to shareholders of the listed company of 1.65 billion yuan in 2022, representing a year-on-year increase of 33.2%. After excluding the impact of government subsidies, investment income of trading financial assets and other non-recurring items on net profit, the Company achieved non-GAAP net profit of 1.56 billion yuan, an increase of 51.7%.

(II) Overview of operation and management

(1) Brand building

Winner Medical consistently enhances brand recognition through compelling brand storytelling, behaves as an influential figure in academics and marketing through clinical promotion, optimizes end-to-end marketing transformation through content operation, creates brand values through public welfare activities, and achieves corporate strategies by leveraging brand marketing as a catalyst.

As to branding, Winner Medical cooperated and engaged with leading media and business magnates to co-create positive communications and actively build its brand image. The advertising on Weibo, WeChat, Xiaohongshu, Douyin, elevator ads, and other channels generated an overall exposure of over 1.4 billion. The Company showcased its latest products and cutting-edge technologies to domestic and international customers and consumers by participating in five exhibitions throughout the year.

Regarding communications, Winner Medical affected the professional market through academic conferences at all levels, participating in over 85 educational activities at each level in the whole year, such as the Wound Care Training Base of Winner Medical Academy established jointly by the Company and the Second Affiliated Hospital of Guangzhou Medical University to provide theoretical and practical training for clinical workers in the field of professional wound care. Winner Medical launched cross-industry cooperation with various To C young brands, and the co-branded products were sold out online in 3 weeks, while 3 online cross-industry campaigns generated an overall exposure of over 45 million. In 2022, the company played a pivotal role in driving traffic and sales for a total of 7,000+ end stores.

Purcotton continued to deepen its communication with consumers by effectively conveying the numerous advantages of "cotton" in terms of environmental protection and sustainable development. This was accomplished through the endorsement of spokespersons, the creation of high-quality original content, offline exhibition tours, and press conferences. By promoting culture output to reach emotional resonance with consumers, the company demonstrated its commitment to delivering brand humanistic care and improving brand awareness and reputation.

On March 1, Purcotton officially announced Guo Jingjing, a former national diving team athlete, as the brand spokesperson. Since March 2022, Purcotton, together with China Women's News and Xin Shixiang, has created the original brand character documentary series "Her Changes", presenting stories of Luo Haixiang, Shui Qingxia and Xu Ying. The spirit of the times was recorded through the experience of real people, so Purcotton was deeply connected with the spirit and values of users and the brand's own content IP was created. 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 introduce the environmental protection value of cotton and convey the brand's sustainable development vision to consumers through online live broadcasts.

In addition, during "818 Seasonal Membership Campaign" in 2022, Purcotton announced that three classic products, including its 100% pure cotton tissues, obtained SGS carbon-footprint certification on Members' Day themed "Hearing Blooms and Meeting with Peaceful Minds". In September, Purcotton conducted a quality traceability journey, and told stories about four cotton keepers on "perseverance", "faith", and "innovation", interpreting its deep understanding of the spirit of cotton.

(2) Product R&D

The Company sticks to independent innovation and development of basic materials. In medical wound care, the Company has been upgrading and iterating functional wound dressings, allowing products to be recognized by customers at home and abroad. The Company is also accelerating the arrangements for access to domestic and foreign product documents to prepare for the changes in EU regulations and the supply of locally-produced alternatives for domestic hospitals. As the first batch of the Company's products, several independently-developed wet dressing products have been approved by FDA, while more than a dozen wet dressing products are applying for CE, FDA and domestic registration, expecting to obtain certificates in 2023. The Company has successfully developed and marketed biodegradable masks, face mask series with cotton lining, highly breathable N95 medical protective face masks, etc., providing solutions for eco-friendly masks and making mask wearing more comfortable.

In health consumer goods, the air pleated yarn cotton fabric, pioneered by the Company in the industry and featured with fluffy, comfortable, skin-friendly and soft feelings, has been applied to home wear, bath towels, and bedding suites. The cotton sunscreen 3.0 developed by the Company not only has a super sunscreen effect of UPF50+, but is thinner, lighter, more breathable, and comfortable, with an upgraded function of peppermint cooling. Also, core products of the Company, such as cotton tissues, wet tissues and gauze products, were successfully certified as green products, generally only available to the Top 5% of enterprises in the industry. Cotton tissues obtained the first green product certificate in China. The Company therefore encourages all enterprises to jointly "achieve the carbon peak and carbon neutrality goals, and protect lucid waters and lush mountains". The Company has also started the carbon footprint certification of core cotton products. The total amount of greenhouse gas emissions of products can be quantitatively calculated through the carbon footprint certification of cotton tissues, wet tissues, gauze baby clothes, four-piece bedding sets, and T-shirts. Implementing carbon footprint certification marks an important step to meet all cotton products' carbon peak and carbon neutrality goals.

Regarding industry-university-research collaboration, the Company worked with Huazhong Agricultural University to establish the Cotton Research Institute. It appointed Professor Zhang Xianlong as the Chief Cotton Scientist of Purcotton to conduct cotton breeding and research and development projects for spunlace. Meanwhile, the Company and Soochow University jointly founded the Soochow University-Purcotton Technology Co., Ltd. Technology Innovation Center for Healthy Sleep Products Industry, allowing for research and development of healthy sleep bedding products to meet the health needs of consumers. Also in 2022, the Company, along with the National Environmental Protection Engineering and Technology Center for Textile Industry Pollution Reduction, Donghua University, carried out the analysis and testing of microplastic release from textile materials, and called for deplasticization among consumers by showcasing shreds of evidence of scientific testing.

(3) Digital transformation

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. It effectively promoted the whole industrial chain of the group to drive and lead the overall business change and innovation from top to bottom. The Company advanced digitalization projects in 2022 as follows: ① The Company continuously upgrades digital operation capability for all categories of commodities: building a full-dimensional commodity cost-volume-profit (CVP) model based on the full-lifecycle operation integration of commodities, and effectively achieving optimal solutions for commodity gross profit and inventory through AI technologies, such as algorithm engines and machine learning. The forecasting model optimized and improved the accuracy of commodity-channel-consumer matching, balanced production capacity through algorithmic automatic distribution and replenishment forecasting, and automatically modeled and generated good-selling element labels to improve the overall commodity operation capability further. 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. In 2022, the Company completed the connection of all members. In the future, the Company will further promote the building of the CDP-MA marketing cloud and strive to accelerate the digital operation capability of omni-channel consumers comprehensively. 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. In 2022, the Company's independently-developed WMS helped complete the upgrading of the automated three-dimensional warehouse of Huanggang Logistics, which has been promoted and contributed to the upgrading of the automated three-dimensional warehouse of Tianmen Logistics. ④ The Company accelerated the building of digital operation capabilities for intelligent manufacturing. Based on the new-generation ICT technologies such as Big Data, cloud computing, IoT, and AI, the Win+ Intelligent Manufacturing Digital Operation Platform consists of 4 major applications, namely Advanced Planning & Scheduling System (APS), Manufacturing Execution System (MES), Quality Management System (QMS) and Internet of Things Platform (IoT). With over 300 functions, it covers various functions, such as planning and scheduling, manufacturing execution, quality management, equipment monitoring, energy management, enabling digital management of quality, cost, delivery and efficiency. By the end of 2022, the Win+ Platform has successfully gone live in 3 plants to improve the overall competitiveness of manufacturing.

2. Revenues and Costs

(1) Composition of operating income

Overall operating income

Unit: yuan

	2022		2021		Year-on-year increase/decrease
	Amount	Proportion in operating income	Amount	Proportion in operating income	
Total operating income	11,351,331,545.08	100%	8,037,420,812.91	100%	41.23%
By industries					
Medical consumables	7,202,766,247.84	63.46%	3,922,006,868.38	48.80%	83.65%
Healthy consumer goods	4,054,985,562.16	35.72%	4,054,214,732.21	50.44%	0.02%
Others	93,579,735.08	0.82%	61,199,212.32	0.76%	52.91%
By products					
Medical consumables - traditional wound care and wound dressing products	1,077,558,999.19	9.49%	924,789,927.57	11.51%	16.52%
Medical consumables - advanced wound dressing products	466,329,531.98	4.11%	98,746,452.60	1.23%	372.25%
Medical consumables - operating room consumables	471,737,488.55	4.16%	321,442,554.19	4.00%	46.76%
Medical consumables - infection prevention products	4,735,248,687.64	41.72%	2,377,805,588.44	29.58%	99.14%

Medical consumables - health & personal care products	268,849,070.13	2.37%	199,222,345.58	2.48%	34.95%
Medical consumables - other products	183,042,470.35	1.61%	0.00	0.00%	100.00%
Healthy consumer goods - wet and dry cotton tissues	1,155,141,187.50	10.18%	1,140,041,080.92	14.18%	1.32%
Healthy consumer goods - sanitary pads	569,333,764.43	5.02%	548,455,495.71	6.82%	3.81%
Healthy consumer goods - other non-woven products	441,125,708.69	3.89%	447,206,583.29	5.56%	-1.36%
Healthy consumer goods - baby clothing and supplies	848,630,484.33	7.48%	871,487,147.78	10.84%	-2.62%
Healthy consumer goods - adult clothing	687,219,850.71	6.05%	679,999,664.91	8.46%	1.06%
Healthy consumer goods - other woven products	353,534,566.50	3.11%	367,024,759.60	4.57%	-3.68%
Other businesses	93,579,735.08	0.82%	61,199,212.32	0.76%	52.91%

	2022		2021		Year-on-year increase/d decrease
	Amount	Proportion in operating income	Amount	Proportion in operating income	
By regions					
Domestic	10,044,710,560.59	88.49%	6,343,778,322.52	78.93%	58.34%
Abroad	1,306,620,984.49	11.51%	1,693,642,490.39	21.07%	-22.85%
By sales modes					
Medical consumables - direct sales	1,454,564,874.56	12.81%	1,247,971,768.24	15.53%	16.55%
Medical consumables - distribution	4,539,719,035.77	40.01%	1,494,353,752.08	18.59%	203.79%
Medical consumables - agency	267,075,893.05	2.35%	502,684,789.51	6.25%	-46.87%
Medical consumables - e-commerce	941,406,444.46	8.29%	676,996,558.55	8.42%	39.10%
Healthy consumer goods - e-commerce	2,565,052,802.59	22.60%	2,541,320,964.05	31.62%	0.93%
Healthy consumer goods - offline stores	1,184,292,470.95	10.43%	1,234,967,801.51	15.37%	-4.10%
Healthy consumer goods - supermarket channels	231,766,054.19	2.04%	203,037,328.70	2.53%	14.15%
Healthy consumer goods - key accounts	73,874,234.43	0.65%	74,888,637.95	0.93%	-1.35%
Other businesses	93,579,735.08	0.82%	61,199,212.32	0.76%	52.91%

(2) Industries, products, regions and sales patterns that account for more than 10% of the Company's operating income or operating profits

√ Applicable □ Not applicable

Unit: yuan

	Operating income	Operating costs	Gross profit margin	Year-on-year increase/d decrease of operating income	Year-on-year increase/d decrease of operating cost	Year-on-year increase/d decrease of gross profit margin
By industries						
Medical consumables	7,202,766,247.84	3,996,133,140.99	44.52%	83.65%	94.09%	-2.98%

Healthy consumer goods	4,054,985,562.16	1,914,013,438.24	52.80%	0.02%	-1.15%	0.56%
By products						
Medical consumables - infection prevention products	4,735,248,687.65	2,441,987,072.10	48.48%	99.14%	123.98%	-5.71%
Healthy consumer goods - wet and dry cotton tissues	1,155,141,187.50	585,437,456.89	49.32%	1.32%	1.05%	0.14%

	Operating income	Operating costs	Gross profit margin	Year-on-year increase/d decrease of operating income	Year-on-year increase/d decrease of operating cost	Year-on-year increase/d decrease of gross profit margin
By regions						
Domestic	10,044,710,560.59	5,225,576,005.36	47.98%	58.34%	64.01%	-1.80%
Abroad	1,306,620,984.49	747,224,811.93	42.81%	-22.85%	-11.27%	-7.47%
By sales modes						
Medical consumables - direct sales	1,454,564,874.56	795,477,797.59	45.31%	16.55%	18.16%	-0.74%
Medical consumables - distribution	4,539,719,035.78	2,633,795,605.22	41.98%	203.79%	203.05%	0.14%
Healthy consumer goods - e-commerce	2,565,052,802.59	1,322,606,097.28	48.44%	0.93%	-0.31%	0.65%
Healthy consumer goods - offline stores	1,184,292,470.95	467,012,543.64	60.57%	-4.10%	-6.83%	1.16%

If the statistical caliber of the Company's main business data is adjusted in the reporting period, the Company shall follow the primary business data in the past year changed by the caliber at the end of the reporting period

√ Applicable □ Not applicable

Unit: yuan

	Operating income	Operating costs	Gross profit margin	Year-on-year increase/d decrease of operating income	Year-on-year increase/d decrease of operating cost	Year-on-year increase/d decrease of gross profit margin
By industries						
By products						
Medical consumables - traditional wound care and wound dressing products	1,077,558,999.19	721,435,653.89	33.05%	16.52%	14.77%	1.02%
Medical consumables - advanced wound dressing products	466,329,531.98	214,388,590.22	54.03%	372.25%	451.20%	-6.58%
Medical consumables - operating room consumables	471,737,488.55	324,986,710.26	31.11%	46.76%	54.99%	-3.66%
Medical consumables - infection prevention products	4,735,248,687.65	2,441,987,072.10	48.48%	99.14%	123.98%	-5.71%
Medical consumables - health &	268,849,070.13	160,887,989.85	40.16%	34.95%	73.75%	-13.36%

personal care products						
Medical consumables - other products	183,042,470.35	132,447,124.66	27.64%	/	/	/
By regions						
By sales modes						

Reasons for change of statistical caliber

With the expansion of the Company's business scope, the product categories have become more diversified. In this report, the Company reclassified the product categories according to application scenarios, and adjusted the year-on-year data based on the same caliber.

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 profit margin	Year-on-year increase/d decrease of operating income	Year-on-year increase/d decrease of operating cost	Year-on-year increase/d decrease of gross profit margin
By industries						
Medical consumables	7,202,766,247.84	3,996,133,140.98	44.52%	83.65%	94.09%	-2.98%
Healthy consumer goods	4,054,985,562.16	1,914,013,438.24	52.80%	0.02%	-1.15%	0.56%
By products						
Medical consumables - infection prevention products	4,735,248,687.65	2,441,987,072.10	48.48%	99.14%	123.98%	-5.71%
Healthy consumer goods - wet and dry cotton tissues	1,155,141,187.50	585,437,456.89	49.32%	1.32%	1.05%	0.14%
By regions						
Domestic	10,044,710,561.08	5,225,576,005.36	47.98%	58.34%	64.01%	-1.80%
Abroad	1,306,620,984.00	747,224,811.93	42.81%	-22.85%	-11.27%	-7.47%

If the statistical caliber of the Company's primary business data is adjusted in the reporting period, the Company shall follow the primary business data in the past year changed 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	314	111,393	39	47	Voluntarily store closing because of expiration of the contract or subjective	Consumer goods stores

	wishes			
Franchises	26	5,913	6	3

Note: 50 stores were closed at the end of the reporting period, namely, 25 stores for Purcotton, 15 stores for Purunderwear and 10 stores for PureH2B.

Total area and performances of direct-sale stores

Levels of areas	Number of stores	Total area	Operating income in 2022 ('0,000 yuan)	Same period last year	Average year-on-year increase/decrease in performance of stores	Reasons
300m ² or less	130	28,622.15	34,611.27	38,255.92	-9.53%	
300-500m ²	85	31,494.59	31,344.82	34,344.48	-8.73%	
500-800m ²	45	27,786.19	21,053.33	22,809.54	-7.70%	
800m ² or more	14	13,292.48	8,056.85	8,442.06	-4.56%	
Total	274	101,195.41	95,066.26	103,852.01	-8.46%	Significant drop in store traffic, store closures, lower logistics efficiency due to public health events

Note: The above stores are Purcotton's stores opened for more than 12 months as of December 31, 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 Income

S/N	Name of stores	Opening date	Operating income (yuan)	Average performance of the store
1	First	October 25, 2017	13,486,774.07	33,399.64
2	Second	August 6, 2012	10,976,200.41	18,769.47
3	Third	September 19, 2014	9,909,370.81	13,177.35
4	Fourth	January 18, 2018	9,889,774.79	7,419.19
5	Fifth	November 11, 2017	9,255,081.79	14,227.64
Total			53,517,201.88	14,370.54

New stores of listed companies

√ Yes □ No

Name of stores	Address of stores	Opening time	Contract area (m ²)	Investment amount (yuan)	Product Category	Business type	Business model	Property ownership status	Number of stores
Direct-sale stores of Purcotton	North China	2022	1,694.96	15,070,595.23	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	7
Direct-sale stores of Purcotton	East China	2022	1,460.78	10,106,474.33	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	6

(Continued)

Name of stores	Address of stores	Opening time	Contract area (m2)	Investment amount (yuan)	Product Category	Business type	Business model	Property ownership status	Number of stores
Direct-sale stores of Purcotton	South China	2022	1,400.70	10,540,034.07	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	6
Direct-sale stores of Purcotton	West China	2022	1,857.02	14,016,787.56	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	7
Direct-sale stores of Purcotton	Central China	2022	3602.08	23,672,260.89	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	13
Purcotton franchisees	South China	2022	251.00	601,331.06	Healthy consumer goods	Retail	Franchisees	Purcotton franchisees	1
Purcotton franchisees	West China	2022	848.53	2,734,366.97	Healthy consumer goods	Retail	Franchisees	Purcotton franchisees	4
Purcotton franchisees	Central China	2022	297.00	613,550.31	Healthy consumer goods	Retail	Franchisees	Purcotton franchisees	1
Total			11,412.07	77,355,400.42					45

Note: Investment amount includes: stores' inventory balance, renovation costs, renovation deposit, 6-month lease and personnel costs at the end of the reporting period.

Does the Company disclose the information on the Top 5 franchisees

Yes No

(3) Whether the Company's physical sales revenue is greater than the labor service revenue

Yes No

Classification of sectors	Item	Unit	2022	2021	Year-on-year increase/decrease
Medical consumables - gauze	Sales volume	ton	7,173.86	5,919.75	21.19%
	Output	ton	6,957.17	6,039.90	15.19%
	Inventory	ton	779.24	995.93	-21.76%
Medical consumables - cotton	Sales volume	ton	3,066.79	3,899.88	-21.36%
	Output	ton	3,220.10	3,989.77	-19.29%
	Inventory	ton	795.22	641.92	23.88%
Medical consumables - masks	Sales volume	'0,000 pieces	596,641.63	337,060.18	77.01%
	Output	'0,000 pieces	606,491.33	368,638.00	64.52%
	Inventory	'0,000 pieces	70,141.19	60,291.48	16.34%

(Continued)

Classification of sectors	Item	Unit	2022	2021	Year-on-year increase/decrease
Medical consumables - protective clothing	Sales volume	'0,000 suits	4,832.64	1,476.6	227.28%
	Output	'0,000 suits	4,975.97	1,485.69	234.93%
	Inventory	'0,000 suits	210.94	67.61	211.99%
Medical consumables - surgical gowns	Sales volume	'0,000 suits	1,525.87	1,380.46	10.53%
	Output	'0,000 suits	1,489.54	1,389.60	7.19%
	Inventory	'0,000 suits	93.15	129.48	-28.06%
Medical consumables - pure cotton spunlace non-woven fabrics	Sales volume	ton	5,460.52	4,785.61	14.10%
	Output	ton	5,438.90	4,780.12	13.78%
	Inventory	ton	205.95	227.57	-9.50%
Healthy consumer goods - cotton tissues	Sales volume	'0,000 kits	17,751.57	17,903.66	-0.85%
	Output	'0,000 kits	16,558.21	15,682.89	5.58%
	Inventory	'0,000 kits	2,253.98	3,447.34	-34.62%
Healthy consumer goods - sanitary pads	Sales volume	'0,000 pieces	69,709.59	68,805.68	1.31%
	Output	'0,000 pieces	71,338.37	65,430.61	9.03%
	Inventory	'0,000 pieces	19,255.54	17,626.76	9.24%

Reasons for a YoY change of 30% or above in relevant data

 Applicable Not applicable

① The increase in sales and production of medical consumables - masks was mainly due to the rise in demand for masks because of public health events in 2022; ② The increase in sales, production and inventory of medical consumables - protective clothing was mainly due to the rise in demand because of public health events, leading to an increase in production, sales and inventory; ③ The decrease in production and inventory of medical consumables - cotton was mainly due to the decrease in sales orders; ④ The decrease in inventory of healthy consumer goods - cotton tissues was mainly due to the continuous decline in cotton prices since the second half of 2022. To control the inventory cost, reduce the risk of declining cotton prices, accelerate capital turnover, the production capacity was adjusted to consume the inventory at the beginning of the reporting period and reduce the inventory at the end.

(4) Performance of significant sales contracts and significant procurement contracts entered into by the Company up to the current reporting period

 Applicable Not applicable

(5) Composition of operating costs

Classification of sectors and products

Unit: yuan

Classification of sectors	Item	2022		2021		Year-on-year increase/d decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Medical consumables	Direct material cost	2,967,805,720.35	74.27%	1,553,548,646.80	75.45%	92.35%
Medical consumables	Direct labor cost	566,440,550.52	14.17%	277,697,042.31	13.49%	95.46%
Medical consumables	Manufacturing cost	461,886,870.12	11.56%	227,705,543.44	11.06%	104.24%
Subtotal of medical consumables		3,996,133,140.99	100.00%	2,058,951,232.55	100.00%	94.09%
Healthy consumer goods	Direct material cost	1,450,783,972.93	75.80%	1,304,267,858.71	67.36%	10.03%
Healthy consumer goods	Direct labor cost	189,156,042.76	9.88%	249,417,648.37	12.88%	-16.68%
Healthy consumer goods	Manufacturing cost	274,073,422.55	14.32%	382,661,654.23	19.76%	-29.15%
Healthy consumer goods		1,914,013,438.24	100.00%	1,936,347,161.31	100.00%	-1.15%
Other businesses		62,654,238.06	1.05%	32,948,252.31	0.82%	90.16%
Total		5,972,800,817.29	100.00%	4,028,246,646.17	100.00%	48.27%

Unit: yuan

Classification of products	Item	2022		2021		Year-on-year increase/d decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Medical consumables	Traditional wound care and wound dressing products	721,435,653.90	12.08%	628,614,229.19	15.61%	14.77%
Medical consumables	Advanced wound dressing products	214,388,590.22	3.59%	38,895,080.43	0.97%	451.20%
Medical consumables	Operating room consumables	324,986,710.26	5.44%	209,676,565.58	5.21%	54.99%
Medical consumables	Infection prevention products	2,441,987,072.10	40.88%	1,089,169,415.21	27.04%	124.21%
Medical consumables	Health & personal care products	160,887,989.85	2.69%	92,595,942.18	2.30%	73.75%
Medical consumables	Other products	132,447,124.66	2.22%	0.00	0.00%	100.00%
Subtotal of medical consumables		3,996,133,140.99	66.90%	2,058,951,232.59	51.11%	94.09%

(Continued)

Classification of products	Item	2022		2021		Year-on-year increase/d decrease
		Amount	Proportion in operating costs	Amount	Proportion in operating costs	
Healthy consumer goods	Wet and dry cotton tissues	585,437,456.89	9.80%	579,380,996.20	14.38%	1.05%
Healthy consumer goods	Sanitary pads	208,924,450.61	3.50%	196,483,663.31	4.88%	6.33%
Healthy consumer goods	Other non-woven products	269,200,370.42	4.51%	272,665,609.95	6.77%	-1.27%
Healthy consumer goods	Baby clothing and supplies	399,427,311.55	6.69%	422,346,957.04	10.48%	-5.43%
Healthy consumer goods	Adult clothing	283,748,829.92	4.75%	285,951,444.13	7.10%	-0.77%
Healthy consumer goods	Other woven products	167,275,018.85	2.80%	179,518,490.68	4.46%	-6.82%
Healthy consumer goods		1,914,013,438.24	32.05%	1,936,347,161.31	48.07%	-1.15%
Subtotal						
Other businesses		62,654,238.06	1.05%	32,948,252.31	0.82%	90.16%
Total		5,972,800,817.29	100.00%	4,028,246,646.21	100.00%	48.27%

Note: None

(6) Whether the consolidation scope changes in the reporting period
 Yes No

For details, see Section X. Financial Statements “Note 9. Interests in other entities”.

(7) Major changes or adjustments of business, products or services of the Company during the reporting period
 Applicable Not applicable

(8) Major customers and major suppliers

The Company's major customers

Total sales amount of the Top 5 customers (Rmb)	1,526,443,834.48
The proportion of Top 5 customers' combined sales amount in total annual sales	13.45%
The proportion of related party sales in the total annual sales of the Top 5 customers	0.00%

Top 5 key accounts of the Company

S/N	Name of customer	Sales (Rmb)	Proportion in total annual sales
1	First	643,525,748.95	5.67%
2	Second	349,925,422.12	3.08%
3	Third	200,560,115.56	1.77%
4	Fourth	199,259,087.05	1.76%
5	Fifth	133,173,460.80	1.17%
Total	--	1,526,443,834.48	13.45%

Other descriptions of major customers

Applicable Not applicable

The Company's major suppliers

The total purchase amount of the Top 5 suppliers (Rmb)	1,081,466,989.77
The proportion of Top 5 suppliers' combined purchase amount in total annual purchase	22.59%
The proportion of related party purchases in the total annual purchases of the Top 5 suppliers	0.00%

Information of Top 5 suppliers of the Company

S/N	Name of supplier	Purchase amount (Rmb)	Proportion in total annual purchases
1	First	460,689,750.42	9.62%
2	Second	290,238,365.78	6.06%
3	Third	166,559,747.13	3.48%
4	Fourth	88,601,159.02	1.85%
5	Fifth	75,377,967.42	1.57%
Total	--	1,081,466,989.77	22.59%

Other descriptions of major supplier

Applicable Not applicable

3. Cost

Unit: yuan

	2022	2021	Year-on-year increase/decrease	Description of significant changes
Selling expenses	2,050,176,407.46	1,989,167,789.56	3.07%	No major changes
Administrative expenses	633,614,634.95	454,389,948.90	39.44%	Resulting mainly from 1. the increase in employee compensation; 2. the addition of other administrative expenses of the acquired company; 3. increase in amortization due to the asset valuation appreciation of the acquired company
Financial expenses	(122,574,572.07)	(107,499,361.11)	14.02%	No major changes
R&D expenses	487,583,652.11	298,162,366.16	63.53%	Resulting mainly from the increase in R&D employee compensation, investment in R&D materials and the addition of R&D expenses of the acquired company

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.

Composition of selling expenses:

Selling expenses	2022	2021	Year-on-year increase/decrease	Description of significant changes
Employee compensation	649,605,092.33	535,320,245.23	21.35%	No major changes
Travel expenses	12,266,843.44	14,589,718.50	-15.92%	No major changes
Office communication costs	17,665,180.74	12,577,824.48	40.45%	Resulting mainly from the increase in network service fees
Sales commission	213,988,639.15	222,716,753.83	-3.92%	No major changes
Insurance premiums	5,076,079.44	5,302,498.97	-4.27%	No major changes
Depreciation and amortization	82,408,480.44	52,193,907.26	57.89%	Resulting mainly from the increase in renovation losses due to upgrades in healthy consumer goods stores
Advertising and promotion expenses	600,156,113.14	692,445,882.66	-13.33%	No major changes
Lease and property management expenses	152,186,000.56	152,728,211.40	-0.36%	No major changes
Material consumption	29,027,854.76	5,212,855.45	456.85%	Resulting mainly from the increase in the consumption of auxiliary materials
Water/electricity fee	12,817,521.54	11,632,395.90	10.19%	No major changes
Service fees	7,485,101.27	6,522,845.03	14.75%	No major changes
Depreciation of	188,658,565.69	191,875,674.76	-1.68%	No major changes

Right-of-use assets					
Others	78,834,934.96	86,048,976.09	-8.38%	No major changes	
Total	2,050,176,407.46	1,989,167,789.56	3.07%	No major changes	

4. Other information required by industry disclosure guidelines

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.

(1) Production capacity

The Company's production capacity

					Current reporting period		Same period last year			
Business category	Product Category	Unit	Production capacity	Output	Production capacity utilization rate	Production capacity	Output	Production capacity utilization rate	Percentage of change in production capacity utilization rate	Change reason description
	Gauze	ton	10,395.55	7,055.55	67.87%	9486.75	6690.26	70.52%	-2.65%	No major changes
	Cotton	ton	2,745.60	2,378.60	86.63%	2,745.60	2,197.40	80.03%	6.60%	No major changes
	Mask	'0,000 pieces	726,709.71	590,693.27	81.28%	467,322.00	366,435.00	78.41%	2.87%	No major changes
Medical consumables	Protective clothing	'0,000 suits	4,992.00	4,966.00	99.48%	1,386.00	1,367.08	98.63%	0.85%	No major changes
	Surgical gowns	'0,000 suits	1,664.00	1,448.15	87.03%	1,850.00	1,764.00	95.35%	-8.32%	No major changes
	Pure cotton spunlace non-woven fabric	ton	54,329.97	29,922.41	55.08%	48,018.43	25,602.88	53.32%	1.76%	No major changes
Healthy consumer goods	Cotton tissues	'0,000 kits	34,794.86	16,558.21	47.59%	32,067.08	15,682.89	48.91%	-1.32%	No major changes
	Sanitary pads	'0,000 pieces	50,079.74	44,857.87	89.57%	50,079.74	40,403.97	80.68%	8.89%	No major changes

Note: The capacity and production in this table are based on the statistics of self-produced capacity and output, while the output in the Sales-output Ratio Table includes self-produced and purchased outputs, where the output of sanitary pads under “healthy consumer goods” is lower than that in the Sales-output Ratio Table, which is mainly due to the outsourced processing of some models of sanitary pads. Additionally, the output of 100% cotton spunlace nonwoven fabrics is the total output, including the output

for direct external sales and that for self-consumption.

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 are involved in the textile and apparel industries. The sales channels for healthy consumer goods include online sales, offline stores, supermarkets, key accounts.

Unit: yuan

Sales channels	Operating income	Operating costs	Gross profit margin	Year-on-year increase/decrease of operating income (%)	Year-on-year increase/decrease of operating cost (%)	Year-on-year increase/decrease of gross profit margin (%)
Online sales	2,565,052,802.59	1,322,606,097.28	48.44%	0.93%	-0.31%	0.65%
Offline stores	1,184,292,470.95	467,012,543.64	60.57%	-4.10%	-6.83%	1.16%
Supermarket channels	231,766,054.19	87,028,653.85	62.45%	14.15%	23.89%	-2.95%
Key accounts	73,874,234.43	37,366,143.48	49.42%	-1.35%	-1.95%	0.31%
Total	4,054,985,562.16	1,914,013,438.24	52.80%	0.02%	-1.15%	0.56%

Reason for changes: No significant change

(3) 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 (yuan)	Level of franchisee
1	First	November 9, 2020	No	4,626,335.28	Primary
2	Second	June 10, 2021	No	2,868,660.97	Primary
3	Third	June 12, 2020	No	2,433,737.84	Primary
4	Fourth	June 11, 2021	No	2,427,854.82	Primary
5	Fifth	June 26, 2021	No	2,200,046.11	Primary
Total	--	--	--	14,556,635.03	--

Top 5 distributors

S/N	Name of franchisee	Time of cooperation	A related party or not	Total sales (yuan)
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(4) 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 6, 2014
Number of registered users	9,746,833
The average number of monthly active users	1,984,000

Does it work with a third-party sales platform?

Yes No

Unit: yuan

Name of platform	Transaction amount during the reporting period	Return rate
Taobao (healthy consumer goods)	1,287,888,521.62	2.12%

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

(5) Agency operation

Does it adopt agency operation?

Yes No

(6) Inventory

Inventory

Main products	Inventory turnover in days	Inventory amount	Inventory aging	YoY increase/decrease in inventory balance	Reasons
Raw materials and goods processed by the commission		387,842,479.28		142,197,768.93	Resulting mainly from the increase in cotton and goods processed by the commission
Work in process		163,543,012.72		(4,849,227.33)	Resulting mainly from the decrease in semi-finished products in process
Merchandise inventory		930,274,287.35		(225,997,610.26)	Resulting mainly from the decrease in merchandise inventory
Semi-finished products		61,390,112.12		44,546,478.24	Resulting mainly from the increase in inventories shipped but not eligible for revenue

shipped in transit					recognition
Low-priced and easily worn articles		15,873,681.90		5,649,119.80	Resulting mainly from the increase in low-consumable items
Total	108	1,558,923,573.37		(38,453,470.62)	Resulting mainly from the decrease in merchandise inventory

Provision accrual for inventory depreciation

Item	Beginning balance	Amount increased in current period		Amount decreased in current period		Closing Balance
		Accrual	Others	Reversal or write-back	Others	
Raw materials	5,117,956.28	56,175,356.31	6,383,009.45	12,844,856.54	0.00	54,831,465.50
Work in process	4,599,718.11	14,094,137.36	299,165.66	9,808,171.36	0.00	9,184,849.77
Merchandise inventory	100,692,345.17	284,993,058.41	9,585,323.75	136,478,084.23	112,262.36	258,680,380.74
Semi-finished products shipped in transit			3,451,151.74	3,320,922.96	0.00	130,228.78
Low-priced and easily worn articles	1,852.99	1,519,534.71	161,351.99	90,751.34	0.00	1,591,988.35
Total	110,411,872.55	356,782,086.79	19,880,002.59	162,542,786.43	112,262.36	324,418,913.14

Inventory information of end channels such as franchises or distributors

The Purcotton franchisees, selling the Company's healthy consumer goods, had 26 stores. Its business model requires franchisees to be responsible for store construction and daily operation while Purcotton provides goods and supply chain supports. After the sales of stores, Purcotton and the franchisees obtain their respective profits through sharing; the franchise store inventory ownership belongs to Purcotton. As of December 31, 2022, the inventory balance were 16.22 million yuan, or 620,000 yuan on average in each store.

(7) 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	5-30 yuan/pack (100 pieces)	Nation wide	Second- and third-tier cities and above
Purcotton	Nice	Sanitary	100% cotton surface layer	The female	1.99-3.99 yuan/piece	Nation	Second-

n	Princess	pads	(surface layer, spacer, sanitary wing surface layer)	population at appropriate ages		wide	and third-tier cities and above
Purcotton	BBNice	Cotton diapers	100% cotton surface layer; unique in the market; made from natural cotton; 2mm ultra-thin core with 28 times ultra-high absorption capacity	Parental population	3.32-4.14 yuan/piece	Nation wide	Second- and third-tier cities and above
Purcotton	Purcotton	Wet tissues	100% cotton material; soft and non-slippery; gentle and non-irritating	All-age customer base	20-40 yuan/pack	Nation wide	Second- and third-tier cities and above
Purcotton	Purcotton	Baby products/clothing	100% cotton material without fluorescent nor formaldehyde; the unique gauze fabric provides more comfortable care	Expecting mothers, newborns, babies, toddlers	100-500 yuan/piece	Nation wide	Second- and third-tier cities and above
Purcotton	Purcotton	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	Adult clothing: adult men and women of all ages; Intimate apparel: all age groups	Outwear: 150-800 yuan/piece; Home wear: 200-800 yuan/piece; Thermal underwear: 200-600 yuan/piece; Underwear: 48-128 yuan/piece (pack); Socks: 20-40 yuan/pair	Nation wide	Second- and third-tier cities and above
Purcotton	Purcotton	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	Children's bedding: 268-1,698 yuan/set; Toddlers' bedding: 198-1,098 yuan/set Adult bedding: 268-3,198 yuan/set; Bathroom products: 38-398 yuan/piece	Nation wide	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
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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's "Twelve Heavenly Palace"	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	198-458 yuan/piece	Nationwide	Second- and third-tier cities and above	Party A: Koni Culture (Beijing) Co., Ltd. Party B: Hangzhou Qianxi Culture Communication Co., Ltd.	2021.9.15 - 2023.10.14	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	21.8-298 yuan/piece	Nationwide	Second- and third-tier cities and above	Shanghai Character License Administrative Co., Ltd.	2021.9.1-2024.1.31	No

Marketing and operation of each brand during the reporting period

Please refer to the "1. Overview" in "IV. Analysis of Main Business" of "Section 3 Management Discussion and Analysis" for details.

Cases involved in trademark ownership disputes

Applicable Not applicable

(8) Others

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

5. R&D expenses

√ Applicable □ Not applicable

Name of major R&D projects	Project purpose	Project progress	Objectives	Expected impacts on the Company
R&D of high-elastic sunscreen “breathable” pure cotton fabrics and product	Improve the defects of traditional sunscreen clothing, which is stuffy and not breathable, and make it more comfortable.	Launched	The pioneered cotton sunscreen products, featured with a super sunscreen effect of UPF50+, are made of absorbent and breathable cotton material, which is thinner, lighter and more comfortable.	Use cotton to replace chemical fiber to improve the quality of outdoor clothing, leading the technological upgrading and development of cotton products
R&D of microencapsulated antibacterial cotton product with natural “ice” feeling	To relieve the summer heat, the cool fabrics and products bring people a cool wearing experience.	Launched	Develop summer cotton products with a natural cool feeling and antibacterial function.	Develop functional cotton outdoor products with new technology to improve product performance and enhance the competitive advantage of the Company's products
Analysis of microplastic release from textile materials and investigation of its impacts	Reinforce Purcotton's philosophy of advocating sustainable branding, and strengthen the guidance of consumers' awareness of deplasticization.	Closed	Analyze the microfiber microplastics generated from using similar cotton and chemical fiber materials products through scientific tests, and reinforce Purcotton's philosophy of advocating sustainable branding.	Strengthen brand values, emphasizing Purcotton's philosophy of advocating sustainable branding.
Carbon footprint research and application of core cotton products	Assess the greenhouse gas emissions of core cotton products by identifying and quantifying the energy consumption, material consumption and waste emissions associated with the assessed objects, providing a basis and direction for sustainable product development.	Closed	Project outcomes will produce a carbon footprint certification report and label for each product, and consumers may check the carbon footprint information in real-time by scanning the QR code tag on the product.	The total amount of greenhouse gas emissions of products can be quantitatively calculated through carbon footprint certification, highlighting improvement priorities in the product's production process, providing basis and direction for sustainable product improvement, and playing a positive role in promoting product and brand values.
Development of ginger and spicy fiber cotton fabrics with antibacterial and thermal properties	Develop fall and winter intimate thermal apparel products to withstand the cold	Launched	When selecting materials for the fall and winter thermal intimate apparel series, cotton fabrics are chosen for comfortable, healthy, and environmentally friendly while keeping warm.	Enhance the added value of products, increase the variety of fall and winter products, and improve their market competitiveness.
Biodegradable masks	Develop environmentally-friendly biodegradable masks to protect the earth and reduce environmental pollution	Launched	Ensure the high protective performance of masks while keeping the biodegradation rate of masks $\geq 95\%$;	Enhance the Company's core technologies, drive green, resource-saving development of the Company's core product categories, and make the Company's masks more influential
Ultra-breathable flat masks	Develop ultra-breathable flat masks to enhance the comfort of wearing	Launched	Ensure the high protection performance of masks while improving the breathability to enhance the comfort of wearing	Expand mask categories and enhance their market competitiveness
Low-resistance N95 protective	Develop N95 protective masks with low breathing	Launched	Ensure the high protection performance of masks while	Expand mask categories and

masks	resistance to enhance the comfort of long-time wearing		improving the breathability of N95 protective masks and enhancing the comfort of wearing	enhance their market competitiveness
High moisture permeability protective clothing	Develop high moisture permeability protective clothing to enhance the comfort of wearing	R&D	Improve the moisture permeability of protective clothing products to improve the comfort of long-time wearing	Upgrade the Company's core technologies while enhancing the market competitiveness of protective clothing products
Anti-bacterial and anti-viral surgical and N95 protective masks	Develop antibacterial and antiviral surgical and N95 protective masks to enhance the safety of protective products further	Mass production	Endow mask products with antibacterial and antiviral capabilities to make them safer	Upgrade the Company's core technologies while enhancing the market competitiveness of mask products
R&D and application of 3D perforated PC materials	Develop 3D perforated PC materials for use in the surface layer of sanitary products to improve their comfort and aesthetics	Mass production	Improve the aesthetics and comfort of sanitary products, and diversify product categories	Meet industry demand, enrich product categories, and enhance the core competitiveness of PC materials
Upgrading of dry PC material for the surface layer of diapers	Develop dryer PC material for the top layer of diapers to improve the comfort of wearing	Mass production	Use PC material for the top layer of diapers to enhance the continuous dryness and comfort	Upgrade the Company's core technologies further to enhance the market competitiveness of cotton diaper products
Research on environmental protection, energy saving and emission reduction of non-woven materials	Improve the utilization rate of the recycled de-bleaching liquid and reduce energy consumption	R&D	Continuously improve the recycling rate of de-bleaching liquid, lower the temperature of de-bleaching to reduce energy consumption	Upgrade the Company's core technologies, and promote the green, environmentally-friendly and resource-saving development of the Company's core process
R&D of medical silicone tapes	Develop a tape with mild adhesion for the care of people with sensitive skin	Mass production	Achieve painless peeling, no residual adhesive and a repeatable adhesive effect	Expand the application of independently-developed silicone gel technology to replace the traditional acrylic submineral tapes, thus enhancing the added value of products and improving profitability
R&D of highly breathable foam dressing products	Develop a foam dressing product with high breathability to improve product performance	Mass production	Improve product performance indicators and market sales at home and abroad	Improve product market share and increase sales

R&D personnel of the Company

	2022	2021	Proportion of change
Number of R&D personnel (people)	1,588	1,386	14.57%
Proportion of R&D personnel	10.63%	11.47%	-0.84%
Educational background of R&D personnel			
Bachelor	413	429	-3.73%
Master	102	59	72.88%
Age composition of R&D personnel			
Under 30	316	396	-20.20%
30 - 40	732	649	12.79%

The amount of R&D investment and the proportion of operating income in the past three years

	2022	2021	2020
R&D investment amount (RMB)	487,583,652.11	298,162,366.16	411,383,173.80
The proportion of R&D investment in operating income	4.30%	3.71%	3.28%
Capitalized amount of R&D expenditure (RMB)	0.00	0.00	0.00
The proportion of capitalized R&D expenditure in R&D investment	0.00%	0.00%	0.00%
The proportion of capitalized R&D expenditure in current net profit	0.00%	0.00%	0.00%

Reasons for and effects of significant changes in the composition of the Company's R&D personnel

Applicable Not applicable

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

Applicable Not applicable

Reasons for significant changes in capitalization rate of R&D investment and its reasonable explanation

Applicable Not applicable

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

Information on medical device products

Applicable Not applicable

(I) Statistics on the number of registration certificates for medical devices

Statistics on the number of domestic product registration certificate				
Registration Categories	Opening balance	Number of additions	Number of failures	Closing balance
Class I	83	27	0	110
Category II	110	16	0	126
Category III	21	1	0	22
Total	214	44	0	258
Statistics on the number of foreign product registration certificate				
Registration Categories	Opening balance	Number of additions	Number of failures	Closing balance
Abroad	42	19	0	61

Note: The statistical caliber of new registration certificates is that of new certificates in the Company's consolidated financial statements at the end of 2022.

