

winner 稳健医疗

Purcotton 全棉时代



2023

Winner Medical Co., Ltd.

Semi-Annual Report

Caring for health and life, making a better world



100%
Pure Cotton

01

Section I
Important Notes,
Contents, and Definitions

Important Notes

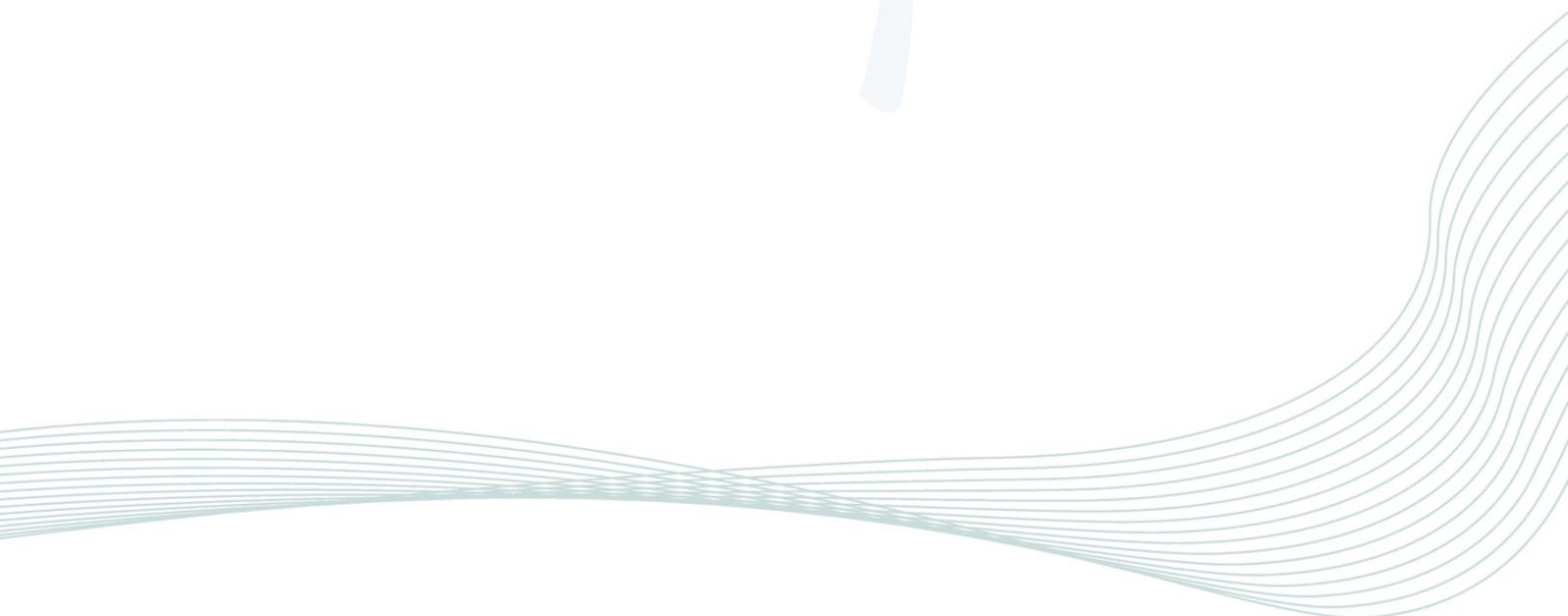
The Board of Directors, the Board of Supervisors and directors, supervisors and senior management of Winner Medical hereby guarantee that the statement in this Semi-annual Report is authentic, accurate and complete without false or misleading information or material omission and will assume all the legal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

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

All directors of the Company personally attended the board meeting for reviewing this semi-annual report.

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

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



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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 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
Reporting period	Refers to	From January 1, 2023 to June 30, 2023

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Section II Company Profile and Major Financial Indicators



I. Company Profile

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

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

III. Other Information

1. Contact information

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

Applicable Not applicable

There is no change in the Company's registered address, office address and postal code, company website and email during the reporting period, as shown in 2022 annual report.