(II) Newly obtained certificates of medical devices in 2022

1. Domestic

S/N	Name of certificates	Registration categories	Certificate owner	Product record number/registration number	For clinical purpose	Date of issuance	Validity
1	Medical isolation masks	Category I	Winner Medical Co., Ltd.	Guangdong & Shenzhen Medical Device Record No. 20220113	It is used to block body fluids, blood splashes or spills in the examination and treatment at medical institutions.	December 20, 2022	/
2	Disposable virus sampling tube	Category I	Winner Medical Co., Ltd.	Guangdong & Shenzhen Medical Device Record No. 20221039	It is used for sample collection, transportation and storage.	July 8, 2022	/
3	Medical isolation shoe covers	Category I	Winner Medical Co., Ltd.	Guangdong & Shenzhen Medical Device Record No. 20221491	It is used by medical staff in medical institutions to prevent exposure to potentially infectious patient blood, body fluids, secretions, etc., and acts as a barrier and protection.	October 25, 2022	/
4	Silicone gel scar treatment strips	Category II	Winner Medical (Huanggang) Co., Ltd.	Hubei Medical Device Registration Certificate No. 20222143585	It is used as an aid in improving pathological skin scars and preventing the formation of pathological skin scars, but not for unhealed wounds	January 5, 2022	January 4, 2027
5	Silicone scar gel	Category II	Winner Medical (Huanggang) Co., Ltd.	Hubei Medical Device Registration Certificate No. 20222143749	It is used as an aid in improving pathological skin scars and preventing the formation of pathological skin scars, but not for unhealed wounds	April 15, 2022	April 14, 2027
6	Tubular Bandage	Category I	Winner Medical (Huanggang) Co., Ltd.	Hubei Huanggang Medical Device Record No. 20220019	It provides binding force to wound dressings to achieve dressing and fixation.	April 24, 2022	/
7	Cotton tablets	Category I	Winner Medical (Huanggang) Co., Ltd.	Hubei Huanggang Medical Device Record No. 20220031	It is used for skin and wound cleaning treatment.	June 2, 2022	/
8	Cotton bandage	Category I	Winner Medical (Huanggang) Co., Ltd.	Hubei Huanggang Medical Device Record No. 20220035	It is used to provide binding force to wound dressings to achieve dressing and fixation.	June 15, 2022	/
9	Medical	Category	Winner Medical	Hubei	It is worn on the hands	December 5,	/

	film gloves	ry I	(Huanggang) Co., Ltd.	Huanggang Medical Device Record No. 20220056	of doctors to examine or palpate patients' conditions.	2022	
10	Disposable sterile-care catheterization kit	Category II	Winner Medical (Chongyang) Co., Ltd.	Hubei Medical Device Registration Certificate No. 20222143621	It is a disposable product for staff of medical departments to perform catheterization.	January 27, 2022	January 26, 2027
11	Disposable central venous catheter puncture care kit	Category II	Winner Medical (Chongyang) Co., Ltd.	Hubei Medical Device Registration Certificate No. 20222143842	It is used for nursing departments in healthcare facilities to puncture central venous catheters placed through peripheral veins.	July 11, 2022	July 10, 2027
12	Disposable isolation gowns	Category II	Winner Medical (Chongyang) Co., Ltd.	Hubei Medical Device Registration Certificate No. 20222143837	It is a disposable product for staff in medical units to perform general isolation.	July 6, 2022	July 5, 2027
13	Disposable surgical sheets	Category II	Winner Medical (Chongyang) Co., Ltd.	Hubei Medical Device Registration Certificate No. 20222143838	It is used to cover the surface of the patient's body to reduce the migration of the infection source from the non-surgical part of the patient's skin to the surgical part, and prevent the patient's post-operative wound from getting infected, or to cover the instrument table, operating table and display screen in the operating room to avoid the infection of the patient's wound caused by the surgeon touching the instruments mentioned above during surgery.	July 8, 2022	July 7, 2027
14	Cotton bandage	Category I	Winner Medical (Chongyang) Co., Ltd.	Hubei Xianning Medical Device Record No. 20220011	It provides binding force to wound dressings or limbs to achieve dressing and fixation.	March 31, 2022	/
15	Drainage bags	Category I	Winner Medical (Chongyang) Co., Ltd.	Hubei Xianning Medical Device Record No. 20220069	It collects disposable drainage of bodily fluids (blood, gastric fluid, etc.), secretions (sputum, flushing fluid, etc.) and human excretions from patients in clinical departments of hospitals and during or after surgery.	September 9, 2022	/
16	Iodophor disinfectant pads	Category II	Winner Medical (Jiayu) Co., Ltd.	Hubei Medical Device Registration	It is used for disinfection of intact skin before injection	April 1, 2022	March 31, 2027

				Certificate No. 20222143733	and infusion.		
17	Iodophor disinfectant cotton balls	Category II	Winner Medical (Jiayu) Co., Ltd.	Hubei Medical Device Registration Certificate No. 20222143734	It is used for disinfection of intact skin before injection and infusion.	April 1, 2022	March 31, 2027
18	Disposable sampler	Category I	Winner Medical (Jiayu) Co., Ltd.	Hubei Xianning Medical Device Record No. 20220012	It is used for sample collection, transportation and storage.	April 1, 2022	/
19	Hydrogel band-aid	Category I	Winner Medical (Jiayu) Co., Ltd.	Hubei Xianning Medical Device Record No. 20220023	It is used for first aid and temporary dressing of minor wounds, abrasions, cuts and other superficial wounds.	April 22, 2022	/
20	Stoma skin protectors	Category I	Winner Medical (Jiayu) Co., Ltd.	Hubei Xianning Medical Device Record No. 20220077	It is used for stoma cleaning, care and skin care around the stoma.	October 31, 2022	/
21	Medical isolation shoe covers	Category I	Winner Medical (Jingmen) Co., Ltd.	Hubei Jingmen Medical Device Record No. 20220047	It is used by medical staff in medical institutions to prevent exposure to potentially infectious patient blood, body fluids, secretions, etc., and act as a barrier and protection.	March 23, 2022	/
22	Medical surgical masks	Category II	Winner Medical (Tianmen) Co., Ltd.	Hubei Medical Device Registration Certificate No. 20222143862	It is used for the basic protection of medical staff or relevant personnel and against the transmission of body fluids and splashes during invasive operations.	July 26, 2022	July 25, 2027
23	Cotton tablets	Category I	Winner Medical (Wuhan) Co., Ltd.	Hubei Wuhan Medical Device Record No. 20220254	It is used for skin and wound cleaning treatment.	May 5, 2022	/
24	Disposable sterile-care insulin syringe	Category III	Winner Medical (Hunan) Co., Ltd.	National Medical Device Registration Certificate No. 20223140827	This product applies to human injection after aspiration of insulin.	June 28, 2022	June 27, 2027
25	Disposable sterile-care flushers	Category II	Winner Medical (Hunan) Co., Ltd.	Hunan Medical Device Registration Certificate No. 20222140570	It applies to the clinical ENT for flushing.	April 2, 2022	April 1, 2027
26	Disposable sterile-care sampling swabs	Category II	Winner Medical (Hunan) Co., Ltd.	Hunan Medical Device Registration Certificate No. 20222221527	It is used for taking biological samples from natural cavities of human body, such as nasal cavity, oral cavity, throat, vagina and urethra.	August 5, 2022	August 4, 2027
27	Disposable inert gas-	Category II	Winner Medical (Hunan) Co., Ltd.	Hunan Medical Device	It is used along with disposable intravenous	September 30, 2022	September 29, 2027

	protected blood collection tubes			Registration Certificate No. 20222221843	blood collection needles, applicable to the clinical collection of blood samples in medical institutions.		
28	Disposable nitrogen-protected blood collection tube	Category II	Winner Medical (Hunan) Co., Ltd.	Hunan Medical Device Registration Certificate No. 20222221844	It is used along with disposable intravenous blood collection needles, applicable to the clinical collection of blood samples in medical institutions.	September 30, 2022	September 29, 2027
29	Circumcision rings	Category I	Winner Medical (Hunan) Co., Ltd.	Hunan Changde Medical Device Record No. 20220097	It is used for the circumcision of the penile foreskin.	December 30, 2022	/
30	Silicone adhesive dressing	Category II	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Medical Device Registration Certificate No. 20222140282	It is used with absorbent dressings for exudative wounds on the body surface.	June 9, 2022	June 8, 2027
31	Hydrocolloid polyurethane foam dressing	Category II	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Medical Device Registration Certificate No. 20222140351	It is used for covering wounds on the body surface, and absorbing exudate from non-chronic wounds.	July 29, 2022	July 28, 2027
32	Infant and child umbilical protection patch	Category II	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Medical Device Registration Certificate No. 20222140482	It is used to protect and care for the traumatic area of the umbilical cord of infants and children.	December 14, 2022	December 13, 2027
33	Stoma belt	Category I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical Device Record No. 20220052	It is used for stoma cleaning, care and collection of excretions, and skin care around the stoma.	July 15, 2022	/
34	Medical stretch mesh hat	Category I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical Device Record No. 20220061	It is used to provide binding force to wound dressings or limbs to achieve dressing and fixation.	November 1, 2022	/
35	First aid blanket	Category I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical Device Record No. 20220062	It is used to wrap the limbs of injured persons in the field to keep warm or insulate heat.	November 1, 2022	/
36	Dressing shears	Category I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical Device Record No. 20220063	It is used for shearing instruments.	November 1, 2022	/
37	Medical examination gloves	Category I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical Device Record No. 20220064	Doctors wear it on the hands or fingers to examine or palpate patients' conditions.	November 1, 2022	/
38	Disposable dressing forceps	Category I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical	It is used for clamping instruments and dressings.	November 1, 2022	/

			Ltd.	Device Record No. 20220065			
39	Medical ice bags	Catego ry I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical Device Record No. 20220066	It is used for local cooling for fever patients. It is only used for complete skin on body surface.	November 1, 2022	/
40	Fracture fixation splints	Catego ry I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical Device Record No. 20220067	It is used for external fixation of fracture or soft tissue injury.	November 1, 2022	/
41	First aid kit	Catego ry I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical Device Record No. 20220077	It is used for the simple treatment of accidents.	December 8, 2022	/
42	Waterproof band-aid	Catego ry I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical Device Record No. 20220033	It is used for first aid and temporary dressing of minor wounds, abrasions, cuts and other superficial wounds.	May 7, 2022	/
43	Breathable band-aid	Catego ry I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical Device Record No. 20220031	It is used for first aid and temporary dressing of minor wounds, abrasions, cuts and other superficial wounds.	April 29, 2022	/
44	Self- adhesive silicone tapes	Catego ry I	Zhejiang Longterm Medical Technology Co., Ltd.	Zhejiang Huzhou Medical Device Record No. 20220027	It is used to affix dressings to wounds or fix other medical devices to specific body parts.	April 19, 2022	/

2. Abroad

Region	S/N	Certificate No	Name of certificates	Registration categories	Certificate owner	Product	Date of issuance	Validity
The United Kingdom	1	2022060901266050	Registration Confirmation Letter	IIa	Winner Medical Co., Ltd.	Synthetic non-woven fabrics with threads	June 9, 2022	/
The United Kingdom	2	2022102101281600	Registration Confirmation Letter	IIb	Winner Medical Co., Ltd.	Super absorbent and hydrocolloid dressing with activated carbon	October 21, 2022	/
Malaysia	3	GC2468022-94818	MDA Certification	Class A	Winner Medical Co., Ltd.	Foam Dressing	June 17, 2022	June 16, 2027
Malaysia	4	GC4381322-96394	MDA Certification	Class A	Winner Medical Co., Ltd.	Silicone Wound Contact Layer	June 17, 2022	June 16, 2027
Malaysia	5	GC7992122-96394	MDA Certification	Class A	Winner Medical Co., Ltd.	Activated Charcoal Super absorbent dressing	June 20, 2022	June 19, 2027
Malaysia	6	GC8284722-96392	MDA Certification	Class A	Winner Medical Co., Ltd.	Hydrocolloid Dressing	June 17, 2022	June 16, 2027
Malaysia	7	GC8135122-97997	MDA Certification	Class A	Winner Medical Co., Ltd.	Silicone foam dressing	July 18, 2022	July 17, 2027
Malaysia	8	GC8985822-98783	MDA Certification	Class A	Winner Medical Co., Ltd.	Super absorbent dressing	July 22, 2022	July 21, 2027
Malaysia	9	GC9180022-98783	MDA Certification	Class A	Winner Medical Co., Ltd.	Silicone super absorbent dressing	July 22, 2022	July 21, 2027
Malaysia	10	GC7893622-101503	MDA Certification	Class A	Winner Medical Co., Ltd.	Alginate dressing	August 11, 2022	August 10, 2027
Malaysia	11	GA5356322-97346	MDA Certification	Class A	Winner Medical Co., Ltd.	Wound Dressing	July 18, 2022	July 17, 2027
Malaysia	12	GA5585622-98539	MDA Certification	Class A	Winner Medical Co., Ltd.	Silicone scar repair sheet	July 27, 2022	July 26, 2027
Malaysia	13	GA10116322-97480	MDA Certification	Class A	Winner Medical Co., Ltd.	Non-Sterile Surgical Mask	July 18, 2022	July 17, 2027
Malaysia	14	GA3707122-97402	MDA Certification	Class A	Winner Medical Co., Ltd.	Non-sterile Bandage and Tape Products	July 18, 2022	July 17, 2027

(Continued)

Region	S/N	Certificate No.	Name of certificates	Registration categories	Certificate owner	Product	Date of issuance	Validity
Malaysia	15	GA4150922-100539	MDA Certification	Class A	Winner Medical Co., Ltd.	Sterile Gauze Product	August 11, 2022	August 10, 2027
Malaysia	16	GA4877222-102575	MDA Certification	Class A	Winner Medical Co., Ltd.	Sterile Cotton Ball	August 29, 2022	August 28, 2027
Malaysia	17	GB8845922-104134	MDA Certification	Class B	Winner Medical Co., Ltd.	Sterile Gauze Product with X-ray Detectable Element	September 19, 2022	September 18, 2027
Malaysia	18	GA4994122-103643	MDA Certification	Class A	Winner Medical Co., Ltd.	Non-sterile Gauze Product	September 15, 2022	September 14, 2027
Malaysia	19	GA3803522-103533	MDA Certification	Class A	Winner Medical Co., Ltd.	Non-sterile Cotton Products	September 15, 2022	September 14, 2027
Malaysia	20	GA2282022-106328	MDA Certification	Class A	Winner Medical Co., Ltd.	Non-sterile Procedure Mask Level 1	October 25, 2022	October 24, 2027
Malaysia	21	GA8656722-107753	MDA Certification	Class A	Winner Medical Co., Ltd.	Non-sterile Procedure Mask Type II	November 8, 2022	November 7, 2027
Malaysia	22	GA6558622-111080	MDA Certification	Class A	Winner Medical Co., Ltd.	Non-sterile Cotton Applicator	December 13, 2022	December 12, 2027
Thailand	23	65-2-3-2-0012558	TFDA Certification	Class 1	Winner Medical Co., Ltd.	Sterile scar treatment strips	August 18, 2022	August 17, 2027
Thailand	24	65-2-3-2-0017301	TFDA Certification	Class 1	Winner Medical Co., Ltd.	Non-sterile hydrocolloid band-aids	November 22, 2022	November 21, 2027
Australia	25	387962	ARTG Certificate	Class IIb	Winner Medical Co., Ltd.	Foam dressing	May 4, 2022	May 26, 2024
Australia	26	387963	ARTG Certificate	Class IIb	Winner Medical Co., Ltd.	Silicone Foam Dressing	May 4, 2022	May 26, 2024
Australia	27	387964	ARTG Certificate	Class Iib	Winner Medical Co., Ltd.	Silica gel super absorbent pad	May 4, 2022	May 26, 2024
Australia	28	387966	ARTG Certificate	Class Iib	Winner Medical Co., Ltd.	Superabsorbent Dressing	May 4, 2022	May 26, 2024
Australia	29	387967	ARTG Certificate	Class IIb	Winner Medical Co., Ltd.	Silicone Wound Contact Layer	May 4, 2022	May 26, 2024

(Continued)

Region	S/N	Certificate No.	Name of certificates	Registration categories	Certificate owner	Product	Date of issuance	Validity
Australia	30	388191	ARTG Certificate	Class IIb	Winner Medical Co., Ltd.	Hydrocolloid dressings	May 9, 2022	May 26, 2024
Australia	31	387970	ARTG Certificate	Class IIb	Winner Medical Co., Ltd.	Super absorbent pad with activated carbon	May 4, 2022	May 26, 2024
Australia	32	387340	ARTG Certificate	Class I	Winner Medical Co., Ltd.	Silicone tapes	April 21, 2022	/
Australia	33	387291	ARTG Certificate	Class I	Winner Medical Co., Ltd.	Scar treatment strips	April 20, 2022	/
Australia	34	391592	ARTG Certificate	Class I	Winner Medical Co., Ltd.	Wound dressing (non-sterile)	June 30, 2022	/
Australia	35	388016	ARTG Certificate	Class Is	Winner Medical Co., Ltd.	Wound dressing (sterile)	May 5, 2022	May 26, 2024
Australia	36	387969	ARTG Certificate	Class IIb	Winner Medical Co., Ltd.	Alginate dressings	May 4, 2022	May 26, 2024
Saudi Arabia	37	LR-20227-C-1258--SFDA-3794	Notification of Low-Risk Medical Device Registration	Class I	Winner Medical Co., Ltd.	Silicone tape	July 19, 2022	July 18, 2023
Saudi Arabia	38	LR-20227-C-1258--SFDA-3741	Notification of Low-Risk Medical Device Registration	Class I	Winner Medical Co., Ltd.	Adhesive Remover pad	July 17, 2022	July 16, 2023
Saudi Arabia	39	LR-20227-C-1258--SFDA-3991	Notification of Low-Risk Medical Device Registration	Class I	Winner Medical Co., Ltd.	Silicone scar repair sheet	July 26, 2022	July 25, 2023
Saudi Arabia	40	LR-20227-C-1258--SFDA-3982	Notification of Low-Risk Medical Device Registration	Class I	Winner Medical Co., Ltd.	Skin Protective Barrier	July 26, 2022	July 25, 2023
Saudi Arabia	41	LR-20227-C-1258--SFDA-4060	Notification of Low-Risk Medical Device Registration	Class I	Winner Medical Co., Ltd.	hydrogel wound dressing	July 27, 2022	July 26, 2023
The United States	42	K211571	510K	II	Zhejiang Longterm Medical Technology Co., Ltd.	Longterm foam dressing kit	May 3, 2022	/

6. Cash flow

Unit: yuan

Item	2022	2021	Year-on-year increase/decrease
Subtotal of cash inflow from operating activities	12,542,790,330.22	8,810,925,953.61	42.35%
Subtotal of cash outflow from operating activities	9,559,318,099.95	7,939,236,051.68	20.41%
Net cash flow from operating activities	2,983,472,230.27	871,689,901.93	242.26%
Subtotal of cash inflow from investment activities	8,238,580,617.85	7,465,119,663.87	10.36%
Subtotal of cash outflow from investment activities	12,056,695,936.67	6,986,313,228.36	72.58%
Net cash flow from investing activities	(3,818,115,318.82)	478,806,435.51	-897.42%
Subtotal of cash inflow from financial activities	2,276,661,290.38		100.00%
Subtotal of cash outflow from financial activities	1,159,153,982.55	1,409,637,239.29	-17.77%
Net cash flow from financing activities	1,117,507,307.83	(1,409,637,239.29)	-179.28%
Net increase in cash and cash equivalents	282,209,696.13	(61,122,432.34)	561.71%

Explanation of the main influencing factors of significant changes on a year-on-year basis in relevant data

Applicable Not applicable

1. The increase in cash inflow and outflow from operating activities and net amount was mainly due to the rise in the Company's performance during the reporting period, the adoption of a credit policy of prepayment for infection protection products and the extension of the payment period for external purchases.
2. The decrease in cash inflow from investing activities was mainly due to the decrease in financial products redeemed during the reporting period; and the decrease in net cash flow from investing activities was mainly due to the acquisition of Longterm Medical, Winner Guilin, Winner Medical (Hunan) and Junjian Medical during the reporting period.
3. The increase in net cash and cash equivalents was mainly due to increased net cash flow from operating activities.

Explanation of the reason for the significant difference between the Company's net cash flow generated from operating activities during the reporting period and the net profit in the current year

Applicable Not applicable

V. Non-main operations

√ Applicable □ Not applicable

Unit: yuan

	Amount	Proportion in total profits	Formation reasons	Is it sustainable
Investment income	51,470,767.16	2.68%	It is mainly due to the gain on the maturity of financial products and the recognition of investment income from joint ventures.	Investment income from joint ventures Yes, others No
Profit/loss from changes in fair value	32,148,876.44	1.67%	It is mainly due to the changes in fair value of financial products (such as structured deposits).	No
Impairment of assets	(362,869,340.23)	-18.90%	It is mainly due to the provision for impairment of inventories and fixed assets.	No
Non-operating income	10,569,559.38	0.55%	It is mainly due to receiving government subsidies unrelated to operating activities.	No
Non-operating expenses	67,613,275.63	3.52%	It is mainly due to the losses on the scrapping of non-current assets.	No
Credit impairment Loss	(63,943,322.52)	-3.33%	It is mainly due to the expected credit losses on the accrual of accounts receivable and other receivables.	No
Gains from asset disposal	3,726,204.37	0.19%	It is mainly due to the losses on disposal of non-current assets.	No
Other incomes	84,373,262.34	4.40%	It is mainly due to receiving government subsidies related to operating activities.	No

VI. Analysis of assets and liabilities

1. Major changes in asset composition

Unit: yuan

	End of 2022		Early 2022		Increase/dec rease in proportions	Description of significant changes
	Amount	The proportion in total assets	Amount	The proportion in total assets		
Cash and cash equivalents	4,526,877,578.90	24.82%	4,273,938,326.82	32.22%	-7.40%	It is mainly due to the increase in total assets and the decrease in the proportion of monetary funds.
Accounts receivable	932,642,061.04	5.11%	775,546,589.42	5.85%	-0.74%	No major changes
Inventory	1,558,923,573.37	8.55%	1,597,377,043.99	12.04%	-3.49%	It is mainly due to the increase in total assets and the decrease in the proportion of inventories.
Investment real estates	8,747,014.25	0.05%			0.05%	No major changes
Long-term equity investment	21,747,635.99	0.12%	16,949,801.24	0.13%	-0.01%	No major changes

(Continued)

	End of 2022		Early 2022		Increase/decrease in proportions	Description of significant changes
	Amount	The proportion in total assets	Amount	The proportion in total assets		
Fixed assets	2,312,982,598.88	12.68%	1,477,320,848.63	11.14%	1.54%	It is mainly due to the increase in newly acquired companies.
Construction in progress	765,009,910.63	4.19%	216,096,622.30	1.63%	2.56%	It is mainly due to increased infrastructure projects and uninstalled equipment in the reporting period.
Right-of-use assets	472,356,125.64	2.59%	531,735,443.44	4.01%	-1.42%	No major changes
Short-term loans	2,295,218,930.85	12.58%			12.58%	It is mainly due to the increase in borrowings
Contract liabilities	566,819,254.08	3.11%	341,175,665.42	2.57%	0.54%	It is mainly due to the increased consideration received in advance from customers.
Long-term loans					0.00%	
Lease liabilities	326,459,697.90	1.79%	381,808,925.09	2.88%	-1.09%	No major changes
Tradable financial assets	4,378,789,960.23	24.01%	3,130,529,709.10	23.60%	0.41%	It is mainly due to the increased purchase of structured deposits and other financial products.
Notes receivable	51,001,784.57	0.28%			0.28%	It is mainly due to the increased use of bills to settle payments for goods.
Amounts receivable financing	93,093,113.79	0.51%	9,940,272.21	0.07%	0.44%	It is mainly due to the increased use of bills to settle payments for goods.
Advances to suppliers	229,225,273.09	1.26%	110,462,594.38	0.83%	0.43%	It is mainly due to the increase in prepayment for material purchases.
Other non-current financial assets	40,000,000.00	0.22%			0.22%	It is mainly due to the purchase of long-term financial assets.
Intangible assets	1,033,109,803.45	5.66%	265,700,890.65	2.00%	3.66%	It is mainly due to the increase in newly acquired companies.
Goodwill	1,044,674,814.01	5.73%			5.73%	It is mainly due to the increase in newly acquired companies.
Deferred income tax assets	196,993,751.80	1.08%	122,716,382.99	0.93%	0.15%	It is mainly due to the increase in deferred income tax assets recognized for asset impairment.
Notes payable	24,760,000.00	0.14%	36,200,130.04	0.27%	-0.13%	It is mainly due to the decrease in bankers' acceptances payable.
Accounts payable	1,119,574,518.58	6.14%	734,521,490.60	5.54%	0.60%	It is mainly due to the increase in trade payables to suppliers.

Payroll payable	312,450,241.38	1.71%	184,681,184.52	1.39%	0.32%	It is mainly due to the increased number of employees and compensation.
Taxes payable	322,255,874.61	1.77%	93,859,069.68	0.71%	1.06%	It is mainly due to increased tax payable and better performance during the current reporting period.
Other current liabilities	59,604,591.85	0.33%	24,165,400.50	0.18%	0.15%	It is mainly due to the non-derognition of outstanding endorsed notes receivable and the increased sales tax to be transferred.
Long-term payroll payable	8,579,637.94	0.05%			0.05%	It is mainly due to the increase in newly acquired companies.
Deferred income tax liabilities	133,677,102.81	0.73%	13,337,159.68	0.10%	0.63%	It is mainly due to the increase in deferred income tax liabilities corresponding to the increase in valuation increment of assets of the newly acquired companies.
Less: treasury stock	500,082,734.11	2.74%	257,992,366.68	1.94%	0.80%	It is mainly due to share repurchase.
Minority equity	478,161,435.74	2.62%	12,196,045.94	0.09%	2.53%	It is mainly due to the increase in newly acquired companies.

High percentage of foreign assets

Applicable Not applicable

2. 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 the accrual of the current period	Purchase amount during the reporting period	Sales amount during the reporting period	Other changes	Closing balance
Financial assets								
1. Tradable financial assets (excluding derivative financial assets)	3,130,529,709.10	32,148,876.44			8,728,645,000.00	7,447,646,820.00		4,378,789,960.23
Financial assets subtotal	3,130,529,709.10	32,148,876.44			8,728,645,000.00	7,447,646,820.00		4,378,789,960.23
Total of the above	3,130,529,709.10	32,148,876.44			8,728,645,000.00	7,447,646,820.00		4,378,789,960.23

Financial liabilities	0.00	0.00
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Other changes

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

Yes No

3. Restricted rights to assets as of the end of the reporting period

For details, see Section X. Financial Statements “\7. Notes to consolidated financial statements \81. Assets with Restricted Ownership or Use Rights”.

VII. Analysis of investment

1. Overall situation

Applicable Not applicable

Investment amount in the reporting period (yuan)	Investment amount in the same period of the previous year (yuan)	Change percentage
12,418,231,649.20	7,201,614,958.67	72.44%

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	Involved in litigation	Date of disclosure (if any)	Disclosure index (if any)
Longterm Medical	Production and sales of medical consumables	Acquisition	727,540,000.00	55.00%	Self-owned funds	N/A	N/A	N/A	Completed	0.00	70,390,069.32	No	April 11, 2022	CNINFO.com: Announcement on the Acquisition of 55% Equity Interest in Longterm Medical
Winner Guilin	Rubber products industry	Acquisition	450,000,000.00	100.00%	Self-owned funds	N/A	N/A	N/A	Completed	0.00	44,729,822.83	No	June 8, 2022	CNINFO.com: Announcement on Acquiring 100% Equity Interest in Winner Guilin Latex Co., Ltd.
Winner	Product	Acq	751,921,500.00	68.70	Self-	N/A	N/A	N/A	Completed	0.00	7,913,174.25	No	May	CNINFO.c

Medical (Hunan)	ion and sales of medical consumables	uisit ion		% own ed fund s							18, 2022	om: Announce ment on the Acquisition of Controlling Interest in Winner Medical (Hunan) Co., Ltd. and the Increase in Capital
Total	--	--	1,929,461,500.00	--	--	--	--	--	0.00	33,033,066.40	--	--

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 end of the reporting period	Source of funds	Project progress	Estimated income	Cumulative realized gains as of the end of the reporting period	Reasons for not meeting the scheduled progress and projected earnings	Date of disclosure (if any)	Disclosure index (if any)
Advanced dressing production line construction project	Independent	Yes	Medical consumables	83,746,816.88	115,730,519.32	Proceeds	53.37%	0.00	0.00	N/A		
Marketing network construction project	Independent	Yes	Healthy consumer goods	89,944,628.53	308,325,953.01	Proceeds	49.89%	0.00	0.00	N/A		
R&D Center construction project	Independent	Yes	Medical consumables + Healthy consumer goods	50,213,535.21	123,954,171.97	Proceeds	52.65%	0.00	0.00	N/A		
Digital management system project	Independent	Yes	Medical consumables + Healthy consumer goods	19,840,207.89	120,213,520.64	Proceeds	44.72%	0.00	0.00	N/A		
Winner Industrial Park (Jiayu) Project	Independent	Yes	Medical consumables	189,414,893.90	241,529,257.22	Proceeds	60.38%	0.00	0.00	N/A		
Phase II Expansion Project of Winner Medical Wuhan	Independent	Yes	Medical consumables + Healthy consumer goods	319,243,764.12	526,086,950.57	Proceeds	87.68%	0.00	0.00	N/A		
Total	--	--	--	752,403,846.53	1,435,840,372.73	--	--	0.00	0.00	--	--	--

4. Investment in financial assets

(1) Securities investment

Applicable Not applicable

Unit: yuan

Category	Code	Abbreviation	Initial investment cost	Accounting measurement mode	Beginning book value	Gain/loss from changes in fair value for the period	Accumulated fair value changes included in equity	Purchase amount during the reporting period	Sales amount during the reporting period	Profit or loss for the reporting period	Ending book value	Accounting account	Source of funds
Trust products	N/A	N/A	1,330,000,000.00	Fair value measurement	1,345,833,430.82	11,258,920.46		1,440,000,000.00	1,430,000,000.00	22,354,653.22	1,351,258,920.46	Tradable financial assets	Self-owned funds
Others	N/A	N/A	1,770,996,820.00	Fair value measurement	1,784,696,278.28	20,889,955.98		7,630,042,000.00	6,309,043,820.00	24,418,279.43	3,027,531,039.77	Tradable financial assets	Owned + raised funds
Funds	N/A	N/A	0.00	Fair value measurement				40,000,000.00			40,000,000.00	Other non-current financial assets	Self-owned funds
Total			3,100,996,820.00	--	3,130,529,709.10	32,148,876.44	0.00	9,110,042,000.00	7,739,043,820.00	46,772,932.65	4,418,789,960.23	--	--

(2) Derivatives investment

Applicable Not applicable

1) Derivative investments for hedging purposes during the reporting period

Applicable Not applicable

There were no derivative investments for hedging purposes during the reporting period.

2) Derivative investments for speculative purposes during the reporting period

Applicable Not applicable

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

5. The use of proceeds

√ Applicable Not applicable

(1) The overall use of proceeds

√ Applicable Not applicable

Unit: '0,000 yuan

Year	Method	Total amount of proceeds	Total amount of proceeds used during the current reporting period	Total accumulated amount of proceeds used during the current reporting period	Total amount of proceeds for alteration purposes during the current reporting period	Total accumulated amount of proceeds for alteration purposes during the current reporting period	Proportion of total amount of proceeds for alteration purposes during the current reporting period	Total amount of proceeds not used during the current reporting period	Usage and purposes of proceeds not used during the current reporting period	Amount of proceeds that have been idle for more than two years
2020	IPO	355,884.93	137,872.81	270,116.47	9,102.13	9,102.13	2.56%	98,363.61	Of which: the balance of cash management was 780.00 million yuan, and the balance deposited in the proceeds account was 203.6361 yuan.	0
Total	--	355,884.93	137,872.81	270,116.47	9,102.13	9,102.13	2.56%	98,363.61	--	0
Description of the overall use of proceeds										

The China Securities Regulatory Commission (CSRC) approved that, in its “CSRC License [2020] No. 1822” document, the Company made an initial public offering of 50 million yuan ordinary shares (A shares) at an offer price of 74.30 yuan per share, and the total proceeds amounted to 3,715.0000 million yuan. After deducting issuance fees of 156.1507 million yuan (excluding tax), net proceeds totaled 3,558.8493 million yuan. The proceeds mentioned above were verified by BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP with a “Capital Verification Report” (Xin Kuai Shi Bao Zi [2020] No. ZI10584). In 2022, the Company mobilized 1.3787281 billion yuan of proceeds, of which: 1.3787281 billion yuan of proceeds were used by the fundraising projects (including 626.3243 million yuan for replenishment of working capital). By the end of 2022, the Company mobilized a total of 2.7011647 billion yuan of proceeds, of which: 1.4358404 billion yuan of proceeds were used for fundraising projects (including a total of 1.1019489 billion yuan of proceeds invested in fundraising projects and 333.8914 million yuan of funds pre-invested in fund-raising projects by replacing self-financing funds), and a total of 1.2653243 billion yuan of idle proceeds for permanently replenishing the working capital.

(2) Committed proceeds projects

√ Applicable □ Not applicable

Unit: '0,000 yuan

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											
Advanced dressing production line construction project	No	21,685.86	21,685.86	8,374.68	11,573.05	53.37%	September 30, 2024	0	0	N/A	No
Marketing network construction project	Yes	70,456.87	61,804.04	8,994.46	30,832.6	49.89%	September 30, 2024	0	0	N/A	No
R&D Center construction project	No	23,542.15	23,542.15	5,021.35	12,395.42	52.65%	September 30, 2024	0	0	N/A	No
Digital management system project	No	26,881.05	26,881.05	1,984.02	12,021.35	44.72%	September 30, 2024	0	0	N/A	No
Bolster working capital	No		9,102.13	9,102.13	9,102.13			0	0	N/A	No
Subtotal of committed investment projects	--	142,565.93	143,015.23	33,476.64	75,924.55	--	--	0	0	--	--
Investment of over-raised proceeds											
Winner Industrial Park (Jiayu) Project	No		40,000	18,941.49	24,152.93	60.38%	June 30, 2023	0	0	N/A	No
Phase II Expansion Project of Winner Medical Wuhan	No		60,000	31,924.38	52,608.70	87.68%	December 31, 2023	0	0	N/A	No
Bolster working capital (if any)	--		117,430.3	53,530.3	117,430.3	100.00%	--	--	--	--	--
Subtotal use of over-raised proceeds	--		217,430.3	104,396.17	194,191.92	--	--	--	--	--	--
Total	--	142,565.93	360,445.53	137,872.81	270,116.47	--	--	0	0	--	--

(Continued)

Description of and reasons for not meeting the scheduled progress or projected earnings by projects (including the reasons for selecting “Not applicable” for “Whether projected benefits are met”)	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 supplement the working capital permanently. The Fifth Extraordinary General Meeting of 2020 held on October 29, 2020, considered and approved the proposal. As of November 2, 2020, 639 million yuan of over-raised proceeds were used for replenishing the 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 proposal was considered and approved by the 6th Extraordinary General Meeting of Shareholders in 2020, held on December 15, 2020. 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 primary 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 about spunlace, wash care, wet wipes, medical cotton/gauze/nonwoven fabrics, hand sanitizer and other products. As of December 31, 2022, the total amount invested in the above project was 241.5293 million yuan.</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 the 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 non-woven 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&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. As of December 31, 2022, the total amount invested in the above project was 526.0870 million yuan.</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 Board of Supervisors on April 20, 2022, and reviewed and approved the “Proposal Regarding the Use of Some Over-raised Proceeds to Supplement the Working Capital Permanently”, and agreed that the Company could allocate 494.19 million yuan of the over-raised proceeds and the corresponding cash proceeds to permanently supplement the working capital. The 2021 Annual General Meeting held on May 13, 2022 considered and approved the proposal.</p>
Change of location for the implementation of the proceeds investment project	<p>Applicable</p> <p>Occurred in the previous year</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. Where the original implementing entity of “The R&D Center Construction Project” was Winner Medical (Wuhan) Co., Ltd. Based on the corporate development strategies and actual business needs, it is proposed to add Winner Medical Co., Ltd. as the</p>

	implementing entity of “R&D Center Construction Project”, and add “Winner Industrial Park, No. 660 Bulong Road, Longhua New District, Shenzhen City” as the project implementation location accordingly.
Adjustment of the implementation mode of the proceeds investment project	<p>Applicable</p> <p>Occurred during the reporting period</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 Board of Supervisors on April 20, 2022, and reviewed and approved the “Proposal on Adjusting the Implementation Mode, Extending the Construction Period and Permanently Bolstering the Working Capital of Some Fund Raising Projects”, which became effective after the consideration of the 2021 Annual General Meeting of Shareholders held on May 13, 2022. The main contents of the proposal were as follows: To quickly respond to market changes and improve the utilization efficiency of proceeds, the marketing network building project increased the investment related to online marketing of Shenzhen Purcotton Technology Co., Ltd., a wholly-owned subsidiary. Also, due to strategic adjustments, the marketing network building project terminated the investment related to network building of Shenzhen PureH2B Technology Co., Ltd., a wholly-owned subsidiary.</p>
Pre-investment and replacement of the proceeds investment project	<p>Applicable</p> <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 to Open Bank Accounts and Replace the 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 100.1742 million yuan of proceeds. The Company's investment in the project was verified by BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP with a “Special Audit Report on the Replacement of Proceeds by Winner Medical Co., Ltd.” (Xin Kuai Shi Bao Zi [2021] No. ZH0031) issued 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 100.1742 million yuan, of which: 85.8942 million yuan was invested in the Wuhan Phase II expansion project, and 14.28 million yuan was invested in Winner Industrial Park (Jiayu) Project. In February and March 2021, the Company transferred 14.28 million yuan and 85.8942 million yuan, 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 233.7173 million yuan of proceeds. The Company's investment in the project was verified by BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP with a “Special Audit Report on the Replacement of Proceeds by Winner Medical Co., Ltd.” (Xin Kuai Shi Bao Zi [2020] No. ZH10635) issued 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 233.7173 million yuan, of which: 26.5062 million yuan was invested in advanced dressing production line construction project, 110.0794 million yuan was invested in marketing network building project, 50.2174 million yuan was invested in R&D center construction project, 46.9143 million yuan was invested in digital management system project. In October and November 2020, the Company transferred 73.4204 million yuan and 160.2968 million yuan, respectively from the special account for proceeds to replace 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 December 31, 2022, the balance of unused proceeds of the Company was 983.6361 million yuan, of which: the balance of cash management was 780 million yuan, and the balance of 203.6361 million yuan was deposited in the account for proceeds.
Problems or other circumstances in the use and disclosure of proceeds	None

(3) Changes in proceeds projects

√ Applicable □ Not applicable

Unit: '0,000 yuan

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	61,804.04	8,994.46	30,832.6	49.89%	September 30, 2024	0	N/A	No
Total	--	61,804.04	8,994.46	30,832.6	--	--	0	--	--
Reasons for change, decision-making procedures and information disclosure (by specific project)		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 Board of Supervisors on April 20, 2022, and reviewed and approved the "Proposal on Adjusting the Implementation Mode, Extending the Construction Period and Permanently Bolstering the Working Capital of Some Fund Raising Projects", which became effective after the consideration of the 2021 Annual General Meeting of Shareholders held on May 13, 2022. The investment on the marketing network building project of PureH2B was terminated. The remaining proceeds not used for the marketing network building project amounted to approximately 89.6426 million yuan (including the income of financial products), which will be used for permanently replenishing the working capital (the actual amount to be replenished together with the proceeds of the financial products will be 91.0213 million yuan). (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							

VIII. Sales of significant assets 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	1,646,058,376.73	1,264,635,787.39	2,092,775,559.60	419,812,428.81	362,064,616.42

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
Longterm Medical	Business combinations not under common control	No significant direct impacts
Winner Guilin	Business combinations not under common control	No significant direct impacts
Winner Medical (Hunan)	Business combinations not under common control	No significant direct impacts
Junjian Medical	Business combinations not under common control	No significant direct impacts
Pure HB (Shanghai)	Cancellation	No significant direct impacts

Description of major holding companies and joint stock companies

X. Structured subjects controlled by the Company

Applicable Not applicable

XI. Prospects of the Company

(I) Strategic planning:

Since its foundation 31 years ago, Winner Medical has always kept in mind the development vision of “caring for health and life, making a better world”, and taken “To lead the healthcare trend and achieve harmony between people and the environment” as its mission, which are the cornerstone and guidance for the Company to go further. The Company firmly adheres to four corporate values of “hard-working & perseverance, pioneering & innovation, self-criticism, and long-termism”. In terms of medium and long-term strategic development, the Company has formed the strategic guidelines of “with leading products as the direction, innovative R&D as the core, brand marketing as the driver, digital operation as the foundation, intelligent manufacturing as the weapon, and high-quality, high-efficiency, high-performance and high-return talents as the guarantee, to build a new chapter of high-quality development”.

1. Medical consumables business

In 2022, the Company put forward the strategic goal of “leading in medical consumables and providing one-stop medical consumables solutions”, and planned the strategic development and upgrading with four themes: “insisting on product innovation, focusing on channel development, building intelligence via brand marketing, and enhancing capabilities with excellent operation”. This would help cope with the complex, ever-changing external environment and stride forward on the new journey of high-quality development.

Meanwhile, the strategic acquisitions of Longterm Medical, Winner Guilin, Winner Medical (Hunan) and Junjian Medical have solidified and provided key capabilities and superior support for the medical business to build a one-stop medical consumables solution capacity and one-stop sales service platform.

2. Healthy living consumer product business

Purcotton has been committed to fulfilling its vision of “Purcotton Changes the World”, its mission of “leading a healthy lifestyle to become a credible Chinese brand” and its core values of “delighting users, caring employees, working hard and innovating for changes” for 13 years. It has always followed the brand management principles of “prioritizing quality over profit, brand over speed and social value over corporate value”. In 2022, the Company put forward the strategic goals of “creating a lifestyle with pure cotton, and becoming a safe, happy and sustainable brand for consumers”, and formulated strategic guidelines of “building brand as the driver, leading products as the core, marketing + sales as the channel, operational excellence as the means” to “prioritize competitive cotton products while developing mass cotton products by combining non-woven and woven businesses”, thus achieving the strategic blueprint for the global development of all-cotton product category.

Purcotton will adhere to the delivery of its initial mission of “Purcotton Changes the World” and its brand values, and prioritize changing consumer perception to help consumers understand and identify the concept of “security, happiness and sustainability” in a comprehensive, multifaceted manner. The Company has been supported by three core values of “Medical background, Purcotton philosophy, Quality DNA” to build brand intelligence and establish Purcotton as one of the global preferred brands.

(II) FY2023 business plans**1. Medical consumables business**

In the current external business environment, opportunities and challenges coexist. The Company has to deal with more severe market and performance challenges. Winner Medical proposes four business strategies, namely “product upgrading, technology breakthrough, in-depth marketing + sales strategies, operation efficiency improvement”, to develop four solutions -- “surgical supplies, sensory protection supplies, wound care and health care” -- as well as best sellers, and tap into key channels to win market shares. The Company has increased its strategic-level project resource investment and pressure management, focused on short-term operational breakthroughs as well as medium- and long-term capacity building, and followed its overall strategies to achieve its operational goals.

- (1) Product and technology strategy: Focus and upgrade the traditional product portfolio, create best-sellers such as surgical packs, masks and foam dressings, and improve product competitiveness based on three core characteristics in the current reporting period; promote R&D innovation and industry-university-research innovation projects, build technological barriers based on the R&D outcomes of basic materials, and firmly implement the strategies of product first.
- (2) Marketing strategy: Build professional medical brand intelligence, connect with model academic experts, key distributors and platforms, tap into and open marketing channels to create a service chain, win and control the end market, and enable domestic and international trades to go hand in hand.
- (3) Operation strategy: Improve the competitiveness of cost, manufacturing and operation thanks to cost reduction and efficiency improvement, efficient and flexible supply chain, intelligent manufacturing planning and arrangements, digital transformation and upgrading, and firmly realize the strategic development idea of operational excellence.
- (4) Organizational development: Establish an efficient integrated operational organization, focusing on high-quality, high-efficiency, high-performance and high-return talents, while matching with performance evaluation and incentive mechanisms that guide sales, growth promotion and benefit sharing, to revitalize and improve organizational effectiveness.

New business directions and strategies have been proposed for new businesses (mergers and acquisitions). Make breakthroughs in operations in the short term and enhance basic capabilities in the medium and long term, thus taking advantage of products and channels to unite the Group and strive to be No. 1 in the market segment. Keep up with policy development, build differentiated absolute competitive advantages in product planning and development, channel expansion and in-depth development.

2. Healthy living consumer product business

Based on the strategic goal of 2025, 2023 is the year of consumption recovery and the turnaround year for Purcotton to resume high growth. As to new markets, consumption and opportunities, we will increase strategic investment and refine strategic project process management, formulate annual development plans and medium-term capacity-building strategies, promote the achievement of business goals, and make steady progress toward high-quality development.

- (1) In terms of corporate strategy, uphold the business strategy of “leading products with operational excellence”.
- (2) In terms of audience targeting, focus on elegant mothers, middle and upper-class groups and new white-collar workers based on the brand's mid-to-advanced value positioning.
- (3) Regarding product scenarios, focus on baby, female, and household supplies.
- (4) In terms of products, adhere to the concept of “comfort, health, environmental protection” + fashionable products, and focus on increasing the R&D investment in basic materials and fabrics in the fields of pure cotton spunlace non-woven fabric and gauze, enabling R&D technology reserve to be 3-5 years ahead of the industry and driving the development of core competitiveness of products in the long run. Adhere to the top-selling product strategy, covering three product scenarios, improve the contribution of core categories, and establish the absolute market share dominance and occupy the competitive position of best-sellers, thus driving the development of all-category cotton products.

- (5) As for marketing, focus on serving Purcotton's consumer base, build the capacity of “top brand as the driver, commodity marketing as the goal” to integrate the quality with effectiveness through continuous consumer communication, and improving user loyalty and increasing repurchase rates while raising brand reputation and awareness.
- (6) As for channels, accelerate the expansion of new stores, and refine basic management details to enhance user service and experience.
- (7) As for operation management, enhance organizational capabilities, establish standards for high-efficiency, high-performance and high-return talents, and ensure talent density in the value plateau. Also, we should move faster to make breakthroughs in digital transformation capacity building, empower private domain growth through refined operations, and complete the digital system upgrading that incorporates a digital product system, digital consumer system and digital channel system, to build core business integration processes to achieve simplicity, visualization and standardization.

Unremitting efforts are required for perfection. Looking ahead, 2023 marks a key year of strategic upgrading and development for the Company, and it is the year of growth. In the face of the complex, ever-changing external market environment, all employees will be more positive and open-minded, actively seek development, boldly move forward, and strive to write a new chapter of growth for Winner Medical!

The above business plan does not constitute a commitment by the Company to investors. Investors are advised to invest rationally, be aware of investment risks and understand the differences between business plans and commitments.

(III) Possible risks to the Company

1. Risk of raw material price fluctuations and countermeasures

The Company's main raw materials are cotton, cotton yarn, and cotton greige fabric for medical use made from cotton. Cotton prices 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 adjust the sales price with that of raw material price, it may negatively impact 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.

2. Risks of lower market demand for infection prevention products and countermeasures

Thanks to its three brands, i.e., “Winner Medical” and “Purcotton”, the Company realized the 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 health and environmental protection. Therefore, the Company's downstream demand may be affected by the sluggish macroeconomic situation, the decline in national per capita disposable income or purchasing power, and the uncertainty of the expected economic outlook. The revenue related to infection prevention products accounted for a higher percentage in 2022, but the demand for such products may decrease. If revenue from conventional medical products does not grow well, it will harm the Company's results.

To cope with the risk of lower market demand for infection prevention products, the Company has increased the categories of medical consumables through independent R&D and strategic M&A in the medical consumables business segment, to enrich product lines, optimize product structures, and provide one-stop medical consumables solutions for medical staff.

3. Exchange rate risks and countermeasures

Medical consumables are the main exports of the Company, which are settled in major international currencies such as US dollars. In 2022, the Company's foreign sales amount in the overall revenue accounted for 11%. In recent years, with the accelerated pace of China Yuan internationalization and further marketization of the China Yuan exchange rate formation mechanism, the exchange rate flexibility of China Yuan against the above currencies has increased. Fluctuations in the China Yuan exchange rate will, on the one hand, affect the Company's product export sales prices; on the other hand, it will also cause the Company to generate exchange gains and losses. Suppose there is a significant appreciation of China Yuan in the

future. In that case, it will affect the Company's price competitiveness in overseas markets, and cause exchange losses, which will adversely affect the Company's operating income and profits.

To reduce the impact of exchange rate fluctuations on the Company's performance, (1) for long-term stable customers, the Company has an agreed price adjustment mechanism, and in case of significant fluctuations in key elements affecting the price, the price shall be adjusted generally according to the agreed price adjustment mechanism; and at the same time, the Company adjusts the quotation cycle for new orders received, shortens the quotation cycle, and adjusts the quotation exchange rate in a timely manner; (2) the Company carries out forward settlement and sale of foreign exchange for the purpose of hedging, and locks the forward settlement exchange rate in advance to reduce the risk and hedge the exchange rate risk in international business; and (3) The Company will strengthen its research and analysis of exchange rates, pay attention to changes in the international market environment in real time, and adjust its business strategies in a timely manner to minimize the risk of exchange rate fluctuations.

4. Risk of changes in industry policies and standards

Medical device, which directly affects users' life and health safety, 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 global public health events, 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 impact the Company's operations.

5. Risk of not receiving reimbursement for the Medical Investment Project of Winner Medical (Heyuan) 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 550 million yuan, 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 3 million yuan and a compensation payment of 328 million yuan returned by the People's Government of Zijin County. There is a risk that the remaining amount of 225 million yuan may not be received on time in accordance with the "Award". The Company has made a provision for bad debts of 112 million yuan in accordance with the accounting policy. The Company is currently closely following up on the subsequent payment plan of the People's Government of Zijin County, Heyuan City.

6. Impairment risk of goodwill and other assets and countermeasures

As of December 31, 2022, the Company acquired Longterm Medical, Winner Medical (Hunan) and Winner Guilin to improve its industrial chain. As of December 31, 2022, the carrying value of goodwill amounted to 1.045 billion yuan, accounting for 8.93% of its net assets. In case of subsequent underperformance of the aforementioned acquired company, the Company will take an impairment on the goodwill, which may ultimately harm the Company's performance.

At the end of each year, the Company performs an impairment test on participating companies or companies consolidated under non-common control (whether or not there is an indication of impairment). The Company will make provision for impairment, if any, based on the impairment test results. The existence of the case mentioned above will likely have an impact on the Company's annual net profit. To deal with the risk of impairment of assets such as goodwill, the Company will make more efforts to strengthen its business management, improve its business performance and reduce the risk of asset impairment.

7. Risks of proceeds projects and countermeasures

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

Based on the future market forecast, the Company has conducted a prudential and sufficient feasibility study and demonstration of the proceeds investment project. Thanks to the Company's rich business experience and market foundation accumulated over the years, it is expected that the proceeds investment project could realize good investment income. However, suppose there are changes in external factors such as the industry market. In that case, it cannot rule out that some projects may not be implemented as scheduled or the actual investment returns may be lower than expected. Following changes in the external market and the internal control and management system of proceeds projects, the Company will strictly control the progress of capital investment in various projects and keep an eye on project investment risk.

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 7, 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 8, 2022	Headquarter conference rooms	Telephone communication	Institutions	102 investors, including GF Fund, ChinaAMC, Bosera 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 2, 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 4, 2022	Changjiang Securities & Orient Securities Strategy Meeting and UBS telephone survey	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	Others	Others	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	Others	Others	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 9, 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
July 11, 2022	Headquarter conference rooms	Telephone communication	Institutions	137 investors, including BOCOM Schroders, Fullgoal Fund and GF Fund	Business overview and operation	For details, please refer to SZSE Interactive Ease
August 18, 2022	Headquarter conference rooms	Telephone communication	Institutions	151 investors, including China Universal Asset Fund, GF Securities and Fullgoal Fund	Business overview and operation	For details, please refer to SZSE Interactive Ease
August 19, 2022	Headquarter conference rooms	Field surveys	Individual	Various individual investors	Business overview and operation	For details, please refer to SZSE Interactive Ease
September 8, 2022	Headquarter conference rooms	Telephone communication	Institutions	77 investors, including China Southern Fund, Fullgoal Fund and Aegon-industrial Fund	Business overview and operation	For details, please refer to SZSE Interactive Ease
September 28, 2022	Headquarter conference rooms	Field surveys	Institutions	6 investors, including Guosen Securities, Qianhai Alliance Asset Management	Business overview and operation	For details, please refer to SZSE

				and Evergrande Life		Interactive Ease
October 25, 2022	Headquarter conference rooms	Telephone communication	Institutions	141 investors, including Harvest Fund, BOCOM Schrodgers and China Southern Fund	Business overview and operation	For details, please refer to SZSE Interactive Ease
November 23, 2022	Headquarter conference rooms	Telephone communication	Institutions	24 institutions, including Cinda Securities, GF Securities and China Securities	Business overview and operation	For details, please refer to SZSE Interactive Ease
December 6, 2022	Headquarter conference rooms	Telephone communication	Institutions	163 investors, including Penghua Fund, China Southern Fund and China Universal Asset	Business overview and operation	For details, please refer to SZSE Interactive Ease
December 13, 2022	Headquarter conference rooms	Telephone communication	Institutions	143 investors, including Aegon-industrial Fund, China Southern Fund and Wanjia Asset	Business overview and operation	For details, please refer to SZSE Interactive Ease

04

Corporate Governance



I. Basic State of Corporate Governance

The Company strictly complies with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Shenzhen Stock Exchange GEM Listing Rules, the Standardized Operation of Listed Companies in the No. 2 Guideline of Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies, and other relevant laws and regulations promulgated by the CSRC and Shenzhen Stock Exchange, and formulates the Articles of Association and other internal control rules and regulations to standardize the Company's behavior. The corporate governance structure conforms to relevant normative documents on listed corporate governance issued by China Securities Regulatory Commission.

1. Shareholders and general meeting of shareholders

In strict accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Rules of Shareholders' Meeting of Listed Companies, the Articles of Association and the Rules of Procedure of Shareholders' Meeting, the Company standardizes the procedures of convening, holding and voting, etc. of the general meeting of shareholders, treats all investors equally, and enables them to fully exercise their rights to ensure the rights and interests of minority shareholders. The Company engages lawyers to attend the General Meeting of Shareholders and issue legal opinions on the convening and voting procedures of the meetings, fully respecting and safeguarding the legitimate rights and interests of all shareholders.

2. Company and controlling shareholders, actual controller

The Company has independent and complete main business and independent management ability, independent from the controlling shareholders and actual controllers in personnel, assets, business, management organization and financial accounting system, and can independently operate, independently manage and bear responsibilities and risks. The controlling shareholders and actual controllers of the Company can exercise their rights and undertake corresponding obligations in accordance with the law. During the reporting period, there was no behavior directly or indirectly interfering in the Company's decision-making and business activities and using its controlling position to infringe on the interests of other shareholders beyond the authorization of the general meeting of shareholders and the board of directors, which had no adverse impact on the corporate governance structure and independence.

3. Directors and Board of Directors

The directors of the Company do not have the circumstances that they are not allowed to be directors of the Company as stipulated in Article 146 of the Company Law. Their appointment and removal strictly comply with the board of directors' approval procedures and the shareholders' general meeting, and there is no conflict with relevant laws, regulations or the Articles of Association. All directors work strictly and diligently during their tenure, can continuously pay attention to the Company's operating conditions, actively participate in relevant training, and improve the standard operation level; actively participate in the board meetings, give full play to their own professional expertise, make prudent decisions and safeguard the interests of the Company and the majority of shareholders.

The convening and holding procedures of the board meeting of the Company meet the requirements of relevant regulations; the contents of previous board meeting minutes are true, accurate, complete and under safe preservation; the resolutions of the meetings are fully, accurately and timely disclosed. Under the Board of Directors is a Strategy and Social Responsibility Committee, a Nomination Committee, a Remuneration and Assessment Committee and an Audit Committee.

4. Supervisors and Board of Supervisors

The supervisors of the Company do not have the circumstances that they are not allowed to be supervisors of the Company as stipulated in Article 146 of the Company Law. Their qualifications meet the relevant requirements of the Articles of Association. The procedures for convening, holding and voting of the board of supervisors' meetings of the Company conform to the Rules of Procedure of the Board of Supervisors.

The Company's supervisors can exercise the functions and powers of the board of supervisors and fulfill their duties diligently.

5. Performance evaluation and incentive and restraint mechanisms

Through performance evaluation, the Company can effectively make a comprehensive evaluation on each employee, and further understands each employee's work ability and expertise, so as to effectively adjust the appropriate position and achieve the goal of performance evaluation. The Company is gradually improving its performance evaluation mechanism. Senior and middle management remuneration is linked to the Company's operating performance indicators. The Company has established an enterprise performance evaluation and incentive system. The performance evaluation standards and evaluation procedures of directors, supervisors and senior managers are fair and transparent. Their income is linked to the Company's operating performance. The appointment of senior managers is open and transparent, complying with the provisions of laws and regulations.

6. Information disclosure and transparency

During the reporting period, the Company disclosed the Company's information truthfully, accurately, completely, timely and fairly in strict accordance with the requirements of relevant laws and regulations, Articles of Association and Management System of Information Disclosure Affairs. The Company has designated China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily as the designated paper media for information disclosure of the Company, and CNINFO.com (<http://www.cninfo.com.cn>) is the website specified for the information disclosure to ensure that all shareholders have fair access to the Company's information.

7. Investor relations management

Following the requirements of relevant laws and regulations and the Investor Relations Management System, the Company designates the secretary of the board of directors as the person in charge of investor relations management, responsible for coordinating investor relations, receiving shareholders' visits, answering investors' inquiries, providing investors with the information disclosed by the Company, etc. The Company responds to investors' inquiries through telephone, e-mail, investor relations interactive platform, investor reception day and other forms, which strengthens information communication, promotes benign interaction with investors, and effectively improves the transparency of the Company.

8. Stakeholders

The Company fully respects and safeguards the legitimate rights and interests of relevant stakeholders, realizes the coordination and balance of interests of the shareholders, employees, doctors and patients, society and other parties, pays attention to environmental protection and actively participates in public welfare undertakings while realizing the sustainable and healthy development of the Company and the interests of shareholders.

9. Establishment and implementation of an internal audit system

An audit committee is set up under the board of directors to establish an internal audit system, and is responsible for the communication, supervision, meeting organization and verification of the Company's internal and external audit. The Internal Audit Department under the audit committee is the daily office. Under the leadership of the audit committee, it independently exercises its functions and powers to inspect and supervise the establishment and implementation of the Company's internal control system, the authenticity and integrity of the Company's financial information, and the efficiency and effect of business activities.

Whether there is a significant difference between the actual situation of corporate governance and the rules on listed corporate governance prescribed by laws, administrative regulations and the China Securities Regulatory Commission

Yes No

There is no significant difference between the actual situation of corporate governance and the rules on listed corporate governance prescribed by laws, administrative regulations and the China Securities Regulatory Commission

II. Independence of the Company from its controlling shareholders and actual controllers in terms of guaranteeing assets, personnel, finance, institutions and business

Since its establishment, the Company has standardized its operation in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other relevant laws and regulations as well as the requirements of the Articles of Association, established and improved the corporate governance structure, completely separated from the existing shareholders in business, assets, personnel, organizations and finance, and has a complete business system and the ability to operate independently in the market.

1. Asset independence

The Company has independent and total assets with clear ownership, a separate production system, auxiliary production system and supporting facilities, and has legal right of plants, land, equipment, trademarks, patents, non-patented technology and other assets related to production and operation. It has complete control over all the assets of the Company, and there is no behavior of controlling shareholders and actual controllers occupying the assets of the Company.

2. Personnel independence

The Company has signed labor contracts with its employees, has independent labor, personnel, salary and welfare systems, and maintains independence with its controlling shareholders, actual controllers and other enterprises under their control. The Company has established a sound corporate governance structure, and the directors, supervisors and senior managers are legally selected in strict accordance with the Company Law, Articles of Association and other relevant provisions. The general manager, deputy general manager, financial chief, secretary of the board of directors and other senior managers of the Company do not hold any other positions except directors, supervisors and limited partners in the controlling shareholders, actual controllers and other enterprises controlled by them, and do not receive a salary in the controlling shareholders, actual controllers and other enterprises controlled by them. The financial personnel of the Company do not work part-time in the enterprises of controlling shareholders, actual controllers or other enterprises controlled by them.

3. Financial independence

The Company has set up an independent financial department, equipped with full-time financial personnel, and has established an independent financial accounting system. The Company can make financial decisions independently, and has a standardized financial accounting system and internal control system, such as internal financial management system for branches and subsidiaries. There is no situation of controlling shareholders interfering in using the Company's funds. The Company has an independent bank account and does not share the bank account with the controlling shareholders, actual controllers and other enterprises controlled by them. As an independent tax payer, the Company makes tax returns and fulfills its payment obligations independently in accordance with the law. There is no situation of mixed tax payment with the controlling shareholders, actual controllers and other enterprises controlled by them. The Company's financial operation is independent of the controlling shareholders, actual controllers and other enterprises controlled by them.

4. Organization independence

In strict accordance with the Company Law of the People's Republic of China, Articles of Association and other relevant provisions, the Company has established and improved the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, the management department and the corresponding rules of procedure of the three meetings, and formed a perfect corporate governance structure and standardized operation system. According to the development needs of production and operation, the Company has set up corresponding offices and production and operation organizations, and independently exercised the operating management authority, and has complete procurement, R&D, production, sales systems and supporting departments. The Company's production, operation and office are strictly separated from the controlling shareholders, actual controllers and other enterprises controlled by them, and there is no mixed operation or joint office with the controlling shareholders, actual controllers and other enterprises controlled by them.

5. Business independence

The Company has the corresponding qualifications required for operation, independent and complete business system, information system and management system, etc. necessary to engage in operating business, and independent and complete R&D, production capacity, procurement and sales business systems. The business of the Company is independent of the controlling shareholders, actual controllers and other enterprises controlled by them. There is no dependence on the controlling shareholders, actual controllers and other enterprises controlled by them. There is no horizontal competition or unfair related transaction with the controlling shareholders, actual controllers and other enterprises controlled by them.

III. Horizontal competition

Applicable Not applicable

IV. 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	Resolutions of the meeting
2021 Annual General Meeting of Shareholders	Annual general meeting of shareholders	77.06%	May 13, 2022	May 13, 2022	Proposal on the Company's 2021 Annual Report and Its Abstract, Proposal on the Company's 2021 Annual Profit Distribution Plan, etc.

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

Applicable Not applicable

V. The company has a voting rights differential arrangement

Applicable Not applicable

VI. Corporate governance in the red-chip structure

Applicable Not applicable

VII. Directors, Supervisors and Senior Management

1. Basic information

Name	Position	Status of service	Gender	Age	Start date of tenure	End date of tenure	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)	Other increases and decreases (shares)	Number of shares held at the end of the period (shares)	Causes for change in shares
Li Jianquan	Chairman and General Manager	Incumbent	Male	66	May 18, 2015	July 12, 2024	0	0	0	0	0	N/A
Fang Xiuyuan	Director, Deputy General Manager, Chief Financial Officer	Incumbent	Male	55	May 18, 2015	July 12, 2024	0	40,000	0	0	40,000	Increase in shares in the secondary market
Xu Xiaodan	Director	Incumbent	Female	35	May 18, 2015	July 12, 2024	0	0	0	0	0	N/A
Guo Zhenwei	Director	Incumbent	Male	39	June 28, 2018	July 12, 2024	0	0	0	0	0	N/A
Peng Jianfeng	Independent director	Incumbent	Male	62	July 13, 2021	July 12, 2024	0	0	0	0	0	N/A
Xie Jiawei	Independent Director	Incumbent	Female	50	July 13, 2021	July 12, 2024	0	0	0	0	0	N/A
Key Ke Liu	Independent Director	Incumbent	Male	59	July 13, 2021	July 12, 2024	0	0	0	0	0	N/A
Zhang Tingting	Chairman of the Board of Supervisors	Incumbent	Female	37	July 13, 2021	July 12, 2024	0	0	0	0	0	N/A
Wang Ying	Supervisor	Incumbent	Female	41	May 18, 2015	July 12, 2024	0	30,000	0	0	30,000	Increase in shares in the secondary market
Liu Hua	Employee Representative Supervisor	Incumbent	Female	50	July 13, 2021	July 12, 2024	0	0	0	0	0	N/A
Chen Huixuan	Deputy General Manager, Secretary to the Board Of Directors	Incumbent	Female	41	May 18, 2015	July 12, 2024	0	5,300	0	0	5,300	Increase in shares in the secondary market
Zhang Li	Deputy general manager	Incumbent	Female	45	July 13, 2021	July 12, 2024	0	0	0	0	0	N/A
Total	--	--	--	--	--	--	0	75,300	0	0	75,300	--

Dismissal of directors, supervisors and senior management in the term of office during the reporting period

Yes No

Change of directors, supervisors and senior management

Applicable Not applicable

2. Service status

Professional background, main work experience and main responsibilities currently in the Company of current directors, supervisors and senior management of the Company

Mr. Li Jianquan, born in 1957, Chinese, a permanent resident of the Hong Kong Special Administrative Region; College degree. He created two brands of “Winner Medical” and “Purcotton” and served as the Chairman and General Manager of Winner Medical Co., Ltd., as well as the Chairman and General Manager of Shenzhen Purcotton Technology Co., Ltd. He was awarded the title of “Innovative and Entrepreneurial Figures and Advanced Models for the 40th Anniversary of the Establishment of the Shenzhen Special Economic Zone”.

Mr. Fang Xiuyuan, born in August 1968, Chinese, without permanent residency abroad; College degree, Chinese Certified Public Accountant. From July 1988 to April 1998, he served as the Accountant and Chief of Finance Department of Hubei Medical and Health Products Import and Export Corporation. Since 2000, he has been the Director, Deputy General Manager and Chief Financial Officer of Winner Medical Co., Ltd. Mr. Fang Xiuyuan concurrently holds the posts of Chairman of Zhejiang Longterm Medical Technology Co., Ltd. as well as an Executive Partner of Shenzhen Purcotton Technology Co., Ltd., Shenzhen Qianhai Purcotton E-Commerce Co., Ltd., Winner Medical (Huanggang) Co., Ltd., Winner Medical (Chongyang) Co., Ltd., Winner Medical (Jiayu) Co., Ltd., Winner Medical (Jingmen) Co., Ltd., Yichang Winner Medical Textile Co., Ltd., Winner Medical (Tianmen) Co., Ltd., Winner Medical (Wuhan) Co., Ltd. and Xiamen Leyuan Investment Partnership (L.P.). Mr. Fang Xiuyuan is currently a member of the 7th Shenzhen Committee of the CPPCC and Vice Chairman of the Federation of Industry and Commerce of Shenzhen Longhua District.

Ms. Xu Xiaodan, born in 1987, Chinese, without permanent residency abroad; Bachelor degree. She joined the Company in 2010; from August 2013 to January 2015, she was the Purchasing Manager of the Procurement Department of Shenzhen Purcotton Technology Co., Ltd.; from January 2015 to January 2020, she served as the Director of Commodity Center of Shenzhen Purcotton Technology Co., Ltd.; from May 2015 to now, she has been a Director of Winner Medical Co., Ltd.; and from February 2020 to now, she has been the Director of Strategic Planning Center of Winner Medical Co., Ltd. At present, Ms. Xu Xiaodan is also a Director of Winner Medical (Heyuan) Co., Ltd. and Winner Medical (Wuhan) Co., Ltd.

Mr. Guo Zhenwei, born in 1984, Chinese, without permanent residency abroad; Bachelor degree of Central University of Finance and Economics, EMBA Master Degree of China Europe International Business School. From July 2007 to September 2009, he was a Senior Auditor of Deloitte Touche Tohmatsu Limited; from September 2009 to July 2010, he was a researcher of China International Capital Corporation Limited; from July 2010 to now, he has been working at Sequoia Capital China and is currently the managing director; from June 2018 to now, he has been a director of Winner Medical Co., Ltd. At present, Mr. Guo Zhenwei is also a director of Shijiazhuang Junlebao Dairy Co., Ltd., Shanghai Buy Quickly Technology and Services Co., Ltd., Liuliu Orchard Group Co., Ltd., Hangzhou Dahiti Science & Technology Co., Ltd., Deqing Jiajun Beverage Co., Ltd., Sichuan Vanov New Material Co. Ltd., Shanghai Shouquanzhai E-commerce Co., Ltd., LOHO Holding Inc., Dynamics China Holding Company, Shanghai Ruishu Electronic Commerce Co., Ltd., and Genki Forest Technology Group Holdings Limited, as well as a supervisor of Shanghai Qiyao Automobile Technology Co., Ltd.

Mr. Key Ke Liu, born in 1964, American, Bachelor and Master degree in Chemical Engineering of Northwest University, Doctorate of City University of New York, USA, Master of Management of Rensselaer Polytechnic Institute, USA, foreign academician of Australian National Academy of Engineering. He was a Chief Scientist of GE Global Research, a director of Power Environment and Energy Research Center (PEER) of the California Institute of Technology, a director of the International Pittsburgh Coal Conference (PCC) Organization, a member of PCC Organization, an independent director of Konfoong Materials International Co., Ltd., Shenzhen Hifuture Information Technology Co., Ltd., and Hunan Yussen Energy Technology Co., Ltd. He also has worked for many years with well-known multinational companies such as Exxon-Mobil and UTC. He is currently the dean of the School of Innovation and Entrepreneurship, President of the Clean Energy Research Institute and chair professor of the Department of Chemistry, Southern University of Science and Technology, standing director and deputy director of Center for China and Globalization (CCG), director of Carnegie-Tsinghua Center, and director of Puritek Company Ltd.. After returning to China, he was appointed as the deputy director and Chief Technology Officer (CTO) of National Institute of Clean-and-Low-Carbon Energy. He was awarded the Top Fifty China Overseas-educated Scholars in Innovation and Entrepreneurship in 2015, Pitt Award in 2013 and Emerald Honors Special Recognition Award in 2006.

Mr. Peng Jianfeng, born in 1961, Chinese, without permanent residency abroad; master degree of Renmin University of China. Since 1986, he has successively served as lecturer, associate professor and professor in the School of Labor and Human Resources of Renmin University of China; previously, he had successively served as the independent director of Telling Telecommunication Holding Co., Ltd., Sunward Intelligent Machinery Co., Ltd., Goertek Co., Ltd., Chinese Universe Publishing and Media Group Co., Ltd., Haier Smart Home Co., Ltd., China Merchants Shekou Industrial Zone Holdings Co., Ltd. and Chow Tai Seng Jewellery Co., Ltd.; currently the independent director of Jinko Power Technology Co., Ltd., non-independent director of Hytera Communications Corporation Limited, director of CCB Trust Co., Ltd., executive director of China Stone Management Consulting Ltd. and executive director of China Stone (Beijing) Corporation Culture Management Consulting Co., Ltd. Mr. Peng Jianfeng has been deeply involved in enterprises for a long time to provide consulting services. He has been employed as a senior management consultant and an expert group leader by Shenzhen Huawei, Guangdong Midea Group, Shandong Liuhe Group, ENN Group, etc.. The expert team led by him has provided consulting services for hundreds of famous enterprises, and the management consulting team led by him has created the Huawei Basic Law, Charter of OCT, TCL Fights Scale with Speed, The Third Road of Midea, Samsung (China) Culture, Meager Profit Management and Service Marketing of Shandong Liuhe Group, Three Mechanisms and Six Systems of Human Resources of Baisha Group, Joint Programme of Action of Dongfeng Nissan, Lenovo Cultural Studies and Jingdong Culture. He was awarded the “Top Ten Figures” of the second China Human Resource Management Award and the “Top Ten Respectable Management Consulting Experts” by the Management Consulting Committee of China Enterprise Confederation.

Ms. Xie Jiawei, born in 1973, Chinese, without permanent residency abroad; Bachelor degree, certified public accountant and tax accountant. Previously, she successively served as the Deputy Director of Beijing Zhongtian Huazheng Certified Public Accountants Co., Ltd., Deputy Director of Shenzhen Branch of BDO China Shu Lun Pan Certified Public Accountants LLP, Vice Chairman of the 6th Council of Shenzhen Institute of Certified Public Accountants, and Independent Director of Shenzhen Guangju Energy Co., Ltd., Shenzhen Topband Co., Ltd., Guangdong Xinhui Meida Nylon Co., Ltd., and Shenzhen Dynanonic Co., Ltd., as well as Independent Director of Shenzhen Heungkong Holding Co., Ltd., and a core member of Vanho Securities. She is currently a partner of Dahua Certified Public Accountants Co., Ltd., a member of the 6th Council of Guangdong Institute of Certified Public Accountants, an off-campus supervisor for graduate students of Shenzhen University, and an independent director of Han's Laser Technology Industry Group Co., Ltd.

(2) Board of Supervisors

Ms. Zhang Tingting, born in 1986, Chinese, without permanent residency abroad; Bachelor degree. She joined the company in November 2010 and

successively served as the Manager of the Supplier Management Department, Domestic Trade Drugstore Management Department, Distributor Management Department, Product Development Department and E-commerce Commodity Department from July 2014 to January 2021. She is currently the Category Manager of the Company. She is concurrently a member of the Longhua Street CPC Working Committee on Non-Public Economic and Social Organizations, Secretary of the Party Committee, Chairman of the Women's Federation, Secretary of the Youth League Committee, and Party Representative of Longhua District. She has been awarded the title of “Shenzhen Outstanding Communist Party Member” by the Shenzhen Municipal Committee of CPC.

Ms. Liu Hua, born in 1973, Chinese, without permanent residency abroad; MBA and Master degree of Tongji University. From April 2004 to September 2009, she was the Manager of the International Trade Department of Winner Industries (Shenzhen) Co., Ltd.; from September 2009 to November 2011, she served as the Director of Operation Center of Shenzhen Purcotton Technology Co., Ltd.; from November 2011 to April 2021, she served as the Deputy General Manager of Shenzhen Purcotton Technology Co., Ltd.; since January 2015, she has been a Director of Shenzhen Purcotton Technology Co., Ltd.; and since April 2021, she has been the Vice President of Shenzhen Purcotton Technology Co., Ltd.

Ms. Wang Ying, born in 1982, Chinese, without permanent residency abroad; Bachelor degree. She joined the Company in July 2005. From January 2013 to May 2014, she was the Manager of Foreign Trade Department of Winner Industries (Shenzhen) Co., Ltd.; from May 2014 to July 2016, she served as Deputy Director of Winner Medical Co., Ltd. and its predecessor, International Trade Department; since May 2015, she has been a Supervisor of Winner Medical Co., Ltd.; from July 2016 to December 2017, she was the Director of Marketing Department of Winner Medical Co., Ltd.; from September 2017 to February 2018, she was the Rotating CEO of Winner Medical Co., Ltd.; from January 2018 to December 2022, she served as the Director and Deputy General Manager of Shenzhen PureH2B Technology Co., Ltd. She is now the Senior Director of Commodity Department V of Winner Medical Co., Ltd. Currently, she also serves as Executive Partner of Xiamen Yutong Investment Partnership (L.P.) and Supervisor of Winner Medical (Heyuan) Co., Ltd.

(3) Other senior management

Ms. Zhang Li, born in 1978, Chinese, without permanent residency abroad; Bachelor's degree. She joined Winner Medical Co., Ltd. in September 2010 and

served as the Medical Business Marketing Director, R&D Director, Overseas Marketing Director, Sales Director and Rotating CEO from September 2010 to June 2021. Currently, she is the Vice President for medical business marketing of the Company.

Ms. Chen Huixuan, born in 1982, Chinese, without permanent residency abroad; Master's degree in Finance, University of Glasgow, UK. From February 2007 to June 2009, she was an Analyst Assistant of Brean Murray, Carret & Co.; from September 2009 to May 2015, she served as a Manager of the Investment Management Department of Winner Industries (Shenzhen) Co., Ltd.; since May 2015, she has been the Deputy General Manager and Secretary to the Board of Directors of Winner Medical Co., Ltd. At present, she also serves as an Executive Partner of Xiamen Huikang Investment Partnership (L.P.) and Director of Chengdu Winner Likang Medical Products Co., Ltd. Ms. Chen Huixuan is currently a member of Investor Relations Management Committee of Shenzhen Public Companies Association. She was awarded 5A (Highest) for Performance Evaluation of Board Secretaries of Listed Companies by China Association for Public Companies, and the 18th and 19th New Fortune Gold Board Secretary.

Service status in the shareholder unit

Applicable Not applicable

Name of staff	Shareholder unit name	Position held in shareholder unit	Start date of tenure	End date of tenure	Whether to receive remuneration or allowance in the shareholder unit
Li Jianquan	Winner Group Limited	Director	April 8, 2003		No
Fang Xiuyuan	Xiamen Leyuan Investment Partnership (limited partnership)	Executive partner	May 2, 2013		No
Wang Ying	Xiamen Yutong Investment Partnership (limited partnership)	Executive partner	May 2, 2013		No
Chen Huixuan	Xiamen Huikang Investment Partnership (limited partnership)	Executive partner	May 2, 2013		No
Description of service status in the shareholder unit		None			

Service status in other unit

Applicable Not applicable

Name of staff	Other unit name	Position held in other unit	Start date of tenure	End date of tenure	Whether to receive remuneration or allowance in other unit
Li Jianquan	Glory Ray Holdings Limited	Director	April 11, 2012		No
Li Jianquan	Glory Ray Limited	Director	May 4, 2012		No
Li Jianquan	Shenzhen Purcotton Technology Co., Ltd.	Chairman, general manager	December 7, 2009		No
Li Jianquan	Shenzhen Qianhai Purcotton E-commerce Co., Ltd.	Chairman	July 21, 2015		No
Li Jianquan	Winner Medical Malaysia Co., Ltd.	Director	July 17, 2013		No

(Continued)

Name of staff	Other unit name	Position held in other unit	Start date of tenure	End date of tenure	Whether to receive remuneration or allowance in other unit
Li Jianquan	Winner Medical (Hong Kong) Limited	Director	January 14, 2008		No
Li Jianquan	Shenzhen PureH2B Technology Co., Ltd.	Chairman, general manager	January 25, 2018		No
Li Jianquan	Shenzhen Cotton Lining Technology Innovation Co., Ltd.	Chairman	July 9, 2019		No
Li Jianquan	Fanyu Innovation Holding (Shenzhen) Co., Ltd.	Supervisor	September 18, 2021		No
Fang Xiuyuan	Shenzhen Purcotton Technology Co., Ltd.	Director	December 7, 2009		No
Fang Xiuyuan	Shenzhen Qianhai Purcotton E-commerce Co., Ltd.	Director	July 21, 2015		No
Fang Xiuyuan	Winner Medical (Huanggang) Co., Ltd.	Director	January 14, 2005		No
Fang Xiuyuan	Huanggang Winner Cotton Industry Co., Ltd.	Director	October 18, 2010		No
Fang Xiuyuan	Winner Medical (Chongyang) Co., Ltd.	Director	November 13, 2001		No
Fang Xiuyuan	Winner Medical (Jiayu) Co., Ltd.	Director	February 20, 2001		No
Fang Xiuyuan	Winner Medical (Jingmen) Co., Ltd.	Director	December 15, 1995		No
Fang Xiuyuan	Yichang Winner Medical Textile Co., Ltd.	Director	April 22, 1999		No
Fang Xiuyuan	Winner Medical (Tianmen) Co., Ltd.	Director	February 23, 2001		No
Fang Xiuyuan	Winner Medical (Heyuan) Co., Ltd.	Director	May 18, 2016		No
Fang Xiuyuan	Winner Medical (Wuhan) Co., Ltd.	Director	January 23, 2017		No
Fang Xiuyuan	Winner Medical (Hong Kong) Limited	Director	January 14, 2008		No
Fang Xiuyuan	Chengdu Winner Likang Medical Products Co., Ltd.	Director	May 31, 2009		No
Fang Xiuyuan	Shenzhen PureH2B Technology Co., Ltd.	Director	January 25, 2018		No
Fang Xiuyuan	Shenzhen Cotton Lining Technology Innovation Co., Ltd.	Director	July 9, 2019		No
Fang Xiuyuan	Zhejiang Longterm Medical Technology Co., Ltd.	Chairman	May 10, 2022		No
Xu Xiaodan	Winner Medical (Heyuan) Co., Ltd.	Director	May 18, 2016		No
Xu Xiaodan	Winner Medical (Wuhan) Co., Ltd.	Director	January 23, 2017		No
Guo Zhenwei	Sequoia Capital China	Director, general manager	October 1, 2010		Yes
Guo Zhenwei	Deqing Jiajun Beverage Co., Ltd.	Director	April 22, 2015		No
Guo Zhenwei	Sichuan Vanov New Material Co. Ltd.	Director	December 5, 2017		No
Guo Zhenwei	Shanghai Shouquanzhai E-commerce Co., Ltd.	Director	July 13, 2018		No
Guo Zhenwei	LOHO Holding Inc.	Director	July 2, 2018		No

(Continued)

Name of staff	Other unit name	Position held in other unit	Start date of tenure	End date of tenure	Whether to receive remuneration or allowance in other unit
Guo Zhenwei	New Dynamics China Holding Company	Director	September 2, 2019		No
Guo Zhenwei	Shijiazhuang Junlebao Dairy Co., Ltd.	Director	March 16, 2020		No
Guo Zhenwei	Lium Group Co., Ltd.	Director	January 14, 2020		No
Guo Zhenwei	Hangzhou Dahiti Science & Technology Co., Ltd.	Director	May 21, 2020		No
Guo Zhenwei	Genki Forest Technology Group Holdings Limited	Director	December 1, 2020		No
Guo Zhenwei	Shanghai Ruishu Electronic Commerce Co., Ltd.	Director	August 26, 2020		No
Guo Zhenwei	Shanghai Wanwuyouyang Catering Management Co., Ltd.	Director	April 8, 2021		No
Guo Zhenwei	Shanghai Huaqiao Catering Management Co., Ltd.	Director	July 5, 2021		No
Guo Zhenwei	Sichuan Haocaitou Industrial Co., Ltd.	Director	March 30, 2020		No
Guo Zhenwei	Pucheng Dairy (Group) Co., Ltd.	Supervisor	March 12, 2021		No
Key Ke Liu	Southern University of Science and Technology	College Dean and Chair Professor	February 19, 2016		Yes
Key Ke Liu	Puritek Company Ltd.	Director	January 1, 2019		Yes
Key Ke Liu	Carnegie-Tsinghua Center	Director	January 1, 2015		No
Key Ke Liu	International Pittsburgh Coal Conference Organization	Director	January 1, 2015		No
Key Ke Liu	Zhejiang University	Honorary Professor and Doctorial tutor	January 1, 2014		No
Key Ke Liu	Center for China and Globalization	Vice Chairman	January 1, 2012		No
Peng Jianfeng	Renmin University of China	Professor	September 1, 1996		Yes
Peng Jianfeng	Jinko Power Technology Co., Ltd.	Independent Director	June 29, 2017		Yes
Peng Jianfeng	Hytera Communications Corporation Limited	Director	December 6, 2019		Yes
Peng Jianfeng	CCB Trust Co., Ltd.	Director	March 25, 2020		Yes
Peng Jianfeng	China Stone Management Consulting Ltd.	Executive director	January 12, 2006		No
Peng Jianfeng	Hunan Happy Times Network Technology Co., Ltd.	Director	December 31, 2015		No
Peng Jianfeng	Siwod Education Technology Co., Ltd.	Director	January 17, 2018		No
Peng Jianfeng	Jiangxi Siwod Commercial Development Co., Ltd.	Director	November 18, 2014		No
Peng Jianfeng	China Stone (Beijing) Corporation Culture Management Consulting Co., Ltd.	Executive Director, General Manager	November 16, 2004		No
Peng Jianfeng	Beijing China Stone Human Resource Consulting Co., Ltd.	Executive director	October 30, 2003		No

(Continued)

Name of staff	Other unit name	Position held in other unit	Start date of tenure	End date of tenure	Whether to receive remuneration or allowance in other unit
Peng Jianfeng	Hangzhou China Stone Management Consulting Co., Ltd.	Director	May 6, 2009		No
Peng Jianfeng	Beijing Ice Smart Technology Co., Ltd.	Director	June 1, 2012		No
Peng Jianfeng	Beijing China Stone Hunting Network Technology Co., Ltd.	Supervisor	July 9, 2019		No
Peng Jianfeng	Beijing China Stone Human Resources Management Services Co., Ltd.	Supervisor	April 21, 2016		No
Peng Jianfeng	Beijing 51 Newbie Education Technology Co., Ltd.	Supervisor	November 13, 2015		No
Xie Jiawei	Dahua Certified Public Accountants Co., Ltd. Shenzhen Branch	Partner	May 4, 2010		Yes
Xie Jiawei	Han's Laser Technology Industry Group Co., Ltd.	Independent Director	June 28, 2017		Yes
Wang Ying	Shenzhen PureH2B Technology Co., Ltd.	Director	January 25, 2018		No
Wang Ying	Winner Medical (Heyuan) Co., Ltd.	Supervisor	May 18, 2016		No
Liu Hua	Shenzhen Purcotton Technology Co., Ltd.	Director and Vice President	January 5, 2015		No
Chen Huixuan	Chengdu Winner Likang Medical Products Co., Ltd.	Director	May 1, 2018		No
Description of service status in other unit		None			

Punishment of current directors, supervisors and senior management of the Company and those who left during the reporting period by securities regulators in recent three years

Applicable Not applicable

3. Remuneration of Directors, Supervisors and Senior Management

Decision-making procedures, determination basis and actual payment of remuneration of directors, supervisors and senior management

The remuneration of directors, supervisors and senior managers consists of wages, allowances and bonuses. The Company's board of directors has a remuneration and assessment committee responsible for formulating performance evaluation standards, procedures, systems, and main schemes and rewards and punishments. The remuneration plans of directors, supervisors and senior managers have all gone through the corresponding deliberation procedures in accordance with the Articles of Association, Remuneration Management System and other corporate governance systems.

Remuneration of directors, supervisors and senior management during the reporting period

Unit: '0,000 yuan

Name	Position	Gender	Age	Status of service	Total pretax remuneration received from the Company	Whether to get remuneration from related parties of the Company
Li Jianquan	Chairman and General Manager	Male	66	Incumbent	368.92	No
Fang Xiuyuan	Director, Deputy General Manager, Chief Financial Officer	Male	55	Incumbent	175.98	No
Xu Xiaodan	Director	Female	35	Incumbent	146.37	No
Guo Zhenwei	Director	Male	39	Incumbent	0	No
Peng Jianfeng	Independent Director	Male	62	Incumbent	18	No
Xie Jiawei	Independent Director	Female	50	Incumbent	18	No
Key Ke Liu	Independent Director	Male	59	Incumbent	18	No
Zhang Tingting	Chairman of the Board of Supervisors	Female	37	Incumbent	66.54	No
Wang Ying	Supervisor	Female	41	Incumbent	103.49	No
Liu Hua	Employee Representative Supervisor	Female	50	Incumbent	133.46	No
Zhang Li	Deputy general manager	Female	45	Incumbent	187.93	No
Chen Huixuan	Deputy General Manager, Secretary to the Board Of Directors	Female	41	Incumbent	107.92	No
Total	--	--	--	--	1,344.61	--

VIII. Performance of duties by directors during the reporting period

1. Board of Directors during the reporting period

Meeting session	Convening date	Date of disclosure	Resolutions of the meeting
The 5th meeting of the Third Board of Directors	April 8, 2022	April 11, 2022	Deliberated and approved the "Proposal on the Acquisition of 55% Equity Interest In Longterm Medical"
The 6th meeting of the Third Board of Directors	April 20, 2022	April 22, 2022	Deliberated and approved the "Proposal on the 2021 Annual Report and Its Abstract" and other matters
The 7th meeting of the Third Board of Directors	May 17, 2022	May 18, 2022	Deliberated and approved the "Proposal on the Acquisition of Controlling Interest in Winner Medical (Hunan) Co., Ltd. and the Increase in Capital"
The 8th meeting of the Third Board of Directors	June 2, 2022	June 6, 2022	Deliberated and approved the "Proposal on the 2021 Corporate Social Responsibility Report"
The 9th meeting of the Third Board of Directors	August 16, 2022	August 18, 2022	Deliberated and approved the "Proposal on the 2022 Semi-Annual Report and Its Abstract" and other matters
The 10th meeting of the Third Board of Directors	October 24, 2022	October 25, 2022	Deliberated and approved the "Proposal on the Q3 2022 Report"

2. Attendance of directors at the board meetings and the general meeting of shareholders

Attendance of directors at the board meetings and the general meeting of shareholders							
Name of Directors	Times of attending the board meetings during this reporting period	Times of attending the board meetings on site	Times of attending the board meetings using communication	Times of attending the board meetings by proxy	Times of absences from the board meetings by proxy	Whether he has not attended two consecutive board meetings in person	Times of attending the general meeting of shareholders
Li Jianquan	6	3	3	0	0	No	1
Fang Xiuyuan	6	3	3	0	0	No	1
Xu Xiaodan	6	3	3	0	0	No	1
Guo Zhenwei	6	0	6	0	0	No	1
Peng Jianfeng	6	0	6	0	0	No	1
Xie Jiawei	6	0	6	0	0	No	1
Key Ke Liu	6	0	6	0	0	No	1

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

N/A

3. Objections made by directors on relevant matters

Whether the director raises any objection to the relevant matters of the Company

Yes No

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

4. Other descriptions of the performance of duties by the directors

Whether the relevant suggestions of the director to the Company have been adopted

Yes No

Explanation of the relevant suggestions of the director to the Company have or have not been adopted

During the reporting period, the Company's directors could faithfully and diligently perform their duties in strict accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, other relevant laws and regulations and the Articles of Association,

actively attend relevant meetings on time, and seriously deliberate various proposals. By telephone, email, site visits and other forms, the independent directors kept communication with other directors, senior management and related personnel of the Company, actively acquire the Company's production and operation situation and financial position, put forward positive suggestions on the Company's development strategy and improvement of corporate governance, and expressed independent opinions on the Company's periodic reports, remuneration of directors and senior management and other matters, guaranteeing the fairness and objectivity of the decisions made by the Company's Board of Directors. The directors of the Company fulfilled their duties faithfully and diligently, strove to safeguard the overall interests of the Company and the legitimate rights and interests of the majority of minority shareholders, and played a positive role in the standardized operation and healthy development of the Company.

IX. Situation of special committees under the Board of Directors during the reporting period

Name of committee	Members	Number of meetings	Convening date	Content	Important comments and suggestions	Performance of other duties	Details of objection (if any)
Audit Committee of the Third Board of Directors	Xie Jiawei, Key Ke Liu and Fang Xiuyuan	1	February 7, 2022	<ol style="list-style-type: none"> Internal Audit Work Report for Q4 2021 Internal Audit Work Plan for Q1 2022 Summary Report of Audit Committee for Q4 2021 	Ensure that the financial statements truly, accurately and completely reflect the Company's overall financial position	Review the Company's financial data and related written reports on site	None
Audit Committee of the Third Board of Directors	Xie Jiawei, Key Ke Liu and Fang Xiuyuan	1	April 8, 2022	<ol style="list-style-type: none"> Proposal on the 2021 Annual Report and Its Abstract Proposal on the Q1 2022 Report Proposal on the Renewal of the Appointment of the Accounting Firm for the Year 2022 Internal Audit Work Report for Q1 2022 Internal Audit Work Plan for Q2 2022 Audit Committee Work Report for Q1 2022 	Ensure that the financial statements truly, accurately and completely reflect the Company's overall financial position	Review the Company's financial data and related written reports on site	None
Audit Committee of the Third Board of Directors	Xie Jiawei, Key Ke Liu and Fang Xiuyuan	1	August 12, 2022	<ol style="list-style-type: none"> Proposal on the 2022 Semi-Annual Report and Its Abstract Internal Audit Work Report for Q2 2022 Internal Audit Work Plan for Q3 2022 Audit Committee Work Report for Q2 2022 	Ensure that the financial statements truly, accurately and completely reflect the Company's overall financial position	Review the Company's financial data and related written reports on site	None
Audit Committee of the Third Board of Directors	Xie Jiawei, Key Ke Liu and Fang Xiuyuan	1	October 21, 2022	<ol style="list-style-type: none"> Proposal on the Q3 2022 Report Proposal on the Use of Part of Idle Proceeds for Cash Management Internal Audit Work Report for Q3 2022 Internal Audit Work Plan for Q4 2022 Audit Committee Work Report for Q3 2022 	Ensure that the financial statements truly, accurately and completely reflect the Company's overall financial position	Review the Company's financial data and related written reports on site	None
Strategy and Social Responsibility Committee of the Third Board of Directors	Li Jianquan, Fang Xiuyuan, Xu Xiaodan, Guo Zhenwei and Peng Jianfeng	1	May 30, 2022	Proposal on the 2021 Corporate Social Responsibility Report	The Company shall actively undertake social responsibility and practice environmental protection concept	Actively follow the progress of undertaking social responsibility and the preparation progress of the social responsibility report	None
Remuneration Committee of the Third Board of Directors	Peng Jianfeng, Xie Jiawei and Li Jianquan	1	April 18, 2022	<ol style="list-style-type: none"> Proposal on the Confirmation of the Remuneration of Non-Independent Directors in 2021 Proposal on the Confirmation of the Remuneration of Senior Management in 2021 Proposal on the Revocation of Part of Granted Restricted Shares Not Yet Vested 	Ensure that the salary level is in line with the company performance	Understand the formulation process of the remuneration scheme	None

X. Work of the Board of Supervisors

Does the board of supervisors find any risks in the supervision activities of the Company during the reporting period

Yes No

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

XI. Company Employees

1. Number of employees, professional composition and educational background

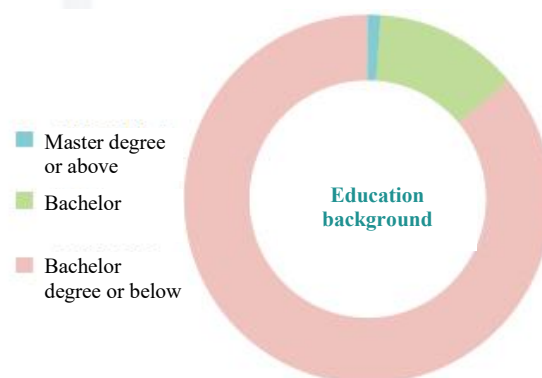
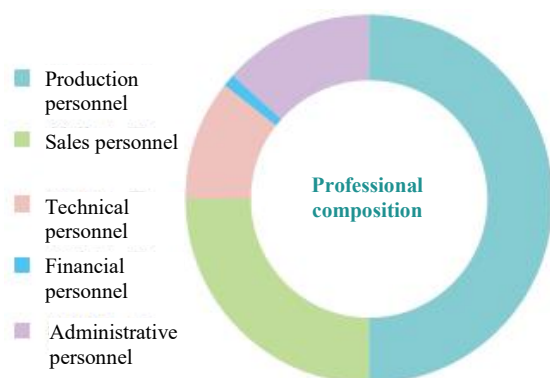
Number of employees in the parent company at the end of the reporting period (person)	1,965
Number of employees in main subsidiaries at the end of the reporting period (person)	12,977
Total number of employees at the end of the reporting period (person)	14,942
Total number of employees receiving salary in the current period (person)	14,942
Number of retired employees whose expenses need to be borne by the parent company and major subsidiaries (person)	45

Professional composition

Professional composition categories	Number of professionals (person)
Production personnel	7,491
Sales personnel	3,733
Technical personnel	1,588
Financial personnel	160
Administrative personnel	1,970
Total	14,942

Education background

Education background categories	Number (person)
Master's degree or above	206
Bachelor	1,898
Bachelor's degree or below	12,838
Total	14,942



2. Pay policy

Match the Company's strategic intent and BP target upgrading strategy, adjust from target bonus system to performance sharing system, enhance teams' sense of acquisition, improve the sense of responsibility and mission of core and backbone employees, and implement the business partner mechanism. Design a remuneration and incentive system, which should be built based on position ranking system and post-value assessment, keep the fixed salary in line with the market level, target the 50th - 75th percentiles salary for core and backbone employees, and be favorable for employees with excellent performance. The remuneration scheme follows the principle of “ranking by position, setting salary by ranks, paying by performance, adjusting salary by post changes”, and conducts evaluation and distribution based on final contributions. Highlight integrated teamwork rather than sharing individual contributions, build a closed performance management mechanism from strategy, organization to individuals, adopt a balanced scorecard for organizational performance, and link individual performance to organizational KPIs, while the performance results can be used as the basis for bonus distribution. Variable compensation employs the distribution logic of stock and excess bonuses, with high incentive for excess business and shared revenue. The design logic encourages ambitious, high-quality and high-efficiency growth, and promotes the overall pursuit of short- and long-term benefits, building the capacity of daring to compete and being able to win. Introduce supplementary insurance on top of the basic social insurance, such as personal accident insurance and supplemental medical insurance. The Company gradually improves the employee welfare system, starting from basic needs such as: transportation and catering subsidies, to higher-level needs such as: reunion and anniversary gifts, and provides various forms of welfare to enhance employees' sense of security, happiness and identity.

3. Training plan

The Company puts forward the concept of “high-quality, high-efficiency, high-performance and high-return talents” as the targets of talent attraction and training. It constantly upgrades talent structure, enhances talent team building, improves talent density, and continues to strengthen the capacity building and training of leading talents and professionals. First, a dual-channel development mechanism and qualification system has been set up, encouraging professionals to conduct further research and create value in their areas of expertise to meet the Company's growing demand for professional capacity enhancement and caring of professionals, and promote talent specialization and diversification. Second, conduct talent inventory to identify potential outstanding talents, set benchmarks, and improve talent density in the value plateau. Third, carry out extensive “industry-university-research collaboration”, strengthen cooperation and exchange with universities and research institutions, continuously introduce top technical talents, improve the comprehensive quality and professional ability of talent teams, improve innovation in technology R&D to be a true influencer in the medical industry. Fourth, take the initiative to build training and development systems, carry out special training on leadership, skills for product line/marketing line, cost reduction and efficiency, team leaders, corporate culture interpretation and promotion, general knowledge, etc., allowing for the empowerment of key areas and posts, talent development, and improvement of generalist skills in all areas of expertise available throughout the system. Finally, the Company attaches great importance to the new generation of employees. It systematically promotes the training and development of college students, including camp training, assignment of mentors, rotational practice, and fixed-term development. This forms a closed-loop management for the training and development of young talents, comprehensively improves their multi-dimensional development, such as cultural integration, product knowledge, professional skills and professionalism, helping them transform from students in campus to elites in workplace. All kinds of training systems, covering management, professional and general training systems, have been prepared for all professional fields. We focus on annual strategic planning and capacity building of key positions by offering special training. Internal training and external training can be combined to enrich the existing curriculum. Moreover, the Company integrates online platform resources with offline practical projects to provide rich training resources, continuously iterate the curriculum system according to the development and changes of the business, and keep on expanding the faculty to help build the talent team and improve professional capabilities, to support the achievement of the Company's business goals.

4. Labor outsourcing

Applicable Not applicable

XII. Profit distribution and share capital increase from capital surplus

Profit distribution policy during the reporting period, especially the formulation, implementation or adjustment of cash dividend policy

Applicable Not applicable

The Company's profit distribution plan and capital surplus converted into a share capital plan in the reporting period are consistent with the relevant provisions of the articles of association and dividend management measures

Yes No Not applicable

The Company's profit distribution plan and capital surplus converted into a share capital plan in the reporting period conform to the relevant provisions of the articles of association. Profit distribution and share capital increase from capital surplus in current year

Bonus shares per 10 shares (shares)	0
Dividend per 10 shares (RMB) (tax included)	19.00
Increase shares per 10 shares (shares)	4
Share capital base in distribution plan (shares)	419,737,649
Amount of cash dividend (RMB) (including tax)	797,501,533.10
Amount of cash dividend in other forms (e.g. share repurchase) (RMB)	242,041,693.07
Total cash dividends (including other methods) (RMB)	1,039,543,226.17
Distributive profit (RMB)	4,868,449,855.81
Proportion of total cash dividends (including other methods) in total profit distribution	100.00%

This cash dividends

Others

Detailed description of the proposal of profit distribution or share capital increase from accumulation fund

According to the Audit Report of Winner Medical Co., Ltd. in 2022 issued by BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP, the net profit attributable to the shareholders of the parent company in the consolidated statements of the Company in 2022 is RMB 1,650,582,427.43, and the net profit of the income statement of the parent company in 2022 is RMB 1,854,821,524.21. As of December 31, 2022, the parent company's profit available for distribution is RMB 4,868,449,855.81.

In line with the principle of repaying shareholders and sharing the Company's operating results with shareholders, taking into account the reasonable return of investors and the long-term development of the Company, and on the premise of ensuring the normal business development of the Company, the annual profit distribution plan for 2022 is proposed as follows: on the date of disclosure of the distribution plan, the total capital stock of the Company is 426,492,308, of which, 6,754,659 is held in the special securities account for repurchase. Based on the capital stock of 419,737,649 after deducting the repurchased shares, it is planned to distribute cash dividends of RMB 19.00 (tax included) per 10 shares to all shareholders by the transfer of 4 shares for every 10 shares excluding bonus shares, with total cash dividends of RMB 797,501,533.10 (accounting for about 48.32% in the net profit attributable to the shareholders of the parent company in the consolidated statements). After implementing the above profit distribution plan, the remaining undistributed profit of the parent company is RMB 4,070,948,322.71, which will continue to be retained by the Company to support the Company's business development.

In case of any change from the disclosure to the implementation of the distribution plan due to the listing of new shares, the granting and exercising of equity incentive, the conversion of convertible bonds into shares, share repurchase, etc., the proportion will be adjusted according to the principle that the proportion of cash dividends will remain unchanged but the total amount of cash dividends will change.

The Company made profits during the reporting period and the profits available for distribution to shareholders of the parent company were positive, but no distribution plan for cash dividends.

Applicable Not applicable

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

√ Applicable Not applicable

1. Share Incentive

The Company held the 15th meeting of the Second Board of Directors and the 9th meeting of the Second Board of Supervisors on November 27, 2020, as well as the 6th Extraordinary General Meeting of Shareholders 2020 on December 15, 2020, respectively, deliberated and approved the “Proposal on the 2020 Restricted Stock Incentive Plan (Draft) and Its Abstract” and related matters. The General Meeting of Shareholders authorized the Board of Directors to determine the grant date of restricted shares, 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 CNINFO.com (<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 approved the “Proposal on the Matters Related to the Adjustment of 2020 Restricted Shares Incentive Plan” and the “Proposal on the First Grant of Restricted Shares 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 CNINFO.com (<http://www.cninfo.com.cn>) on December 22, 2020.

The Company held the 6th meeting of the Third Board of Directors and the 5th meeting of the Third Board of Supervisors on April 20, 2022, as well as the Annual General Meeting of Shareholders 2021 on May 13, 2021, respectively, deliberated and approved the “Proposal on the Revocation of Partially Granted Restricted Shares Not Yet Vested”. 3.366925 million granted but unvested restricted shares were revoked, because some incentive recipients could not meet the incentive conditions due to their demission or holding the post of supervisors, while the Company failed to complete the incentive assessment targets for 2021. For details, please refer to relevant announcements disclosed by the Company on CNINFO.com (<http://www.cninfo.com.cn>) on April 22, 2022.

Equity incentive granted to directors and senior management

√ Applicable Not applicable

Unit: share

Name	Position	Number of stock options held at the beginning of the year	Number of new stock options granted during the reporting period	Number of exercisable shares during the reporting period	Number of shares exercised during the reporting period	Exercise price of shares exercised during the reporting period (RMB / share)	Number of stock options held at the end of the period	Market price at the end of the reporting period (RMB / share)	Number of restricted shares held at the beginning of the period	Number of shares unlocked in the current period	Number of new restricted shares granted during the reporting period	Grant price of restricted shares (RMB / share)	Number of restricted shares held at the end of the period
Li Jianqun	Chairman, general manager	0	0	0	0	0	0	71.5	80,000	0	0	0	40,000
Fang Xiuyan	Director, deputy general manager, chief financial officer	0	0	0	0	0	0	71.5	50,000	0	0	0	25,000
Xu Xiaodan	Director	0	0	0	0	0	0	71.5	30,000	0	0	0	15,000
Chen Huixuan	Deputy general manager,	0	0	0	0	0	0	71.5	30,000	0	0	0	15,000

	secretary to the Board of Directors												
Zhang Li	Deputy general manager	0	0	0	0	0	0	71.5	40,000	0	0	0	20,000
Total	--	0	0	0	0	--	0	--	230,000	0	0	--	115,000
Remark (if any)	None												

Evaluation mechanism and incentive of senior management

The Company has established a target accountability evaluation system for senior management and an annual performance appraisal system for senior management teams, examined and evaluated the senior management according to the examination and evaluation system, taking into account the long-term development needs of the Company from the Company's business performance, individual level and scientific perspective

2. Implementation of Employee Stock Ownership Plan

Applicable Not applicable

3. Other Employee Incentive Measures

Applicable Not applicable

XIV. XIV. Establishment and implementation of internal control system in the reporting period

1. Establishment and implementation of internal control

During the reporting period, the Company adhered to the risk-oriented principle. It continually improved and optimized the Company's internal control system on the basis of daily supervision and special supervision of internal control according to the Basic Norms of Enterprise Internal Control and its supporting guidelines and other internal control supervision requirements, combined with the internal control system and evaluation methods to constantly adapt to the changes in the external environment and the requirements of internal management. According to the operation, analysis and evaluation of the internal control system, the Company effectively prevented risks in management and promoted the realization of internal control objectives.