2. Information disclosure and keeping place

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

Applicable Not applicable

The name and URL of the stock exchange website and media for publishing the semi-annual report, and the place where the semi-annual report is kept were not changed during the reporting period. See the 2022 Annual Report for details.

3. Change of registration

Whether the registration status was changed during the reporting period

Applicable Not applicable

There were no changes in the Company's registration during the reporting period. See the 2022 Annual Report for details.

IV. Major Accounting Data and Financial Indicators

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

Yes No

Retroactive adjustment or restatement of reasons

Changes in accounting policies

	Current reporting period	Same period last year		Increase/decrease in this reporting period compared with the same period of the previous year
		Before adjustments	After adjustments	After adjustments
Operating income (yuan)	4,266,838,038.66	5,157,944,495.72	5,157,944,495.72	-17.28%
Net profits attributable to shareholders of listed companies (yuan)	681,617,022.69	892,823,503.14	892,823,503.14	-23.66%
Net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses (yuan)	550,058,459.19	820,558,767.23	820,558,767.23	-32.97%
Net cash flow from operating activities (yuan)	158,178,712.89	801,150,899.38	801,150,899.38	-80.26% ¹
Basic EPS (yuan/share)	1.1599	2.11932	1.5207	-23.73%
Diluted EPS (yuan/share)	1.1599	2.1193	1.5207	-23.73%
Weighted average return on net assets	5.71%	8.17%	8.17%	-2.46%

	End of the reporting period	End of the previous year		Increase/decrease at the end of the reporting period compared to the end of the previous year
		Before adjustments	After adjustments	After adjustments
Total assets (yuan)	17,288,335,748.63	18,237,749,401.56	18,363,337,775.74	-5.85%
Net assets attributable to shareholders of listed companies (yuan)	11,606,416,823.57	11,704,606,570.71	11,719,768,089.06	-0.97%

Note: 1 Mainly decrease in payments received in advance from customers, higher payment of prior year's taxes and goods in the current period

2 Earnings per share for previous periods are adjusted in parallel with the transfer of shares from capital surplus during the period.

Reasons for changes in accounting policies and correction of accounting errors

On 30 November 2022, the Ministry of Finance issued Interpretation No. 16 for the Accounting Standards for Business Enterprises, which stipulates the “accounting treatments for deferred income taxes associated with assets and liabilities arising from a single transaction to which the initial recognition exemption does not apply”, effective for the Company as of 1 January 2023. For lease liabilities and right-of-use assets recognized at the beginning of the earliest period of financial statement presentation in which the provision is first implemented that give rise to taxable temporary differences and deductible temporary differences as a result of a single transaction to which the provision applies, the Company has adjusted the cumulative effect to retained earnings at the beginning of the earliest period of financial statement presentation and other relevant financial statement items in accordance with the said provision and Accounting Standard No. 18 for Business Enterprises - Income Tax.

V. 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.

VI. Non-recurring Profit and Loss Items and Amount

Applicable Not applicable

Unit: RMB

Item	Amount	Description
Profits and losses on the disposal of non-current assets (including the write-off part of the provision for asset impairment)	3,740,723.17	
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.	46,758,694.51	
In addition to the effective hedging business related to the Company's normal business operations, the profit and loss from fair value changes arising from holding trading financial assets and trading financial liabilities, as well as the investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	97,471,458.42	
Income and expenditure other than those mentioned above	3,301,678.67	
Less: Amount affected by income tax	23,439,559.06	
Amount of minority shareholders' equity affected (after tax)	-3,725,567.79	
Total	131,558,563.50	

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.