2. Details of significant internal control defects discovered during the reporting period

Yes No

XV. Management and control of the Company over its subsidiaries during the reporting period

Company name	Integration plan	Integration progress	Problems encountered	Solutions taken	Progress	Follow-up solution
Longterm Medical	Build and improve the corporate governance structures	The Company sets out clear requirements through the	None	N/A	N/A	N/A

Winner Medical (Hunan)	subsidiaries, assign directors, supervisors and financial officers to the subsidiaries, and appoint general managers. Clarify the General Manager Responsibility System under the Group's control structure; formulate effective plans for business empowerment, control and synergy according to the business conditions of subsidiaries; improve the efficiency of corporate operations, and promote the subsidiaries' compliance as well as orderly, steady development.	authority and responsibility operation manual that, for material matters related to corporate governance structure and system, strategic planning, investment and financing activities, asset leasing and transfer, financial management, human resources, compliance and risk control, information technology projects and other operational activities, subsidiaries shall, in accordance with the authorization system, report to the Company for approval before implementation, and submit such material matters to the Company's Board of Directors for review and approval as per regulations.
Winner Guilin		
Junjian Medical		

XVI. Self-evaluation report or audit report of internal control

1. Internal control self-evaluation report

Disclosure date of full text of internal control evaluation report	April 25, 2023
Disclosure index of full text of internal control evaluation report	CNINFO.com (http://www.cninfo.com.cn)
The proportion of the total assets of the unit included in the scope of evaluation in the total assets of the Company's consolidated financial statements	98.47%
The proportion of the operating income of the unit included in the scope of evaluation in the operating income of the Company's consolidated financial statements	91.24%

Defect identification standard

Class	Financial report	Non-financial report
	<p>Significant defect:</p> <ol style="list-style-type: none"> 1) The control environment is invalid; 2) The directors, supervisors and senior management of the Company commit fraud and cause significant losses and adverse effects to the Company; 3) The certified public accountant finds that there is material misstatement in the current financial report, which is not found by the internal control in the process of operation; 4) The supervision of the Company's Audit Committee and the internal audit institution over the internal control is invalid. <p>Major defects:</p> <ol style="list-style-type: none"> 1) Failure to select and apply accounting policies in accordance with generally accepted accounting principles; 2) No anti-fraud procedures and control measures have been established; 3) There is no corresponding control mechanism established or no implementation of and no corresponding compensatory control for the accounting treatment of non-routine or special transactions; 4) There are one or more defects in the control of the financial reporting process at the end of the period, and it can not reasonably guarantee the prepared financial statements to achieve the true and accurate goal. <p>Common defects: Other internal control defects that do not constitute significant defects or major defects.</p>	<p>Significant defects: lack of democratic decision-making process; the decision-making process leads to major errors, the important business lacks system control or is systematically invalid, and lack of effective compensatory control; the loss of middle and senior managers and senior technicians is serious; the results of internal control evaluation, especially the significant defects, have not been rectified; other situations that have a significant negative impact on the Company.</p> <p>Major defects: democratic decision-making process exists but is not perfect; the decision-making process leads to general errors; there are defects in important business systems or system; the loss of business personnel in key positions is serious; the results of internal control evaluation, especially the major defects, have not been rectified; other situations that have a large negative impact on the Company.</p> <p>Common defects: the decision-making process is inefficient; the general business systems or system has defects; the loss of</p>

business personnel in general positions is serious; general defects have not been rectified.

	Significant defects:	
	1. potential misstatement of operating income $\geq 2\%$ of the total operating income in the consolidated financial statement;	
	2. potential misstatement of total profit $\geq 5\%$ of the total profit in the consolidated financial statement;	
	3. potential misstatement of total assets $\geq 2\%$ of the total assets in the consolidated statement	
	Major defects:	
Quantitative standards	1. 1% of the operating income in the consolidated financial statement \leq potential misstatement of operating income $< 2\%$ of the operating income in the consolidated financial statement;	Significant defects: the amount of loss accounted for 5% or more of the total profit in the audited consolidated financial statement of the previous year;
	2. 2% of the total profit in the consolidated financial statement \leq potential misstatement of the total profit $< 5\%$ of the total profit in the consolidated financial statement;	Major defects: the amount of loss accounted for 2% (included) to 5% of the total profit in the audited consolidated financial statement of the previous year;
	3. 1% of the total assets in the consolidated financial statement \leq potential misstatement of total assets $< 2\%$ of the total assets in the consolidated financial statement.	Common defects: the amount of loss is less than 2% of the total profit in the audited consolidated financial statement of the previous year
	Common defects:	
	1. potential misstatement of operating income $< 1\%$ of the total operating income in the consolidated financial statement;	
	2. potential misstatement of total profit $< 2\%$ of the total profit in the consolidated financial statement	
	3. potential misstatement of total assets $< 1\%$ of the total assets in the consolidated statement	
	When the potential misstatement caused by an internal control defect affects multiple indexes, the nature of the defect shall be determined according to the principle of which is lower.	
	Number of significant defects in financial report	0
	Number of significant defects in non-financial report	0
	Number of major defects in financial report	0
	Number of major defects in non-financial report	0

2. Internal control audit report or authentication report

N/A

XVII. Rectification of self-inspection problems in the special action on governance of listed companies

Not applicable.



05

**Environment and
Social Responsibility**

I. Major environmental issues

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

Yes No

Environmental protection-related policies and industry standards

The Company strictly complies with environmental protection related laws and regulations in its daily production and operation, including the Environmental Protection Law of the People's Republic of China, the Law of People's Republic of China on Environmental Impact Assessment and Protection, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution, Regulations on Administration of Pollutant Discharge Permits, and the Measures for the Management of Automatic Pollution Sources Monitoring and Guidelines for Automatic Pollution Sources Monitoring and Management Technology of Hubei Province; and strictly implements relevant national emission standards, including the Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (GB4287-2012), the Integrated Wastewater Discharge Standard (GB8978-1996), the Integrated Emission Standard of Air Pollutants (GB16297-1996), the Emission Standard of Air Pollutants for Boiler (GB 13271-2014), the Emission Standards for Odorous Pollutants (GB14554-1993), and the Emission Standard for Industrial Enterprises Noise at Boundary (GB 12348—2008).

Pollutant discharge permit for environmental protection

All subsidiaries of the Company have applied for discharge permits in accordance with relevant technical specifications, including Technical Specifications for the Application and Issuance of Pollutant Permit - General Rules (HJ942-2018), Technical Specifications for the Application and Issuance of Pollutant Permit - Textile and Dyeing Industry (HJ 861—2017), Technical Specifications for the Application and Issuance of Pollutant Permit - Boiler (HJ953—2018), Technical Specifications for the Application and Issuance of Pollutant Permit - General Wastewater Treating Process (HJ1120—2020), Self-monitoring Technology Guidelines for Pollution Sources - General Rules (HJ 819-2017), Technical Specifications for Environmental Management Ledger and Emission Permit Implementation Report for Pollution Sources - General Rules (Trial) (HJ944-2018), Self-monitoring Technology Guidelines for Pollution Sources - Textile and Dyeing Industry (HJ 879-2017), and Self-monitoring Technology Guidelines for Pollution Sources - Thermal Power Generation and Boiler (HJ 820-2017).

The status of emission permits for each branch and subsidiary is as follows:

Subsidiaries	Closing date	Date of registration and issuance	Validity	Certificate No.	Remark
Chongyang Plant I	August 12, 2020	August 12, 2020	August 11, 2023	91421223732699160U003P	Registered
Chongyang Plant II	April 28, 2020	April 28, 2020	April 27, 2025	91421223732699160U001P	Registered
Chongyang Plant III	April 28, 2020	April 28, 2020	April 27, 2025	91421223732699160U002w	Applied
Winner Medical (Huanggang) Co., Ltd.	September 22, 2020	September 22, 2020	September 21, 2023	91421100767435675X001V	Applied
	May 27, 2021	September 22, 2020	September 21, 2023	91421100767435675X001V	Re-applied
	August 27, 2021	September 22, 2020	September 21, 2023	91421100767435675X001V	Changed
Winner Medical (Jiayu) Co., Ltd.	August 21, 2020	August 21, 2020	August 20, 2023	914212217261049092001V	Applied
Winner Medical (Jingmen) Co., Ltd.	August 27, 2020	August 27, 2020	August 26, 2023	914208006158216140001P	Applied
	June 29, 2021	August 27, 2020	August 26, 2023	914208006158216140001P	Changed
	March 11, 2022	August 27, 2020	August 26, 2023	914208006158216140001P	Re-applied

(Continued)

Subsidiaries	Closing date	Date of registration and issuance	Validity	Certificate No.	Remark
Winner Medical (Tianmen) Co., Ltd.	August 01, 2020	August 06, 2020	August 05, 2023	914290067261112368001P	Applied
	September 1, 2022	August 31, 2022	August 30, 2027	914290067261112368001P	Re-applied
	December 13, 2022	August 31, 2022	August 30, 2027	914290067261112368001P	Changed
Winner Medical (Wuhan) Co., Ltd.	September 1, 2020	September 1, 2020	August 31, 2023	91420000MA48TD7BXB001V	Applied
	July 18, 2022	September 1, 2020	August 31, 2023	91420000MA48TD7BXB001V	Changed
Yichang Winner Medical Textile Co., Ltd.	April 30, 2020	April 30, 2020	April 29, 2025	91420583706860379K001W	Registered
Winner Guilin Latex Co., Ltd.	July 27, 2020	July 27, 2020	July 26, 2023	914503008988813841001U	Applied
	March 04, 2022	July 27, 2020	July 26, 2023	914503008988813841001U	Re-applied
	July 20, 2022	July 27, 2020	July 26, 2023	914503008988813841001U	Changed
Winner Medical (Hunan) Co., Ltd.	June 05, 2020	June 5, 2020	June 4, 2025	91430723565949803B001X	First registration
	May 5, 2022	June 5, 2020	June 4, 2025	91430723565949803B001X	Change of registration
	August 27, 2022	June 5, 2020	June 4, 2025	91430723565949803B001X	Change of registration
Zhejiang Longterm Medical Technology Co., Ltd.	May 29, 2020	May 29, 2020	May 28, 2025	91330500051340478U001Z	First registration
	November 11, 2021	May 29, 2020	May 28, 2025	91330500051340478U001Z	Change of registration

Administrative license 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 (Chong E.P.B [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 6390M2 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 an annual production of 800 tons” obtained the EIA approval from the 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 EIA approval (Jiayu E.P.B. Letter [2014] No. 083) from the Environmental Protection Bureau of Jiayu County on December 25, 2014, and passed the environmental protection acceptance after completion of the Environmental Protection Bureau of Jiayu County on September 28, 2017. The environmental impact assessment report of the Winner Industrial Park (Jiayu) Project was approved by Xianning Ecological Environment Bureau on March 15, 2021 (Xianning E.E.B. Letter [2021] No. 21), and construction is currently underway.

Yichang Winner Medical Textile Co., Ltd.: “Medical gauze project with an annual output of 90 million meters” obtained EIA approval from the Environmental Protection Bureau of Zhijiang City on December 19, 2014, and passed the environmental protection acceptance after completion of the 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 (Tianmen E.E.B. Letter [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 the Environmental Protection Bureau of Tianmen City on January 25, 2017; the independent acceptance of phase II will be completed on May 10, 2020. “Production Line Automation Upgrading Project of Medical Dressings” obtained EIA approval (Tianmen E.E.B. Letter [2016] No. 23) from the Environmental Protection Bureau of Tianmen City on January 19, 2016, and passed the independent acceptance on March 23, 2018. “Medical Products Sterilization Center Project” received approval from the Tianmen Ecological Environment Bureau on January 17, 2022 (Tianmen E.E.B. Letter [2022] No. 4), and passed the independent acceptance of the project on December 31, 2022.

Winner Medical (Jingmen) Co., Ltd.: “30 million meters per year medical gauze bleaching and refining production line expansion project” obtained the EIA approval from 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 the acceptance together with the construction project of Purcotton on September 27, 2017; “Winner Purcotton construction project” obtained the EIA approval (Dongbao E.P.B. Letter [2016] No. 138) from Environmental Protection Bureau of Jingmen City on October 19, 2016, and passed the environmental protection acceptance after completion 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 (Jingmen E.E.B. Letter [2020] No. 112) from Jingmen Ecological Environment Bureau 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 (Hubei E.P.D. Letter [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 (Hubei E.P.D. Letter [2012] No. 348) of Environmental Protection Department of Hubei Province on May 8, 2012. The Phase II project obtained the EIA approval (Huanggang E.P.D. Letter [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 (Huanggang E.P.D. Letter [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 (Huanggang E.P.D. Letter [2018] No. 20) from Environmental Protection Bureau of Huanggang City on January 29, 2018, and completed the independent acceptance on November 14, 2019; the “foam coiled material production line project (expansion)” obtained the EIA approval (Huanggang E.P.D. Letter [2018] No. 26) from Environmental Protection Bureau of Huanggang City on February 5, 2018, and completed the independent acceptance of the project on October 8, 2018; the “construction project of advanced wound dressing production line” obtained the EIA approval (Huanggang E.P.D. [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 (Huanggang E.P.D. [2020] No. 109) from Huanggang Municipal Bureau of Ecology and Environment on July 20, 2020 and completed the 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 (New Approval Letter [2017] No. 68) from the Administrative Approval Bureau of Xinzhou District, Wuhan City on July 12, 2017, and completed the independent acceptance of phase I on January 18, 2020; “R&D center construction project” obtained the EIA approval (New Approval Letter [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 (Wuhan E.P.B. Letter [2018] No. 5) from Wuhan Environmental Protection Bureau on January 15, 2018. The project was constructed in two phases. The independent acceptance of phase I was completed on May 15, 2020 and of phase II was completed on November 19, 2021. The “medical protective product upgrading project” environmental impact report form was approved by Administrative Approval Bureau of Xinzhou District on May 7, 2021, with the approval number of New Approval Letter [2021] No. 95. The project is not yet completed. “Winner Medical Phase II Expansion Project” was approved by Wuhan Ecological Environment Bureau and Wuhan Administrative Approval Bureau on June 21, 2022 (Wuhan E. P. Xinzhou B. Approval Letter [2022] No. 27), the project is currently under construction. The “Innovation Research Institute Construction Project” was approved by Wuhan Ecological Environment Bureau and Wuhan Administrative Approval Bureau on August 9, 2022 (Wuhan E. P. Xinzhou B. [2022] No. 43), the project is currently under construction.

Winner Guilin Latex Co., Ltd.: “Production line expansion technology transformation project of medical gloves” was approved by Administrative Approval Bureau of Guilin City (Guilin A.A.B. Approval Letter [2020] No. 35) on December 30,

2020, and passed the environmental protection acceptance in March 2022.

Winner Medical (Hunan) Co., Ltd.: “Off-site production line expansion project of self-destructing sterile-care medical devices with an annual output of 300 million sets of Hunan Pingan Medical Device Technology Co., Ltd.” was approved by Environmental Protection Bureau of Li County on April 5, 2005; the Phase II production line expansion project of self-destructing sterile-care medical devices with an annual output of 300 million sets was approved by Environmental Protection Bureau of Li County (Changde E.E.B. Letter [2009] No. 28) in April 2009; the “industrialization project of new ultrasonic ozone therapy equipment, probes and ultrasonic ozone clearing and sterilizing treatment instrument” was approved by Environmental Protection Bureau of Li County (Hunan Environment Rating Table [2011] No. 134) on December 11, 2011; and the Phase III expansion project was approved by Changde Ecological Environment Bureau (Changde E.E.B. Letter [2011] No. 0623) on September 18, 2021. The project passed the independent acceptance in May 2022.

Zhejiang Longterm Medical Technology Co., Ltd.: Medical hygiene materials and dressings with an annual output of 300 million pieces; disinfectant with an annual output of 5 million bottles; Categories I and II medical care supplies and infection control medical consumables with an annual output of 15 million pieces; sanitary products with an annual output of 10 million packs/pieces; rehabilitation therapy instruments and equipment with an annual output of 20,000 sets/pieces; skin cleansing and care products with an annual output of 100,000 units/pieces; minimally invasive surgical consumables with an annual output of 5.7 million sets/pieces were approved by Huzhou Ecological Environment Bureau Deqing Branch (Deqing Approval on Environment Record [2019] No. 17) on March 4, 2019; while iodophor cotton swabs with an annual output of 1.2 billion pieces; disinfectant with an annual output of 35 million bottles; isolation gowns with an annual output of 1 million sets; protective clothing with an annual output of 11 million sets; masks with an annual output of 350 million pieces were approved by Huzhou Ecological Environment Bureau Deqing Branch (Huzhou E.E.B. Deqing Letter[2021] No. 35) on June 15, 2021, and passed the environmental protection acceptance in February 2022.

Industry emission standards and details of pollutant emissions involved in production and operation activities

Company or subsidiary name	Category of main pollutants and characteristic pollutants	Names of main pollutants and characteristic pollutants	Emission mode	Number of discharge outlets	Distribution of discharge outlets	Emission concentration/intensity	Pollutant emission standards implemented	Total emissions	Total emissions approved	Emissions beyond standards
Winner Medical (Chongyong) Co., Ltd.	Gaseous pollutants	PM, SO ₂ , NOX	/	1	Boiler discharge outlet	6.2mg/m ³ , ³mg/m ³ , 162mg/m ³	20mg/m ³ , 50mg/m ³ , 200mg/m ³	NOX: 2.473T, SO ₂ : 0.058T	NOX: 13.28T/a, SO ₂ : 3.32 T/a	Not exceeding the standard
Winner Medical (Chongyong) Co., Ltd.	Liquid pollutants	PH, COD, BOD, NH3-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: 19.308T, NH3-N: 0.408T	COD: 57.6T/a, NH3-N: 7.27 T/a	Not exceeding the standard
Winner Medical (Jiayu) Co., Ltd.	Gaseous pollutants	PM, SO ₂ , NOX	/	1	Boiler discharge outlet	8.3mg/m ³ , ³mg/m ³ , 85mg/m ³	20mg/m ³ , 50mg/m ³ , 200mg/m ³	NOX: 2.809T, SO ₂ : 0.084T	NOX: unlicensed, SO ₂ : unlicensed	Not exceeding the standard
Winner Medical (Jiayu) Co., Ltd.	Liquid pollutants	PH, COD, BOD, NH3-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: 8.019T, NH3-N: 0.073T	COD: 34.29T/a, NH3-N: 1.19 T/a	Not exceeding the standard
Winner Medical (Huanggang) Co., Ltd.	Gaseous pollutants	PM, SO ₂ , NOX	/	2	1#2# boiler discharge outlet	10.6/8.0mg/m ³ , ³ mg/m ³ , 128/45mg/m ³	20mg/m ³ , 50 mg/m ³ , 200mg/m ³	NOX: 12.452T, SO ₂ : 0.0133T	NOX: 23.52T/a, SO ₂ : unlicensed	Not exceeding the standard

(Continued)

Company or subsidiary name	Category of main pollutants and characteristic pollutants	Names of main pollutants and characteristic pollutants	Emission mode	Number of discharge outlets	Distribution of discharge outlets	Emission concentration/intensity	Pollutant emission standards implemented	Total emissions	Total emissions approved	Emissions beyond standards
Winner Medical (Huanggang) Co., Ltd.	Liquid pollutants	PH, COD, BOD, NH3-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: 61.216T, NH3-N: 0.666T	COD: 90T/a, NH3-N: 13.5 T/a	Not exceeding the standard
Winner Medical (Tianmen) Co., Ltd.	Gaseous pollutants	PM, SO ₂ , NOX	/	1	Boiler discharge outlet	2.8mg/m ³ , <3mg/m ³ , 100mg/m ³	20mg/m ³ , 50mg/m ³ , 200mg/m ³	NOX: 4.774T, SO ₂ : 0.123T	NOX: 16.235T/a, SO ₂ : 4.059T/a	Not exceeding the standard
Winner Medical (Tianmen) Co., Ltd.	Liquid pollutants	PH, COD, BOD, NH3-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: 16.118T, NH3-N: 0.379T	COD: 132.52T/a, NH3-N: 16.57 T/a	Not exceeding the standard
Winner Medical (Wuhan) Co., Ltd.	Gaseous pollutants	PM, SO ₂ , NOX	/	/	/	/	/	/	No boiler, no license	Not exceeding the standard
Winner Medical (Wuhan) Co., Ltd.	Liquid pollutants	PH, COD, BOD, NH3-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: 40.153T, NH3-N: 2.963T	COD: 61T/a, NH3-N: 6.1T/a	Not exceeding the standard
Winner Medical (Jingmen) Co., Ltd.	Gaseous pollutants	PM, SO ₂ , NOX	/	1	Boiler discharge outlet	1.9mg/m ³ , <3mg/m ³ , 75mg/m ³	20mg/m ³ , 50mg/m ³ , 150mg/m ³	NOX: 1.939T, SO ₂ : 0.085T	NOX: 10.83T/a, SO ₂ : 3.11T/a	Not exceeding the standard
Winner Medical (Jingmen) Co., Ltd.	Liquid pollutants	PH, COD, BOD, NH3-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: 10.530T, NH3-N: 1.053T	COD: 19.48T/a, NH3-N: 1.95T/a	Not exceeding the standard
Yichang Winner Medical Textile Co., Ltd.	Gaseous pollutants	PM, SO ₂ , NOX	/	1	Boiler discharge outlet	/	20mg/m ³ , 50mg/m ³ , 150mg/m ³	Unlicensed	Unlicensed	2022 Out of service

(Continued)

Company or subsidiary name	Category of main pollutants and characteristic pollutants	Names of main pollutants and characteristic pollutants	Emission mode	Number of discharge outlets	Distribution of discharge outlets	Emission concentration/intensity	Pollutant emission standards implemented	Total emissions	Total emissions approved	Emissions beyond standards
Yichang Winner Medical Textile Co., Ltd.	Liquid pollutants	PH, COD, BOD, NH3-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	Unlicensed	Unlicensed	Not exceeding the standard
Winner Guilin Latex Co., Ltd.	Liquid pollutants	PH, COD, BOD, NH3-N, SS	Indirect discharge	1	Sewage discharge outlet	7.4, 54mg/L, 16mg/L, 4.2mg/L, 110mg/L	6-9, 300mg/L, 80mg/L, 30mg/L, 150mg/L	Unlicensed	Unlicensed	Not exceeding the standard
Winner Medical (Hunan) Co., Ltd.	Liquid pollutants	Residual chlorine	Indirect discharge	1	Sewage discharge outlet	0.2mg/L	-	Unlicensed	Unlicensed	Not exceeding the standard
Zhejiang Longterm Medical Technology Co., Ltd.	Liquid pollutants	PH, COD, NH3-N	Indirect discharge	1	Sewage discharge outlet	7.3, 300mg/L, 0.195mg/L	6-9, 500mg/L, 45mg/L	Unlicensed	Unlicensed	Not exceeding the standard

Processing of pollutants

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 the Environmental Protection Bureau of Jiayu County was completed on September 28, 2017, implementing the limit value of Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (GB4287-2012). The sewage plant were concrete structures with a service life of 20 years, and the environmental protection equipment has a service life of 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; 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 project's wastewater mainly includes domestic, production, and experimental wastewater. 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 wastewater monitoring has been installed, and the sewage station completed independent acceptance on March 20, 2017, implementing the limit value of Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (GB4287-2012). The sewage plant were concrete structures with a service life of 20 years, and the environmental protection equipment has a service life of 10 years.

Solid waste mainly includes office and domestic waste of employees, dust, leftover materials and unqualified products produced in production. 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 Medical Textile Co., Ltd.:

No production wastewater discharge, domestic wastewater enters the municipal pipe network, and clean energy natural gas is used as fuel. The gas boiler was decommissioned in 2022.

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 Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (GB4287-2012). The sewage plant were concrete structures with a service life of 20 years, and the environmental protection equipment has a service life of 10 years.

Treatment agreements are signed with disposal units for general solid waste and domestic waste. Hazardous solid waste is mainly chemical material packaging barrels, which raw material suppliers recycle, 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 wastewater monitoring has been installed, and the pollutant discharge permit has been obtained. It is to be accepted. It implements the limit value of Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (GB4287-2012). The sewage plant were concrete structures with a service life of 20 years, and the environmental protection equipment has a service life of 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, degreasing / bleaching, and soft water preparation processes. 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 were concrete structures with a service life of 20 years, and the environmental protection equipment has a service life of 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 raw material suppliers recycle, 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 project's wastewater mainly includes preparation, spun laced, degreasing, bleaching, domestic water, etc. The wastewater discharge of the project is 2126.93t/d after the completion of phase I, 4067.11t/d after phase II, and 6004.5t/d after phase III. The process treats the wastewater 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 were concrete structures with a service life of 20 years, and the environmental protection equipment has a service life of 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 the environmental sanitation department disposes sludge and domestic waste.

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 existing three-stage septic tank treats the domestic wastewater of employees and then enters the comprehensive sewage treatment station together with the pretreated production wastewater. The company's integrated wastewater treatment station adopts air flotation + filtration process, and discharges the treated wastewater into the municipal wastewater 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 Winner Medical (Hunan) Co., Ltd.

A small amount of production wastewater and domestic sewage is discharged, among which production wastewater mainly includes cleaning wastewater, workshop cleaning wastewater, ethylene oxide exhaust absorption wastewater and pure water preparation wastewater. The wastewater, including the cleaning wastewater and workshop cleaning wastewater treated by sedimentation tank, the ethylene oxide exhaust absorption wastewater treated by adsorption method, and the canteen wastewater pretreated by grease trap, will be discharged to septic tank for treatment, and to Li County Wastewater Treatment Plant for further treatment through municipal pipeline network. The waste gas, including the Injection molding waste gas, organic waste gas volatilized from printing process, and organic waste gas from bonding, will be collected and treated by lye spraying tower, and then sent to the UV photolysis + activated carbon adsorption device for treatment. After treatment, the waste gas will be discharged through a 15m exhaust pipe.

The general industrial solid waste consists of waste fabric and waste packaging materials, which are collected and recycled

by the material company for comprehensive purposes. Hazardous wastes are waste raw material drums, waste activated carbon, waste mineral oil, waste UV photolysis lamps and waste adsorbent, which are collected centrally after classification and disposed of by units entrusted with the corresponding hazardous waste treatment qualification.

⑩ Zhejiang Longterm Medical Technology Co., Ltd.

Cleaning wastewater, concentrated water for pure water preparation and domestic sewage are discharged. The septic tank in the factory pretreats domestic sewage, 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 photo-oxidation catalytic treatment equipment set 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.

Emergency plan for environmental emergencies

In order to further improve the emergency management system of environmental pollution accidents, improve the ability 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.

Environmental self-monitoring scheme

All companies 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 company is made public on the national pollutant discharge permit management platform.

Investment in environmental treatment and protection and related information on payment of environmental protection tax

In FY2022, the amount of environmental protection tax paid by the Company and its subsidiaries accounted for 151,000 yuan.

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. A carbon emission management system has been established, and carbon footprint accounting for some products are carried out. Administrative penalties imposed due to environmental issues during the reporting period

Company or subsidiary name	Reasons for penalty	Violations	Punishment	Impacts on the production and operation of listed companies	Rectification measures of the Company
N/A	N/A	N/A	N/A	N/A	N/A

Other environmental information that should be disclosed

None

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.

Information on environmental accidents of listed companies

NA

II. Social responsibility

Winner Medical upholds the visions of “caring for health and life, making a better world” and “Purcotton Changes the World”, and takes the initiative to disclose its social responsibility efforts thanks to the leadership of its Strategy and Social Responsibility Committee, identifying and analyzing substantive issues related to corporate social responsibility in a more scientific manner, so as to strengthen its social responsibility governance capacity continuously.

The Company lays emphasis on safeguarding the legitimate rights and interests of shareholders, employees, consumers, partners, governments, society and other stakeholders, and insists on working together with all parties to contribute to the sustainable development of the environment and society.

1. Products and customer responsibilities

In terms of research and innovation, the Company insists on empowering production and operation with digitalization, continuously improving industrial automation, and establishing and perfecting the “excellent production operation” system.

In terms of green and healthy products, the Company has developed and launched the first 100% biodegradable masks and biodegradable paper packaging in China, and has been actively carrying out green packaging initiatives with the “Zero Plastic Plan” as the core. In addition, the Company also attaches importance to the research and development of green and healthy products. It keeps expanding the product categories covered by the environmental dyeing process, while increasing the use of organic cotton in its products.

In terms of customer service, the Company advocates the business principle of “quality before profit”, always putting customer perception first and winning customers by providing them with quality products and services. Meanwhile, for responsible marketing and consumer education, the Company conducts diversified public welfare campaigns for the general public, including themes such as paying tribute to healthcare workers, reducing the use of plastic packaging, and reducing the burden on the global environment.

2. Environmental health and safety responsibility

In terms of energy saving and carbon reduction, Purcotton, a subsidiary, has conducted carbon footprint verification for 100% pure cotton tissues, baby hand and mouth wet tissues, baby robes and other products, and obtained the statement certificate of ISO 14067 product carbon footprint verification. It is the first brand in China to obtain SGS product carbon footprint certification in the same category.

The Company is further expanding the use of clean energy such as photovoltaic, optimizing energy use structure, and improving energy efficiency through equipment renovation and other approaches. In addition, the Company also focuses on green product development and production, as well as green factory construction and certification, aiming to put its corporate environmental and safety responsibilities into practice.

3. Responsibilities of employees and communities

The Company cares about employees' career, and physical and mental health, and takes initiatives to provide various welfare and training programs for them. In 2022, the Company continued to drive comprehensive, healthy development of employees from four segments, namely, “Win+ energy”, “Win+ honors”, “Win+ caring” and “Win+ Vitality”.

In terms of public welfare, the company has always adhered to the core principle of “social value before corporate value”, and continues to fulfill its corporate social responsibility and deliver the value of social welfare. To this end, the Company has set up the “Winner Caring Association” to carry out various donation and support activities.

III. Consolidating and expanding the achievements of poverty alleviation and rural revitalization

The Company actively implemented the major strategic deployment of the national poverty alleviation efforts. In February 2022, Purcotton, a subsidiary, together with the China Women's Development Foundation, China Women's News and brand spokesperson Guo Jingjing's studio, went to the Baigu Village in Yunwu Town, Guiding County, Qiannan Prefecture, Guizhou Province, to provide practical and effective care and assistance to local women and children, donating materials worth more than RMB 1.1 million, including reassuring packages (incl. 8,000 pieces of maternity kits, sanitary pads, and cotton diapers) and two Mother's Health Express vehicles.





06

Important Matters

I. Performance in fulfilling commitments

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

√ Applicable □ Not applicable

Commitment reason	Commitment party	Commitment type	Commitment content	Commitment time	Time limit for acceptance	Degree of performance
	Winner Group, Li Jianquan, Xie Ping, Li Xiaoyuan	IPO lock-up	Within 36 months from the date of listing and trading of the Company's shares, the Company shall not transfer or entrust others to manage the shares directly or indirectly held by the Company that have been issued before the initial public offering of the Company's shares, nor shall the Company repurchase such shares	September 17, 2020	36 months from the date of listing of the Company's shares	In performance
	Winner Group, Li Jianquan, Xie Ping, Li Xiaoyuan, Fang Xiuyuan, Xu Xiaodan, Liu Weiwei, Wang Ying, Chen Huixuan	IPO reduction	1. If the shares held are reduced within two years after the lock-up period, the reduction price shall not be lower than the issue price; 2. Within 6 months after the listing of the Company, if the closing price of the Company's shares for 20 consecutive trading days is lower than the issue price (if the right or dividend is excluded during this period, the issue price will be adjusted accordingly), or the closing price of the Company's shares is lower than the issue price (if the right or dividend is excluded during this period, the issue price will be adjusted accordingly) at the end of 6 months after the listing (March 17, 2021, it will be postponed in case of non-trading day), the lock-up period of the issuer shares held by the Company is automatically extended for 6 months	September 17, 2020	Within two years after the expiration of the lock-up period	In performance
Commitment made at the time of IPO or refinancing	Winner Group, Li Jianquan, Xiamen Leyuan, Sequoia Xinyuan	IPO reduction	The Company guarantees that it will abide by the relevant laws, regulations, departmental rules and normative documents in force at that time on reducing shareholders' shares of the listed company. When reducing the shares of the Company that held by the enterprise issued prior to the IPO, the enterprise will inform the Company in advance of the reduction intention and the number of shares to be reduced in written form, The Company shall make an announcement three trading days in advance, except when the corporate shares held by the Company are less than 5%.	September 17, 2020	Long-term performance	In performance
	Winner Medical, Winner Group, Li Jianquan	Share repurchase upon IPO fraudulent listing	There is no fraudulent issuance in the process of this public offering and listing on GEM; if the securities regulatory authority, the stock exchange or the judicial authority determines that the Company has fraudulent issuance behavior, which has a significant and substantial impact on judging whether the issuer meets the issuance conditions stipulated by law, the securities regulatory authority will punish the Company, the stock exchange or the judicial authority Within 5 working days from the date when the illegal facts are finally confirmed by the stock exchange or the judicial authority and other competent authority, the stock repurchase plan shall be formulated in accordance with the relevant laws and regulations and the Articles of Association, and all the new shares issued and listed shall be repurchased	September 17, 2020	Long-term performance	In performance
	Winner Medical, Winner Group, Li	Commitment to	The prospectus has no false records, misleading statements or major omissions. We assume individual	September 17,	Long-term	In performance

	Jianquan, Fang Xiuyuan, Xu Xiaodan, Liu Weiwei, Wang Ying, Chen Huixuan, Yin Wenling, Bi Qun, Zhou Xiaoxiong, Liang Wenzhao, Guo Zhenwei, Ye Yangjing	assume compensati on liability according to law	and joint legal liabilities for its authenticity, accuracy and integrity.	2020	performa nce	ance
	Winner Medical, Winner Group, Li Jianquan, Fang Xiuyuan, Xu Xiaodan, Chen Huixuan, Yin Wenling	Commitme nt to stabilize the Company's share price in IPO	Suppose the stock price of the Company is lower than the net assets per share within three years after listing. In that case, the Company and the relevant responsible parties can choose to implement the following measures separately or comprehensively to stabilize the stock price according to the actual situation of the Company and the stock market when the preconditions for starting the measures to stabilize the stock price are met: 1. The Company repurchases the shares; 2. The controlling shareholders and actual controllers increase their holdings of the Company's shares; 3. Non-independent directors and senior managers who hold posts and receive remuneration in the Company increase their holdings of the Company's shares; 4. Laws, administrative regulations, normative documents and other methods approved by CSRC.	Septemb er 17, 2020	36 months from the date of listing of the Company's shares	In perform ance
Commit ment made at the time of IPO or refinanc ing	Winner Medical	Measures and commitme nts to make up for the diluted immediate return	In order to reduce the impact of the diluted immediate return of this issuance, we promise to take the following measures: (I) accelerate the investment progress of the investment projects with raised funds and strive to achieve the expected benefits of the project as soon as possible; (II) Strengthen the supervision of investment projects with raised funds to ensure the reasonable and legal use of raised funds; (III) Strengthen the operating management and internal control, improve the operating efficiency and profitability; (IV) Ensure a sustainable and stable profit distribution system and strengthen the return mechanism for investors	Septemb er 17, 2020	Long- term performa nce	In perform ance
	Winner Group, Li Jianquan	Measures and commitme nts to make up for the diluted immediate return	I/Our company shall not interfere in the Company's operation and management activities beyond my/our authority, encroach on the Company's interests, transfer interests to other units or individuals free of charge or under unfair conditions, damage the Company's interests in other ways, or use the Company's assets to engage in investment and consumption activities unrelated to my/our performance of duties. I/the Company promises to fully, completely and timely perform measures of making up for return established by the Company and any commitment on measures of making up for return. If I / our company violates such commitment, I / our company is willing to bear corresponding legal responsibility according to law.	Septemb er 17, 2020	Long- term performa nce	In perform ance
	Fang Xiuyuan, Xu Xiaodan, Chen Huixuan, Yin Wenling, Bi Qun, Zhou Xiaoxiong, Liang Wenzhao, Guo Zhenwei,	Measures and commitme nts to make up for the diluted immediate return	1. Shall not transfer interests to other units or individuals free of charge, under unfair conditions, or damage the Company's interests in other ways. 2. Restrict my duty consumption behavior as a director, supervisor and senior manager of the Company. 3. Shall not use the Company's assets to engage in investment and consumption activities unrelated to my performance of the duties of a director, supervisor and senior manager. 4. Actively promote the improvement of the Company's salary system. 5. When introducing the Company's equity incentive scheme (if any), the	Septemb er 17, 2020	Long- term performa nce	In perform ance

			vesting conditions of equity incentive shall be linked with implementing the Company's measures to make up for the return. 6. I promise that I will issue supplementary commitments in accordance with the latest provisions of the CSRC, and actively promote the Company to make new provisions. 7. I promise to fully, completely and timely perform measures of making up for return established by the Company and any commitment I have made to make up for return.			
	Winner Medical	Commitment on profit distribution policy	In order to better protect the legitimate rights and interests of investors, the Company deliberated and passed the revised Articles of Association (Draft) at the second extraordinary general meeting of shareholders in 2020. The Company determines the dividend return plan for the next three years: on the premise that the net profit attributable to the shareholders of the parent company is positive in the current year, the Company will make profit distribution at least once a year, and the board of directors may propose the Company to make interim profit distribution according to the Company's profit and capital demand. The Company shall prioritize cash dividend for profit distribution when it is under the conditions of cash dividend.	September 17, 2020	36 months from the date of listing of the Company's shares	In performance
Commitment made at the time of IPO or refinancing	Winner Group, Li Jianquan	Commitment on avoiding horizontal competition	1. As of the date of this letter of commitment, our company / I do not and will not engage in or participate in the same or similar business and activities as the Company's main business in any form, and will not engage in or participate in the same or similar business and activities as the Company's main business through investment in other companies. 2. Our company / I undertake not to engage in or participate in any business or activities that are the same or similar to the Company's main business. 3. If the Company further expands its business scope based on its existing business, and other enterprises under our company's / my control at that time have already produced and operated the business, the other enterprises under our company's / my control at that time shall sell the relevant business, and the Company has the priority to purchase the relevant business under the same commercial conditions. 4. In case that the Company further expands its business scope based on its existing business scope, and the other enterprises controlled by the Company/I at that time have not yet carried out production or operation in this regard, the other enterprises controlled by the Company/I at that time will not engage in the same or similar business and activities as such new business of the Company.	September 17, 2020	Long-term performance	In performance
	Winner Group, Li Jianquan	Commitment for the recovery of social security accumulation fund	The social security and housing provident fund management departments of the Company and its major subsidiaries have issued the Certificate, confirming that from January 1, 2017 to December 31, 2019, the Company and its subsidiaries have no records of administrative punishment for violating laws and regulations related to labor, social security and housing provident fund. If Winner Medical and its subsidiaries are required to make up the social insurance premium or housing provident fund that should be paid by Winner Medical and its subsidiaries for their employees or claimed by their employees, or if litigation, arbitration and administrative punishment from relevant administrative departments occur therefrom, our company / I shall unconditionally bear the full	September 17, 2020	Long-term performance	In performance

			amount of the fees that should be made up and bear the corresponding liability for compensation, to ensure that Winner Medical and its subsidiaries will not suffer any losses as a result. The controlling shareholders and the company's actual controller, Li Jianquan, are jointly and severally liable to each other.			
	Winner Group, Li Jianquan	Compensation commitment for demolition of Yichang Winner's properties	The land and real estate authorities of Yichang Winner issued a certificate to confirm that the relevant subsidiaries did not violate laws and rules during the reporting period; moreover, the total area of the two properties accounts for a small proportion of the total area of the Company's and its subsidiaries' properties. Even if there is a risk of demolition, it will not significantly impact the production and operation of the Company and its subsidiaries. In response to the relocation risk of the two properties, the controlling shareholders and the actual controller of the issuer commit: "if such properties are required to be demolished within a time limit by the competent government department, the controlling shareholders and the actual controller agree to timely, unconditionally and fully compensate all losses caused to the Company."	September 17, 2020	Long-term performance	In performance
Commitment made at the time of IPO or refinancing	Winner Medical, Winner Group, Li Jianquan, Fang Xiuyuan, Xu Xiaodan, Liu Weiwei, Wang Ying, Chen Huixuan, Yin Wenling, Bi Qun, Zhou Xiaoxiong, Liang Wenzhao, Guo Zhenwei, Ye Yangjing	Restraint measures for IPO failure to perform the contract	Suppose we fail to fulfill the relevant commitments disclosed in the prospectus. In that case, we will publicly explain the specific reasons for our failure to fulfill the commitments in the general meeting of shareholders and the information disclosure media designated by the CSRC, and apologize to all shareholders and public investors. If we fail to fulfill the relevant public commitments, the proceeds will belong to the Company. Suppose we cause losses to the Company, its shareholders, or other investors due to our failure to fulfill the relevant public commitments. In that case, we will compensate the relevant losses to the Company or its shareholders or other investors in accordance with the law. At the same time, we shall not transfer the shares (if any) of the issuer directly or indirectly held by us during the period of assuming the compensation above liability. Suppose we fail to bear the above compensation liability. In that case, we will stop receiving salary (if any) within 10 days after the occurrence of the above matters until I fulfill the relevant public commitments. If we fail to fulfill, have been unable to fulfill or have been unable to fulfill our commitments on time due to objective reasons beyond our control, such as changes of relevant laws and regulations, policy, natural disasters and other external factors, we will take the following measures: (1) timely and fully disclose the specific reasons why we fail to fulfill, have been unable to fulfill or have been unable to fulfill our commitments on time; (2) Put forward supplementary commitments or alternative commitments to the Company's investors (relevant commitments shall be subject to relevant approval procedures in accordance with laws, regulations and Articles of Association), so as to protect the rights and interests of investors as far as possible.	September 17, 2020	Long-term performance	In performance
Whether the commitment is fulfilled on time			No			

2. In case the Company's asset or project saw earning expectation, and the term of the earning expectation still

covers the reporting period, the Company shall make a statement about the asset or project fulfilling the original expectation and the reasons thereof

Applicable Not applicable

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. Statement of the board of directors on the latest “non-standard audit report”

Applicable Not applicable

V. Statement of the Board of Directors, the Board of Supervisors and Independent Directors (if any) 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 accounting policy, accounting estimate change or significant accounting error correction in the reporting period

Applicable Not applicable

VII. Explanation of changes in the scope of combined financial statements when compared with financial statements of the previous fiscal year

Applicable Not applicable

For details, please refer to “Section X. Financial Statements \ VIII. Consolidation scope changes”

VIII. Appointment of and dismissal of accounting firms

Accounting firm currently appointed

Name of domestic accounting firm	BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP
Remuneration of domestic accounting firm (RMB 10,000)	230
Continuous years of audit services of domestic accounting firm	9
Name of certified public accountant of domestic accounting firm	Cheng Jin, Wu Lihong
Continuous years of audit services provided by certified public accountants of domestic accounting firm	2
Name of overseas accounting firm (if any)	None
Remuneration of overseas accounting firm (RMB 10,000) (if any)	0
Continuous years of audit services of overseas accounting firm (if any)	None
Name of certified public accountant of overseas accounting firm (if any)	None
Continuous years of audit services provided by certified public accountants of overseas accounting firm (if any)	None

Has the accounting firm been changed?

Yes No

Engagement of internal control audit accounting firm, financial consultant or sponsor

Applicable Not applicable

IX. Delisting confronted upon disclosure of the annual report

Applicable Not applicable

X. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization of the Company during the reporting period.

XI. 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 contract dispute [Case No.: (2019) Gan Guo Zhong Zi No. 095]	55,565.53	No	The People's Government of Zijin County has not yet paid the full amount of compensation 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.	The ruling of Case No.: (2019) Jiangxi National Arbitration Letter No. 095 confirmed that the original Investment Agreement was terminated, and the People's Government of Zijin County had to return RMB 3 million of land transfer deposit to the Company, and compensate for economic losses of RMB 550 million as well as the lawyer's fees and legal costs. 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.	As of the disclosure date of the report, the Company has received the land transfer deposit of RMB 3 million and compensation of RMB 328 million (excl. the lawyer's fees and legal costs) returned and paid 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.		
Winner Medical (Tianmen), Shenzhen Purcotton, Winner Medical (Huanggang) 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 Decision on Examination of Invalidation Request, which decided to declare the patent right of "production method of cotton non-woven medical dressings" (Patent No. ZL200510033147.1, valid until February 6, 2025) invalid. On August 26, 2020, Winner Medical (Tianmen), Shenzhen Purcotton, Winner Medical (Huanggang) filed a lawsuit to Beijing Intellectual Property Court in accordance with the provisions of the Patent Law for revocation of the patent invalidation decision. On August 28, 2020, Beijing Intellectual Property Court issued the Notice of Acceptance of Administrative	If the lawsuit does not support the plaintiff's claim, the patent is finally 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 still use the technology and will not have a significant adverse impact on the normal production and operation of the company	N/A		

Case. 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 this report's disclosure date, the court has not yet announced the result of the second trial.

Summary of other small lawsuits in which the Company or its subsidiaries are plaintiffs that do not meet the criteria for disclosure of material litigation	8,029.93	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 impacts on the Company's production and operation	Executed according to litigation/arbitration process
Summary of other small lawsuits in which the Company or its subsidiaries are defendants that do not meet the criteria for disclosure of material litigation	2,318.77	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 impacts on the Company's production and operation	Executed according to litigation/arbitration process

XII. Punishment and rectification

Applicable Not applicable

No punishment or rectification of the Company during the reporting period.

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

Applicable Not applicable

XIV. Major related transactions

1. Connected transactions related to daily operation

Applicable Not applicable

There were no connected transactions related to the Company's daily operation during the reporting period.

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

Applicable Not applicable

No connected transactions arise from the company's acquisition or sale of assets or equity during the reporting period.

3. Connected transaction of joint foreign investments

Applicable Not applicable

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

4. Related credit and debt transactions

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 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 connected transactions

Applicable Not applicable

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

XV. 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

Lease description

The Company's major leased assets are self-operated store leases, all of which have been recognized as right-of-use assets in accordance with the requirements of the new leasing standards, and there are no other significant leased assets. For details, see Section 10. Financial Statements \7. Notes to consolidated financial statements \25. Right-of-use assets.

Project bringing the profits or losses more than 10% of the total profits of the Company in the reporting period to the Company

Applicable Not applicable

No lease project brings the profits or losses more than 10% of the company's total profits during the reporting period to the Company during the reporting period.

2. Major guarantee

Applicable Not applicable

No major guarantees of the Company during the reporting period.

3. Entrusted cash asset management

(1) Information of entrusted financial management

Applicable Not applicable

Overview of entrusted financial management during the reporting period

Unit: '0,000 yuan

Specific type	Source of funds for entrusted financial management	Amount incurred in entrusted financial management	Outstanding balance	Overdue amount not recovered	The amount of impairment for overdue financial management
Bank financial products	Proceeds	234,367	49,300	0	0
Bank financial products	Self-owned funds	528,637.2	254,899.5	0	0
Trust financial products	Self-owned funds	144,000	134,000	0	0
Total		907,004.2	438,199.5	0	0

Specific circumstance of high-risk entrusted financing with significant single amount or with low security and poor liquidity

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) Information of entrusted loans

Applicable Not applicable

The Company had no entrusted loan during the reporting period.

4. Other major contracts

Applicable Not applicable

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

XVI. Description of other important events

Applicable Not applicable

The Company needs to explain no other significant matters in the reporting period.

XVII. Major events of subsidiaries

Applicable Not applicable





07

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	Others	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%
Wherein: 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%
Wherein: 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. Others									
III. Total amount of shares	426,492,308	100.00%				0	0	426,492,308	100.00%

Causes for change in shares

 Applicable Not applicable

Some directors, supervisors and senior managers of the Company increased their holdings of the Company's shares through bidding transactions in the secondary market in 2022, resulting in an increase of 56,475 restricted shares in 2022.

Approval of changes in shares

 Applicable Not applicable

Transfer of share changes

 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 restricted shares increased in current period	Number of shares released from restricted sale in current period	Number of restricted shares at the end of the period	Reasons for restricted sale	The 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	30,000	0	30,000	Shares locked by directors, supervisors and senior management	Unlock 25% of the total number of shares held at the beginning of each year, until the number of shares held does not exceed 1,000 shares.
Wang Ying	0	22,500	0	22,500	Shares locked by directors, supervisors and senior management	Unlock 25% of the total number of shares held at the beginning of each year, until the number of shares held does not exceed 1,000 shares.
Chen Huixuan	0	3,975	0	3,975	Shares locked by directors, supervisors and senior management	Unlock 25% of the total number of shares held at the beginning of each year, until the number of shares held does not exceed 1,000 shares.
Total	290,438,848	56,475	0	290,495,323	--	--

II. Securities Issuance and Listing

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

Applicable Not applicable

2. Changes in the total number of shares and shareholder structure of the Company, as well as the changes in the Company's asset and liability structure

Applicable Not applicable

3. Existing internal employee shares

□ Applicable √ Not applicable

III. Shareholders and Actual Controllers

1. Number and shareholding of the Company's shareholders

Unit: share

Total number of common shareholders at the end of the reporting period	Total number of common shareholders as of the end of the previous month before the disclosure date of the annual report	Total number of preferred shareholders with voting rights restored at the end of the reporting period (if any) (see Note 9)	Total number of preferred shareholders with voting rights restored as of the end of the previous month before the disclosure date of the annual report	Total number of preferred shareholders with voting rights restored as of the end of the previous month before the disclosure date of the annual report	Total number of shareholders holding special voting shares (if any)			
30,624	28,105	0	0	0	0			
Shareholding of stockholders with more than 5% of the shares or the 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 shares	
							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	5.19%	22,134,142	(7,013,958)	0	22,134,142		
Xiamen Leyuan Investment Partnership (Limited Partnership)	Domestic non-state legal person	3.23%	13,762,175	(3,899,325)	0	13,762,175		
Xiamen Yutong Investment Partnership (Limited Partnership)	Domestic non-state legal person	1.72%	7,324,573	(2,040,862)	0	7,324,573		
Xiamen Huikang Investment Partnership (Limited Partnership)	Domestic non-state legal person	1.04%	4,418,062	(1,237,901)	0	4,418,062		
Hong Kong Securities Clearing Company Limited	Overseas legal person	0.72%	3,072,592	2,067,281	0	3,072,592		
Xiamen Zepeng Investment Partnership (Limited Partnership)	Domestic non-state legal person	0.52%	2,231,988	(671,300)	0	2,231,988		
National Social Security Fund 101 Portfolio	Others	0.37%	1,564,000	1,564,000	0	1,564,000		
Basic Endowment Insurance Fund 808 Portfolio	Others	0.29%	1,235,980	1,235,980	0	1,235,980		
Zheng Junhui	Domestic natural person	0.27%	1,161,700	1,161,700	0	1,161,700		
Strategic investors or general legal persons becoming the top 10 shareholders due to the allotment of new shares (if any) (see note 4)		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 (if any) (see Note 10)		As of December 31, 2022, the Company's 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

Shareholder's name	Number of shares with unlimited sales conditions held at the end of the reporting period	Share type	
		Share type	Quantity
Beijing Sequoia Xinyuan Equity Investment Center (Limited Partnership)	22,134,142	RMB common share	22,134,142
Xiamen Leyuan Investment Partnership (Limited Partnership)	13,762,175	RMB common share	13,762,175
Xiamen Yutong Investment Partnership (Limited Partnership)	7,324,573	RMB common share	7,324,573
Xiamen Huikang Investment Partnership (Limited Partnership)	4,418,062	RMB common share	4,418,062
Hong Kong Securities Clearing Company Limited	3,072,592	RMB common share	3,072,592
Xiamen Zepeng Investment Partnership (Limited Partnership)	2,231,988	RMB common share	2,231,988
National Social Security Fund 101 Portfolio	1,564,000	RMB common share	1,564,000
Basic Endowment Insurance Fund 808 Portfolio	1,235,980	RMB common share	1,235,980
Zheng Junhui	1,161,700	RMB common share	1,161,700
Agricultural Bank of China Limited - CSI500 Index Open-ended Fund	915,100	RMB common share	915,100
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
Participation in the securities margin trading (if any) (see Note 5)			None

Whether the Company has arrangements for differences in voting rights

Applicable Not applicable

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

2. Controlling shareholder of the Company

Nature of the controlling shareholder: foreign controlled

Type of shareholder: legal person

Name of the controlling shareholder	Legal representative / principal	Date of establishment	Organization code	Main business
Winner Group Limited	Li Jianquan	April 08, 2003	124887	Investment management
Equity of other domestic and foreign listed companies controlled and invested by None controlling shareholder during the reporting period				

Change of controlling shareholders during the reporting period

Applicable Not applicable

There was no change in controlling shareholders during the reporting period.

3. Actual controller of the Company and the person acting in concert

Nature of actual controller: overseas natural person

Type of actual controller: natural person

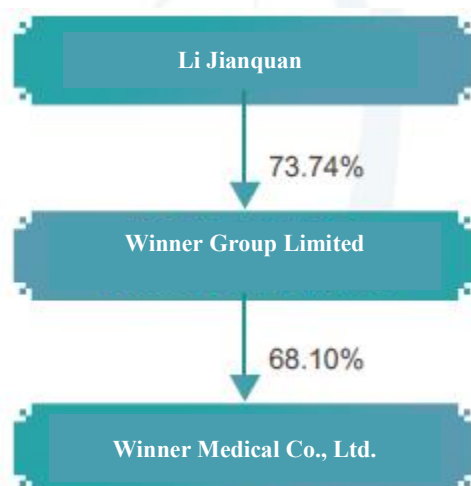
Name of actual controller	Relationship with actual controller	Nationality	Granted with the right of residence in other countries or regions
Li Jianquan	Himself	Hong Kong, China	No
Main occupation and position	Chairman and General Manager		
Domestic and foreign listed companies controlled in the past 10 years	Winner Medical was listed on the Over-the-Counter Bulletin Board of United States on December 16, 2005, switched to the New York Stock Exchange on October 8, 2009, switched to the NASDAQ Stock Exchange on April 6, 2010, and delisted on December 26, 2012. Li Jianquan holds more than 50% of the voting rights of Winner Medical, constituting an actual control over Winner Medical.		

Changes in actual controller during the reporting period

Applicable Not applicable

There was no change in actual controller during the reporting period.

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



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

Applicable Not applicable

4. The cumulative number of pledged shares of the controlling shareholder or the largest shareholder of the Company and the person acting in concert accounts for 80% of the total number of shares held by them in the Company

Applicable Not applicable

5. Other corporate shareholders holding more than 10% of the shares

Applicable Not applicable

6. Restriction and reduction of the shares of controlling shareholders, actual controllers, reorganization parties and other promised entities

Applicable Not applicable

IV. Specific Implementation of Share Repurchase in the Reporting Period

Implementation progress of share repurchase

Applicable Not applicable

Scheme disclosure time	Number of proposed repurchase shares (shares)	Proportion to total share capital	Proposed repurchase amount (10,000 yuan)	Proposed repurchase period	Repurchase purpose	Number of repurchased shares (shares)	Proportion of repurchased shares to the underlying shares involved in the equity incentive plan (if any)
September 22, 2021	Based on the upper limit of the proposed repurchase price and the range of repurchase amount, the number of shares to be repurchased shall not be less than 2,586,200 and not more than 4,310,300.	Based on the upper limit of the proposed repurchase price and the range of repurchase amount, the proportion of shares to be repurchased shall not be less than 0.6064% and not more than 1.0107%	No less than RMB 300 million and no more than RMB 500 million	Not more than 12 months from the date of the resolution of the third meeting of the Third Board of Directors held on September 17, 2021	Equity incentive or ESOP	6,754,659	

Implementation progress of reducing repurchased shares by centralized bidding transactions

Applicable Not applicable



08

Preferred Shares

Applicable Not applicable

There was no preferred shares of the Company during the reporting period.



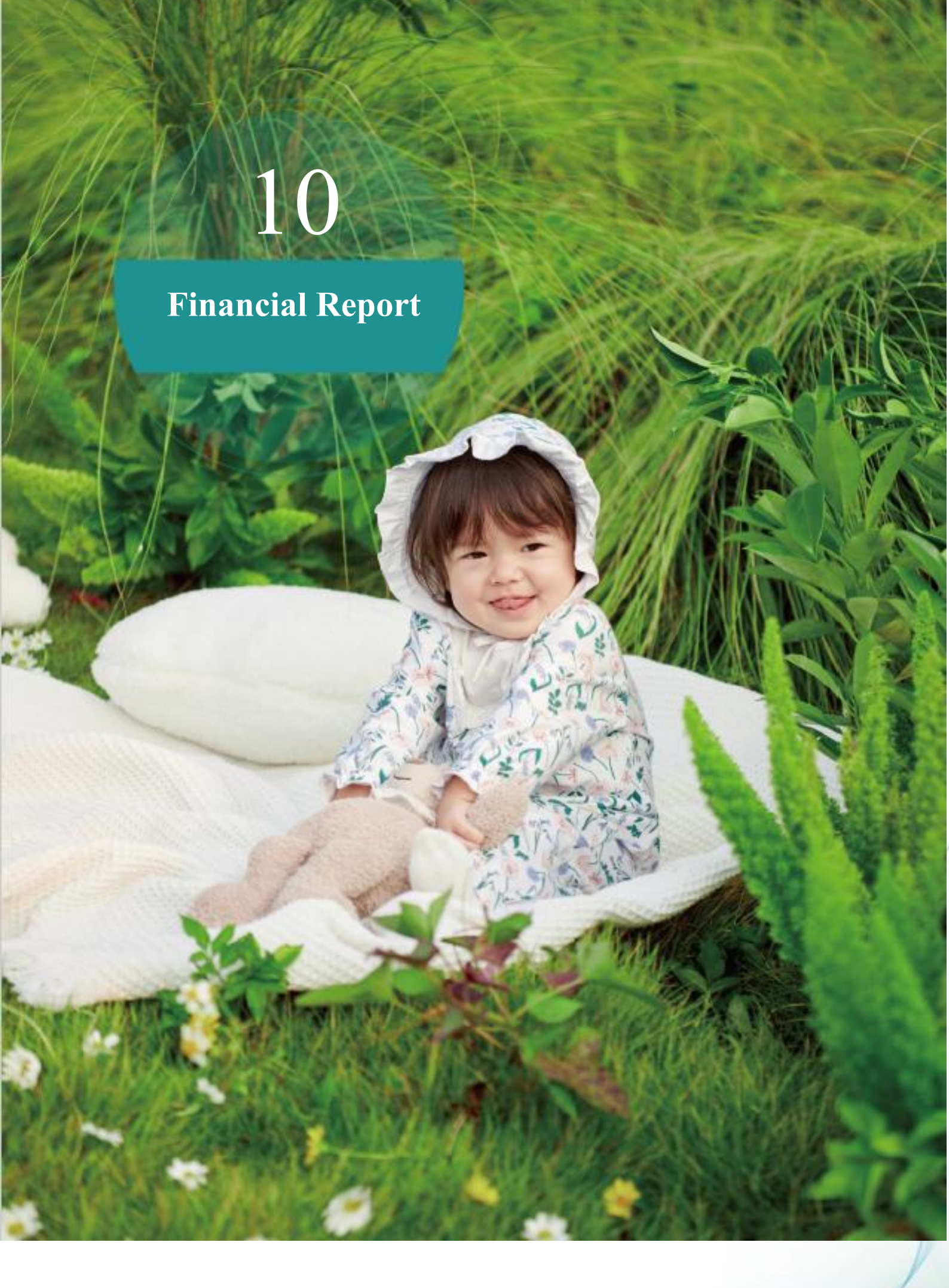
09

**Information Related to
Bonds**

Applicable Not applicable

10

Financial Report



I. Audit Report

Type of audit opinion	Standard unqualified opinion
Date of signing the audit report	April 23, 2023
Name of audit institution	BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP
Audit report document number	X.K.S.B.Zi [2023] No. ZI10233
Name of certified public accountants	Cheng Jin, Wu Lihong

Audit Report Text

I. Audit Opinion

We have audited the accompanying financial statements of Winner Medical Co., Ltd. (hereinafter referred to “Winner Medical”), including the consolidated and parent company balance sheet as of December 31, 2022, as well as the consolidated and parent company income statement, consolidated and parent company cash flow statement and consolidated and parent company statement of change in equity for the year 2022 and notes to financial statements.

In our opinion, the attached financial statements of Winner Medical have been prepared in accordance with the provisions of the Accounting Standards for Business Enterprises and give a true and fair view of the consolidated and parent company financial position as of December 31, 2022 and the consolidated and parent company financial performance and cash flows for the year 2022 in all significant terms.

II. Basis for Audit Opinion

We conducted our audit in accordance with the China Registered Accountants Auditing Standards (CRAAS). The section titled “Responsibility of certified public accountants for audit of financial statements” in the audit report further set forth our responsibility under the Standards. We were independent of Winner Medical and fulfill other responsibilities in terms of professional ethics according to the code of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to act as a basis for our audit opinion.

III. Key Audit Items

The key audit items are those that we consider most important to audit the financial statements of the current period in our professional judgment. The response to these items is based on the audit of the financial statements as a whole and the formation of an audit opinion. We do not comment on these items separately.

The key audit items we identified in the audit are summarized as follows:

Key audit items	How is the item handled in the audit
<p>Existence of monetary funds and trading financial assets</p> <p>Please refer to Notes III, (X) and Notes V, (I), (II) to the consolidated financial statements.</p> <p>On December 31, 2022, the balance of Winner Medical's monetary funds and trading financial assets was about RMB 8.906 billion, accounting for 48.83% of the total assets; On December 31, 2021, the balance of Winner Medical's monetary funds and trading financial assets was approximately RMB 7.404 billion, accounting for 55.81% of the total assets, which is important to the financial statements. We still need to pay attention to whether there is a risk of material misstatement in the existence of monetary funds, trading financial assets and other current assets.</p>	<p>Our main audit procedures for the existence of monetary funds and trading financial assets include:</p> <ol style="list-style-type: none"> 1. Understand the key internal controls related to the existence of monetary funds and trading financial assets, evaluate the design of these controls, determine whether they are implemented, and test the operation effectiveness of the relevant internal controls; 2. Obtain the bank account statements and check with the book balance. Obtain the bank reconciliation statements for the items with differences, understand the nature of the reconciliation items, and test the major reconciliation items; 3. Implement confirmation procedures for monetary funds and trading financial assets, and calculate according to the latest net value as of the balance sheet date provided by the bank. 4. Check large amounts of monetary funds; inspect product specifications and purchase receipts for trading financial assets; 5. Obtain corporate credit reports and check whether there are pledge guarantee matters related to monetary funds; 6. Implement the bank settlement account information inquiry procedure to confirm the accuracy and completeness of the bank settlement account provided to us by the management.
<p>Recognition of operating income</p> <p>For details of the accounting policies for income recognition and the analysis of income, please refer to Notes III, (XXVIII) and Notes V, (XXXIX) to the consolidated financial statements.</p> <p>The income of Winner Medical mainly comes from the sales business of medical consumables and health consumer goods. Compared with the previous period, due to frequent occurrence of public health events and the tightened government's epidemic prevention policies in China, the income of medical consumables realized a year-on-year increase of approximately 83.65%, which was a significant changes in revenue. Therefore, we determine income recognition as a key audit issue.</p>	<p>Our main audit procedures for the operating income recognition of Winner Medical include:</p> <ol style="list-style-type: none"> 1. Understand the key internal controls related to the recognition of income, evaluate the design of these controls, determine whether they are implemented, and test the operation effectiveness of the relevant internal controls; 2. Check the major sales contracts, understand the terms or conditions of the major contracts, and evaluate whether the income recognition policy conforms to the provisions of the Accounting Standards for Business Enterprises; 3. Implement substantive analysis procedures for income and gross profit margin according to major products, identify whether there are significant or abnormal fluctuations, and find out the causes of fluctuations; 4. Confirm current sales to main customers by sampling combined with the confirmation of accounts receivable; 5. For domestic sales income, check supporting documents related to income recognition by sampling, including sales contract, order, sales invoice, delivery note and customer receipt, etc.; for export income, check supporting documents such as sales contract, export declaration form, bill of landing by sampling; 6. Implement an analytical review procedure for e-commerce sales income, select the Tao system, JD.com and official website with the highest proportion of e-commerce, obtain the sales data of each platform for consumption behavior analysis, and compare it with the carrying amount of Company's sales income; 7. Check the capital flow of third-party payment platforms such as Alipay and check it with the carrying amount; 8. Carry out cutoff test on the income recognized before and after the balance sheet date to evaluate whether the income is recognized in the appropriate period.

(continued)

Key Audit Items	How is the item handled in the audit
<p>Accounting of fixed assets and construction in progress</p> <p>Please refer to Notes III, (XVII), (XVIII) and Notes V, (XIII), (XIV) to the consolidated financial statements.</p> <p>As of December 31, 2022, the net amount of fixed assets and construction in progress was RMB 3.078 billion, accounting for approximately 16.88% of the total assets; As of December 31, 2021, the net amount of fixed assets and construction in progress was RMB 1.693 billion, accounting for approximately 12.76% of the total assets, representing a year-on-year increase of approximately RMB 1.385 billion (including a net increase of approximately RMB 636 million due to corporate combination).</p> <p>Fixed assets and construction in progress are an important part of the consolidated balance sheet of Winner Medical. The time point when the construction in progress reaches the predetermined usable condition and transfer into the fixed assets, the method of depreciation calculation of the fixed assets, the judgment of the useful life of the fixed assets and the net realizable value of the fixed assets will impact the book value of the fixed assets and construction in progress, and they are of importance to the consolidated financial statements.</p>	<p>Our main audit procedures for the accounting of fixed assets and construction in progress of Winner Medical include:</p> <ol style="list-style-type: none"> 1. Check the progress of important fixed assets and construction in progress on the basis of sampling, to determine their existence and pay attention to whether there are idle or damaged fixed assets; 2. Select samples of fixed assets and construction in progress increased or decrease in current year, and check supporting documents such as contracts, invoices, acceptance certificates, collection or payment orders, etc.; 3. Check the ownership or control of fixed assets; 4. Check whether the depreciation policies and methods comply with the standards, whether the estimated service life and estimated net residual value are reasonable, and calculate whether the depreciation is correct; 5. On the basis of sampling, check the date of acceptance report, check debugging and production records, and judge the appropriateness of the time point when the construction in progress is transferred into fixed assets. 6. Make matching analysis on the project progress and payment progress of large-scale projects to determine whether there are any abnormal situations, and confirm relevant economic matters (contract terms, receipt and payment, invoicing, transaction balance, project progress) through correspondence.
<p>Potential impairment of goodwill</p> <p>Please refer to Notes V, (XVII), VI, (I) to the consolidated financial statements.</p> <p>As of December 31, 2022, the net amount of goodwill was RMB 1.045 billion, accounting for approximately 5.73% of the total assets, which was formed by the acquisition of subsidiaries in the current period. During the evaluation of goodwill impairment, the apply key assumptions such as income growth rate, gross profit margin and discount rate. Due to the importance of goodwill to the overall financial statements and the involvement of management's subjective judgments and significant estimates in impairment test, which are inherently uncertain and may be affected by management's bias, we regard goodwill and its impairment test as significant risks.</p>	<p>Our main audit procedures for potential impairment of Winner Medical's goodwill include:</p> <ol style="list-style-type: none"> 1. Evaluate and test the design and execution effectiveness of internal controls related to goodwill impairment test; 2. Compare the data used in the cash flow forecast with historical data to evaluate the rationality of the data used; 3. Compare the income growth rate of the detailed forecast period with the historical income growth rate to evaluate its rationality. Understand the basis for the management to determine the income growth rate in the subsequent forecast period, and evaluate its rationality; 4. Compare the gross profit margin of the detailed forecast period with the historical gross profit margin, and analyze the rationality of the gross profit margin of the detailed forecast period; 5. Review the rationality of the valuation model and key parameters used by management in impairment tests with the assistance of internal valuation experts; 6. Review the adequacy and completeness of the disclosure of impairment of goodwill in the notes to financial statements.

IV. Other information

The management of Winner Medical (hereinafter referred to as the management) is responsible for other information, including the information covered in Winner Medical's annual report for 2022, but excluding the financial statements and our audit report.

Our audit opinion on the financial statements does not involve other information and we does not made any form of verification conclusions on other information.

Combined with our audit of the financial statements, it's our responsibility to read other information. In this process, we shall consider whether material inconsistency or material misstatement of other information with the financial statements or the situation understood by us in the audit process.

Based on the work that has been done by us, we should report the fact of material misstatement confirmed in other information. We have nothing to report in this regard.

V. Responsibility of management and government for the financial statements

The management is responsible for preparing the financial statements in accordance with the provisions of the Accounting Standards for Business Enterprises and giving a true and fair view; designing, implementing and maintaining necessary internal control, so that the financial statements are free from material misstatement, whether due to fraud or error.

When preparing the financial statements, the management is responsible for evaluating the going-concern ability of Winner Medical, disclosing the matters related to the going-concern (if applicable) and using the going-concern assumption, unless the management plans to liquidate Spectrum Chemical or stop operation or no other realistic options.

The government is responsible for supervising the financial reporting process of Winner Medical.

VI. Responsibility of certified public accountants for the audit of financial statements

Our goal is to obtain reasonable guarantee on inexistence of the material misstatement of the financial statements whether due to fraud or error and to issue an audit report including audit opinion. Reasonable guarantee is high level guarantee, but it cannot guarantee that a material misstatement of the audit executed according to the auditing standards will always be found. Misstatement may be caused by fraud or error. If the reasonable expected misstatements may affect the economic decision made by the financial statement user according to the financial statements, whether individually or collectively, the misstatement is generally believed material.

We made professional judgment and maintained professional skepticism in the audit process according to the auditing standards. We also performed the following:

- (I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as the basis for audit opinion. Since the fraud may involve collusion, forge, intentional omission, false statement or above internal control, the risk of material misstatement caused by fraud is higher than that caused by error.
- (II) Understand internal control related to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- (III) Evaluate the appropriateness of the accounting policies being used by the management and the reasonableness of accounting estimates and relevant disclosure being made by the management.

- (IV) Draw a conclusion about the appropriateness of the going-concern assumption used by the management. Meanwhile, draw a conclusion about the major uncertainty of the matters or circumstances possibly resulting in major concerns about the going-concern ability of Winner Medical according to the audit evidence obtained. If we draw a conclusion that major uncertainty exists, the auditing standards require us to request the statement user to notice relevant disclosure in the financial statements in the audit report; in case of insufficient disclosure, we should issue a modified audit report. Our conclusion is made on the basis of the information available as of the audit report date. However, the future matters or circumstances may result in going concern failure of Winner Medical.
- (V) Evaluate the overall presentation (including disclosure), structure and content of the financial statements and evaluate whether the financial statements give a true and fair view of relevant transactions and matters.
- (VI) Obtain adequate and appropriate audit evidence for the financial information of Winner Medical entity or business activities to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising and implementing the group audit and take full responsibility for the audit opinions.

We communicate with the governance on the planned audit scope, time arrangement and major audit findings, including the internal control defects identified by us in the audit and worthing attention.

We also provide the governance with a statement of compliance with the ethical requirements relating to our independence and communicate with the governance with respect to all relations and other matters that may reasonably be considered to affect our independence and the relevant precautions (if applicable).

From the items communicated with the governance, we determine which items are most important to the audit of current financial statements and thus constitute the key audit items. We describe these items in our audit report, unless the disclosure of these matters is prohibited by law or regulation, or, in rare circumstances, we determine that we should not communicate the items in our audit report if it is reasonably expected that the negative consequences of communicating an item outweigh the benefits in the public interest.

BDO CHINA SHU LUN PAN CERTIFIED PUBLIC
ACCOUNTANTS LLP

Chinese Certified Public Accountant (Project Partner):
Cheng Jin

Shanghai, China

Chinese Certified Public Accountant: Wu Lihong

April 23, 2023

II. Financial Statements

Unit of statements in financial notes: RMB

1. Consolidated Balance Sheet

Prepared by: Winner Medical Co., Ltd.	December 31, 2022	Unit: yuan
Item	December 31, 2022	January 1, 2022
Current assets:		
Cash and cash equivalents	4,526,877,578.90	4,273,938,326.82
Deposit reservation for balance		
Lending funds		
Tradable financial assets	4,378,789,960.23	3,130,529,709.10
Derivative financial assets		
Notes receivable	51,001,784.57	
Accounts receivable	932,642,061.04	775,546,589.42
Amounts receivable financing	93,093,113.79	9,940,272.21
Advances to suppliers	229,225,273.09	110,462,594.38
Premiums receivables		
Reinsurance accounts receivable		
Provision of cession receivable		
Other receivables	236,298,390.78	329,179,077.01
Including: Interest receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventory	1,558,923,573.37	1,597,377,043.99
Contract assets		
Assets held for sales		
Non-current assets due within a year		
Other current assets	119,059,084.47	118,759,825.56
Total current assets	12,125,910,820.24	10,345,733,438.49
Non-current assets:		
Loans and advances		

(continued)

Item	December 31, 2022	January 1, 2022
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investment	21,747,635.99	16,949,801.24
Other equity instrument investments		
Other non-current financial assets	40,000,000.00	
Investment real estates	8,747,014.25	
Fixed assets	2,312,982,598.88	1,477,320,848.63
Construction in progress	765,009,910.63	216,096,622.30
Productive biological assets		
Oil and gas assets		
Right-of-use assets	472,356,125.64	531,735,443.44
Intangible assets	1,033,109,803.45	265,700,890.65
Development expenditure		
Goodwill	1,044,674,814.01	
Long-term unamortized expenses	132,692,286.03	174,785,770.83
Deferred income tax assets	196,993,751.80	122,716,382.99
Other non-current assets	83,524,640.64	115,571,001.80
Total non-current assets	6,111,838,581.32	2,920,876,761.88
Total assets	18,237,749,401.56	13,266,610,200.37
Current liabilities:		
Short-term loans	2,295,218,930.85	
Borrowings from central bank		
Borrowing funds		
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	24,760,000.00	36,200,130.04
Accounts payable	1,119,574,518.58	734,521,490.60
Advance from customers		

(continued)

Item	December 31, 2022	January 1, 2022
Contract liabilities	566,819,254.08	341,175,665.42
Financial assets sold for repurchase		
Deposits from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	312,450,241.38	184,681,184.52
Taxes payable	322,255,874.61	93,859,069.68
Other payables	570,843,242.88	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	215,946,889.32	216,181,531.82
Other current liabilities	59,604,591.85	24,165,400.50
Total current liabilities	5,487,473,543.55	2,074,730,501.04
Non-current liabilities:		
Reserve fund for insurance contracts		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual bond		
Lease liabilities	326,459,697.90	381,808,925.09
Long-term payable		
Long-term payroll payable	8,579,637.94	
Estimated liabilities		
Deferred income	98,791,412.91	109,625,401.82
Deferred income tax liabilities	133,677,102.81	13,337,159.68
Other non-current liabilities		

(continued)

Item	December 31, 2022	January 1, 2022
Total non-current liabilities	567,507,851.56	504,771,486.59
Total liabilities	6,054,981,395.11	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	4,546,247,611.24	4,549,621,096.81
Less: treasury stock	500,082,734.11	257,992,366.68
Other comprehensive income	782,778.15	(1,556,935.43)
Special reserve		
Surplus reserve	420,212,778.13	420,212,778.13
General risk provision		
Undistributed profit	6,810,953,829.30	5,538,135,285.97
Total owners' equities attributable to the owners of parent company	11,704,606,570.71	10,674,912,166.80
Minority equity	478,161,435.74	12,196,045.94
Total owners' equities	12,182,768,006.45	10,687,108,212.74
Total liabilities and owners' equities	18,237,749,401.56	13,266,610,200.37

Legal representative: Li Jianquan

Head of accounting work: Fang Xiuyuan

Head of accounting institution:
Wu Kezhen

2. Balance Sheet of Parent Company

Prepared by: Winner Medical Co., Ltd.

Unit: yuan

Item	December 31, 2022	January 1, 2022
Current assets:		
Cash and cash equivalents	3,657,596,762.00	3,580,157,428.37
Tradable financial assets	3,937,805,999.74	2,234,720,701.50
Derivative financial assets		
Notes receivable	15,100,060.05	
Accounts receivable	454,131,329.85	502,217,638.86
Amounts receivable financing	72,766,987.70	13,669,076.67
Advances to suppliers	1,247,948,057.70	1,991,853,374.17
Other receivables	123,628,108.60	218,099,656.42
Including: Interest receivable		
Dividends receivable		
Inventory	335,624,519.05	297,766,006.91
Contract assets		
Assets held for sales		
Non-current assets due within a year		
Other current assets	100,484,526.44	54,582,482.01
Total current assets	9,945,086,351.13	8,893,066,364.91
Non-current assets:		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investment	3,547,654,880.31	921,600,485.39
Other equity instrument investments		
Other non-current financial assets	40,000,000.00	
Investment real estates		
Fixed assets	99,683,983.66	65,889,542.40
Construction in progress	28,127,353.45	2,671,206.77

(continued)

Item	December 31, 2022	January 1, 2022
Productive biological assets		
Oil and gas assets		
Right-of-use assets	73,896,162.36	61,525,338.09
Intangible assets	37,561,928.32	10,941,470.75
Development expenditure		
Goodwill		
Long-term unamortized expenses	20,782,444.19	27,181,217.32
Deferred income tax assets	38,862,577.13	15,829,010.17
Other non-current assets	24,649,870.57	50,585,930.78
Total non-current assets	3,911,219,199.99	1,156,224,201.67
Total assets	13,856,305,551.12	10,049,290,566.58
Current liabilities:		
Short-term loans	1,010,087,083.33	
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	980,000,000.00	
Accounts payable	868,496,158.04	744,765,121.01
Advance from customers		
Contract liabilities	464,022,623.08	274,656,460.55
Payroll payable	123,859,226.02	57,013,025.70
Taxes payable	145,381,044.31	68,694,400.06
Other payables	346,143,459.66	257,073,388.79
Including: Interest payable		
Dividends payable		
Liabilities held for sales		
Non-current liabilities due within one year	22,369,924.68	14,395,962.64
Other current liabilities	44,098,604.24	13,678,129.69
Total current liabilities	4,004,458,123.36	1,430,276,488.44

(continued)

Item	December 31, 2022	January 1, 2022
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual bond		
Lease liabilities	54,991,421.86	48,977,325.26
Long-term payable		
Long-term payroll payable		
Estimated liabilities		
Deferred income	17,434,675.44	20,071,043.26
Deferred income tax liabilities	1,510,415.96	3,648,582.23
Other non-current liabilities		
Total non-current liabilities	73,936,513.26	72,696,950.75
Total liabilities	4,078,394,636.62	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	4,571,654,373.59	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	4,868,449,855.81	3,391,392,215.70
Total owners' equities	9,777,910,914.50	8,546,317,127.39
Total liabilities and owners' equities	13,856,305,551.12	10,049,290,566.58

Legal representative: Li Jianquan

Head of accounting work: Fang Xiuyuan

Head of accounting institution:
Wu Kezhen

3. Consolidated Statement of Income

Prepared by: Winner Medical Co., Ltd.

Unit: yuan

Item	Year 2022	Year 2021
I. Total operating income	11,351,331,545.08	8,037,420,812.91
Including: Operating income	11,351,331,545.08	8,037,420,812.91
Interest revenue		
Premium earned		
Fee and commission income		
II. Operating cost	9,119,688,180.06	6,727,857,440.84
Including: Operating costs	5,972,800,817.29	4,028,246,646.17
Interest expenditure		
Fee and commission expense		
Surrender value		
Net payments for insurance claims		
Net reserve fund extracted for insurance liability contracts		
Bond insurance expense		
Reinsurance costs		
Taxes and surcharges	98,087,240.32	65,390,051.16
Selling expenses	2,050,176,407.46	1,989,167,789.56
Administrative expenses	633,614,634.95	454,389,948.90
R&D expenses	487,583,652.11	298,162,366.16
Financial expenses	(122,574,572.07)	(107,499,361.11)
Including: interest expenditure	50,057,668.71	29,988,617.24
Interest revenue	123,909,561.75	137,186,581.16
Plus: other incomes	84,373,262.34	102,353,195.81
Income from investment (loss expressed with “-”)	51,470,767.16	103,237,547.98
Including: Income from investment of joint venture and cooperative enterprise	4,697,834.75	3,525,570.83
Income from derecognition of financial assets measured at amortized cost		
Exchange gain (loss expressed with “-”)		
Net exposure hedging gain (loss expressed with “-”)		

(continued)

Item	Year 2022	Year 2021
Income from fair value changes (loss expressed with “-”)	32,148,876.44	58,474,468.36
Credit impairment losses (loss expressed with “-”)	(63,943,322.52)	(574,000.57)
Assets impairment losses (loss expressed with “-”)	(362,869,340.23)	(100,665,232.92)
Income from disposal of assets (loss expressed with “-”)	3,726,204.37	3,250,448.27
III. Operating profit (loss to be filled out with the minus sign “-”)	1,976,549,812.58	1,475,639,799.00
Plus: Non-operating income	10,569,559.38	6,040,019.07
Less: Non-operating expenditure	67,613,275.63	18,919,306.79
IV. Total profit (total loss to be filled out with the minus sign “-”)	1,919,506,096.33	1,462,760,511.28
Less: Income tax expenses	245,301,544.88	225,315,643.94
V. Net profit (net loss to be filled out with the minus sign “-”)	1,674,204,551.45	1,237,444,867.34
(I) Classified by business continuity		
1. Net profits from going concern (net loss expressed with “-”)	1,674,204,551.45	1,237,444,867.34
2. Net profits from discontinuing operation (net loss expressed with “-”)		
(II) Classified by ownership		
1. Net profits attributable to shareholders of parent company	1,650,582,427.43	1,239,320,067.26
2. Minority interest income	23,622,124.02	(1,875,199.92)
VI. Net amount of other comprehensive income after tax	3,547,462.46	(830,700.50)
Net amount of other comprehensive income after tax attributed to parent company owners	2,339,713.58	(445,900.35)
(I) Other comprehensive income that can't be reclassified into profit and loss	601,000.00	
1. Remeasure the variation of net indebtedness or net asset of defined benefit plan	601,000.00	
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. Others		
(II) Other comprehensive income that will be reclassified into profit and loss	1,738,713.58	(445,900.35)
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		

(continued)

Item	Year 2022	Year 2021
5. Cash flow hedging reserve		
6. Balance arising from the translation of foreign currency financial statements	1,738,713.58	(445,900.35)
7. Others		
Net amount of other comprehensive income after tax attributed to minority shareholders	1,207,748.88	(384,800.15)
VII. Total comprehensive income	1,677,752,013.91	1,236,614,166.84
Total comprehensive income attributed to parent company owners	1,652,922,141.01	1,238,874,166.91
Total comprehensive income attributed to minority shareholders	24,829,872.90	(2,260,000.07)
VIII. Earnings Per Share		
(I) Basic earnings per share	3.90	2.91
(II) Diluted earnings per share	3.90	2.91

In case of business combination involving enterprises under common control in the 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 institution: Wu Kezhen

4. Income Statement of Parent Company

Prepared by: Winner Medical Co., Ltd.

Unit: yuan

Item	Year 2022	Year 2021
I. Operating income	6,524,892,771.82	3,797,082,652.58
Subtract: Operating costs	4,161,507,373.94	2,437,724,491.05
Taxes and surcharges	36,034,584.59	18,109,856.84
Selling expenses	452,754,200.04	296,170,387.31
Administrative expenses	334,694,723.83	275,874,409.29
R&D expenses	204,606,781.00	120,590,517.01
Financial expenses	(124,366,125.15)	(128,801,099.82)
Including: interest expenditure	22,677,277.27	3,052,877.00
Interest revenue	112,771,887.57	127,719,496.31
Plus: other incomes	20,759,967.82	48,122,477.41
Income from investment (loss expressed with “-”)	727,290,299.21	88,870,284.00
Including: Income from investment of joint venture and cooperative enterprise	4,692,894.92	3,525,570.83
Income from derecognition of financial assets measured at amortized cost (loss expressed with “-”)		
Net exposure hedging gain (loss expressed with “-”)		
Income from fair value changes (loss expressed with “-”)	29,434,882.75	52,211,519.29
Credit impairment losses (loss expressed with “-”)	(72,175,899.92)	8,818,449.70
Assets impairment losses (loss expressed with “-”)	(105,473,198.20)	(17,532,150.78)
Income from disposal of assets (loss expressed with “-”)	(94,094.68)	
II. Operating profit (loss to be filled out with the minus sign “-”)	2,059,403,190.55	957,904,670.52
Plus: Non-operating income	1,353,390.78	1,934,410.40
Less: Non-operating expenditure	17,761,666.63	1,734,395.59
III. Total profit (total loss to be filled out with the minus sign “-”)	2,042,994,914.70	958,104,685.33
Less: Income tax expenses	188,173,390.49	148,546,547.62
IV. Net profit (net loss to be filled out with the minus sign “-”)	1,854,821,524.21	809,558,137.71
(I) Net profits from going concern (net loss expressed with “-”)	1,854,821,524.21	809,558,137.71
(II) Net profits from discontinuing operation (net loss expressed with “-”)		

(continued)

Item	Year 2022	Year 2021
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. Others		
(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. Balance arising from the translation of foreign currency financial statements		
7. Others		
VI. Total comprehensive income	1,854,821,524.21	809,558,137.71
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Legal representative: Li Jianquan

Head of accounting work: Fang Xiuyuan

Head of accounting institution: Wu Kezhen

5. Consolidated Statement of Cash Flow

Prepared by: Winner Medical Co., Ltd.

Unit: yuan

Item	Year 2022	Year 2021
I. Cash flow from financing activities:		
Cash from selling goods or offering labor	12,313,842,633.16	8,561,473,154.33
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	13,034,931.53	62,719,156.18
Other cash received related to operating activities	215,912,765.53	186,733,643.10
Subtotal of cash inflow from operating activities	12,542,790,330.22	8,810,925,953.61
Cash paid for selling goods or offering labor	6,458,046,080.74	5,249,732,073.57
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	1,775,089,609.22	1,324,315,606.64
Taxes and fees paid	723,930,241.85	897,686,267.95
Other cash paid related to operating activities	602,252,168.14	467,502,103.52
Subtotal of cash outflow from operating activities	9,559,318,099.95	7,939,236,051.68
Net cash flow from operating activities	2,983,472,230.27	871,689,901.93

(continued)

Item	Year 2022	Year 2021
II. Cash flow from investment activities:		
Cash from investment withdrawal	8,019,668,619.78	7,090,000,000.00
Cash from investment income	155,708,427.23	184,186,882.84
Net cash from disposal of fixed assets, intangible assets and other long-term assets	63,203,570.84	190,932,781.03
Net cash received from the disposal of subsidiaries and other business entities		
Other cash received related to investment activities		
Subtotal of cash inflow from investment activities	8,238,580,617.85	7,465,119,663.87
Cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets	1,199,381,228.11	743,269,761.70
Cash paid for investment	9,180,242,000.00	6,243,043,466.66
Net cash received from reinsurance business		
Net cash paid for obtaining subsidiaries and other business units	1,677,072,708.56	
Other cash paid related to investment activities		
Subtotal of cash outflow from investment activities	12,056,695,936.67	6,986,313,228.36
Net cash flow from investing activities	(3,818,115,318.82)	478,806,435.51
III. Cash flow from financing activities:		
Receipts from equity securities		
Including: Cash received from subsidiaries' absorption of minority shareholders' investment		
Cash received from borrowings	2,276,661,290.38	
Other cash received related to financing activities		
Subtotal of cash inflow from financial activities	2,276,661,290.38	
Cash repayments of amounts borrowed	149,941,702.35	150,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	400,990,321.44	768,192,416.04
Including: Dividends and profits paid by subsidiaries to minority shareholders		
Other cash paid related to financing activities	608,221,958.76	491,444,823.25
Subtotal of cash outflow from financial activities	1,159,153,982.55	1,409,637,239.29
Net cash flow from financing activities	1,117,507,307.83	(1,409,637,239.29)
IV. Impact of exchange rate movements on cash and cash equivalents	(654,523.15)	(1,981,530.49)
V. Net increase in cash and cash equivalents	282,209,696.13	(61,122,432.34)
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	4,370,821,958.17	4,088,612,262.04

Legal representative: Li Jianquan

Head of accounting work: Fang Xiuyuan

Head of accounting institution: Wu Kezhen

6. Cash Flow Statement of Parent Company

Prepared by: Winner Medical Co., Ltd.

Unit: yuan

Item	Year 2022	Year 2021
I. Cash flow from financing activities:		
Cash from selling goods or offering labor	7,024,626,852.61	3,868,882,685.84
Refund of tax and levies	8,723,940.00	59,750,226.81
Other cash received related to operating activities	45,569,799.37	88,410,542.05
Subtotal of cash inflow from operating activities	7,078,920,591.98	4,017,043,454.70
Cash paid for selling goods or offering labor	3,123,159,254.41	2,919,880,528.57
Cash paid to and for employees	488,580,185.70	320,386,520.67
Taxes and fees paid	314,821,144.26	436,826,117.76
Other cash paid related to operating activities	165,828,956.84	730,441,492.58
Subtotal of cash outflow from operating activities	4,092,389,541.21	4,407,534,659.58
Net cash flow from operating activities	2,986,531,050.77	(390,491,204.88)
II. Cash flow from investment activities:		
Cash from investment withdrawal	6,428,041,223.52	5,769,000,000.00
Cash from investment income	120,343,865.20	162,879,612.33
Net cash from disposal of fixed assets, intangible assets and other long-term assets	41,772,465.29	153,159,514.85
Net cash received from the disposal of subsidiaries and other business entities		
Other cash received related to investment activities		
Subtotal of cash inflow from investment activities	6,590,157,554.01	6,085,039,127.18
Cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets	129,095,084.78	208,912,097.78
Cash paid for investment	7,550,845,323.13	4,563,112,014.62
Net cash paid for obtaining subsidiaries and other business units	2,020,549,500.00	
Other cash paid related to investment activities		
Subtotal of cash outflow from investment activities	9,700,489,907.91	4,772,024,112.40
Net cash flow from investing activities	(3,110,332,353.90)	1,313,015,014.78
III. Cash flow from financing activities:		
Receipts from equity securities		
Cash received from borrowings	1,010,000,000.00	

(continued)

Item	Year 2022	Year 2021
Other cash received related to financing activities		
Subtotal of cash inflow from financial activities	1,010,000,000.00	
Cash repayments of amounts borrowed		120,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	397,234,965.83	768,050,437.64
Other cash paid related to financing activities	377,499,720.17	271,738,213.27
Subtotal of cash outflow from financial activities	774,734,686.00	1,159,788,650.91
Net cash flow from financing activities	235,265,314.00	(1,159,788,650.91)
IV. Impact of exchange rate movements on cash and cash equivalents	(1,231,353.71)	(1,910,420.71)
V. Net increase in cash and cash equivalents	110,232,657.16	(239,175,261.72)
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	3,540,343,438.87	3,430,110,781.71

Legal representative: Li Jianquan

Head of accounting work: Fang Xiuyuan

Head of accounting institution: Wu Kezhen

7. Consolidated Statement on Changes in Owners' Equity

Prepared by: Winner Medical Co., Ltd.

Current amount

Unit: yuan

Item	Year 2022											Total owners' equities			
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit		Others	Subtotal	Minority equity
I. Ending balance of 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															
Others															
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	12,196,045.94	10,687,108,212.74
III. Increase/decrease in the current period (less to be filled out with the minus sign "-")					(3,373,485.57)	242,090,367.43	2,339,713.58			1,272,818,543.33			1,029,694,403.91	465,965,389.80	1,495,659,793.71
(I) Total comprehensive income							2,339,713.58			1,650,582,427.43			1,652,922,141.01	24,829,872.90	1,677,752,013.91
(II) Owner's invested and decreased capital					(3,373,485.57)								(3,373,485.57)	0.00	(3,373,485.57)
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					(3,373,485.57)								(3,373,485.57)		(3,373,485.57)
4. Others															
(III) Profit distribution										(377,763,884.10)			(377,763,884.10)		(377,763,884.10)
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk preparation															
3. Distribution of owners (or shareholders)										(377,763,884.10)			(377,763,884.10)		(377,763,884.10)
4. Others															
(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. Others															
(V) Special reserve															
1. Draw in this current															
2. Use in this current															
(VI) Others						242,090,367.43							(242,090,367.43)	441,135,516.90	199,045,149.47
IV. Balance at the end of current period	426,492,308.00				4,546,247,611.24	500,082,734.11	782,778.15		420,212,778.13		6,810,953,829.30		11,704,606,570.71	478,161,435.74	12,182,768,006.45

Legal representative: Li Jianquan

Head of accounting work: Fang Xiuyuan

Head of accounting institution: Wu Kezhen

7. Consolidated Statement on Changes in Owners' Equity (continued)

Prepared by: Winner Medical Co., Ltd.

Last term amount

Unit: yuan

Item	Year 2021											Total owners' equities	
	Capital stock	Other equity instruments Preferred stock Perpetual bond Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal		Minority equity
I. Ending balance of 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													
Others													
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 "-")			67,911,113.57	257,992,366.68	(445,900.35)			471,633,912.86		281,106,759.40	(2,260,000.07)		278,846,759.33
(I) Total comprehensive income					(445,900.35)				1,239,320,067.26		1,238,874,166.91	(2,260,000.07)	1,236,614,166.84
(II) Owner's invested and decreased capital			67,911,113.57								67,911,113.57		67,911,113.57
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			67,911,113.57								67,911,113.57		67,911,113.57
4. Others													
(III) Profit distribution									(767,686,154.40)		(767,686,154.40)		(767,686,154.40)
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk preparation													
3. Distribution of owners (or shareholders)									(767,686,154.40)		(767,686,154.40)		(767,686,154.40)
4. Others													
(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. Others													
(V) Special reserve													
1. Draw in this current													
2. Use in this current													
(VI) Others				257,992,366.68							(257,992,366.68)		(257,992,366.68)
IV. Balance at the end of current period	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

Legal representative: Li Jianquan

Head of accounting work: Fang Xiuyuan

Head of accounting institution: Wu Kezhen

8. Statement on Changes in Owners' Equity of Parent Company

Prepared by: Winner Medical Co., Ltd.

Current amount

Unit: yuan

Item	Capital stock	Other equity instruments				Year 2022					Total owners' equities	
		Preferred stock	Perpetual bond	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit		Others
I. Ending balance of 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												
Others												
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 "-")					(3,373,485.57)	242,090,367.43				1,477,057,640.11		1,231,593,787.11
(I) Total comprehensive income										1,854,821,524.21		1,854,821,524.21
(II) Owner's invested and decreased capital					(3,373,485.57)							(3,373,485.57)
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					(3,373,485.57)							(3,373,485.57)
4. Others												
(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. Others												
(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. Others												
(V) Special reserve												
1. Draw in this current												
2. Use in this current												
(VI) Others						242,090,367.43						(242,090,367.43)
IV. Balance at the end of current period	426,492,308.00				4,571,654,373.59	500,082,734.11			411,397,111.21	4,868,449,855.81		9,777,910,914.50

Legal representative: Li Jianquan

Head of accounting work: Fang Xiuyuan

Head of accounting institution: Wu Kezhen

8. Statement on Changes in Owners' Equity of Parent Company (continued)

Prepared by: Winner Medical Co., Ltd.

Last term amount

Unit: yuan

Item	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Year 2021				Total owners' equities	
		Preferred stock	Perpetual bond	Others			Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit		Others
I. Ending balance of previous year	426,492,308.00				4,507,116,745.59					411,397,111.21	3,349,520,232.39	8,694,526,397.19
Plus: Changes in accounting policies												
Prior period error correction												
Others												
II. Beginning balance in current year	426,492,308.00				4,507,116,745.59					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 "-")					67,911,113.57	257,992.36 6.68					41,871,983.31	(148,209,269.80)
(I) Total comprehensive income											809,558,137.71	809,558,137.71
(II) Owner's invested and decreased capital					67,911,113.57							67,911,113.57
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					67,911,113.57							67,911,113.57
4. Others												
(III) Profit distribution											(767,686,154.40)	(767,686,154.40)
1. Withdrawal of surplus reserves												
2. Distribution of owners (or shareholders)											(767,686,154.40)	(767,686,154.40)
3. Others												
(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. Others												
(V) Special reserve												
1. Draw in this current												
2. Use in this current												
(VI) Others						257,992.36 6.68						(257,992,366.68)
IV. Balance at the end of current period	426,492,308.00				4,575,027,859.16	257,992.36 6.68				411,397,111.21	3,391,392,215.70	8,546,317,127.39

Legal representative: Li Jianquan

Head of accounting work: Fang Xiuyuan

Head of accounting institution: Wu Kezhen

III. Basic Information of the Company

Winner Medical Co., Ltd. (hereinafter referred to as the “Company” or “our Company”), formerly known as Winner Industry (Shenzhen) Co., Ltd. (hereinafter referred to as “Winner Industry”), 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 5, 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. 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 56.00 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 corporate type 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 of 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, Baoan 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 19,6271,300, and the total investment was still HKD 380.00 million.

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 (a)	Amount of equity contribution (RMB 10,000) (b)	Amount included in capital surplus (RMB 10,000) (c) = (a) - (b)	Amount of equity contribution (convert to HKD 10,000) (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 Medical Textile 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 (Limited Partnership) (renamed as Shenzhen Leyuan Investment Partnership (Limited Partnership) during the reporting period, hereinafter referred to as the "Leyuan Investment"), Shenzhen Kangxin Investment Partnership (Limited Partnership) (renamed as Xiamen Yutong Investment Partnership (Limited Partnership) during the reporting period, hereinafter referred to as the "Yutong Investment"), Shenzhen Kanglong Investment Partnership (Limited Partnership) (renamed as Xiamen Huikang Investment Partnership (Limited Partnership) during the reporting period, 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 10,000)	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, Baoan District, Shenzhen 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 1, 2014, the board of directors of the Company decided and agreed to increase the Company's registered capital by HKD 3,640,000. The registered capital after the change was HKD 217,986,100, and the total investment was still HKD 380.00 million. 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 10,000)	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 (Limited Partnership) (renamed as Xiamen Zepeng Investment Partnership (Limited Partnership) during the reporting period, 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 10,000)	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 380.00 million. The new registered capital was subscribed by Beijing Sequoia Xinyuan Equity Investment Center (Limited Partnership) (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 10,000)	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 6, 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 Industry 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). On June 4, 2015, with the approval of Economy, Trade and Information Commission of Shenzhen Municipality, Winner Industry 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 RMB 50 million of common shares 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.

Business scope: production and operation of class II, III 6864 medical hygiene materials, 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; engaging in wholesale, import and export, retail (including online sales) and other related ancillary businesses of all Class I medical devices, all Class II medical devices (excluding in vitro diagnostic reagents), Class III medical devices: medical hygiene materials and dressings, medical suture materials and adhesives, medical polymer materials and products (except disposable transfusion apparatus (needle)), general diagnostic instruments, medical cold treatment, low temperature, refrigerating equipment and tools, cotton household articles, cotton clothing, cotton costume, cotton spun laced non-woven fabric and its manufactured products, cotton, disinfection products, daily necessities, cosmetics, protective equipment and instruments and meters (if it does not involve goods subject to state trading, or involves goods subject to quotas, license management and other special provisions, it shall apply in accordance with relevant regulations of the state); provide the technical consulting, technical services and after-sales services of above-mentioned products; sterilization technical services (if it needs to obtain relevant qualifications to operate, it shall apply in accordance with relevant regulations); enterprise management consulting, business information consulting, economic information consulting, warehouse services (excluding hazardous chemicals, precursor chemicals, refined oil and other dangerous goods), own property leasing (it can be operated only with the legal real estate ownership certificate under the Company's name). The above business scope does not include the items subject to special administrative measures for access stipulated by the state, and those involving the record and licensing qualifications need to obtain the relevant certificates before operation.

Domicile of the Company: F42, Building 2, Huilong Business Center, Shenzhen North Railway Station Area, Minzhi Subdistrict, Longhua District, Shenzhen; 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 April 23, 2023.