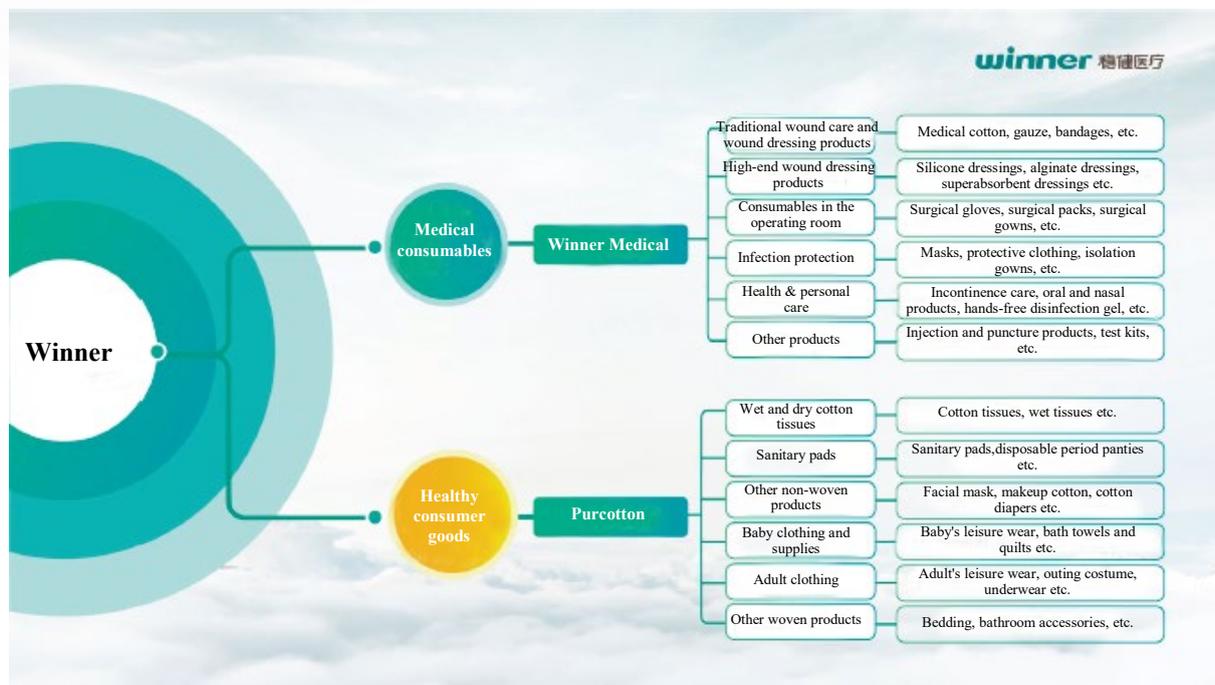


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Section III Management Discussion and Analysis

I. Main Business of the Company during Reporting Period

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 high-end 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 high-end wound dressing products, such as silica gel foam dressing, hydrocolloid dressing, super absorbent pad, negative pressure drainage products, etc., which are mainly applied to chronic wound healing scenes such as diabetes, large-area burns and wounds. The Company's technical level in the field of high-end wound dressings has been in the forefront of the industry, and is expected to become the core products for the development of Winner Medical.



2. Healthy Consumer Goods Section

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



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



(II) Main Products and Purposes

The product categories of the medical consumables segment are divided into traditional wound care and dressing, high-end 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:

Product Category	Main Purpose	Product	Image of Some Products
Traditional wound care and wound dressing products	For absorbing wound exudate, dressing wounds, and sports protection	Medical cotton, gauze, bandages,	
High-end wound dressing products	For creating a moisture balance at the wound interface to optimize its benefits for wound healing, reduce the frequency of dressing replacement, and reduce secondary damage	Silicone dressings, alginate dressings, superabsorbent dressings etc.	

Product Category	Main Purpose	Product	Image of Some Products
Consumables in the operating room	For preventing infections in the operating room	Surgical gloves, surgical packs, surgical gowns, etc.	
Infection protection	For occupational protection of medical staff and patient isolation	Masks, protective clothing, isolation gowns, gloves, foot straps, hats, etc.	
Health & personal care	For wound cleaning and disinfection, and daily health care	Incontinence care, oral and nasal products, hands-free disinfection gel, alcohol disinfection tablets, band-aids, etc	
Other products	For health management to meet their medical needs	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:

Product Category	Product	Image of Some Products
Wet and dry cotton tissues	Cotton tissues, wet tissues etc.	
Sanitary pads	Sanitary pads, disposable period panties etc.	
Other non-woven products	Facial mask, makeup cotton, cotton diapers, disposable underwear, etc.	
Baby clothing and supplies	Baby's leisure wear, outing costume, underwear, bath towels, handkerchiefs and quilts, etc.	