As of December 31, 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 "Winner Medical (Hong Kong)")
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)")

(continued)

Subsidiary name
Winner Medical (Wuhan) Co., Ltd. (hereinafter referred to as “Winner Medical (Wuhan)”) (former name: Hubei Winner Medical Co., Ltd.)
Shenzhen PureH2B Technology Co., Ltd. (hereinafter referred to as “PureH2B”)
Pure HB (Shanghai) Co., Ltd. (hereinafter referred to as “Pure HB (Shanghai)”)
Shenzhen Purunderwear Sci-Tech Innovation Co., Ltd. (hereinafter referred to as “Purunderwear”)
Huanggang Purcotton Ltd. (hereinafter referred to as “Huanggang Purcotton”)
Winner Medical Technology (Foshan) Co., Ltd. 1* (hereinafter referred to as “Winner Medical (Foshan)”)
Zhejiang Longterm Medical Technology Co., Ltd. 2* (hereinafter referred to as “Zhejiang Longterm”)
Xi'an Longtemu Medical Technology Co., Ltd. 3* (hereinafter referred to as “Xi'an Longtemu”)
Hangzhou Shengyi Technology Co., Ltd. 4* (hereinafter referred to as “Hangzhou Shengyi”)
Deqing Longterm Medical Silica Gel Products Co., Ltd. 5* (hereinafter referred to as “Deqing Longterm”)
Longterm Medical US LLC 6* (hereinafter referred to as “American Longterm”)
Winner (Guilin) Latex Products Co., Ltd. 7* (hereinafter referred to as “Winner (Guilin)”)
Winner Pingan Medical (Hunan) Co., Ltd. 8* (hereinafter referred to as “Winner Pingan”)
Hunan Ruian Medical Device Technology Co., Ltd. 9* (hereinafter referred to as “Ruian Medical Device”)
Shenzhen Junjian Medical Device Co., Ltd. 10* (hereinafter referred to as “Junjian Medical”)

1*: Winner Medical (Foshan) was established on September 20, 2022.

2*: Zhejiang Longterm was merged in the Company and added with capital on April 30, 2022.

3*: Xi'an Longtemu is a subsidiary of Zhejiang Longterm.

4*: Hangzhou Shengyi is a subsidiary of Zhejiang Longterm.

5*: Deqing Longterm is a subsidiary of Zhejiang Longterm.

6*: American Longtemu is a subsidiary of Zhejiang Longterm.

7*: Winner (Guilin) was merged in the Company and added with capital on June 30, 2022.

8*: Winner Pingan was merged in the Company and added with capital on July 1, 2022.

9*: Ruian Medical Device is a subsidiary of Winner Pingan.

10*: Junjian Medical was merged in the Company and added with capital on October 31, 2022.

The scope of the consolidated financial statements for this reporting period and its changes are detailed in the notes “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 Policies and Accounting Estimates

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 December 31, 2022 and the business performance and cash flows of the Company in 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 Renminbi.

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 of preparing consolidated financial statements

1) Scope of consolidation

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 "undistributed profits", others items 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 may 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 the changes are included in other comprehensive income (debt instrument)

Financial assets measured at fair value of which the changes are included in 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 the changes are included in 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 at fair value of which the changes are 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 of which the changes are include in the current profits or losses

Financial liabilities measured at fair value of which changes are included 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

See “12. Accounts receivable” for details.

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
Bank 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 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. 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

The measurement of impairment loss of other receivables other than accounts receivable and notes receivable (including other receivables, long-term receivables, etc.), shall be made 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

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) Testing 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 and make the difference above 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 through the fair value model, 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

Not applicable.

22. Long-term equity investment

- 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 a 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 issued equity securities.

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 shall 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

Cost method

Depreciation or amortization method

Investment real estate refers to real estate held for the purpose of earning rent and/or capital appreciation, including leased land use rights, land use rights held and prepared for transfer after appreciation, leased buildings (including self-constructed buildings and the buildings that are self built or developed for rent after completion of activities, as well as the buildings that are under construction or development for future lease).

Subsequent expenditures related to investment real estate are recognized as investment real estate costs when the related economic benefits are likely to flow in and their costs can be reliably measured; Otherwise, it will be included in the current profit and loss at the time of occurrence.

The existing investment real estate are measured by our Company through the cost method. For investment real estate measured through the cost method, buildings for lease is applicable to the same depreciation policy as the Company's fixed assets, right of use the leased land is applicable to the same amortization policy as intangible assets.

24. Fixed assets

(1) Recognition conditions

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 in 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	10-38 years	5.00%-10.00%	2.37%-9.50%
Machinery equipment	Straight-line depreciation	2-15 years	5.00%-10.00%	6.00%-47.50%
Transportation equipment	Straight-line depreciation	3-10 years	5.00%-10.00%	9.00%-31.67%
Electronic equipment and office equipment, etc.	Straight-line depreciation	2-10 years	5.00%-10.00%	9.00%-47.50%

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. 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. The construction in progress will be transferred into fixed assets and begin to subject to depreciation from the following month when it reaches the intended serviceable condition.

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 at the time 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 included 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

Not applicable.

28. Oil and gas assets

Not applicable.

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 of 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 useful life of the intangible assets are analyzed by the Company at the time of obtaining.

The intangible assets with limited useful life shall be 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 service life	Basis
Land use right	38-50 years	Term of use specified in the land-use right certificate
Software use right	2-8 years	Useful life estimated by the management
Trademark right	5-10 years	Benefit period specified in the certificate of trademark use
Patent right	5-10 years	Benefit period specified in the certificate of patent use
Franchised use right	3	Term of use stipulated in the contract
Client relations	10 years	Useful life estimated by the management

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

During this reporting period, there is no intangible assets with uncertain service life in the Company .

(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 at 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 It is 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 The 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 at least subject to an impairment test at the end of each year, regardless of whether there is any 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 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.

At the time of 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 shall recognize 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

Where the Company provides dismissal welfare for its employees, it shall recognize the employee compensation liabilities arising from the dismissal welfare and include it in the current profit and loss on the earlier date 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

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 cash-settled share-based payments 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.

If the Company modifies the terms and conditions of the cash-settled share-based payment agreement settled in cash to change it to equity-settled share-based payment, on the date of modification (whether during or after the waiting period), the Company will measure the equity-settled share-based payment according to the current fair value of the granted equity instrument, and include the services acquired in the capital reserve. At the same time, it shall terminate the recognition of liabilities recognized on the modification date for the cash-settled share-based payment, with the difference recorded into the current profit and loss. If the waiting period is extended or shortened due to the modification, the Company will carry out accounting treatment according to the modified waiting 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 will be classified as financial liabilities at the time of initial recognition in whole or in part:

- (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 may indirectly lead to 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 will be classified as equity instrument at the time of initial recognition in whole or in part.

39. Income

Accounting policies for income recognition and measurement

The Company has fulfilled its contractual obligations 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

NA

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 / 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

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 public health events 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:

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, 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:

The initial measurement amount of the lease liabilities;

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;

The initial direct expenses incurred by the Company;

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:

Fixed payments (including actual fixed payments), if there is lease incentive, the relevant amount of lease incentive shall be deducted;

Variable lease payments that depend on an index or rate;

The amount estimated to be paid based on the residual value of the guarantee provided by the Company;

The exercise price of the purchase option, provided that the Company reasonably determines that the option will be exercised;

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:

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;

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, where the changes in lease payment results from the change in floating interest rate, a revised discount rate will 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:

The lease change expands the lease scope by adding the right to use one or more leased assets;

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 public health events

If the simplified method of rent concessions related to public health events 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 into 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 into 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:

The change expands the lease scope by adding the right to use one or more leased assets;

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:

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;

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 public health events

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;

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 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.

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 canceled, the total par value of the shares calculated according to the par value of the shares and the number of canceled shares shall be debited to the "Share Capital", and the book balance of the canceled 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 canceled 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 canceled 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

(1) Implementation of the *Interpretation of Accounting Standards for Business Enterprises No.15*

On December 30, 2021, the Ministry of Finance issued the *Interpretation of Accounting Standards for Business Enterprises No.15* (CK [2021] No.35, hereinafter referred to as "Interpretation No.15").

① Accounting treatment for trial operation sales

Interpretation No.15 stipulates the accounting treatment and presentation of products or by-products produced by enterprises before their fixed assets reach a intended usable state or during the research and development process for external sales, and stipulates that the net income related to trial operation sales after offsetting costs shall not be used to offset the cost of fixed assets or research and development expenses. This regulation shall come into effect from January 1, 2022, and retrospective adjustments shall be made to trial operation sales from the beginning of the earliest period for financial statement presentation to January 1, 2022. There was no effect for our Company to implement this regulation.

② Judgment on loss contracts

Interpretation No.15 clarifies that the "cost of performing the contract" considered by enterprises in determining whether the contract constitutes a loss contract shall include both the incremental cost of performing the contract and the allocation amount of other costs directly related to the performance of the contract. This regulation shall come into effect from January 1, 2022. Enterprises shall apply this regulation for the contracts with obligations have not been fulfilled in full by January 1, 2022. The cumulative impact shall be adjusted to the retained earnings and other related financial statement items at the beginning of the year of the effective date, without any adjustment to the early comparative financial statement data. There was no effect for our Company to implement this regulation.

(3) Implementation of the *Interpretation of Accounting Standards for Business Enterprises No.16*

On November 30, 2021, the Ministry of Finance published the *Interpretation of Accounting Standards for Business Enterprises No.16* (CK [2022] No.31, hereinafter referred to as "Interpretation No.16").

① Accounting treatment for the income tax impact of dividends related to financial instruments classified by the issuer as equity instruments

Interpretation No. 16 stipulates that, for financial instruments classified by enterprises as equity instruments, if the relevant dividend expenditures are deducted before corporate income tax in accordance with relevant tax policies, the income tax impact related to the dividends shall be recognized at the time of confirming the dividends payable, and the income tax impact of dividends shall be recorded into current profit and loss or owners' equity items (including other comprehensive income items) under the accounting treatment which is consistent with that used in past transactions or events that generate distributable profits.

This regulation shall come into effect from the date of promulgation, and the relevant dividends payable produced between January 1, 2022 and the effective date shall be adjusted in accordance with this regulation;

For the dividends payable produced before January 1, 2022 when the relevant financial instruments have not been

derecognized, retrospective adjustments shall be made. The implementation of such provisions did not have a significant impact on the Company's financial position and operating results.

② Accounting treatment on the modification of cash-settled share-based payments to equity-settled share-based payments

Interpretation No.16 clarifies that, if the Company modifies the terms and conditions of the cash-settled share-based payment agreement settled in cash to change it to equity-settled share-based payment, on the date of modification (whether during or after the waiting period), the Company will measure the equity-settled share-based payment according to the fair value of the equity instrument on the date of modification, and include the services acquired in the capital reserve. At the same time, it shall terminate the recognition of liabilities recognized on the modification date for the cash-settled share-based payment, with the difference recorded into the current profit and loss.

This regulation shall come into effect from the date of promulgation, and any new transactions added from January 1, 2022 to the implementation date shall be adjusted in accordance with this regulation; If the relevant transactions carried out before January 1, 2022 were not processed in accordance with this regulation, retrospective adjustments shall be made, and the cumulative impact shall be adjusted to the retained earnings and other related financial statement items on January 1, 2022, without any adjustment to the early comparative financial statement data. The implementation of such provisions did not have a significant impact on the Company's financial position and operating results.

(2) Changes in major accounting estimates

Applicable Not applicable

45. Others

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%, 0%
Consumption tax	N/A	N/A
Urban maintenance and construction tax	Levied by actual paid value added tax (including the exemption part) and consumption tax	7%, 5%
Corporate income tax	Levied by income tax payable	25%, 20%, 16.5%, 15%
Education surcharge	Levied by actual paid value added tax (including the exemption part) and consumption tax	3%

Note 1: Some stores of Shenzhen Purcotton, Guangzhou Purcotton, Beijing Purcotton, Shanghai Purcotton and Cotton Lining are small-scale taxpayers, and VAT is levied at the rate of 3.00%. The VAT rate of stores for non-small-scale taxpayers will be 13.00% in 2022, and 6.00% or 3% (small-scale taxpayers) VAT rate will be applied to some stores providing catering services. The books sold in Shenzhen Purcotton since 2019 will be exempted from VAT according to Article 2 of the *Notice on the Continuation of the Preferred Policies on Value-added Tax of Cultural Promotion* (C.S. [2018] No. 53) of Ministry of Finance and State Taxation Administration. According to the *Announcement of the Ministry of Finance and the State Administration of Taxation on the Exemption of VAT Small-scale VAT Taxpayers* (Announcement No. 15 of the Ministry of Finance and the State Administration of Taxation in 2022), from April 1, 2022 to December 31, 2022, small-scale VAT taxpayers shall be exempt from value-added tax for the taxable sales income which is applicable to a rate of 3%; And for the prepaid VAT items which is applicable to a pre-tax rate of 3%, prepayment of value-added tax shall be suspended.

Note 2: The VAT rate of 13.00% will be applied to the goods sold by the Company and other general taxpayer subsidiaries in 2022. The Company and some of its subsidiaries have the right to import and export, and the VAT on export products is subject to the export tax rebate policy of “exemption, credit and refund”.

The VAT generated by the consulting service income of the Company is levied at the rate of 6.00%, while the VAT generated by the warehousing service income of Winner Medical (Huanggang) is levied at the rate of 6.00%.

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, Winner Medical (Wuhan), Longterm Medical, Winner Guilin, Winner Medical (Hunan)	15%
Winner Medical (Hong Kong)	16.5%
Pure HB (Shanghai), Hangzhou Shengyi, Xi'an Longtemu, Deqing Longterm, Ruian Medical Device	20%

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, the corporate income tax can be paid at a preferential tax rate of 15.00%.

- (2) 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 of GR201942002414, and passed the qualification review of high-tech enterprises in 2022. Winner Medical (Huanggang) is eligible to pay corporate income tax at a preferential rate of 15.00% from 2022 to 2024.
- (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, the 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, the 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* issued 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. From 2021 to 2023, the corporate income tax can be paid at a preferential tax rate of 15.00%.
- (7) Pure HB (Shanghai) was established on March 16, 2018 as a small enterprise 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%.
- (8) According to the *Notice on Publicizing the List of Second Batch of High-tech Enterprises to be Identified in Hubei Province in 2022* issued on November 9, 2022, Winner Medical (Wuhan) obtained the High-tech Enterprise Certificate (Certificate No.: GR202242002319) on November 9, 2022. From 2022 to 2024, the corporate income tax can be paid at a preferential tax rate of 15.00%.
- (9) Zhejiang Longterm, which was recognized as a high-tech enterprise on November 13, 2017, 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.
- (10) 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 50% and included into the taxable income, and corporate income tax shall be paid at the rate of 20%.
- (11) Winner Medical (Hunan) was recognized as a high-tech enterprise in 2010 to pay corporate income tax at a preferential tax rate of 15%. It obtained an updated high-tech enterprise qualification certificate on December 2, 2019 with a validity period of three years until December 1, 2022, passed the high-tech enterprise certification for the third time in 2022 to obtain a certificate with number of GR202243004478 and expiration date of December 12, 2025.
- (12) Hunan Ruian Medical Device Technology Co., Ltd. is a small enterprise 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 50% 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 Ruian Medical Device is less than RMB 1 million, and the actual tax rate is 2.5%.

- (13) On October 23, 2020, Winner Guilin passed the high-tech enterprise certification to obtain the high-tech enterprise certificate with number of GR202045000476 and validity period of three years. According to the relevant preferential policies of China for high-tech enterprises, qualified high-tech enterprises shall be subject to a corporate income tax at a preferential tax rate of 15% for three years from the year of recognition. Winner Guilin can be entitle to this preferential policy from 2020 to 2022.

3. Others

VII. Notes to Items in Consolidated Financial Statements

1. Cash and cash equivalents

Unit: yuan

Item	Closing Balance	Beginning balance
Cash on hand	246,825.76	65,897.39
Bank deposit	4,169,305,311.41	4,088,546,364.65
Other monetary capital	357,325,441.73	185,326,064.78
Total	4,526,877,578.90	4,273,938,326.82
Where: total amount deposited abroad	15,822,664.52	11,841,008.78
Total amount of funds with restrictions on use due to mortgage, pledge or freeze	156,055,620.73	185,326,064.78

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	Closing balance of the previous year
Deposit for bank acceptance bill* 1	7,428,000.00	
Letter of Credit deposit* 2	139,600,000.00	27,597,366.13
Performance bond* 3	2,922,681.16	2,162,025.10
Balance of other restricted monetary funds *4	6,104,939.57	155,566,673.55
Total	156,055,620.73	185,326,064.78

*1 Deposit for bank acceptance bill refers to the deposit deposited by Zhejiang Longterm to apply for bank acceptance bill.

*2 Letter of Credit deposit refers to the deposit made by Winner Medical (Tianmen) for international and domestic Letters of Credit; the deposits deposited by Winner Medical (Shenzhen) for the domestic letters of credit to cover the payment to subsidiaries; the deposits deposited by Shenzhen Purcotton for the domestic letters of credit to cover the payment to Winner Medical (Huanggang).

*3 The performance bond refers to the bond deposited by Winner Medical (Hong Kong) for bidding transactions with hospitals; the bond deposited by Zhejiang Longterm for automatic transfer of electricity charges; the bond deposited by Winner Guilin for transactions with the Guangdong Provincial Health Commission Affairs Center.

*4 The balance of other restricted monetary funds refers to the receipt deposit of Winner Medical (Shenzhen); the balance of special deposit accounts for restricted non-budget units opened by Shenzhen Purecotton in accordance with the regulations of prepaid card issuance formulated by the Ministry of Commerce, and product deposit for the APP and mini program.

2. Tradable 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	4,378,789,960.23	3,130,529,709.10
Including:		
Bank financial products	3,027,531,039.77	1,778,361,521.42
Forward foreign exchange contract		6,334,756.86
Trust products	1,351,258,920.46	1,345,833,430.82
Including:		
Total	4,378,789,960.23	3,130,529,709.10

Other description:

3. Derivative financial assets

Unit: yuan

Item	Closing Balance	Beginning balance
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Other description:

4. Notes receivable

(1) Classified presentation of notes receivable

Unit: yuan

Item	Closing Balance	Beginning balance
Bank acceptance bill	51,001,784.57	
Total	51,001,784.57	

Unit: yuan

Class	Closing Balance				Book value	Beginning balance				
	Book balance		Provision for bad debt			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			Others	Closing Balance
		Accrual	Recovered or reversed	Write-off		

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
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(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
Bank acceptance bill	95,314,075.78	32,671,254.70
Total	95,314,075.78	32,671,254.70

(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
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Other description:

(6) Notes receivable actually written off at the current period

Unit: yuan

Item	Amount written off
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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
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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	
Accounts receivable of provision for bad debt by single item	2,811,067.30	0.28%	2,811,067.30	100.00%						
Including:										
Accounts receivable of provision for bad debt by combination	984,485,837.09	99.72%	51,843,776.05	5.27%	932,642,061.04	816,650,641.20	100.00%	41,104,051.78	5.03%	775,546,589.42
Including:										
Aging analysis method	984,485,837.09	99.72%	51,843,776.05	5.27%	932,642,061.04					
Total	987,296,904.39	100.00%	54,654,843.35	5.54%	932,642,061.04	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	965,701,676.81	48,285,084.22	5.00%
1~2 years	15,169,852.52	1,516,985.25	10.00%
2~3 years	1,968,459.71	590,537.91	30.00%
3~4 years	384,218.53	192,109.27	50.00%
4~5 years	12,850.60	10,280.48	80.00%
More than 5 years	1,248,778.92	1,248,778.92	100.00%
Total	984,485,837.09	51,843,776.05	

Description of the basis for determining the combination:

On December 31, 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 December 31, 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	Book balance
Within 1 year (including 1 year)	966,089,497.52
1~2 years	15,332,065.15
2~3 years	1,968,459.71
More than 3 years	3,906,882.01
3~4 years	502,727.73
4~5 years	1,622,782.36
More than 5 years	1,781,371.92
Total	987,296,904.39

(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	Others	
Provision for bad debt of accounts receivable	41,104,051.78	17,987,140.64	22,933,406.67	271,994.30	18,769,051.90	54,654,843.35
Total	41,104,051.78	17,987,140.64	22,933,406.67	271,994.30	18,769,051.90	54,654,843.35

Note: 1 The item "Others" mainly refers to the increase by business combination

Where the amount of bad debt provision recovered or reversed is important:

Unit: yuan

Unit name	Amount recovered or reversed	Recovery way
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None

(3) Accounts receivable actually written off at the current period

Unit: yuan

Item	Amount written off
Accounts receivable actually written off	271,994.30

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
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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	104,087,828.63	10.54%	5,204,391.43
Second	20,789,828.23	2.11%	1,039,491.41
Third	19,433,438.68	1.97%	971,671.93
Fourth	16,772,838.16	1.70%	838,641.91
Fifth	15,428,180.67	1.56%	771,409.03
Total	176,512,114.37	17.88%	

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

None

(6) Amount of assets and liabilities formed by transferring accounts receivables and continuing involvement

Other description:

6. Amounts receivable financing

Unit: yuan

Item	Closing Balance	Beginning balance
Notes receivable - bank acceptance bill	93,093,113.79	9,940,272.21
Total	93,093,113.79	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	226,208,813.98	98.32%	104,201,209.67	94.33%
1~2 years	2,922,303.77	1.27%	6,261,384.71	5.67%
2~3 years	948,358.84	0.41%		
Less: Provision for bad debts	854,203.50			
Total	229,225,273.09		110,462,594.38	

Reasons for non-timely settlement of important advances from customers with the aging more than 1 year:

(2) Advances to suppliers with Top 5 ending balances by prepayment object

Advance object	Closing Balance	Proportion in total ending balance of advances (%)
First	56,862,422.12	24.81
Second	38,000,000.00	16.58
Third	36,979,134.58	16.13
Fourth	12,265,221.29	5.35
Fifth	4,448,055.57	1.94
Total	148,554,833.56	64.81

Other description:

8. Other receivables

Unit: yuan

Item	Closing Balance	Beginning balance
Other receivables	236,298,390.78	329,179,077.01
Total	236,298,390.78	329,179,077.01

(1) Interest receivable

1) Classification of interest receivable

Unit: yuan

Item	Closing Balance	Beginning balance
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2) Important overdue interest

Unit: yuan

Borrower	Closing Balance	Overdue time	Overdue reason	Whether there is impairment and its judgment basis
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Other description:

3) Provision for bad debt

Applicable Not applicable

(2) Dividends receivable

1) Classification of dividends receivable

Unit: yuan

Item	Closing Balance	Beginning balance
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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
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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	224,655,320.00	238,655,320.00
Margin and deposit	107,940,240.20	112,419,848.22
Export drawback	147,743.12	7,309,079.43
Employee pretty cash	3,851,541.87	3,238,544.33
Others	20,322,649.47	15,766,563.91
Total	356,917,494.66	377,389,355.89

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 (without credit impairment)	Expected credit losses over the entire duration (with credit impairment)	
Balance on January 1, 2022	36,469,649.34		11,740,629.54	48,210,278.88
Balance on January 1, 2022 in current period				
- Carried over to Stage 3	(2,457,458.84)		2,457,458.84	
Accrual in current period	89,523,641.71			89,523,641.71
Reversal in current period	20,634,053.16			20,634,053.16
Written-off in current period			2,457,458.84	2,457,458.84
Other changes	5,976,695.29			5,976,695.29
Balance on December 31, 2022	108,878,474.34		11,740,629.54	120,619,103.88

Changes in book balance with significant changes in the current period of provision for loss

Applicable Not applicable

Disclosure by aging

Unit: yuan

Aging	Book balance
Within 1 year (including 1 year)	41,891,601.58
1~2 years	20,875,710.36
2~3 years	20,538,043.37
More than 3 years	273,612,139.35
3~4 years	240,857,729.75
4~5 years	29,659,408.36
More than 5 years	3,095,001.24
Total	356,917,494.66

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	Others	
Provision for bad debts of other receivables	48,210,278.88	89,523,641.71	20,634,053.16	2,457,458.84	5,976,695.29	120,619,103.88
Total	48,210,278.88	89,523,641.71	20,634,053.16	2,457,458.84	5,976,695.29	120,619,103.88

The item "Others" mainly refers to the increase by business combination.

Where the amount of bad debt provision reversed or recovered is important:

Unit: yuan

Unit name	Amount reversed or recovered	Recovery way
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None

4) Other receivable actually written off at the current period

Unit: yuan

Item	Amount written off
Other receivables actually written off	2,457,458.84

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
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Description of write-off of other receivables

None

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	Intercourse funds with the third parties	224,655,320.00	3-4 years	62.94%	112,327,660.00
Second	Margin and deposit	5,503,130.73	Within 1 year: RMB 2,756,798.00; 1-2 years: RMB 2,746,332.73	1.54%	275,156.54
Third	Margin and deposit	5,000,000.00	Within 1 year	1.40%	250,000.00
Fourth	Others	2,842,949.18	Within 1 year	0.80%	142,147.46
Fifth	Margin and deposit	2,311,115.80	Within 1 year	0.65%	115,555.79
Total		240,312,515.71		67.33%	113,110,519.79

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
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None

7) Other receivables derecognized due to transfer of financial assets

NA

8) Amount of assets and liabilities formed by transferring other receivables and continuing involvement

NA

Other description:

9. Inventory

Whether the Company need to follow the disclosure requirements of real estate industry

(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	442,673,944.78	54,831,465.50	387,842,479.28	250,762,666.63	5,117,956.28	245,644,710.35
Work in process	172,727,862.49	9,184,849.77	163,543,012.72	172,991,958.16	4,599,718.11	168,392,240.05
Merchandise inventory	1,188,954,668.09	258,680,380.74	930,274,287.35	1,256,964,242.78	100,692,345.17	1,156,271,897.61
Semi-finished products shipped in transit	61,520,340.90	130,228.78	61,390,112.12	16,843,633.88		16,843,633.88
Low priced and easily worn articles	17,465,670.25	1,591,988.35	15,873,681.90	10,226,415.09	1,852.99	10,224,562.10
Total	1,883,342,486.51	324,418,913.14	1,558,923,573.37	1,707,788,916.54	110,411,872.55	1,597,377,043.99

(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	Others	Reversal or write-back	Others	
Raw materials	5,117,956.28	56,175,356.31	6,383,009.45	12,844,856.54	0.00	54,831,465.50
Work in process	4,599,718.11	14,094,137.36	299,165.66	9,808,171.36	0.00	9,184,849.77
Merchandise inventory	100,692,345.17	284,993,058.41	9,585,323.75	136,478,084.23	112,262.36	258,680,380.74
Semi-finished products shipped in transit			3,451,151.74	3,320,922.96	0.00	130,228.78
Low priced and easily worn articles	1,852.99	1,519,534.71	161,351.99	90,751.34	0.00	1,591,988.35
Total	110,411,872.55	356,782,086.79	19,880,002.59	162,542,786.43	112,262.36	324,418,913.14

Note: Amount increased in current period - The item "Others" refers to the increase by business combination.

(3) Description of ending balance of inventory containing the capitalized amount of borrowing costs

NA

(4) Description of current amortization amount of contract performance cost

NA

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
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If the bad debt 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 bad debt 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
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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
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Other description:

12. Non-current assets due within a year

Unit: yuan

Item	Closing Balance			Beginning balance		
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Important debt investments/other debt investments

Unit: yuan

Debt item	Closing Balance				Maturity date	Beginning balance		
	Book value	Coupon rate	Actual rate	Book value		Coupon rate	Actual rate	Maturity date

Other description:

13. Other current assets

Unit: yuan

Item	Closing Balance	Beginning balance
Return cost receivable	1,181,368.44	733,984.30
Interest on fixed deposit / large deposit	101,670,459.07	50,158,601.37
VAT input tax to be deducted / uncertified input tax	5,863,706.62	43,055,676.36
Prepaid corporate income tax	4,773,735.12	17,873,716.95
Unamortized expenses	4,853,649.47	5,174,471.98
Others	716,165.75	1,763,374.60
Total	119,059,084.47	118,759,825.56

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 (without credit impairment)	Expected credit losses over the entire duration (with credit impairment)	

Balance on January 1, 2022 in 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
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Important other debt investments

Unit: yuan

Other debt item	Closing Balance				Beginning balance			Maturity date
	Book value	Coupon rate	Actual rate	Maturity date	Book value	Coupon rate	Actual rate	

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 (without credit impairment)	Expected credit losses over the entire duration (with credit impairment)	

Balance on January 1, 2022 in 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 (without credit impairment)	Expected credit losses over the entire duration (with credit impairment)	

Balance on January 1, 2022 in 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 investment

Unit: yuan

Invested unit	Beginning balance (book value)	Further investment	Increase or decrease in current period					Ending balance (book value)	Ending balance of impairment provision
			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		
I. Cooperative enterprise									
II. Joint venture									
Chengdu Winner	16,949,801.24			4,692,894.92				21,642,696.16	
Hubei Xianchuang Technology Co., Ltd.		100,000.00		4,939.83				104,939.83	
Subtotal	16,949,801.24	100,000.00		4,697,834.75				21,747,635.99	
Total	16,949,801.24	100,000.00		4,697,834.75				21,747,635.99	

Other description:

18. Other equity instrument investments

Unit: yuan

Item	Closing Balance	Beginning balance
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Itemized disclosure of the current non-trading equity instrument investment

Unit: yuan

Project name	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
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Other description:

19. Other non-current financial assets

Unit: yuan

Item	Closing Balance	Beginning balance
Equity instrument investments	40,000,000.00	
Total	40,000,000.00	

Other description:

20. Investment real estates

(1) Investment real estates using cost measurement mode

√ Applicable □ Not applicable

Unit: yuan

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Beginning balance				
2. Amount increased in current period	10,739,083.13			10,739,083.13
(1) Outsourcing				
(2) Transfer from inventory / fixed assets / construction in progress				
(3) Increase by business combination	10,739,083.13			10,739,083.13
3. Amount decreased in current period				
(1) Disposal				
(2) Other roll-out				
4. Closing Balance	10,739,083.13			10,739,083.13
II. Accumulated depreciation and accumulated amortization				
1. Beginning balance				
2. Amount increased in current period	1,992,068.88	1,992,068.88		
(1) Provision or amortization	454,955.36	454,955.36		
(2) Increase by business combination	1,537,113.52	1,537,113.52		
3. Amount decreased in current period				
(1) Disposal				
(2) Other roll-out				
4. Closing Balance	1,992,068.88			1,992,068.88
III. Provision for impairment				
1. Beginning balance				
2. Amount increased in current period				
(1) Accrual				
3. Amount decreased in current period				
(1) Disposal				
(2) Other roll-out				
4. Ending balance				
IV. Book value				
1. Ending book value	8,747,014.25			8,747,014.25
2. Beginning book value				

(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
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Other description: None

21. Fixed assets

Unit: yuan

Item	Closing Balance	Beginning balance
Fixed assets	2,312,982,598.88	1,477,320,848.63
Total	2,312,982,598.88	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	562,202,373.32	668,211,514.54	9,861,269.42	59,051,172.08	1,299,326,329.36
(1) Purchase	34,791,834.52	213,260,569.46	1,454,578.81	23,742,591.32	273,249,574.11
(2) Transfer from construction in progress	88,411,404.25	145,682,236.43		2,952,587.45	237,046,228.13
(3) Increase by business combination	438,999,134.55	309,268,708.65	8,406,690.61	32,355,993.31	789,030,527.12
3. Amount decreased in current period	17,551,145.04	80,097,693.01	2,086,370.07	11,324,598.12	111,059,806.24
(1) Disposal or scrap	17,551,145.04	80,097,693.01	2,086,370.07	11,324,598.12	111,059,806.24
4. Closing Balance	1,539,756,530.45	1,738,833,686.67	32,042,953.81	173,097,303.06	3,483,730,473.99
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	111,929,996.31	239,090,204.44	8,474,094.52	36,984,666.08	396,478,961.35
(1) Accrual	59,795,070.89	119,759,476.95	4,223,942.76	27,041,816.34	210,820,306.94

(continued)

Item	Houses and building	Machinery equipment	Transportation equipment	Electronic equipment and office equipment, etc.	Total
(2) Increase by business combination	52,134,925.42	119,330,727.49	4,250,151.76	9,942,849.74	185,658,654.41
3. Amount decreased in current period	6,152,141.48	46,097,351.50	1,963,844.18	5,646,794.18	59,860,131.34
(1) Disposal or scrap	6,152,141.48	46,097,351.50	1,963,844.18	5,646,794.18	59,860,131.34
4. Closing Balance	342,594,926.93	597,986,893.92	18,669,157.81	87,708,190.39	1,046,959,169.05
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	114,283.74	18,058,389.60	25,258.85	1,268,634.57	19,466,566.76
(1) Accrual	114,283.74	17,934,935.93	25,258.85	1,268,634.57	19,343,113.09
(2) Increase by business combination		123,453.67			123,453.67
3. Amount decreased in current period	2,519,312.78	961,311.12			3,480,623.90
(1) Disposal or scrap	2,519,312.78	961,311.12			3,480,623.90
4. Closing Balance	43,277,161.98	79,082,344.13	25,258.85	1,403,941.10	123,788,706.06
IV. Book value					
1. Ending book value	1,153,884,441.54	1,061,764,448.62	13,348,537.15	83,985,171.57	2,312,982,598.88
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
Houses and building	36,623.93	20,875.64		15,748.29	Not needed for now
Machinery equipment	19,344,692.84	6,728,533.02	1,577,941.09	11,038,218.73	Not needed for now
Electronic equipment and office equipment, etc.	744,047.66	491,113.97	215,296.39	37,637.30	Not needed for now
Total	20,125,364.43	7,240,522.63	1,793,237.48	11,091,604.32	

(3) Fixed assets leased out by operating lease

Unit: yuan

Item	Ending book value
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(4) Fixed assets without certificate of title

Unit: yuan

Item	Book value	Reasons for not obtaining the certificate of title
Winner Medical (Tianmen) - Intelligent 3D e-commerce warehouse for pure cotton business	47,683,114.19	The formalities have not yet been completed
Winner Medical (Tianmen) No.2 Workshop for finished products	12,875,182.55	The formalities have not yet been completed

Other description:

(5) Liquidation of fixed assets

Unit: yuan

Item	Closing Balance	Beginning balance
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22. Construction in progress

Unit: yuan

Item	Closing Balance	Beginning balance
Construction in progress	765,009,910.63	216,096,622.30
Total	765,009,910.63	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
Winner Medical (Wuhan) engineering project	375,173,643.40		375,173,643.40	75,214,244.85		75,214,244.85
Winner Medical (Jiayu) engineering project	165,245,291.40		165,245,291.40	4,821,946.07		4,821,946.07
Winner Medical (Huanggang) engineering project	83,828,495.28		83,828,495.28	264,970.51		264,970.51
Jingmen infrastructure project	36,276,311.67		36,276,311.67			
Winner Medical (Shenzhen) engineering project	12,844,241.04		12,844,241.04			
Winner Guilin engineering project	1,877,054.35		1,877,054.35			
Tianmen infrastructure project	397,954.71		397,954.71	28,206,760.19		28,206,760.19
Other equipment to be installed and sporadic projects	100,232,398.78	10,865,480.00	89,366,918.78	109,049,108.52	1,460,407.84	107,588,700.68

Total 775,875,390.63 10,865,480.00 765,009,910.63 217,557,030.14 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	Ending balance	Proportion of total project input to the budget	Progress of works	Accumulated amount of interest capitalization	Including interest capitalization rate in the current period	Interest capitalization rate in the current period	Source of funds
Integrated Workshop Project of Winner Medical (Huanggang)	85,000,000.00		83,828,495.28			83,828,495.28	98.62%	80.00%				Others
Full Servo Straight Pack Sanitary Napkin Production Equipment (Line 4, Line 5) of Winner Medical (Huanggang)	45,000,000.00		41,378,064.05			41,378,064.05	91.95%	80.00%				Others
Winner Industrial Park (Jiayu) Project Construction Engineering of Workshop 1-4	272,380,000.00		141,859,864.32			141,859,864.32	52.08%	57.00%				Others
Comprehensive Workshop Engineering of Winner Medical (Jingmen)	73,000,000.00		36,276,311.67			36,276,311.67	49.69%	70.00%				Others
Pile Foundation Works for Phase II 1-3 Sorting Center of Winner Medical (Wuhan)	268,000,000.00	10,000,000.00	174,403,669.79			184,403,669.79	68.81%	80.00%				Others
Winner Medical (Wuhan) Phase II Main Project	110,871,722.11	49,892,274.96	41,653,183.68			91,545,458.64	82.57%	90.00%				Others
Automated Storage Engineering in Phase II Plant of Winner Medical (Wuhan)	96,000,000.00		21,238,938.05			21,238,938.05	22.12%	10.00%				Others
R&D Center Project of Winner Medical (Wuhan)	35,666,270.00		19,632,809.17			19,632,809.17	55.05%	70.00%				Others
Shift Building and Canteen Expansion Project of Winner Medical (Wuhan)	33,213,730.00		19,928,238.00			19,928,238.00	60.00%	75.00%				Others
High Yield Carding Machine and Cotton Cleaning Workshop Equipment of Winner Medical (Wuhan)	16,000,000.00	15,044,247.76		15,044,247.76				100.00%				Others
Spunlaced Three-line Non-woven Fabric Carding Machine and Spun-laced Machine of Winner Medical (Wuhan)	37,000,000.00	36,849,434.96		36,849,434.96				100.00%				Others
Medical Industry Building of Winner Medical (Shenzhen)	261,723,960.00		2,741,232.41			2,741,232.41	1.05%	2.00%				Others
Chengdu Wenjiang Plant Decoration Project of Winner Medical (Shenzhen)	22,446,099.00		10,103,008.63			10,103,008.63	45.01%	50.00%				Others
Plant Construction Project for Medical Glove Production Line Expansion and	180,450,000.00		1,877,054.35			1,877,054.35	1.04%	2.27%				Others

Transformation of Winner Guilin							
Infrastructure Project for Automated Warehouse Project of Winner Medical (Tianmen)	48,000,000.00	26,422,018.34	243,683.49	26,665,701.83		100.00%	Others
Equipment and Installation Engineering for Automated Warehouse Project of Winner Medical (Tianmen)	22,950,000.00	6,092,920.35	9,139,380.53	15,232,300.88		100.00%	
Spunlace Phase III Finished Product Workshop Project of Winner Medical (Tianmen)	7,600,000.00	4,880,733.94	1,045,871.56	5,926,605.50		100.00%	Others
Total	1,615,301,781.11	149,181,630.31	605,349,804.98	99,718,290.93	654,813,144.36		

(3) Provision for impairment of construction in progress in current period

Unit: yuan

Item	Current accrued amount	Reason for accrual
Belt pressing and threading machine for N95 masks	9,899,180.00	Decreased market demand for N95 masks, and decreased recoverable amount of special equipment
23 tablet machine for intelligent manufacturing project	966,300.00	Decreased market demand for N95 masks, and decreased recoverable amount of special equipment
Total	10,865,480.00	--

Other description:

NA

(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) Productive 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
I. Original book value:		
1. Beginning balance	1,046,616,109.25	1,046,616,109.25
2. Amount increased in current period	242,292,425.07	242,292,425.07
(1) New lease	241,242,632.81	241,242,632.81
(2) Increase by business combination	1,217,168.40	1,217,168.40
(3) Exchange rate movement	(167,376.14)	(167,376.14)
3. Amount decreased in current period	371,924,381.21	371,924,381.21
(1) Disposal	371,924,381.21	371,924,381.21
4. Closing Balance	916,984,153.11	916,984,153.11
II. Accumulated depreciation		
1. Beginning balance	514,880,665.81	514,880,665.81
2. Amount increased in current period	215,592,225.81	215,592,225.81
(1) Accrual	215,305,161.48	215,305,161.48
(2) Increase by business combination	343,342.93	343,342.93
(3) Exchange rate movement	(56,278.60)	(56,278.60)
3. Amount decreased in current period	285,844,864.15	285,844,864.15
(1) Disposal	285,844,864.15	285,844,864.15
4. Closing Balance	444,628,027.47	444,628,027.47
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	472,356,125.64	472,356,125.64
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
I. Original book value:								
1. Beginning balance	266,174,018.88	1,573,637.86		1,710,590.99	57,653,383.29	10,228,226.53		337,339,857.55
2. Amount increased in current period	300,726,294.69	268,369,916.64		65,633,484.32	45,492,432.55		180,488,908.40	860,711,036.60
(1) Purchase	142,022,281.98				22,052,741.70			164,075,023.68
(2) Internal R&D								
(3) Increase by business combination	158,704,012.71	268,369,916.64		65,633,484.32	23,439,690.85		180,488,908.40	696,636,012.92
3. Amount decreased in current period				253,094.34	19,400,242.27			19,653,336.61
(1) Disposal				253,094.34	19,400,242.27			19,653,336.61
4. Closing Balance	566,900,313.57	269,943,554.50		67,090,980.97	83,745,573.57	10,228,226.53	180,488,908.40	1,178,397,557.54
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	23,374,782.31	21,654,886.22		5,789,170.62	20,563,375.38		5,032,605.48	76,414,820.01
(1) Accrual	8,299,689.78	19,580,214.16		3,327,542.74	19,429,103.99		5,032,605.48	55,669,156.15
(2) Increase by business combination	15,075,092.53	2,074,672.06		2,461,627.88	1,134,271.39			20,745,663.86
3. Amount decreased in current period				86,473.90	2,679,558.92			2,766,032.82
(1) Disposal				86,473.90	2,679,558.92			2,766,032.82
4. Closing Balance	51,413,899.49	22,902,340.61		7,377,554.38	48,333,127.60	10,228,226.53	5,032,605.48	145,287,754.09
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	515,486,414.08	247,041,213.89	59,713,426.59	35,412,445.97	175,456,302.92	1,033,109,803.45
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
Winner Medical (Shenzhen) - North Side of Guifang Road, Guanlan Street Planning	27,533,333.33	Land and real estate are regarded as a whole, a real estate certificate can only be applied after the project completion.
Winner Medical (Hunan) - Infusion class Phase II land	110,532,032.00	Land and real estate are regarded as a whole, a real estate certificate can only be applied after the project completion.
Total	138,065,365.33	

Other description:

27. Development expenditure

Unit: yuan

Item	Beginning balance	Amount increased in current period		Amount decreased in current period		Closing Balance
		Internal development expenditure	Others	Recognized as intangible assets	Transfer to current profit and loss	
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 Increase by business acquisition	Decrease in current period 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 Zhejiang Longterm		390,472,978.67	390,472,978.67
Business combination not under common control - Acquisition of Winner Guilin		244,814,604.75	244,814,604.75
Business combination not under common control- Acquisition Winner Medical (Hunan)		388,989,258.26	388,989,258.26
Business combination not under common control - Acquisition of Junjian Medical		20,397,972.33	20,397,972.33
Total	2,681,232.09	1,044,674,814.01	1,047,356,046.10

(2) Provision for impairment of goodwill

Unit: yuan

invested entity name or goodwill forming matter	Beginning balance	Increase in current period Accrual	Decrease in current period Disposal	Closing Balance
Business combination not under common control - Acquisition of Malaysia Winner	2,681,232.09			2,681,232.09
Total	2,681,232.09			2,681,232.09

Information relating to the asset group or asset group portfolio of goodwill

Book value of asset group or asset group portfolio	Main composition	Book value of asset group or asset group portfolio with goodwill	Recognition method	Any change in the current period
680,226,310.79	Long-term assets of Zhejiang Longterm and its subsidiaries	1,390,177,181.10	Where there is active markets for products produced by the asset group of goodwill may generate independent cash flows, the asset group can be identified as a separate asset group portfolio	No
152,394,391.38	Operating long-term assets of Winner Guilin	397,208,996.13	Where there is active markets for products produced by the asset group of goodwill may generate independent cash flows, the asset group can be identified as a separate asset group portfolio	No
420,236,363.62	Long-term assets of Winner Medical (Hunan) and its subsidiaries	986,450,713.34	Where there is active markets for products produced by the asset group of goodwill may generate independent cash flows, the asset group can be identified as a separate asset group portfolio	No
122,612,354.43	Long-term assets of Junjian Medical	143,010,326.76	Where there is active markets for products produced by the asset group of goodwill may generate independent cash flows, the asset group can be identified as a separate asset group portfolio	No

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:

(1) Goodwill impairment tests

Item	Zhejiang Longterm and its subsidiaries	Winner Guilin	Winner Medical (Hunan) and its subsidiaries	Junjian Medical
Book balance of goodwill ①	390,472,978.67	244,814,604.75	388,989,258.26	20,397,972.33
Balance of provision for impairment of goodwill ②				
Book value of goodwill ③ = ① - ②	390,472,978.67	244,814,604.75	388,989,258.26	20,397,972.33
The goodwill value that has not been recognized as a minority equity ④	319,477,891.64		177,225,091.46	
The goodwill value that was not recognized as a minority equity at the beginning of the period ⑤				
Adjusted book value of goodwill ⑥ = ③ + ④ + ⑤	709,950,870.31	244,814,604.75	566,214,349.72	20,397,972.33
Book value of asset group ⑦	680,226,310.79	152,394,391.38	420,236,363.62	122,612,354.43
Book value of asset group including overall goodwill ⑧ = ⑥ + ⑦	1,390,177,181.10	397,208,996.13	986,450,713.34	143,010,326.76

[Note] The estimated future recoverable amount of Zhejiang Longterm and its subsidiaries, Winner Guilin, Winner Medical (Hunan) and its subsidiaries, as well as Junjian Medical will be calculated based on the present value of their estimated future cash flows, which are based on the forecast of cash flow for the next five years approved by the Company.

(2) Important assumptions and basis, key parameters

① Important assumptions and basis

- A. The accounting policies adopted by the Company during the income forecast period are substantially consistent with those adopted in important aspects;
- B. The income forecast is based on the development plan under the condition of maintaining the existing business scope and going concern;
- C. It is assumed that the enterprise involved in the above asset group continues to operate at its current management level on the testing base date, without considering the impact of the management level of the enterprise's future owner on its future income;
- D. It is assumed that there is no significant change in the current laws, regulations, policies and macroeconomic situation of the country, and there is no significant change in the political, economic and social environment of the region where the enterprise involved in the tested asset group is located;
- E. There will be no significant changes in interest rates, tax bases, tax rates, policy-imposed fees, etc.

② Key parameters:

Item	Forecast period	Growth rate in the forecast period	Growth rate in the stable period	Profit margin	Discount rate [Note 1]
Zhejiang Longterm and its subsidiaries	2023 - 2027 (followed by stable period)	[Note 2]	Unchanged	Based on projected income, costs, expenses, etc	12.22%
Winner Guilin	2023 - 2027 (followed by stable period)	[Note 3]	Unchanged	Based on projected income, costs, expenses, etc	11.49%
Winner Medical (Hunan) and its subsidiaries	2023 - 2027 (followed by stable period)	[Note 4]	Unchanged	Based on projected income, costs, expenses, etc	11.91%
Junjian Medical	2023 - 2027 (followed by stable period)	[Note 5]	Unchanged	Based on projected income, costs, expenses, etc	11.40%

[Note 1] The discount rate refers to the weighted average capital-cost rate (before tax) based on the capital pricing model.

[Note 2] Zhejiang Longterm and its subsidiaries are mainly engaged in the research and development, production and sales of products related to wound care, puncture care, stoma care, disinfection, minimally invasive and others. Based on a comprehensive analysis of its signed contracts, agreements, development plans, business trends over the years, market competition and other factors, according to specific product categories, it is predicted that the income growth rates from 2023 to 2027 will be 18.33%, 14.45%, 11.62%, 9.71% and 7.79%, respectively. The income during the stable period is consistent with the predicted income amount in 2027.

[Note 3] Winner Guilin is mainly engaged in the research and development, production and sales of products such as medical gloves, protective gloves and condoms. Based on a comprehensive analysis of its signed contracts, agreements, development plans, business trends over the years, market competition and other factors, according to specific product categories, it is predicted that the income growth rates from 2023 to 2027 will be -3.24%, 8.17%, 21.94%, 1.26% and 1.71%, respectively. The income during the stable period is consistent with the predicted income amount in 2027.

[Note 4] Winner Medical (Hunan) and its subsidiaries are mainly engaged in the research and development, production and sales of disposable sterile infusion medical devices. Based on a comprehensive analysis of its signed contracts, agreements, development plans, business trends over the years, market competition and other factors, according to specific product categories, it is predicted that the income growth rates from 2023 to 2027 will be 13.18%, 21.77%, 42.87%, 15.60% and 8.88%, respectively. The income during the stable period is consistent with the predicted income amount in 2027.

[Note 5] Junjian Medical is mainly engaged in the sales of medical equipment. Based on a comprehensive analysis of its signed contracts, agreements, development plans, business trends over the years, market competition and other factors, according to specific product categories, it is predicted that the income growth rates from 2023 to 2027 will be -54.10%, -1.15%, -0.73%, -0.23% and 0.18%, respectively. The income during the stable period is consistent with the predicted income amount in 2027.

According to the test, there is no impairment in the goodwill formed by the acquisition of Zhejiang Longterm and its subsidiaries, Winner Guilin, Winner Medical (Hunan) and its subsidiaries, and Junjian Medical during the current period.

Impact of goodwill impairment tests

There is no commitment to the business combination resulting in goodwill in the current period.

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	10,993,255.06	12,360,654.97	3,584,118.63	38,774,369.19
Decoration expenses for operating leased fixed assets	131,059,883.10	45,822,936.06	61,052,678.90	21,912,223.42	93,917,916.84
Total	174,785,770.83	56,816,191.12	73,413,333.87	25,496,342.05	132,692,286.03

Other description:

30. Deferred income tax assets / 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	635,561,435.85	113,878,209.59	308,989,374.25	55,407,470.14
Unrealized profit of internal transaction	176,701,413.90	33,954,186.63	114,388,686.49	23,660,535.47
Deductible loss	121,028,998.43	29,902,881.36	60,670,842.73	15,167,710.69
Dismissal welfare	2,858,415.48	483,093.52	2,315,103.48	347,265.52
Deferred income	98,791,412.91	14,929,042.38	109,625,401.82	17,710,015.89
Member points	9,067,179.42	2,266,794.86	10,319,207.78	2,579,801.95
Estimated liabilities	2,781,740.46	624,681.92	1,881,955.47	410,114.78
Advertising expenses in excess of the tax deductible limit	1,176,743.33	176,511.50	39,046,992.53	5,857,048.88
Equity incentive fee			10,509,464.48	1,576,419.67
Changes in fair value of trading financial assets	5,189,000.26	778,350.04		
Total	1,053,156,340.04	196,993,751.80	657,747,029.03	122,716,382.99

(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	665,595,964.73	109,308,421.87		
Changes in fair value of trading financial assets	1,983,960.49	304,114.59	27,097,991.08	4,242,794.56
Depreciation of fixed assets	149,207,192.40	22,381,078.85	52,132,715.97	9,094,365.12
Others	11,223,250.00	1,683,487.50		
Total	828,010,367.62	133,677,102.81	79,230,707.05	13,337,159.68

(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		196,993,751.80		122,716,382.99
Deferred income tax liabilities		133,677,102.81		13,337,159.68

(4) Details of unrecognized deferred income tax assets

Unit: yuan

Item	Closing Balance	Beginning balance
Deductible loss	251,019,604.38	206,266,023.76
Provision for impairment of assets and amortization of depreciation	7,053,355.76	5,372,991.42
Dismissal welfare	996,517.00	
Total	259,069,477.14	211,639,015.18

(5) Deductible losses on unrecognized deferred income tax assets will expire in the following year

Unit: yuan

Year	Closing balance	Beginning amount	Remark
2022		14,402,997.46	
2023	25,574,944.59	25,574,944.59	
2024	48,794,287.92	48,810,687.88	
2025	46,546,726.71	44,934,541.40	
2026	74,343,804.38	65,783,169.18	
2027	55,364,880.58		
No maturity date	394,960.20	6,759,683.25	
Total	251,019,604.38	206,266,023.76	

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 payment / equipment purchase payment / advance store engineering and decoration payment	83,524,640.64		83,524,640.64	115,571,001.80		115,571,001.80
Total	83,524,640.64		83,524,640.64	115,571,001.80		115,571,001.80

Other description:

32. Short-term loans

(1) Classification of short-term loans

Unit: yuan

Item	Closing Balance	Beginning balance
Guaranteed borrowing	5,000,000.00	
Debt of honor	100,000,000.00	
Bill financing	1,130,050,000.00	
Trade financing (Letter of Credit, etc.)	1,000,000,000.00	
Mortgage + Guaranteed borrowing	60,000,000.00	
Borrowing interest	168,930.85	
Total	2,295,218,930.85	

Description on the classification of short-term borrowing:

Bill discount:

- Winner Medical (Shenzhen) signed Bank Acceptance Agreements with Industrial and Commercial Bank of China Shenzhen Longhua Branch during the period from March to May 2022: 0400000014-2022 (Acceptance Agreement) No. 00046, 0400000014-2022 (Acceptance Agreement) No. 00047, 0400000014-2022 (Acceptance Agreement) No. 00048, 0400000014-2022 (Acceptance Agreement) No. 00019, 0400000014-2022 (Acceptance Agreement) No. 00110, 0400000014-2022 (Acceptance Agreement) No. 00107, Bank Acceptance Agreements: 0400000014-2022 (Acceptance Agreement) No. 00200, 0400000014-2022 (Acceptance Agreement) No. 00202, 0400000014-2022 (Acceptance Agreement) No. 00757, 0400000014-2022 (Acceptance Agreement) No. 00758, 400000014-2022 (Acceptance Agreement) No. 00756, Bank Acceptance Agreement: 0400000014-2022 (Acceptance Agreement) No. 00180, 0400000014-2022 (Acceptance Agreement) No. 00181, 0400000014-2022 (Acceptance Agreement) No. 00182, with a total amount of RMB 480,000,000.00 and a rate of 1.20%-2.10%. As of December 31, 2022, all bills not matured have been fully discounted.
- Winner Medical (Shenzhen) signed Bank Acceptance Agreements with Agricultural Bank of China Shenzhen Jinxiu Jiangnan Branch during the period from October to November 2022: 81180120220000657, 81180120220000603, 81180120220000597, with a total amount of RMB 300,000,000.00 and a rate of 1.35-1.55%. As of December 31, 2022, all bills not matured have been fully discounted.
- Winner Medical (Shenzhen) signed Bank Acceptance Agreements with Bank of China Limited Shenzhen Longhua Branch during the period from May to Decemeber 2022: 02022 Z.Z.Y.H.C.S.Zi No.0024-1, 2022 Z.Z.Y.H.C.S.Zi No.0024-2, 2022 Z.Z.Y.H.C.S.Zi No.0024-3, with a total amount of RMB 300,000,000.00 and a rate of 1.05-1.69%. As of December 31, 2022, the matured bills of RMB 100,000,000.00 (RMB 100 million) have been repaid, while the remaining RMB 200,000,000.00 not yet matured has been fully discounted.
- Shenzhen Purcotton signed a Bank Acceptance Agreements with Industrial and Commercial Bank of China Shenzhen Longhua Branch in March to May and December of 2022: 0400000014-2022 (Acceptance Agreement) No. 00203, 0400000014-2022 (Acceptance Agreement) No. 00199, 0400000014-2022 (Acceptance Agreement) No. 00760, 0400000014-2022 (Acceptance Agreement) No. 00761, 0400000014-2022 (Acceptance Agreement) No. 00759, with a total amount of RMB 150,000,000.00 and a rate of 1.20%-1.35%. As of December 31, 2022, all bills not matured have been fully discounted.
- On December 27, 2022, Longterm Medical signed an export factoring financing contract with the Bank of China Limited Deqing Branch. The contract was numbered DQ 2022 WT 034, with a value of RMB 50,000.00, the expiration date on May 25, 2023 and an interest rate of 3.55%. As of December 31, 2022, the amount has not been returned.

Trade financing (Letter of Credit, etc.):

1. On February 28, 2022, Winner Medical (Shenzhen) opened a letter of credit with the number of 744101KL22000008 at China CITIC Bank Shenzhen Branch, with an amount of RMB 100,000,000.00 and an interest rate of 2.65%. The credit agreement was numbered 2022 S.Y.L.H.Z.Zi No. 0001, with a limit of RMB 300,000,000.00. The beneficiary was Winner Medical (Chongyang), without relevant mortgage guarantee. As of December 31, 2022, this letter of credit not matured has been discounted.
2. On March 24, 2022, Winner Medical (Shenzhen) opened a letter of credit with the number of 744101KL220000021 at China CITIC Bank Shenzhen Branch, with an amount of RMB 100,000,000.00 and an interest rate of 2.50%. The credit agreement was numbered 2022 S.Y.L.H.Z.Zi No.0001, with a limit of RMB 300,000,000.00. The beneficiary was Winner Medical (Chongyang), without relevant mortgage guarantee. As of December 31, 2022, this letter of credit not yet matured has been discounted.
3. On June 28, 2022, Winner Medical (Shenzhen) opened a letter of credit with the number of EL7552200358 at China Merchants Bank Shenzhen Branch, with an amount of RMB 200,000,000.00 and an interest rate of 1.68%. The credit agreement was numbered 755XY2022014777, with a limit of RMB 700,000,000.00. The beneficiary was Winner Medical (Chongyang), without relevant mortgage guarantee. As of December 31, 2022, this letter of credit not matured has been discounted.
4. On July 26, 2022, Winner Medical (Shenzhen) opened a letter of credit with the number of 744101KL220000051 at China CITIC Bank Shenzhen Branch, with an amount of RMB 100,000,000.00 and an interest rate of 1.61%. The credit agreement number is 2022 S.Y.L.H.Z.Zi No. 0001, with a limit of RMB 300,000,000.00. The beneficiary was Winner Medical (Chongyang), without relevant mortgage guarantee. As of December 31, 2022, this letter of credit not matured has been discounted.
5. On July 21, 2022, Winner Medical (Shenzhen) opened a letter of credit with the number of EL7552200402 at China Merchants Bank Shenzhen Branch, with an amount of RMB 100,000,000.00 and an interest rate of 1.67%. The credit agreement was numbered 755XY2022014777, with a limit of RMB 700,000,000.00. The beneficiary was Winner Medical (Chongyang), without relevant mortgage guarantee. As of December 31, 2022, this letter of credit not matured has been discounted.
6. On July 28, 2022, Winner Medical (Shenzhen) opened a letter of credit with the number of EL7552200434 at China Merchants Bank Shenzhen Branch, with an amount of RMB 200,000,000.00 and an interest rate of 1.25%. The credit agreement was numbered 755XY2022014777, with a limit of RMB 700,000,000.00. The beneficiary was Winner Medical (Huanggang), without relevant mortgage guarantee. As of December 31, 2022, this letter of credit not matured has been discounted.
7. On September 15, 2022, Purcotton Technology Co., Ltd. opened a letter of credit with the number of LC7552200014 at China Merchants Bank Shenzhen Branch, with an amount of RMB 90,000,000.00 and an interest rate of 1.33%. The credit agreement was numbered 755XY2022015269, with a limit of RMB 300,000,000.00 (RMB 300 million). The beneficiary was Winner Medical (Huanggang), without relevant mortgage guarantee. As of December 31, 2022, this letter of credit not matured has been discounted.
8. On September 16, 2022, Winner Medical (Shenzhen) opened a letter of credit with the number of LC7552200019 at China Merchants Bank Shenzhen Branch, with an amount of RMB 110,000,000.00 and an interest rate of 1.29%. The credit agreement was numbered 755XY2022014777, with a limit of RMB 700,000,000.00. The beneficiary was Winner Medical (Huanggang), without relevant mortgage guarantee. As of December 31, 2022, this letter of credit not matured has been discounted.

Credit loan:

1. On May 12, 2022, Winner Medical (Shenzhen) signed a Working Capital Loan Contract with Bank of China Limited Shenzhen Longhua Branch (the Contract was numbered 2022 Z.Z.Y.H.J.Zi No.0024-1). The Contract was a single agreement under the *Credit Line Agreement* numbered 2020 Z.Z.Y.H.E.X.Zi No.0024 signed by and between Winner Medical Co., Ltd. and Bank of China Limited Shenzhen Longhua Branch. The loan amount was RMB 100,000,000.00, and the interest rate was 2.85%. The loan period is from May 16, 2022 to May 16, 2023, and there is no relevant mortgage guarantee. As of December 31, 2022, the loan has not been repaid.

Mortgage + Guaranteed borrowing:

- On January 19, 2022, Longterm Medical signed a Working Capital Loan Contract with the Deqing Branch of Hangzhou Bank Co., Ltd. The contract was numbered 137C110202100002, with a loan amount of RMB 5,000,000.00, the expiration date on January 18, 2023 and an interest rate of 4.2%. Wu Kangping/Huang Lepei provided guarantees for two loans and signed a guarantee contract numbered 137C11020210000102/103/104. As of December 31, 2022, the loan has not been repaid.
- In 2022, Longterm Medical signed three working capital loan contracts with Bank of China Limited Deqing Branch: 1) the contract signed on February 24, 2022, with the number of DQ 2022 R.J. 030, a loan amount of RMB 30,000,000.00, maturity date on February 23, 2023, and an interest rate of 3.9%. As of December 31, 2022, there are still RMB 5,000,000.00 remains unrepaid; 2) the contract signed on June 16, 2022, with the number of DQ 2022 R.J. 096, a loan amount of RMB 20,000,000.00, maturity date on June 15, 2023, and an interest rate of 3.9%. As of December 31, 2022, it has not been repaid; 3) the contract signed on December 26, 2022, with the number of DQ 2022 R.J. 221, a loan amount of RMB 25,000,000.00, maturity date on August 22, 2023, and an interest rate of 3.9%. As of December 31, 2022, it has not been repaid. Wu Kangping and his wife Huang Lepei provided guarantees for the above three loans and signed a guarantee contract numbered DQ 2022 R.B. 016; Longterm Medical mortgaged the property with a value of RMB 18,594,000.00 and signed a mortgage contract numbered DQ 2021 R.D. 010; Longterm Medical mortgaged the industrial land and plant with a value of RMB 167,620,000.00 and signed a mortgage contract numbered DQ 2021 R.D. 002. Longterm Medical mortgaged the industrial land and plant with a value of RMB 164,670,000.00 and signed a mortgage contract numbered DQ 2022 R.D. 074.

Guaranteed borrowing:

- On April 8, 2022, Zhejiang Longterm signed a working capital loan contract with Huzhou Deqing Branch of Industrial Bank Co., Ltd. The contract number was X.Y.H.D.Q.L.D. No.W20220328-1, with a loan amount of RMB 5,000,000.00, the maturity date on April 7, 2023, and an interest rate of 3.08%. Another contract number was X.Y.H.D.Q.L.D. No. W20220328-2, with a loan amount of RMB 5,000,000.00, maturity date on April 7, 2023, and an interest rate of 3.80%. Wu Kangping/Huang Lepei and Longterm Medical provided guarantees for the loan and signed a guarantee contract numbered X.Y.H.D.Q.B. No.W20210412. Longterm Medical mortgaged industrial real estate and signed a mortgage contract numbered X.Y.H.D.Q.D. No. 20210625, with a mortgage amount of RMB 11,825,991.00. As of December 31, 2022, the above two loans have not been repaid.

(2) short-term loans unpaid overdue

The total amount of overdue short-term loans at the end of the period is RMB XXXX, of which the important overdue short-term borrowings are as follows:

Unit: yuan

Borrower	Closing Balance	Borrowing interest rate	Overdue time	Overdue interest rate
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Other description: N/A

33. Trading financial liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
Including:		
Including:		

Other description: N/A

34. Derivative financial liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
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Other description: N/A

35. Notes payable

Unit: yuan

Type	Closing Balance	Beginning balance
Bank acceptance bill	24,760,000.00	36,200,130.04
Total	24,760,000.00	36,200,130.04

The total amount of notes payable due and unpaid 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)	1,094,753,592.92	714,681,791.55
1 to 2 years (including 2 years)	19,338,059.30	16,519,858.09
2 to 3 years (including 3 years)	2,914,279.27	2,213,757.41
More than 3 years	2,568,587.09	1,106,083.55
Total	1,119,574,518.58	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
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Other description: N/A.

37. Advance from customers

(1) Presentation of advance from customers

Unit: yuan

Item	Closing Balance	Beginning balance
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(2) Important advances from customers with the aging more than 1 year

Unit: yuan

Item	Closing Balance	Reasons for failure of payment or carryover
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38. Contract liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
Customer consideration received	557,752,074.66	330,856,457.64
Member points	9,067,179.42	10,319,207.78
Total	566,819,254.08	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
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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	1,786,566,427.11	1,660,006,341.53	301,139,811.76
II. Welfare after dismissal - defined contribution plan	7,786,354.86	116,237,654.55	116,568,512.27	7,455,497.14
III. Dismissal welfare	2,315,103.48	12,440,659.44	10,900,830.44	3,854,932.48
IV. Other welfare due within 1 year		36,880.12	36,880.12	
Total	184,681,184.52	1,915,281,621.22	1,787,512,564.36	312,450,241.38

(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	1,650,452,245.55	1,524,704,914.13	297,664,958.99
2. Welfare expenses for employees	1,898,566.41	42,631,886.13	41,741,236.48	2,789,216.06
3. Social security	583,615.98	55,140,209.98	55,314,428.77	409,397.19
Including: medical insurance premium	391,727.18	49,177,465.94	49,336,817.71	232,375.41
Industrial injury insurance premium	127,114.57	3,341,754.91	3,344,431.49	124,437.99
Birth insurance premium	64,774.23	2,620,989.13	2,633,179.57	52,583.79
4. Housing accumulation fund	5,184.00	35,996,506.01	35,997,747.01	3,943.00
5. Union dues and staff education fund	174,732.22	1,689,525.94	1,591,961.64	272,296.52
6. Short-term compensated absences		9,307.30	9,307.30	
7. Short-term profit sharing plan		646,746.20	646,746.20	
Total	174,579,726.18	1,786,566,427.11	1,660,006,341.53	301,139,811.76

(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	112,500,090.67	112,819,427.16	7,350,564.34
2. Unemployment insurance premium	116,454.03	3,737,563.88	3,749,085.11	104,932.80
Total	7,786,354.86	116,237,654.55	116,568,512.27	7,455,497.14

Other description:

40. Taxes payable

Unit: yuan

Item	Closing Balance	Beginning balance
Added value tax	96,897,978.48	4,177,794.77
Corporate income tax	197,571,709.68	80,626,257.39
Individual income tax	4,579,372.68	2,915,638.55
Urban maintenance and construction tax	8,167,572.37	484,733.91
Housing property tax	5,597,557.89	2,544,714.33
Education surcharge and local education surcharge	6,150,636.51	365,615.00
Land use tax	1,153,638.19	1,462,224.90
Environmental protection tax	35,809.57	22,044.78
Stamp duty	2,101,599.24	1,260,046.05
Total	322,255,874.61	93,859,069.68

Other description:

41. Other payables

Unit: yuan

Item	Closing Balance	Beginning balance
Other payables	570,843,242.88	443,946,028.46
Total	570,843,242.88	443,946,028.46

(1) Interest payable

Unit: yuan

Item	Closing Balance	Beginning balance
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Important overdue and unpaid interest:

Unit: yuan

Borrower	Overdue amount	Overdue reason
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Other description:

(2) Dividends payable

Unit: yuan

Borrower	Closing Balance	Beginning balance
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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 with related parties outside the scope of consolidation	83,907,582.49	
Intercourse funds with the third parties	19,647,462.33	20,895,856.79
Margin and deposit	170,299,618.40	162,215,690.65
Commission	58,911,887.83	76,615,789.42
Freight and other accrued expenses	222,336,599.71	176,844,834.39
Others	15,740,092.12	7,373,857.21
Total	570,843,242.88	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
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Other description: N/A.

42. Liabilities held for sales

Unit: yuan

Item	Closing Balance	Beginning balance
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Other description: N/A

43. Non-current liabilities due within one year

Unit: yuan

Item	Closing Balance	Beginning balance
Long-term borrowing due within one year	8,011,977.78	
Long-term payables due within one year	620,000.00	
Lease liabilities due within one year	207,314,911.54	216,181,531.82
Total	215,946,889.32	216,181,531.82

Other description:

Long-term borrowing due within one year:

1. Longterm Health signed a long-term loan contract numbered 8811120180040452 with Zhejiang Deqing Rural Commercial Bank Co., Ltd. on December 31, 2018 with a loan amount of RMB 28,000,000.00, a maturity date on December 20, 2023, and the borrowing rate of 4.00%. The mortgaged amount is RMB 53,712,324.86, and the mortgage contract numbered 8811320210000908 is signed with the real estate certificate [No. Zhejiang (2021) Deqing County Real Estate No. 0001524] of its Buildings No.1-6. As of December 31, 2022, the principal of the loan of RMB 8,000,000.00 remained unrepaid.

44. Other current liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
Refund payable	3,963,108.90	2,012,198.90
Output tax to be transferred	55,641,482.95	22,153,201.60
Total	59,604,591.85	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
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Description on the classification of long-term borrowing:

Other descriptions, including interest rate range:

46. Bonds payable

(1) Bonds payable

Unit: yuan

Item	Closing Balance	Beginning balance
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(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	365,030,013.20	431,547,562.69
Unrecognized financing expenses	-38,570,315.30	-49,738,637.60
Total	326,459,697.90	381,808,925.09

Other description:

48. Long-term payable

Unit: yuan

Item	Closing Balance	Beginning balance
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(1) Long-term payables listed by nature

Unit: yuan

Item	Closing Balance	Beginning balance
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Other description:

(2) Special accounts payable

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance	Causes
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Other description:

49. Long-term payroll payable

(1) Table of long-term payroll payable

Unit: yuan

Item	Closing Balance	Beginning balance
I. Welfare after dismissal - net liabilities of defined benefit plan	9,199,637.94	
Long-term payroll payable due within one year	-620,000.00	
Total	8,579,637.94	

(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
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Planned assets:

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
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Net liabilities (net assets) of defined benefit plan

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
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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
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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	6,439,144.46	17,273,133.37	98,791,412.91	Government subsidies related to assets
Total	109,625,401.82	6,439,144.46	17,273,133.37	98,791,412.91	

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
Special subsidy for provincial high-tech industry development projects in 2012 - Winner Medical (Huanggang)	218,752.67			218,752.67			0.00	Asset related
Subsidy for science and technology support								

plan projects of Hubei in 2014 (the second batch) - Winner Medical (Huanggang)	562,500.00	150,000.00	412,500.00	Asset related
Subsidy for company planning change due to Huanggang Chibi Avenue demolition - Winner Medical (Huanggang)	2,377,019.38	105,645.31	2,271,374.07	Asset related
Subsidy for R & D projects in Technology Center - the Company	755,328.89	210,556.48	544,772.41	Asset related
Reduction and exemption of the transfer fees of land use rights in the new medical bandage factory of Winner company in Pailou Town, Jingmen - Winner Medical (Jingmen)	609,650.00	20,320.00	589,330.00	Asset related
Subsidy funds for infrastructure construction of municipal government projects - Winner Medical (Chongyang)	8,856,862.50	413,550.00	8,443,312.50	Asset related
Subsidy funds for land and subsidy funds for sewage treatment - Winner Medical (Jiayu)	9,802,666.67	406,833.24	9,395,833.43	Asset related
Subsidy funds for extension project of cotton spun laced non-woven fabric (Line 8) in the Huanggang provincial budget investment plan in 2015 - Winner Medical (Huanggang)	225,000.00	60,000.00	165,000.00	Asset related
Special subsidy funds for industrial development in Huanggang City in 2014 - Winner Medical (Huanggang)	93,750.00	25,000.00	68,750.00	Asset related
Subsidy funds for key technical transformation and expansion project of industrial enterprise in Tianmen in 2015 - Winner Medical (Tianmen)	212,477.00	212,477.00	0.00	Asset related
Special subsidy funds urban industrial development in 2015 (construction of 2# sanitary products production line) - Winner Medical (Huanggang)	170,000.00	40,000.00	130,000.00	Asset related
Automatic transformation of surgical consumables production line - the Company	1,023,000.00	186,000.00	837,000.00	Asset related
Rewards for key industrial technological transformation and expansion projects of Tianmen in 2016 - Winner Medical (Tianmen)	262,481.00	50,004.00	212,477.00	Asset related
Subsidy for increasing production and expanding production in Tianmen in 2017 - Winner Medical (Tianmen)	85,000.00	15,000.00	70,000.00	Asset related
Subsidy for gas boilers in Yichang - Winner Medical (Yichang)	84,000.13	15,999.96	68,000.17	Asset related
Subsidy for second batch of traditional industry transformation in 2017 - Winner Medical (Huanggang)	1,098,165.26	209,174.28	888,990.98	Asset related
Cotton spun laced non-woven fabric project with the production of 15,000 tons in 2017 - Winner Medical (Tianmen)	396,226.55	79,245.24	316,981.31	Asset related
Key technical transformation and expansion projects (cotton spun laced wipes production line project) - Winner Medical (Tianmen)	594,595.00	108,108.00	486,487.00	Asset related
Production line project with an annual output of 120 million bales of cotton wipes in 2017 - Winner Medical (Tianmen)	599,134.56	107,307.72	491,826.84	Asset related
Special funds for second batch of the transformation and upgrading of traditional industries - Winner Medical (Yichang)	156,250.12	24,999.96	131,250.16	Asset related
Technical innovation subsidy for Phase II Expansion Project of Purcotton - Winner Medical (Jingmen)	4,325,520.65	166,366.20	4,159,154.45	Asset related
Key technical transformation and expansion projects (cotton spun laced wipes production project) - Winner Medical (Tianmen)	741,666.75	99,999.96	641,666.79	Asset related
20180311 Subsidies for research, science and innovation on the technology of thermo-responsive self-curing wound regeneration and repair materials - the Company	792,714.37	239,811.33	552,903.04	Asset related
Special funds for provincial traditional industry transformation and upgrading - the second batch of liquidation block fund subsidies in 2018 -	1,339,047.62	52,857.12	1,286,190.50	Asset related

Winner Medical (Jiayu)					
Subsidies for first batch of technological transformation award of industrial enterprises in 2018 - Winner Medical (Chongyang)	690,375.08		106,157.11	584,217.97	Asset related
Special funds for provincial traditional industry transformation and upgrading - the first batch of block funds allocation plan in Tianmen in 2019 - Winner Medical (Tianmen)	1,024,137.94		136,551.72	887,586.22	Asset related
First batch of traditional subsidies in 2019 - Winner Medical (Huanggang)	968,000.00		121,000.00	847,000.00	Asset related
Technical improvement subsidy for districts in 2019 - Winner Medical (Jingmen)	349,349.24		29,112.36	320,236.88	Asset related
Technical transformation project of key material production enterprises for Shenzhen public health event prevention and control in 2020 - the Company	17,500,000.00		2,000,000.00	15,500,000.00	Asset related
Special subsidy of Municipal Bureau of Economy and Information Technology for the issuance of technical transformation on emergency material support system construction - Winner Medical (Huanggang)	438,269.22		438,269.22	0.00	Asset related
Special funds from the central government's budget for municipal financial mask business expansion - Winner Medical (Huanggang)	56,470.58		56,470.58	0.00	Asset related
Subsidy for production of materials for public health events in 2020 - Winner Medical (Huanggang)	3,420,000.00		3,420,000.00	0.00	Asset related
Technical improvement subsidy for districts in 2019 - Winner Medical (Jingmen)	357,818.15		29,818.20	327,999.95	Asset related
Special funds for the transformation and upgrading of traditional industries in 2019 - Winner Medical (Jiayu)	696,428.60		26,785.68	669,642.92	Asset related
Subsidy for surgical gown production line project - Winner Medical (Chongyang)	3,279,279.27		432,432.44	2,846,846.83	Asset related
Subsidy for purchase of epidemic prevention equipment in key enterprises of "Three Batches" - Winner Medical (Chongyang)	4,979,327.73		563,697.48	4,415,630.25	Asset related
Special funds for the project on implementing the technical reformation policy of "Zero Land" in Wuhan and the municipal industrial investment and technical transformation of the Bureau for Science, Technology and Economic Information Technology of Xinzhou District - Winner Medical (Wuhan)	7,126,566.91		582,288.70	6,544,278.21	Asset related
Subsidy for capacity expansion & technical upgrading of enterprises producing materials for public health events - Winner Medical (Wuhan)	2,779,116.66		591,720.31	2,187,396.35	Asset related
Provincial subsidy for purchasing equipment in key enterprise of "Three Batches" - Winner Medical (Huanggang)	2,522,692.27		2,522,692.27	0.00	Asset related
Special funds for the high-quality development of manufacturing in 2020 - Winner Medical (Huanggang)	2,691,588.78		336,448.60	2,355,140.18	Asset related
Technical transformation funds for urban areas in 2021 - Winner Medical (Huanggang)	1,040,625.00	470,000.00	151,666.65	1,358,958.35	Asset related
Equipment subsidies for public health events in 2021 - Winner Medical (Jingmen)	5,525,000.00		1,700,000.00	3,825,000.00	Asset related
2020 Provincial special funds for the high-quality development of manufacturing - Winner Medical (Jiayu)	903,508.78		105,263.16	798,245.62	Asset related
Annual equipment investment subsidies (Spunlace Phase III, warehouse establishment) - Winner Medical (Tianmen)	15,000,000.00		375,000.00	14,625,000.00	Asset related
1 million provincial special funds for the development of manufacturing - Winner Medical (Wuhan)	895,694.83		125,460.48	770,234.35	Asset related
Received subsidies from the development of	1,558,860.54	400,000.00	34,910.04	1,923,950.50	Asset related

the emergency material security system of central government for production capacity improvement - Winner Medical (Wuhan)				
Technical transformation funds for urban areas in 2022 - Winner Medical (Huanggang) (1*)	4,094,200.00		4,094,200.00	Asset related
Award for technical upgrading project - Winner Medical (Chongyang)	600,000.00	65,454.55	534,545.45	Asset related
Industrial support funds for multi-layer baby facial towel production projects in 2022 - Winner Medical (Yichang)	276,482.00	5,900.51	270,581.49	Asset related
Special fund for high quality development of manufacturing in Zhijiang in 2021 - Winner Medical (Yichang)	596,100.00	14,902.50	581,197.50	Asset related
Others	79,371.94	2,362.46	27,566.82	Asset related
Total	109,625,401.82	6,439,144.46	17,273,133.37	98,791,412.91

Other description:

1*According to the *Notice on Organizing the Application of Special Funds for the Transformation and Upgrading of Traditional Industries in 2021* (H.J.XB. [2021] No. 12), and the implemented *Notice of the Municipal Government Office on Issuing the Three Year (2021-2023) Action Plan to Support the New Round of Enterprise Technological Transformation*, On December 19, 2022 and November 4, 2022, Winner Medical (Huanggang) received RMB 2,594,200.00 and RMB 1,500,000.00 from Huanggang Economic and Information Technology Bureau and Management Committee of Huanggang High-tech Industrial Development Zone for urban technology transformation funds in 2022. The subsidy funds for this project mainly refer to the subsidies provided for sanitary napkins on Line 4 and Line 5. The total amount of the production line under construction is RMB 4,094,200.00, which has not been transferred to fixed assets.

52. Other non-current liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
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Other description:

53. Capital stock

Unit: yuan

	Beginning balance	New issue of shares	Increase/decrease (+, -)			Subtotal	Closing Balance
			Share donation	Share capital increase from reserved funds	Others		
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		3,373,485.57	88,485,055.94
Total	4,549,621,096.81		3,373,485.57	4,546,247,611.24

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 before current income tax	Amount incurred in current period				Attributable to the parent company after tax	Attributable to minority shareholders after tax	Closing Balance
			Less: amount included in other comprehensive income in previous period transferred into profit and loss in current period	Less: amount included in other comprehensive income in previous period transferred into retained income in current period	Less: Income tax expenses				
I. Other comprehensive income that can't be		601,000.00					601,000.00		601,000.00

reclassified into profit and loss				
Including:				
Changes arising from re-measurement for defined benefit plans	601,000.00		601,000.00	601,000.00
II. Other comprehensive income that will be reclassified into profit and loss	(1,556,935.43)	2,946,462.46	1,738,713.58	1,207,748.88
Balance arising from the translation of foreign currency financial statements	(1,556,935.43)	2,946,462.46	1,738,713.58	1,207,748.88
Total other comprehensive income	(1,556,935.43)	3,547,462.46	2,339,713.58	1,207,748.88

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
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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	1,650,582,427.43	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	6,810,953,829.30	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, RMB 0.00 of the undistributed profit at the beginning of the period was affected.
- 2) Due to the change of accounting policy, RMB 0.00 of the undistributed profit at the beginning of the period was affected.
- 3) Due to the correction of major accounting errors, RMB 0.00 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, RMB 0.00 of the undistributed profit at the beginning of the period was affected.
- 5) RMB 0.00 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	11,257,751,810.00	5,910,146,579.23	7,976,221,600.59	3,995,298,393.86
Other businesses	93,579,735.08	62,654,238.06	61,199,212.32	32,948,252.31
Total	11,351,331,545.08	5,972,800,817.29	8,037,420,812.91	4,028,246,646.17

Whether the net profit deducting non-recurring profit and loss after audit is negative

Yes No

Income related information:

Unit: yuan

Contract classification	Segment 1	Segment 2	Total
Type of goods			
Including:			
Main business	7,202,766,247.84	4,054,985,562.16	11,257,751,810.00
Other businesses	93,579,735.08		93,579,735.08
Classified by operating area			
Including:			
Domestic sales	5,989,724,998.43	4,054,985,562.16	10,044,710,560.59
Overseas sales	1,306,620,984.49		1,306,620,984.49
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:

None

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 RMB 0.00, of which RMB 0.00 is expected to be recognized as revenue in the year, RMB 0.00 is expected to be recognized as revenue in year 0, and RMB 0.00 is expected to be recognized as revenue in year 0.

Other description:

62. Taxes and surcharges

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Urban maintenance and construction tax	43,075,435.03	26,709,162.04
Education surcharge	19,248,049.13	12,172,848.90
Housing property tax	10,547,488.67	8,202,839.28
Land use tax	4,462,427.50	5,356,635.09
Stamp duty	7,410,934.06	4,334,626.82
Surcharge for local education	12,835,042.86	8,372,544.74
Vehicle and vessel tax	16,933.03	15,402.27
Environmental protection tax	490,930.04	140,942.02
Others		85,050.00
Total	98,087,240.32	65,390,051.16

Other description:

63. Selling expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	649,605,092.33	535,320,245.23
Travel expenses	12,266,843.44	14,589,718.50
Office communication costs	17,665,180.74	12,577,824.48
Sales commission	213,988,639.15	222,716,753.83
Insurance premiums	5,076,079.44	5,302,498.97
Depreciation and amortization	82,408,480.44	52,193,907.26

(continued)

Item	Amount incurred in current period	Amount incurred in previous period
Advertising and promotion expenses	600,156,113.14	692,445,882.66
Lease and property management expenses	152,186,000.56	152,728,211.40
Material consumption	29,027,854.76	5,212,855.45
Water/electricity fee	12,817,521.54	11,632,395.90
Service fees	7,485,101.27	6,522,845.03
Depreciation of Right-of-use assets	188,658,565.69	191,875,674.76
Others	78,834,934.96	86,048,976.09
Total	2,050,176,407.46	1,989,167,789.56

Other description:

64. Administrative expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	356,528,450.43	298,562,603.50
Depreciation and amortization charge	93,586,310.72	35,794,417.00
Travel expenses	4,737,997.83	4,380,791.71
Office allowance	3,066,482.44	4,475,089.91
Consultant and intermediary service fees	27,481,281.65	14,590,734.04
Water/electricity fee	11,445,522.43	9,396,543.04
Communication expense	39,836,787.42	18,015,557.80
Maintenance, debugging and material consumption	35,254,976.30	30,955,528.79
Depreciation of Right-of-use assets	22,168,279.11	18,149,384.98
Others	39,508,546.62	20,069,298.13
Total	633,614,634.95	454,389,948.90

Other description:

65. R&D expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	164,802,423.37	126,551,089.29
Depreciation and amortization	20,937,418.03	15,510,211.39
Material	232,395,899.93	119,134,692.81
Other miscellaneous expenses	69,447,910.78	36,966,372.67
Total	487,583,652.11	298,162,366.16

Other description:

66. Financial expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Interest expenses	50,043,346.95	29,988,617.24
Including: Interest expense on lease liabilities	26,647,978.76	29,553,772.26
Less: Interest revenue	123,909,561.75	137,186,581.16
Financial discount interest		797,400.00
Exchange gain or loss	(52,070,721.48)	(607,837.15)
Others	3,362,364.21	1,103,839.96
Total	(122,574,572.07)	(107,499,361.11)

Other description:

67. Other incomes

Unit: yuan

Other sources of income	Amount incurred in current period	Amount incurred in previous period
Government subsidies	84,373,262.34	102,353,195.81

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	4,697,834.75	3,525,570.83
Investment income from purchasing financial products	30,114,666.09	15,019,953.42
Investment income from the disposal of tradable financial assets	16,658,266.32	84,692,023.73
Total	51,470,767.16	103,237,547.98

Other description:

69. Net gain on exposure hedging

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
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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
Forward foreign exchange settlement		6,334,756.86
Bank financial products and trust products	32,148,876.44	52,139,711.50
Total	32,148,876.44	58,474,468.36

Other description:

71. Credit impairment Loss

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Loss on bad debts of other receivables	(68,889,588.55)	(3,968,251.81)
Loss on bad debts of accounts receivable	4,946,266.03	3,394,251.24
Total	(63,943,322.52)	(574,000.57)

Other description:

72. Assets impairment losses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
I. Loss on bad debts	(854,203.50)	
II. Inventory falling price loss and impairment loss of contract performance costs	(331,806,543.64)	(92,740,339.23)
V. Impairment loss of fixed assets	(19,343,113.09)	(7,924,893.69)
VI. Impairment loss of construction in progress	(10,865,480.00)	
Total	(362,869,340.23)	(100,665,232.92)

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
Gains from disposal of non-current assets	4,466,739.85	3,275,886.08
Including: Gains on disposal of fixed assets	150,442.48	28,225.52
Gains from disposal of right-of-use assets	4,316,297.37	3,247,660.56
Loss on disposal of non-current assets	(740,535.48)	(25,437.81)
Including: Loss on disposal of fixed assets	(740,535.48)	(25,437.81)
Total	3,726,204.37	3,250,448.27

74. Non-operating income

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	485,841.01	1,982,375.49	485,841.01
Non-current assets scrap gains	1,104,717.15	1,196,285.18	1,104,717.15
Income from compensation or fines	2,923,432.97	1,348,234.56	2,923,432.97
Others	6,055,568.25	1,513,123.84	6,055,568.25
Total	10,569,559.38	6,040,019.07	10,569,559.38

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
Adjustment to the account of subsidies received for the response to power supply demand - Winner Medical (Wuhan)		Subsidy		No	No	222,371.97		Income related
Funds receivable for power supply demand		Subsidy		No	No	113,756.23		Income related
Exemption of value-added tax for retired soldiers and key groups - Winner Medical (Wuhan)		Subsidy		No	No	149,712.81		Income related
Export earnings incentive from government in 2020 - Winner Medical (Chongyang)		Reward		No	No		180,000.00	Income related
Financial Tax Contribution Award for Industrial Enterprises - Winner Medical (Chongyang)		Reward		No	No		600,000.00	Income related
Proceeds from Longhua District Quality Award in 2020 - Winner Medical (shenzhen)		Reward		No	No		1,000,000.00	Income related
Rewards from the Municipal Bureau of Commerce for opening up policy of foreign trade enterprises		Reward		No	No		197,300.00	Income related
Others				No	No		5,075.49	Income related
Total						485,841.01	1,982,375.49	

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	2,698,153.48	4,497,184.74	2,698,153.48
Loss on damage and scrap of non-current assets	44,824,142.16	13,527,120.74	44,824,142.16
Overdue fines	5,587,691.07		5,587,691.07
Liquidated damages	11,433,314.10		11,433,314.10
Others	3,069,974.82	895,001.31	3,069,974.82
Total	67,613,275.63	18,919,306.79	67,613,275.63

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	318,328,487.05	196,937,865.17
Deferred income tax expenses	(72,523,142.67)	21,378,341.19
Adjustment of the previous annual income tax amount in the current period	(503,799.50)	6,999,437.58
Total	245,301,544.88	225,315,643.94

(2) Accounting profit and income tax expense adjustment process

Unit: yuan

Item	Amount incurred in current period
Total profit	1,919,506,096.33
Income tax expenses calculated at the appropriate/applicable tax rate	287,925,914.45
Impact of different tax rates applied on subsidiaries	(7,032.76)
Impact of income tax before adjustment	(503,799.50)
Impact of non-deductible costs, expenses and losses	1,556,405.71
Impact of weighted deduction of R&D costs	(50,382,980.12)
Impact of temporary difference or deductible losses on unrecognized deferred income tax assets in the current period	6,713,037.10
Income tax expenses	245,301,544.88

Other description:

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	20,839,933.57	15,037,420.79
Interest income received	29,396,223.39	42,673,242.80
Government subsidies received	74,022,751.98	119,837,112.25
Others	91,653,856.59	9,185,867.26
Total	215,912,765.53	186,733,643.10

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	214,977,555.82	124,259,182.05
Selling expenses paid in cash	239,471,468.15	282,879,625.34
Deposit, margin and quality guarantee deposit paid	8,316,592.48	43,490,664.87
Bank handling charge	3,348,042.45	1,103,839.96
Others	136,138,509.24	15,768,791.30
Total	602,252,168.14	467,502,103.52

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
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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
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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
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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
Principal and interest paid on lease liabilities	246,700,957.46	233,452,456.57
Treasury stock repurchase paid	242,090,367.43	257,992,366.68
Deposit paid on bills and letters of credit (for financing purposes)	119,430,633.87	
Total	608,221,958.76	491,444,823.25

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 of net profits to cash flows from operating activities:		
Net profit	1,674,204,551.45	1,237,444,867.34
Plus: Provision for impairment of assets	426,812,662.75	101,239,233.49
Depreciation of fixed assets, oil and gas assets and productive biological assets	210,820,306.94	155,898,535.48
Depreciation of Right-of-use assets	215,248,882.88	210,025,059.74
Amortization of intangible assets	55,669,156.15	10,789,643.37
Amortization of long-term deferred expenses	73,413,333.87	55,654,548.57
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains expressed with “-”)	(3,726,204.37)	(3,250,448.27)
Loss on retirement of fixed assets (gains expressed with “-”)	43,719,425.01	12,330,835.56
Loss from fair value change (gains expressed with “-”)	(32,148,876.44)	(58,474,468.36)
Financial expenses (gains expressed with “-”)	(43,801,146.50)	(62,543,190.63)
Investment losses (gains expressed with “-”)	(51,470,767.16)	(103,237,547.98)
Decreased in deferred income tax assets (increase expressed with “-”)	(66,928,009.27)	20,206,789.76
Increase in deferred income tax liabilities (decrease expressed with “-”)	(5,595,133.40)	1,171,551.44
Decrease in inventories (increase expressed with “-”)	(73,528,720.88)	(473,630,443.01)
Decrease in operating receivables (increase expressed with “-”)	42,540,286.26	(27,098,897.28)
Increase in operating payables (decrease expressed with “-”)	526,247,452.59	(289,569,059.18)
Others	(8,004,969.61)	84,732,891.89
Net cash flow from operating activities	2,983,472,230.27	871,689,901.93
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	4,370,821,958.17	4,088,612,262.04
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	282,209,696.13	(61,122,432.34)

(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	2,020,649,500.00
Including:	
Zhejiang Longterm	727,540,000.00
Winner Guilin	428,000,000.00
Winner Medical (Hunan)	751,921,500.00
Junjian Medical	113,188,000.00
Less: Cash and cash equivalents held by the Company on the acquisition date	343,576,791.44
Including:	
Zhejiang Longterm	57,779,546.35
Winner Guilin	115,952,457.11
Winner Medical (Hunan)	151,226,071.39
Junjian Medical	18,618,716.59
Including:	
Net cash paid for obtaining subsidiaries	1,677,072,708.56

Other description:

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

Unit: yuan

	Amount
Including:	
Including:	
Including:	

Other description:

(4) Composition of cash and cash equivalents

Unit: yuan

Item	Closing Balance	Beginning balance
I. Cash	4,370,821,958.17	4,088,612,262.04
Including: cash on hand	246,825.76	65,897.39
Bank deposit readily available for payment	4,169,305,311.38	4,088,546,364.65
Other monetary capital readily available for payment	201,269,821.03	
III. Balance of cash and cash equivalents at end of period	4,370,821,958.17	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:

81. Assets with ownership or use rights restricted

Unit: yuan

Item	Ending book value	Causes for restriction
Cash and cash equivalents	156,055,620.73	Margin and performance deposit deposited for handling international and domestic letters of credit
Fixed assets	189,752,483.28	See other description for details
Intangible assets	24,467,616.10	Large plot of Longterm Medical, loan mortgage, daily production and operation needs, supplementary working capital
Investment real estates	4,766,112.61	Buildings 7-9# of Longterm Medical, loan mortgage, daily production and operation needs, supplementary working capital
Total	375,041,832.72	

Other description:

Limitation on fixed assets:

Item	Description	Ending book value	Causes for restriction
Fixed assets	Winner Medical (Shenzhen)	5,331,946.53	For details, please refer to Note "XIII. Other Important Matters (IV) Other Important Events that Affect Investors' Decisions 2. Urban Renewal Project of Winner Industrial Park".
Fixed assets	Buildings 1-6# of Longterm Medical	53,941,694.00	Loan mortgage, daily production and operation needs, supplementary working capital
Fixed assets	Buildings 7-9# of Longterm Medical	108,035,275.78	Loan mortgage, daily production and operation needs, supplementary working capital
Fixed assets	Room 112, Building 4, Huace Center	2,613,051.98	Loan mortgage, daily production and operation needs, supplementary working capital
Fixed assets	Room 101, Building 6, Huace Center	6,610,171.67	Loan mortgage, daily production and operation needs, supplementary working capital
Fixed assets	Room 201, Building 6, Huace Center	6,610,171.67	Loan mortgage, daily production and operation needs, supplementary working capital
Fixed assets	Room 301, Building 6, Huace Center	6,610,171.65	Loan mortgage, daily production and operation needs, supplementary working capital

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
Cash and cash equivalents			362,335,309.79
Including: USD	47,015,178.11	6.9646	327,441,909.50
EUR	339,791.45	7.4229	2,522,237.95
HKD	36,133,593.19	0.8933	32,278,138.80
Yen	97,363.25	0.0524	5,101.83
Ringgit	55,745.44	1.5772	87,921.71
Accounts receivable			21,239,373.14
Including: USD	2,328,075.19	6.9646	16,214,112.47
EUR			
HKD	5,625,501.70	0.8933	5,025,260.67
Long-term loans			
Including: USD			
EUR			
HKD			
Other receivables			308,581.55
Including: HKD	345,440.00	0.8933	308,581.55
Accounts payable			8,200,980.93
Including: HKD	7,267,954.12	0.8933	6,492,463.42
Ringgit	1,083,259.90	1.5772	1,708,517.51
Other payables			6,675,894.22
Including: USD	84,457.12	6.9646	588,210.06
HKD	6,021,658.70	0.8933	5,379,147.72
Ringgit	449,236.90	1.5772	708,536.44

Other description:

- (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			
Technical transformation project of key material production enterprises for Shenzhen public health event in 2020 - the Company	20,000,000.00	Deferred income	2,000,000.00
Annual equipment investment subsidies (Spunlace Phase III, warehouse establishment) - Winner Medical (Tianmen)	15,000,000.00	Deferred income	375,000.00
Subsidy for R & D projects in Technology Center - the Company	12,420,000.00	Deferred income	210,556.48
Subsidy funds for infrastructure construction of municipal government projects - Winner Medical (Chongyang)	12,406,500.00	Deferred income	413,550.00
Subsidy for production of materials for public health events in 2020 - Winner Medical (Huanggang)	11,400,000.00	Deferred income	3,420,000.00
Park project construction in Yuyue Town - Winner Medical (Jiayu)	9,880,000.00	Deferred income	329,333.28
Provincial subsidy for purchasing equipment in key enterprise of "Three Batches" - Winner Medical (Huanggang)	9,370,000.00	Deferred income	2,522,692.27
Special funds for the project on implementing the technical reformation policy of "Zero Land" in Wuhan and the municipal industrial investment and technical transformation of the Bureau for Science, Technology and Economic Information Technology of Xinzhou District - Winner Medical (Wuhan)	8,000,000.00	Deferred income	582,288.70
Equipment subsidies for public health events in 2021 - Winner Medical (Jingmen)	6,800,000.00	Deferred income	1,700,000.00
Subsidy for purchasing protective equipment in key enterprises of "Three Batches" - Winner Medical (Chongyang)	5,590,000.00	Deferred income	563,697.48
Technical innovation subsidy for Phase II Expansion Project of Purcotton - Winner Medical (Jingmen)	4,755,300.00	Deferred income	166,366.20
Technical transformation funds for urban areas in 2022 - Winner Medical (Huanggang)	4,094,200.00	Deferred income	
Subsidy for surgical gown production line project - Winner Medical (Chongyang)	4,000,000.00	Deferred income	432,432.44
Subsidy for capacity expansion & technical upgrading of enterprises producing materials for public health events - Winner Medical (Wuhan)	3,645,000.00	Deferred income	591,720.31
Subsidy for company planning change due to Huanggang Chibi Avenue demolition - Winner Medical (Huanggang)	3,169,359.20	Deferred income	105,645.31
Special funds for the high-quality development of manufacturing in 2020 - Winner Medical (Huanggang)	3,000,000.00	Deferred income	336,448.60
Subsidy for second batch of traditional industry transformation in 2017 - Winner Medical (Huanggang)	1,900,000.00	Deferred income	209,174.28
Automatic transformation of surgical consumables production line - the Company	1,860,000.00	Deferred income	186,000.00
Received subsidies from the development of the emergency material security system of central government for production capacity improvement - Winner Medical (Wuhan)	1,600,000.00	Deferred income	74,309.77

Technical transformation funds for urban areas in 2021 - Winner Medical (Huanggang)	1,520,000.00	Deferred income	151,666.65
Subsidy for science and technology support plan projects of Hubei in 2014 (the second batch) - Winner Medical (Huanggang)	1,500,000.00	Deferred income	150,000.00
Special subsidy of Municipal Bureau of Economy and Information Technology for the issuance of technical transformation on emergency material support system construction - Winner Medical (Huanggang)	1,440,000.00	Deferred income	438,269.20
Special funds for provincial traditional industry transformation and upgrading - the first batch of block funds allocation plan in Tianmen in 2019 - Winner Medical (Tianmen)	1,320,000.00	Deferred income	136,551.72
First batch of traditional subsidies in 2019 - Winner Medical (Huanggang)	1,210,000.00	Deferred income	121,000.00
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	239,811.33
Key technical transformation and expansion projects (cotton spun laced wipes production line project) - Winner Medical (Tianmen)	1,000,000.00	Deferred income	108,108.00
Subsidies for first batch of technological transformation award of industrial enterprises in 2018 - Winner Medical (Chongyang)	1,000,000.00	Deferred income	106,157.11
2020 Provincial special funds for the high-quality development of manufacturing - Winner Medical (Jiayu)	1,000,000.00	Deferred income	105,263.16
1 million provincial special funds for the development of manufacturing - Winner Medical (Wuhan)	1,000,000.00	Deferred income	125,460.48
Production line project with an annual output of 120 million bales of cotton wipes in 2017 - Winner Medical (Tianmen)	930,000.00	Deferred income	107,307.72
Others	13,497,883.36	Deferred income	1,264,322.88
Subtotal:	165,508,242.56		17,273,133.37
2. Government subsidies related to income			
Preferential tax rebates for key groups in 2019-2021 - Winner Medical (Huanggang)	8,516,900.00	Other incomes	8,516,900.00
Employment of key groups for offset of value-added tax - Winner Medical (Chongyang)	3,542,750.00	Other incomes	3,542,750.00
Construction funds for Industrial Internet Analysis Medical Supplies Industry supported by Guangdong Communications Administration - the Company	3,000,000.00	Other incomes	3,000,000.00
Industrial Internet development support plan in 2022 - Shenzhen Purcotton	3,000,000.00	Other incomes	3,000,000.00
Tax refund for employment of key groups in 2019-2022 - Winner Medical (Jiayu)	2,979,600.00	Other incomes	2,979,600.00
Technology Innovation Award - the Company	429,537.00	Other incomes	429,537.00
Reward issued by Industry and Information Technology Bureau of Shenzhen Municipality for single champion in manufacturing industry - the Company	2,000,000.00	Other incomes	2,000,000.00
Subsidy issued by Industry and Information Technology Bureau of Longhua District for enterprise with industrial growth - the Company	2,000,000.00	Other incomes	2,000,000.00
Subsidy issued by Industry and Information Technology Bureau of Longhua District for enterprise with steady industrial growth in three quarters - the Company	2,000,000.00	Other incomes	2,000,000.00
Support plan for double promotion project of quality brand - Shenzhen Purcotton	1,800,000.00	Other incomes	1,800,000.00
Subsidy by Commerce Bureau of Shenzhen Municipality for a premium from Jan. to Jun. in 2021 - the Company	1,540,000.00	Other incomes	1,540,000.00
Export credit insurance subsidy - the Company	1,259,029.00	Other incomes	1,259,029.00

Award for stable industrial growth of Longhua District in 2021 - Shenzhen Purcotton	1,192,300.00	Other incomes	1,192,300.00
Adjustment of tax reduction and exemption for key groups from July to November 2022 - the Company	1,084,900.00	Other incomes	1,084,900.00
Subsidy issued by Industry and Information Technology Bureau of Longhua District for cross-border logistics support - the Company	1,000,000.00	Other incomes	1,000,000.00
Government subsidies - Winner Medical (Chongyang)	800,000.00	Other incomes	800,000.00
Special funding for science and technology protection of Shenzhen Institute of Advanced Technology - the Company	750,000.00	Other incomes	750,000.00
Cotton freight subsidy - Winner Medical (Huanggang)	675,700.00	Other incomes	675,700.00
Cotton freight subsidy received in 2019	675,700.00	Other incomes	675,700.00
First batch of one-time employment training subsidies in 2022 - Shenzhen Purcotton	652,875.00	Other incomes	652,875.00
Subsidy issued by Industry and Information Technology Bureau of Longhua District for stable growth of foreign trade in 2021- the Company	639,300.00	Other incomes	639,300.00
Social security subsidies for the people with employment difficulty in the enterprise - Winner Medical (Chongyang)	602,114.00	Other incomes	602,114.00
Special fund for scientific and technological innovation in 2022 - the Winner Medical (Chongyang)	500,000.00	Other incomes	500,000.00
Others	26,945,264.98	Other income / Non-operating income	26,945,264.98
Subtotal:	67,585,969.98		67,585,969.98
Total	233,094,212.54		84,859,103.35

(2) Return of government subsidies

Applicable Not applicable Other description:

85. Others

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
Longterm Medical	April 30, 2022	727,540,000.00	55.00%	Share acquisition	April 30, 2022	Acquisition of control	326,797,009.07	70,390,069.32
Winner Guilin	June 30, 2022	450,000,000.00	100.00%	Share acquisition	June 30, 2022	Acquisition of control	239,586,252.85	44,729,822.83
Winner Medical (Hunan)	July 1, 2022	751,921,500.00	68.70%	Share acquisition	July 1, 2022	Acquisition of control	146,250,227.37	17,913,174.25
Junjian Medical	October 31, 2022	192,000,000.00	100.00%	Share acquisition	October 31, 2022	Acquisition of control	106,185,026.80	1,115,057.88

Other description:

[Note 1] According to the resolution of the board of directors of the Company, under the *Equity Transfer Agreement Concerning Zhejiang Longterm Medical Technology Co., Ltd.* signed on April 8, 2022 between the Company and natural person shareholders such as Wu Kangping, Huang Lepei, and Wu Di. The Company acquired 55.00% equity of Zhejiang Longterm held by the above-mentioned natural person shareholders at a price of RMB 727.54 million. Zhejiang Longterm has completed the registration procedures of industrial and commercial change on May 10, 2022, and the dispatched directors of the Company have accounted for the majority in the new board of directors. For convenience of accounting, the purchase date has been determined as April 30, 2022, it will be included in the scope of consolidated financial statements from April 30, 2022.