Product Category	Product	Image of Some Products
Adult clothing	Adult's leisure wear, outing costume, underwear, footwear, etc.	
Other woven products	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 submit 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 Stock), 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.

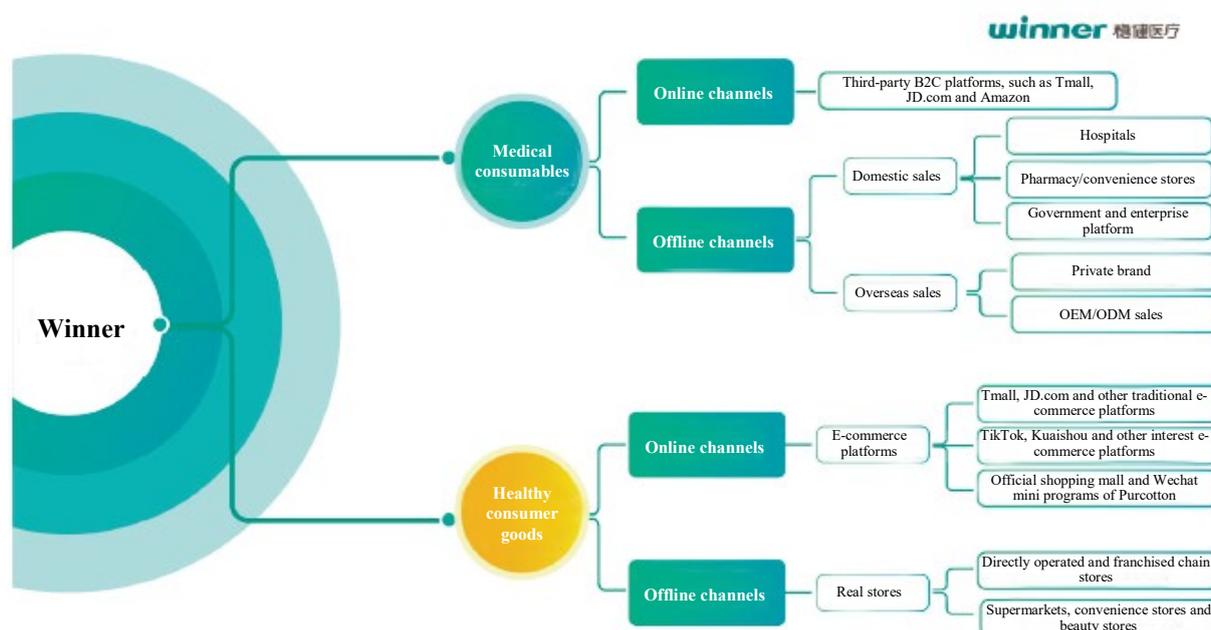
2) In the production mode of Make to Stock MTS, products are not customized for specific customers, and are usually delivered to different customers; production plans are formulated according to market demand and existing inventory. Safe inventory is determined for such products according to the production 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 high-end 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 concept 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 "Medical Device Business" stipulated in the *No. 4 Guideline of Shenzhen Stock Exchange for Self-regulatory of Listed Companies - Information Disclosure by Growth Enterprises*:

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

II. Analysis of Core Competitiveness

1. Advantages of Business Philosophy and Corporate Culture

With offering quality products as its mission, the Winner Medical brand aims to lead in the medical dressing industry, to grow from a small Chinese enterprise offering lower-price products to a large international enterprise offering high-quality products recognized by developed countries, bringing Chinese medical dressings to the international stage. With "caring for health and life, making a better world" as its vision, the brand keeps focusing on product quantity and innovations, and making its way into the medical consumables and high-end medical dressing market. 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.