[Note 2] According to the resolution of the board of directors of the Company, under the *State-owned Property Rights Transfer Contract* signed by and between the Company and China Resources Zizhu Pharmaceutical Co., Ltd. on June 6, 2022, the Company acquired 100.00% equity of Winner Guilin held by China Resources Zizhu Pharmaceutical Co., Ltd. at a price of RMB 450 million. Winner Guilin has completed the registration procedures of industrial and commercial change on June 27, 2022, and the dispatched directors of the Company have accounted for the majority in the new board of directors. For convenience of accounting, the purchase date has been determined as June 30, 2022, it will be included in the scope of consolidated financial statements from June 30, 2022.

[Note 3] According to the resolution of the board of directors of the Company, under the *Investment Agreement Concerning Winner Medical (Hunan) Co., Ltd.* signed on May 18, 2022 between the Company and 17 natural person shareholders such as Zheng Datian, Chen Sanju, and Zheng Darong, etc. The Company acquired 68.70% equity of Zhejiang Longterm held by the above-mentioned natural person shareholders at a price of RMB 751,921,500. Winner Medical (Hunan) has completed the registration procedures of industrial and commercial change on July 4, 2022, and the dispatched directors of the Company have accounted for the majority in the new board of directors. For convenience of accounting, the purchase date has been determined as July 1, 2022, it will be included in the scope of consolidated financial statements from July 1, 2022.

[Note 4] According to the resolution of the Investment Committee of the Company, the Company signed the *Equity Transfer Agreement Concerning Shenzhen Junjian Medical Device Co., Ltd.* with natural person shareholders such as Zheng Junhui and Sun Dongling on September 21, 2022. The Company acquired 100.00% equity of Junjian Medical held by the above natural person shareholders at a price of RMB 192 million. Junjian Medical has completed the registration procedures of industrial and commercial change on November 9, 2022, and the dispatched directors of the Company have accounted for the majority in the new board of directors. For convenience of accounting, the purchase date has been determined as October 31, 2022, it will be included in the scope of consolidated financial statements from October 31, 2022.

(2) Combination cost and goodwill

Unit: yuan

Combination cost	Longterm Medical	Winner Guilin	Winner Medical (Hunan)	Junjian Medical
- Cash	727,540,000.00	450,000,000.00	751,921,500.00	192,000,000.00
- 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	751,921,500.00	192,000,000.00
Less: the share of the fair value of identifiable net assets acquired	337,067,021.33	205,185,395.25	362,932,241.74	171,602,027.67
The amount of goodwill/combination cost less than the share of the fair value of identifiable net assets acquired	390,472,978.67	244,814,604.75	388,989,258.26	20,397,972.33

Determination method of fair value of combination cost, contingent consideration and explanation of its changes:

Main reasons for the formation of large amount of goodwill:

The Company acquired 55.00% equity of Zhejiang Longterm Medical Technology Co., Ltd. with a merge cost of RMB 727,540,000.00. On the purchase date, the Company obtained the identifiable net assets of Zhejiang Longterm Medical Technology Co., Ltd. with the fair value of RMB 337,067,021.33, and the difference between the merge cost and the fair value of the identifiable net assets obtained in the merger of RMB 390,472,978.67 was recognized as goodwill.

The Company acquired 100.00% equity of Winner Guilin Latex Co., Ltd. with a merge cost of RMB 450,000,000.00. On the purchase date, the Company obtained the identifiable net assets of Winner Guilin Latex Co., Ltd. with the fair value of RMB 205,185,395.25, and the difference between the merge cost and the fair value of the identifiable net assets obtained in the merger of RMB 244,814,604.75 was recognized as goodwill.

The Company acquired 68.70% equity of Winner Medical (Hunan) Co., Ltd. with a merge cost of RMB 751,921,500.00 (including the subsequent capital increase of RMB 100,000,000.00 from the Company to Winner Medical (Hunan)). On the purchase date, the Company obtained the identifiable net assets of Winner Medical (Hunan) Co., Ltd. with the fair value of RMB 362,932,241.74, and the difference between the merge cost and the fair value of the identifiable net assets obtained in the merger of RMB 388,989,258.26 was recognized as goodwill.

The Company acquired 100.00% equity of Shenzhen Junjian Medical Device Co., Ltd. with a merge cost of RMB 192,000,000.00. On the purchase date, the Company obtained the identifiable net assets of Shenzhen Junjian Medical Device Co., Ltd. with the fair value of RMB 171,602,027.67, and the difference between the merge cost and the fair value of the identifiable net assets obtained in the merger of RMB 20,397,972.33 was recognized as goodwill.

Other description:

(3) Identifiable assets and liabilities of the acquiree on the acquisition date

Unit: yuan

	Longterm Medical		Winner Guilin		Winner Medical (Hunan)		Junjian Medical	
	Fair value on the acquisition date	Book value on the acquisition date	Fair value on the acquisition date	Book value on the acquisition date	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:	1,000,298,050.32	691,666,426.62	372,637,805.64	289,256,819.04	657,585,136.05	359,382,318.51	312,574,809.18	180,558,119.61
Cash and cash equivalents	68,842,612.15	68,842,612.15	115,952,457.11	115,952,457.11	151,226,071.39	51,226,071.39	18,618,716.59	18,618,716.59
Accounts receivable payments	69,693,735.14	69,693,735.14	21,441,959.97	9,223,748.32	78,230,459.99	78,230,459.99	148,735,230.51	148,735,230.51
Inventory	83,199,252.80	76,423,001.15	71,013,902.10	71,013,902.10	48,626,681.19	40,173,488.66	16,984,516.05	9,377,826.48
Fixed assets	341,623,696.45	332,233,721.18	54,189,422.59	34,935,720.80	207,435,300.00	125,452,751.98		
Intangible assets	343,093,441.26	50,265,445.00	95,143,604.43	43,234,531.27	113,174,121.00	9,506,811.77	124,479,182.37	69,182.37
Notes receivable	2,889,158.27	2,889,158.27			29,676,053.92	29,676,053.92		
Amounts receivable financing			1,474,263.14	1,474,263.14	12,285,561.16	12,285,561.16		
Advances to suppliers	19,708,978.59	19,708,978.59	4,499,004.10	4,499,004.10	6,253,493.21	6,253,493.21	810,851.95	810,851.95
Other receivables	32,632,189.13	32,632,189.13	8,399,520.84	8,399,520.84	3,909,030.06	3,909,030.06	601,078.43	601,078.43
Other current assets	279,892.16	279,892.16					19,340.02	19,340.02
Investment real estates					4,629,650.00	529,882.24		
Construction in progress	32,090,599.60	32,090,599.60			477,876.15	477,876.15		
Right-of-use assets	611,208.27	611,208.27					262,617.20	262,617.20
Long-term unamortized expenses	2,531,712.36	2,894,311.84						
Deferred income tax assets	3,101,574.14	3,101,574.14	523,671.36	523,671.36	1,660,837.98	1,660,837.98	2,063,276.06	2,063,276.06
Debt:	387,448,920.63	341,154,177.07	167,452,410.39	154,945,262.40	129,299,485.77	99,569,063.14	140,972,781.51	107,968,609.12
Loan	176,996,912.90	176,996,912.90						
Account payable payments	123,161,542.32	123,161,542.32	86,907,769.43	86,907,769.43	87,426,528.12	87,426,528.12	85,936,761.96	85,936,761.96
Deferred income tax liabilities	46,294,743.56		14,305,888.65	1,798,740.66	32,330,271.93	2,599,849.30	33,004,172.39	
Contract liabilities	16,984,188.90	16,984,188.90	48,572,857.70	48,572,857.70	2,180,254.92	2,180,254.92	2,713,664.69	2,713,664.69
Taxes payable	22,177,789.84	22,177,789.84	10,975,404.29	10,975,404.29	7,193,459.28	7,193,459.28	18,754,362.48	18,754,362.48
Non-current liabilities due within one year	155,245.72	155,245.72	373,656.36	373,656.36			265,877.16	265,877.16
Other current liabilities	1,678,497.39	1,678,497.39	6,314,471.50	6,314,471.50	168,971.52	168,971.52	297,942.83	297,942.83
Deferred income			2,362.46	2,362.46				
Net assets	612,849,129.69	350,512,249.55	205,185,395.25	134,311,556.64	528,285,650.28	259,813,255.37	171,602,027.67	72,589,510.49
Less: Minority equity	275,782,108.36	157,730,512.30			165,353,408.54	81,321,548.93		
Net assets acquired	337,067,021.33	192,781,737.25	205,185,395.25	134,311,556.64	362,932,241.74	178,491,706.44	171,602,027.67	72,589,510.49

Fair value determination method of identifiable assets and liabilities:

The acquisition target Zhejiang Longterm Medical Technology Co., Ltd. has been appraised by Shenzhen Pengxin Asset Appraisal and Land & Real Estate Appraisal Co., Ltd. with an issuance of the *Appraisal Report on the Fair Value of Identifiable Assets and Liabilities of Zhejiang Longterm Medical Technology Co., Ltd. Related to the Purpose of Financial Reporting of Winner Medical Co., Ltd.* (P.X.Z.P.B. [2023] No. S016) and the appraisal benchmark date of April 30, 2022. According to the appraisal report, considering the impact of deferred income tax and the impact of the capital increase, the fair value of the identifiable net assets of the acquired 100% equity of Zhejiang Longterm Medical Technology Co., Ltd. is RMB 612849129.69.

The acquisition target Winner Guilin Latex Co., Ltd. has been appraised by Yinxin Appraisal Co., Ltd. with an issuance of the *Assets Appraisal Report on the Market Value Items of Various Identifiable Assets, Liabilities and Contingent Liabilities of Winner Guilin Latex Co., Ltd. Related to the Proposed Merger Consideration Allocation of Winner Medical Co., Ltd.* (Y.X.P.B.Zi [2023] No. D00025), and the appraisal benchmark date of June 30, 2022. According to the appraisal report, considering the impact of deferred income tax and the impact of the capital increase, the fair value of the identifiable net assets of the acquired 100% equity of Winner Guilin Latex Co., Ltd. is RMB 205,185,395.25.

The acquisition target Winner Medical (Hunan) Co., Ltd. has been appraised by Yinxin Appraisal Co., Ltd. with an issuance of the *Assets Appraisal Report on the Market Value Items of Various Identifiable Assets, Liabilities and Contingent Liabilities of Winner Medical (Hunan) Co., Ltd. Related to the Proposed Merger Consideration Allocation of Winner Medical Co., Ltd.* (Y.X.P.B.Zi [2023] No. D00026), and the appraisal benchmark date of June 30, 2022. According to the appraisal report, considering the impact of deferred income tax and the impact of the capital increase, the fair value of the identifiable net assets of the acquired 100% equity of Winner Medical (Hunan) Co., Ltd. is RMB 428,285,650.28.

The acquisition target Shenzhen Junjian Medical Device Co., Ltd. has been appraised by Yinxin Appraisal Co., Ltd. with an issuance of the *Assets Appraisal Report on the Market Value Items of Various Identifiable Assets, Liabilities and Contingent Liabilities of Shenzhen Junjian Medical Device Co., Ltd. Related to the Proposed Merger Consideration Allocation of Winner Medical Co., Ltd.* (Y.X.P.B.Zi [2023] No. D00027), and the appraisal benchmark date of October 31, 2022. According to the appraisal report, considering the impact of deferred income tax and the impact of the capital increase, the fair value of the identifiable net assets of the acquired 100% equity of Shenzhen Junjian Medical Device Co., Ltd. is RMB 171,602,027.67.

Contingent liabilities of the acquiree incurred in business combination

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

Not applicable.

- (6) Other description

NA

2. Business combination under common control

(1) Business combination under common control occurred in current period

Unit: yuan

Name of merged party	Proportion of equity obtained in business combination	Basis of business combination under common control	Merger date	Basis for determination of merger date	Income of the combined party from the beginning of current period to the date of combination	Net profit of the combined party from the beginning of current period to the date of combination	Income of the combined party during the comparison period	Net profit of the combined party during the comparison period
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Other description: N/A.

(2) Combination cost

Unit: yuan

Combination cost
-- Cash
-- Book value of non-cash assets
-- Book value of debt issued or assumed
-- Book value of equity securities issued
-- Contingent consideration

Contingent consideration and explanation of its changes: N/A

Other description:

(3) Book value of assets and liabilities of the combined party on the date of combination

Unit: yuan

	Merger date	End of previous period
Assets:		
Cash and cash equivalents		
Accounts receivable payments		
Inventory		
Fixed assets		
Intangible assets		
Debt:		
Loan		
Account payable payments		
Net assets		
Less: Minority equity		
Net assets acquired		

Contingent liabilities of the combined party incurred in business combination

Other description:

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:

The Company cancels Pure HB (Shanghai) in the current period.

6. Others

None

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

(continued)

Subsidiary name	Main operation site	Registration place	Business nature	Shareholding ratio		Way of obtaining
				Direct	Indirect	
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 healthy living 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	Malaysia	There is no actual business operation	100.00%		Business 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
Pure HB (Shanghai)1*	Shanghai	Shanghai	Import and domestic sales of cosmetics	100.00%		Establishment
Purunderwear	Shenzhen City, Guangdong	Shenzhen City, Guangdong	Sales of Cotton Lining products	100.00%		Establishment

	Province	Province			
Huanggang Purcotton	Huanggang City, Hubei Province	Huanggang City, Hubei Province	Sale of Purcotton products	100.00%	Establishment
Winner Medical (Foshan)	Foshan City, Guangdong Province	Foshan City, Guangdong Province	There is no actual business operation at present	100.00%	Establishment
Hangzhou Shengyi	Hangzhou, Zhejiang	Hangzhou, Zhejiang	Other technology promotion services	55.00%	Business combination not under common control
Xi'an Long Temu	Xi'an, Shaanxi	Xi'an, Shaanxi	Engineering technical research and experimental development	55.00%	Business combination not under common control
Deqing Longterm	Huzhou, Zhejiang	Huzhou, Zhejiang	Manufacturing of medical instruments, equipment and device	55.00%	Business combination not under common control
United States Longterm	US	US	Manufacturing of medical instruments, equipment and device	55.00%	Business combination not under common control
Winner Guilin	Xiufeng District, Guilin City, Guangxi Zhuang Autonomous Region	Xiufeng District, Guilin City, Guangxi Zhuang Autonomous Region	Rubber products industry	100.00%	Business combination not under common control
Winner Medical (Hunan)	Changde, Hunan	Changde, Hunan	Production and sales of medical consumables	68.70%	Business combination not under common control
Ruian Medical Device	Changsha, Hunan	Changsha, Hunan	Engineering technical research and experimental development	68.70%	Business combination not under common control
Junjian Medical	Shenzhen City, Guangdong Province	Shenzhen City, Guangdong Province	Sales of medical consumables	100.00%	Business combination not under common control

Difference between the shareholding ratio and the voting right ratio in the subsidiary: N/A

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: N/A

For the important structured entity included in the combination scope, the control basis is as follows: N/A

Basis for determining whether the Company is an agent or a principal: N/A

Other description:

(2) Important non-wholly owned subsidiary

Unit: yuan

Subsidiary name	Minority shareholding ratio	Current profits and losses attributable to	Current dividends declared to minority	Ending balance of minority equity
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minority shareholders shareholders

Difference between the shareholding ratio and the voting right ratio of the minority shareholders of the subsidiary: N/A

Other description:

(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:

N/A

(4) Major restrictions on the use of enterprise group assets and the settlement of enterprise group debts

N/A

(5) Financial or other support provided to structured entity included in the consolidated financial statements

N/A

Other description:

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

N/A

(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
Less: 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:

3. Equity in joint venture arrangement or joint venture

(1) Important cooperative enterprises or joint ventures

Name of cooperative enterprise or joint venture	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:

N/A

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:

(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		
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		

(continued)

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in previous period
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 number of following items by shareholding ratio		
- Joint venture:		
Total book value of investment	21,642,696.16	16,949,801.24
Total number of following items by shareholding ratio		
-- Net profit	4,697,834.75	3,525,570.83
-- Total comprehensive income	4,697,834.75	3,525,570.83

Other description:

(5) Significant restrictions on the ability of cooperative enterprises and joint ventures to transfer funds to the Company

N/A

(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:			
N/A			

Other description:

N/A

(7) Unconfirmed commitments related to investment in cooperative enterprise

N/A

(8) Contingent liabilities related to investment in cooperative enterprise or joint venture

N/A

4. Important pooling of interests

Name of joint operation	Main operation site	Registration place	Business nature	Shareholding ratio / shares enjoyed	
				Direct	Indirect
Difference between the shareholding ratio or share enjoyed and the voting right ratio in joint operation:					
N/A					

If the joint operation is a separate entity, it shall be classified as the basis of joint operation:

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

N/A

6. Others

None

X. Risks associated with financial instruments

The Company is exposed to various financial risks in the process of operation: credit risk, liquidity risk and market risk, including exchange rate risk, interest rate risk and other price risk. The above financial instruments and the risk management policies adopted by the Company to mitigate these risks are described below:

The Board of Directors is responsible for planning and establishing the Company's risk management structure, formulating the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks to which the Company is exposed. These risk management policies specify specific risks, covering various aspects such as market risk, credit risk and liquidity risk management. The Company regularly evaluates the changes in the market environment and the Company's operating activities to determine whether to update the risk management policies and systems. The risk management of the Company is carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates, and avoids related risks through close cooperation with other business departments of the Company. The internal audit department of the Company conducts regular audit on the risk management control and procedures, and reported the audit results to the Audit Committee of the Company.

The Company disperses financial instrument risks through appropriate diversified investments and business portfolios, and reduce risks concentrated in a single industry, specific region, or specific counterparty by formulating corresponding risk management policies.

(I) Credit risk

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's credit risk mainly arises from monetary funds, notes receivable, accounts receivable, receivables financing, contract assets, other receivables, debt investment, other debt investments and financial guarantee contracts, as well as debt instrument investments and derivative financial assets measured at fair value through profit or loss and not included in the impairment assessment scope. On the balance sheet date, the book value of the Company's financial assets represents its maximum credit risk exposure;

The Company's monetary funds are mainly deposited in state-owned banks and other large and medium-sized listed banks with high credit rating. The Company believes that there is no significant credit risk and almost cannot cause significant losses caused by bank default.

In addition, for notes receivable, accounts receivable, receivables financing, contractual assets and other receivables, the Company makes relevant policies to control credit risk exposure. The Company evaluates the customers' credit qualification and sets the corresponding credit period based on the customer's financial status, the possibility of obtaining guarantee from a third party, credit records and other factors such as current market conditions. The Company will regularly monitor customers' credit records. For customers with poor credit records, the Company would urge payment in writing, shorten the credit period or cancel the credit period, etc., to ensure that the overall credit risk of the Company is under control.

(II) Liquidity risk

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, at the same time, it continuously monitors the compliance of the provisions of the loan agreements, and obtained commitments from major financial institutions to provide sufficient standby capital to meet short-term and long-term capital needs.

The Company's various financial liabilities are shown as follows in terms of undiscounted contract cash flows on maturity dates:

Item	Immediate repayment	Closing Balance				Total
		Within 1 year	1-2 years	2-5 years	More than 5 years	
Short-term loans		2,295,218,930.85				2,295,218,930.85
Notes payable		24,760,000.00				24,760,000.00
Accounts payable		1,119,574,518.58				1,119,574,518.58
Other payables		570,843,242.88				570,843,242.88
Non-current liabilities due within one year		215,946,889.32				215,946,889.32
Lease liabilities			160,958,289.43	204,071,723.77		365,030,013.20
Total		4,226,343,581.63	160,958,289.43	204,071,723.77		4,591,373,594.83

Item	Immediate repayment	Closing balance of the previous year				Total
		Within 1 year	1-2 years	2-5 years	More than 5 years	
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
Non-current liabilities due within one year		216,181,531.82				216,181,531.82
Lease liabilities			189,493,128.55	242,054,434.14		431,547,562.69
Total		1,430,849,180.92	189,493,128.55	242,054,434.14		1,862,396,743.61

(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 bearing financial instruments with fixed and floating interest rates expose the Company to fair value interest rate risk and cash flow interest rate risk, respectively. The Company determines the ratio of fixed rate and floating rate instruments based on the market environment, and maintains an appropriate combination of fixed rate and floating rate instruments through regular review and monitoring. If necessary, the Company will use interest rate swap instruments to hedge interest rate risk.

On December 31, 2022, if the other variables remain unchanged, and the borrowing rate at the floating rate rises or falls by 100 basis points, the Company's net profit will decrease or increase by RMB 1,419,254.31 (on December 31, 2021: RMB 0.00). The management considers that 100 basis points reasonably reflects a reasonable range of possible changes in interest rate over the next year.

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						
Cash and cash equivalents	327,441,909.50	2,522,237.95	32,278,138.80	5,101.83	87,921.71	362,335,309.79
Accounts receivable	16,214,112.47		5,025,260.67			21,239,373.14
Other receivables			308,581.55			308,581.55
Subtotal	343,656,021.97	2,522,237.95	37,611,981.02	5,101.83	87,921.71	383,883,264.48
Foreign currency financial liabilities						
Accounts payable			6,492,463.42		1,708,517.51	8,200,980.93
Other payables	588,210.06		5,379,147.72		708,536.44	6,675,894.22
Subtotal	588,210.06		11,871,611.14		2,417,053.95	14,876,875.15
Net amount	343,067,811.91	2,522,237.95	25,740,369.88	5,101.83	(2,329,132.24)	369,006,389.33

On December 31, 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 RMB 16,092,001.76 (on December 31, 2021: RMB 13,738,289.79). The management considers that 5% is a reasonable reflection of the reasonable range of possible changes in RMB against USD / EUR / HKD / Yen / Ringgit.

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	Measurement of fair value at first level	Closing fair value		Total
		Measurement of fair value at second level	Measurement of fair value at third level	
I. Continuous fair value measurement	--	--	--	--
(I) Tradable financial assets		3,027,531,039.77	1,351,258,920.46	4,378,789,960.23
1. Financial assets measured with fair value and with the changes included in current profit and loss		3,027,531,039.77	1,351,258,920.46	4,378,789,960.23
(3) Derivative financial assets		3,027,531,039.77		3,027,531,039.77
(4) Trust products			1,351,258,920.46	1,351,258,920.46
◆ Receivables financing		93,093,113.79		93,093,113.79
Total assets continuously measured at fair value		3,120,624,153.56	1,351,258,920.46	4,471,883,074.02
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

The input value used in the fair value measurement is divided into three levels.

The input value of the first level is the unadjusted quotation of the same assets or liabilities on the active market that can be obtained on the measurement day.

The input value of the second level is the direct or indirect observable input value of related assets or liabilities other than the input value of the first level.

The input value of the third level is the non-observable input value of the relevant assets or liabilities.

The level of the fair value measurement results was determined by the lowest level of the input value that is significant to the measurement of fair value as a whole.

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. Others

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: N/A

2. Subsidiaries of the Company

See Note “IX. Interests in other entities”.

3. Cooperative enterprises and joint ventures

See the 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
Hubei Xianchuang Technology Co., Ltd.	Joint venture

Other description:

4. Situation of other related parties

Name of other related parties	Relationship of other related parties with the Company
Glory Ray Holdings Limited	A company controlled by the actual controller
Glory Ray Limited	A company controlled by the actual controller through Glory Ray Holdings
Beijing Sequoia Xinyuan Equity Investment Center (Limited Partnership)	Shareholder of the Company
Xiamen Leyuan Investment Partnership (Limited Partnership)	Shareholder of the Company
Xiamen Yutong Investment Partnership (Limited Partnership)	Shareholder of the Company
Xiamen Huikang Investment Partnership (Limited Partnership)	Shareholder of the Company
Shenzhen Capital Group Co.,Ltd.	Shareholder of the Company
Xiamen Zepeng Investment Partnership (Limited Partnership)	Shareholder of the Company
Chengdu Winner Likang Medical Products Co., Ltd.	Joint venture, with 49% equity hold by the Company
Wuhan Zhuoling Packaging Co., Ltd.	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.	A company in which the Company's original independent director Liang Wenzhao as an independent director
Shenzhen Ellassay Fashion Co., Ltd.	A company in which the Company's original independent director Zhou Xiaoxiong as an independent director
Li Jianquan	Actual controller of the Company
Fang Xiuyuan	Director, deputy general manager, chief financial officer
Xu Xiaodan	Director
Guo Zhenwei	Director
Peng Jianfeng	Independent Director
Xie Jiawei	Independent Director
Liu Ke	Independent Director
Zhang Tingting	Chairman of the Board of Supervisors
Wang Ying	Supervisor
Liu Hua	Employee supervisor
Chen Huixuan	Secretary to the board of directors, deputy general manager
Zhang Li	Deputy general manager
Huang Jun	Original shareholder and original director of Winner Medical (Hunan)
Lixian SHRCB Rural Bank Co., Ltd.	A company in which Zheng Datian, Vice Chairman of Winner Medical (Hunan), serves as a director
Jingyi Biotechnology (Shanghai) Co., Ltd.	A company actually controlled by Wu Kangping, a shareholder of Longterm Medical

(continued)

Name of other related parties	Relationship of other related parties with the Company
Shenzhen Nine Stars Printing and Packaging Group Co., Ltd.	A company controlled by the final controller of Winner Guilin before merge
Shenzhen Junhesheng Technology Co., Ltd.	A company controlled by the actual controller of Junjian Medical before merge
Shenzhen Shengtianning Medical Device Co., Ltd.	A company controlled by the actual controller of Junjian Medical before merge
Shenzhen Zhengjun Medical Device Co., Ltd.	A company controlled by the actual controller of Junjian Medical before merge
Zhejiang Kanglidi Medical Supplies Co., Ltd.	A company actually controlled by Wu Di, a shareholder of Longterm Medical
ZheJiang Longmed Medical Technology Co., Ltd.	A company actually controlled by Wu Di, a shareholder of Longterm Medical
ZheJiang Longrising Medical New Materials Co., Ltd.	A company actually controlled by Wu Kangping, a shareholder of Longterm Medical
Zheng Junhui	Controlling shareholder and actual controller of Junjian Medical before merger
Wu Kangping, Huang Lepei, Wu Di	Controlling shareholder of Junjian Medical before merger and its current minority shareholder

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	Connected transaction	Amount incurred in current period	Approved transaction quota	Whether the transaction quota is exceeded	Amount incurred in previous period
Wuhan Zhuoling Packaging Co., Ltd.	Purchase of goods or services	77,258,887.85		No	35,219,394.72
Chengdu Winner Likang Medical Products Co., Ltd.	Purchase of goods or services	563,725.61		No	280,008.49
Shenzhen Breo Technology Co., Ltd.	Purchase of goods or services			No	84,650.44
Shenzhen Shengtianning Medical Device Co., Ltd.	Purchase of goods or services	668,252.32		No	
Shenzhen Nine Stars Printing and Packaging Group Co., Ltd.	Purchase of goods or services	352,151.87		No	
Shenzhen Zhengjun Medical Device Co., Ltd.	Purchase of goods or services	139,551.39		No	
Zhejiang Kanglidi Medical Supplies Co., Ltd.	Purchase of goods or services	643,678.38		No	
ZheJiang Longrising Medical New Materials Co., Ltd.	Purchase of goods or services	150,642.09		No	
ZheJiang Longmed Medical Technology Co., Ltd.	Purchase of goods or services	149,844.78		No	

Sell of commodities/provision of labor service

Unit: yuan

Related party	Connected transaction	Amount incurred in current period	Amount incurred in previous period	Whether the transaction quota is exceeded	Amount incurred in previous period
Chengdu Winner Likang Medical Products Co., Ltd.	Sell of goods or services	11,746,826.18		No	35,219,394.72
Shenzhen Ellassay Fashion Co., Ltd.	Sell of goods or services		59,342.47	No	280,008.49
SCGC	Sell of goods or services		130,787.61	No	84,650.44
Lixian SHRCB Rural Bank Co., Ltd.	Sell of goods or services	3,893.81		No	
ZheJiang Longrising Medical New Materials Co., Ltd.	Sell of goods or services	5,532.76		No	
ZheJiang Longmed Medical Technology Co., Ltd.	Sell of goods or services	468,765.43		No	
Zhejiang Kanglidi Medical Supplies Co., Ltd.	Sell of goods or services	6,735,072.47		No	
Shenzhen Shengtianning Medical Device Co., Ltd.	Sell of goods or services	9,121,976.34		No	
Shenzhen Zhengjun Medical Device Co., Ltd.	Sell of goods or services	399,011.49		No	

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: N/A						

Associated fiduciary / contracting: N/A

Entrusted 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: N/A						

Associated management / subcontracting: N/A

(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
ZheJiang Longmed Medical Technology Co., Ltd.	Plant	257,033.03	

The Company as the lessee:

Unit: yuan

Name of lessor	Type of leased assets	Simplified processing of short-term leases and rental expenses of low-value asset leases (if applicable)		Variable lease payments that are not included in the measurement of the lease liabilities (if applicable)		Rent paid		Interest expenses incurred on lease liabilities		Right-of-use assets increased	
		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: N/A

(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
Wu Kangping, Huang Lepei	150,000,000.00	February 23, 2022	February 22, 2026	No
Wu Kangping, Huang Lepei	60,000,000.00	April 13, 2021	April 12, 2027	No
Wu Kangping	11,000,000.00	February 07, 2021	February 06, 2025	No
Huang Lepei	11,000,000.00	February 07, 2021	February 06, 2025	No
Wu Di	11,000,000.00	February 07, 2021	February 06, 2025	No
Wu Kangping	10,000,000.00	February 24, 2022	February 23, 2025	No
Huang Lepei	10,000,000.00	February 24, 2022	February 23, 2025	No
Zhejiang Kanglidi Medical Supplies Co., Ltd.	10,000,000.00	February 24, 2022	February 23, 2025	No

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	Connected transaction	Amount incurred in current period	Amount incurred in previous period
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(7) Key management personnel remuneration

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Key management personnel remuneration	13,446,315.05	11,225,549.33

(8) Other connected transactions

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 Likang Medical Products Co., Ltd.	369,395.74	18,469.79	1,925,119.44	96,255.97
	SCGC	35,880.00	1,794.00		
	Jingyi Biotechnology (Shanghai) Co., Ltd.	651,786.67	220,006.76		
	Shenzhen Shengtianning Medical Device Co., Ltd.	7,331,532.66	366,576.63		
	Shenzhen Zhengjun Medical Device Co., Ltd.	1,762,022.32	88,101.12		
	Zhejiang Kanglidi Medical Supplies Co., Ltd.	1,837,108.40	91,855.42		
	ZheJiang Longmed Medical Technology Co., Ltd.	144,673.40	7,233.67		
	ZheJiang Longrising Medical New Materials Co., Ltd.	55,964.00	2,798.20		
Advances to suppliers					
	Shenzhen Shengtianning Medical Device Co., Ltd.	274,273.56			
	Shenzhen Zhengjun Medical Device Co., Ltd.	1,170.00			

(2) Payables

Unit: yuan

Project name	Related party	Ending book balance	Beginning book balance
Accounts payable			
	Wuhan Zhuoling Packaging Co., Ltd.	23,113,608.45	17,557,893.52
	Chengdu Winner Likang Medical Products Co., Ltd.	81,750.48	69,711.48
	Shenzhen Nine Stars Printing and Packaging Group Co., Ltd.	194,545.00	
	Shenzhen Shengtianning Medical Device Co., Ltd.	9,219.64	
	Shenzhen Zhengjun Medical Device Co., Ltd.	2,964.00	
	Zhejiang Kanglidi Medical Supplies Co., Ltd.	93,378.17	
	ZheJiang Longmed Medical Technology Co., Ltd.	10,617.60	
Other payables			
	Huang Jun	4,490,583.41	
	Shenzhen Shengtianning Medical Device Co., Ltd.	470,799.92	
	Shenzhen Zhengjun Medical Device Co., Ltd.	134,199.16	
	Zheng Junhui	78,812,000.00	
Contract liabilities			
	SCGC		11,946.90

7. Related party commitment

8. Others

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	0.00
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	88,485,055.94
Total amount of expenses recognized by equity-settled share-based payments in current period	-3,373,485.57

Other description:

The first vesting period shall become invalid if it fails to meet the performance conditions; The cotton section and some medical section in the current period shall become invalid if subsidiaries fail to meet the standards.

3. Cash-settled share-based payments Applicable √ Not applicable**4. Modification and termination of share-based payment**

None

5. Others

None

XIV. Commitment and contingencies**1. Important commitment issues**

Important commitments on balance sheet date

1. 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 December 31, 2022, the outstanding large contracts between the Company or its subsidiaries signed and in the process of being performed or to be performed are as follows:

Project name	Amount
Winner Medical (Shenzhen) - Medical Industry Building	261,723,960.00
Winner Medical (Jiayu) - Building 1-4 in New Factory	105,176,000.00
Winner Medical (Jiayu) - Building 5-8 in New Factory	91,140,000.00
Winner Medical (Wuhan) - Automatic Warehouse in Phase II Plant	72,000,000.00
Winner Medical (Wuhan) - Phase II Plant Supporting Project (1-3# Sorting Workshops)	67,000,000.00
Winner Guilin - Buildings in 1-3# Workshops	52,800,000.00
Winner Medical (Jingmen) - Automated Workshop (four floors)	39,669,908.28
Winner Medical (Jiayu) - Power Distribution EPC in Science and Technology Industrial Park	36,000,000.00
Winner Medical (Jiayu) - New Factory - Spunlace Line	23,200,000.00
Winner Medical (Jiayu) - Automated Storage Engineering in Science and Technology Industrial Park	20,588,000.00
Winner Medical (Jiayu) - Sewage Treatment System in New Factory	17,595,300.00
Winner Medical (Wuhan) - Housing Construction Project for Phase II R&D Center	14,266,508.00
Winner Medical (Wuhan) - Reconstruction Project of Shift Building and Canteen	13,285,492.00
Winner Medical (Huanggang) - Comprehensive Workshop Engineering	11,250,000.00
Winner Medical (Wuhan) - Workshop 1, Section 1 of Phase II Project	11,087,172.20
Winner Medical (Shenzhen) - Chengdu Wenjiang Plant Decoration	8,188,699.00
Winner Medical (Huanggang) - No.4 Packaging and Production Line for Sanitary Pads	5,875,000.00
Winner Medical (Jiayu) - New Factory - Cotton Cleaner and Carding Machine	5,040,000.00
Total	855,886,039.48

2. Contingencies

- (1) Important contingencies on balance sheet date

The Company has no significant contingencies to be disclosed as of December 31, 2022.

- (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. Others

None

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
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2. Profit distribution

Unit: yuan

3. Sales return

None

4. Other post-balance sheet events

None

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
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(2) Prospective application

Content of accounting error correction	Approval procedures	Reason for adopting prospective application
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2. Debt restructuring

N/A

3. Assets replacement

(1) Exchange of non-monetary assets

N/A

(2) Other asset replacement

4. Pension plan

N/A

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
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Other description:

N/A

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	7,296,345,982.92	4,054,985,562.16			11,351,331,545.08
Operating costs	4,058,787,379.05	1,914,013,438.24			5,972,800,817.29
Assets impairment loss & credit impairment loss	161,284,732.20	188,998,568.55	76,529,362.00		426,812,662.75
Depreciation expense and amortization expense	137,251,606.74	282,186,779.25			419,438,385.99
Operating profit / loss	1,540,701,692.03	392,129,139.40	43,718,981.15		1,976,549,812.58
Non-operating income and expense			(57,043,716.25)		(57,043,716.25)
Assets and liabilities					
Total assets	9,418,198,129.61	3,051,005,127.24	5,768,546,144.71		18,237,749,401.56
Total liabilities	2,035,387,904.83	1,144,334,334.03	2,875,259,156.25		6,054,981,395.11

- (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.

None

- (4) Other description

None

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 Xinghe Real Estate Development Co., Ltd. (hereinafter referred to as “Xinghe 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 m², 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 m², 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: RMB 400 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 RMB 50 million and the second advance compensation of RMB 100 million for demolition to the Company according to the agreement. The project was announced in September 2019, and the project was approved in December 2019. It is now in the stage of special planning. 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 policies or external reasons, 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 m².

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 Constructional 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 RMB 30 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 RMB 2,655,320.00. The land transfer deposit of RMB 3 million shall be returned to the Company and compensate for the economic loss of RMB 550 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 December 31, 2020, the Company has received the land transfer deposit of RMB 3 million returned by the People's Government of Zijin County and paid the compensation of RMB 328 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 Winner Medical (Wuhan), and the production of medical package has been transferred to the Company's subsidiary Winner Medical (Chongyang). Winner Medical (Wuhan) and Winner Medical (Chongyang) have sufficient capacity to undertake the aforementioned production, logistics and warehousing business originally intended to be undertaken by Winner Medical (Heyuan). The above matters of Winner Medical (Heyuan) have not caused significant adverse impact on the normal production and operation of the Company.

8. Others

None

XVII. Notes on main items of parent company's financial statement

1. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: yuan

Class	Book balance		Closing Balance			Book balance		Beginning balance		
	Amount	Proportion	Amount	Accruing proportion	Book value	Amount	Proportion	Amount	Accruing proportion	Book value
Including:										
Accounts receivable of provision for bad debt by combination	475,895,954.26	100.00%	21,764,624.41	4.57%	454,131,329.85	528,512,638.89	100.00%	26,295,000.03	4.98%	502,217,638.86
Including:										
Aging analysis method	429,616,144.67	90.28%	21,764,624.41	5.07%	407,851,520.26	521,018,955.26	98.58%	26,295,000.03	5.05%	494,723,955.23
Other combination	46,279,809.59	9.72%			46,279,809.59	7,493,683.63	1.42%			7,493,683.63
Total	475,895,954.26	100.00%	21,764,624.41	4.57%	454,131,329.85	528,512,638.89	100.00%	26,295,000.03	4.98%	502,217,638.86

Provision for bad debt by combination:

Unit: yuan

Name	Book balance		Closing Balance	
	Book balance	Provision for bad debt	Provision for bad debt	Accruing proportion

Description of the basis for determining the combination:

Provision for bad debt by combination:

Unit: yuan

Name	Book balance		Closing Balance	
	Book balance	Provision for bad debt	Provision for bad debt	Accruing proportion

Description of the basis for determining the combination:

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	Book balance
Within 1 year (including 1 year)	468,679,968.14
1~2 years	4,823,718.66
2~3 years	81,233.50
More than 3 years	2,311,033.96
3~4 years	168,509.20
4~5 years	1,609,931.76
More than 5 years	532,593.00
Total	475,895,954.26

(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	Others	
Provision for bad debt of accounts receivable	26,295,000.03	7,720,528.06	11,978,909.38	271,994.30		21,764,624.41
Total	26,295,000.03	7,720,528.06	11,978,909.38	271,994.30		21,764,624.41

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

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	20,789,828.23	4.37%	1,039,491.41
Second	19,433,438.68	4.08%	971,671.93
Third	16,772,838.16	3.52%	838,641.91
Fourth	15,428,180.67	3.24%	771,409.03
Fifth	10,684,541.47	2.25%	534,227.07
Total	83,108,827.21	17.46%	

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

N/A

(6) Amount of assets and liabilities formed by transferring accounts receivables and continuing involvement

N/A

Other description: N/A

2. Other receivables

Unit: yuan

Item	Closing Balance	Beginning balance
Other receivables	123,628,108.60	218,099,656.42
Total	123,628,108.60	218,099,656.42

(1) Interest receivable

1) Classification of interest receivable

Unit: yuan

Item	Closing Balance	Beginning balance
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2) Important overdue interest

Unit: yuan

Borrower	Closing Balance	Overdue time	Overdue reason	Whether there is impairment and its judgment basis
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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
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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
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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	224,655,320.00	238,655,320.00
Margin and deposit	3,941,268.30	5,370,048.01
Export drawback		7,187,293.68
Employee pretty cash	592,876.83	333,170.12
Intercourse funds with related parties	4,688,603.35	
Others	2,426,136.82	2,795,640.07
Total	236,304,205.30	254,341,471.88

2) Provision for bad debt

Unit: yuan

Provision for bad debt	Stage 1 Expected credit losses over the next 12 months	Stage 2 Expected credit losses over the entire duration (without credit impairment)	Stage 3 Expected credit losses over the entire duration (with credit impairment)	Total
Balance on January 1, 2022	36,241,815.46			36,241,815.46
Balance on January 1, 2022 in current period				
Accrual in current period	88,872,051.22			88,872,051.22
Reversal in current period	12,437,769.98			12,437,769.98
Balance on December 31, 2022	112,676,096.70			112,676,096.70

Changes in book balance with significant changes in the current period of provision for loss

 Applicable Not applicable

Disclosure by aging

Unit: yuan

Aging	Book balance
Within 1 year (including 1 year)	8,925,718.50
1~2 years	2,723,166.80
More than 3 years	224,655,320.00
3~4 years	224,655,320.00
Total	236,304,205.30

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	Others	
Provision for bad debt	36,241,815.46	88,872,051.22	12,437,769.98			112,676,096.70
Total	36,241,815.46	88,872,051.22	12,437,769.98			112,676,096.70

Where the amount of bad debt provision reversed or recovered is important:

Unit: yuan

Unit name	Amount reversed or recovered	Recovery way
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4) Other receivable actually written off at the current period

Unit: yuan

Item	Amount written off
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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
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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	224,655,320.00	3-4 years	95.07%	112,327,660.00
Second	Intercourse funds with related parties within the scope of consolidation	4,688,603.35	Within 1 year	1.98%	
Third	Margin and deposit	2,311,115.80	1-2 years	0.98%	115,555.79
Fourth	Employee loan	123,539.13	Within 1 year	0.05%	6,176.96
Fifth	Employee loan	120,000.00	Within 1 year	0.05%	6,000.00
Total		231,898,578.28		98.13%	112,455,392.75

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
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None

7) Other receivables derecognized due to transfer of financial assets

8) Amount of assets and liabilities formed by transferring other receivables and continuing involvement

Other description:

3. Long-term equity investment

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	3,530,099,178.63	4,086,994.48	3,526,012,184.15	908,737,678.63	4,086,994.48	904,650,684.15
Investment in associated enterprises and joint enterprises	21,642,696.16		21,642,696.16	16,949,801.24		16,949,801.24
Total	3,551,741,874.79	4,086,994.48	3,547,654,880.31	925,687,479.87	4,086,994.48	921,600,485.39

(1) Investment in subsidiaries

Unit: yuan

Invested unit	Beginning balance (book value)	Increase or decrease in current period				Ending balance (book value)	Ending balance of impairment provision
		Further investment	Capital reduction	Provision for impairment	Others		
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	200,000,000.00		236,436,595.28			
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						4,086,994.48	
Winner Medical (Heyuan)	100,000,000.00			100,000,000.00			
Winner Medical (Wuhan)	100,000,000.00	300,000,000.00		400,000,000.00			
PureH2B	150,000,000.00			150,000,000.00			
Pure HB (Shanghai)	100,000.00		100,000.00				
Longterm Medical		727,540,000.00		727,540,000.00			
Winner Guilin		450,000,000.00		450,000,000.00			
Winner Medical (Hunan)		751,921,500.00		751,921,500.00			
Junjian Medical		192,000,000.00		192,000,000.00			
Total	904,650,684.15	2,621,461,500.00	100,000.00	3,526,012,184.15		4,086,994.48	

(2) Investment in cooperative enterprise and joint ventures

Unit: yuan

Invested entity	Beginning balance (book value)	Further investment	Capital reduction	Increase or decrease in current period					Ending balance of impairment provision	
				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	Others	Ending balance (book value)
I. Joint ventures										
II. Cooperative enterprise										
Chengdu Winner	16,949,801.24			4,692,894.92						21,642,696.16
Subtotal	16,949,801.24			4,692,894.92						21,642,696.16
Total	16,949,801.24			4,692,894.92						21,642,696.16

(3) Other description

4. Operating income and cost

Unit: yuan

Item	Amount incurred in current period		Amount incurred in previous period	
	Income	Cost	Income	Cost
Main business	6,424,434,990.51	4,145,092,045.28	3,750,575,739.60	2,431,548,447.53
Other businesses	100,457,781.31	16,415,328.66	46,506,912.98	6,176,043.52
Total	6,524,892,771.82	4,161,507,373.94	3,797,082,652.58	2,437,724,491.05

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:			

(continued)

Contract classification	Segment 1	Segment 2	Total
Sorted by time of goods transfer			
Including:			
Sorted by contract duration			
Including:			
Sorted by sales channels			
Including:			
Total			

Information related to performance obligations: none

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 RMB 0.00, of which RMB 0.00 is expected to be recognized as revenue in year 0, RMB 0.00 is expected to be recognized as revenue in year 0, and RMB 0.00 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	699,939,868.87	
Long-term equity investment gains measured by employing the equity method	4,692,894.92	3,525,570.83
Investment income from the disposal of tradable financial assets	6,708,135.26	70,324,759.75
Investment income from purchasing financial products	15,949,400.16	15,019,953.42
Total	727,290,299.21	88,870,284.00

6. Others

XVIII. Further Information

1. Statement of current non-recurring gain and loss

Applicable Not applicable

Unit: yuan

Item	Amount	Description
Profit and loss on disposal of non-current assets	(39,993,220.64)	
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 continuously granted in accordance with a certain standard quota or amount.	84,859,103.35	
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.	78,921,808.85	
Income and expenditure other than those mentioned above	(13,810,132.25)	
Less: Amount affected by income tax	17,067,455.98	
Amount of minority shareholders' equity affected	3,242,648.98	
Total	89,667,454.35	--

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	14.89%	3.90	3.90
Net profit attributable to common shareholders of the Company after deduction of non-recurring profits and losses	14.08%	3.69	3.69

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

- (1) The difference between net profits and net assets in the 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 the financial statements disclosed according to the Overseas Accounting Standards 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

None

4. Others

None

V.