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. In the first half of this year, relying on the success of last year's research and development of a variety of core basic materials and mass production and application, the company continued to improve the second generation of high-end wet wound dressings product line technology arrangements, had the scar repair new products successfully marketed in China, and obtained access qualification for a variety of newly developed antibacterial dressings from the U.S. FDA in the first half of this year. In the field of medical consumables, the company focused on the development of core basic materials in the first half of the year on the application of operating room consumables such as surgical gowns, isolation gowns, surgical towels and wipes, to enhance the comfort of the products, reduce the cost of production of the products, and to further enhance the market competitiveness of the products. It was invited to participate in the formulation of many national standards and industry standards, including the performance requirements of pure cotton nonwoven surgical dressings, and technical specifications for contact layer dressings and masks for children. 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. 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).

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. In January 2022, the Company and Huazhong Agricultural University jointly established the Cotton Research Institute and appointed Prof. Zhang Xianlong as the Chief Cotton Scientist of Purcotton to cooperate in research and development. The research institute relies on biological breeding technology to cultivate cotton strains that are exclusive to cotton, and to discover cotton strains that are specialized for spunlace nonwoven fabrics. In June 2022, the Company, together with Wuhan Textile University and Huazhong University of Science and Technology, jointly declared a major science and technology project in Hubei to promote the industrialization of the currently developed corrugated structure with slow-release function artificial blood vessels and polyester large-caliber woven artificial blood vessels, so as to realize the domestic replacement of artificial blood vessels early, solve the bottleneck project in China, and better serve patients with vascular diseases. In addition, the Company also joined hands with Wuhan Textile University to set up the Innovation Research Institute of Winner Medical & Wuhan Textile University to accelerate the transformation of scientific and technological achievements. Xu Weilin, academician of the Chinese Academy of Engineering, deputy party secretary and principal of Wuhan Textile University, was appointed as the president of the Research Institute.

As of June 30, 2023, the Company obtained 95 patents for inventions, 726 patents for utility models, and 375 design patents in China; and obtained 31 patents for inventions and 7 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 high-end 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 high-end wet dressings like silicone foam dressings, hydrocolloid dressings, super absorbent pads and scar repair sheet for chronic wounds that are difficult to heal, which has further enrich its products. For the clinical use scenarios, the Company is committed to 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 textile consumer goods. Non-woven consumer products mainly include wet and dry cotton towels, sanitary pads, etc.; textile consumer products mainly include baby clothing and supplies, adult clothing and other textile products. 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 a benchmark enterprise in the domestic medical consumables industry, the Company takes “leading products with operational excellence” as its core strategy, and through a variety of ways, such as holding exhibitions worldwide and launching the wound care training base of “Winner Medical Academy”, it has the brand of “Winner Medical” has gained wide recognition in the medical field, and the business philosophy and product quality trusted by domestic and foreign customers. The Company's medical consumables are mainly sold to 110 countries, mainly 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 April 2023, Winner Medical was ranked 61st on the list of the top 100 medical device companies in the world by Medical Device+Diagnostic Industry.

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

Purcotton is a wholly owned subsidiary of Winner Medical. With high quality cotton as the core material, Purcotton insists on prioritizing quality with heart and soul, bringing comfortable, healthy and environmentally friendly cotton lifestyle to consumers. Purcotton products have been recognized and trusted by more than 48 million members. Adhering to the brand concept of “reassurance, happiness and sustainability”, Purcotton advocates the public to use more cotton, reduce environmental pollution and return to the natural way of life. The all-cotton tissues developed by Purcotton is a pioneering category. Purcotton are creating new categories and lifestyles by applying cotton materials in its core products, such as its all-cotton cotton wet wipes, sanitary pads with pure cotton surface, pure cotton diapers, and its gauze textile products and clothing. It has shaped a brand image of “new Chinese products” with cotton as the core material and excellent product quality. Its brand awareness is increasing and its reputation is improving year by year, forming effective competition barriers and bringing powerful added value of products for Purcotton.

6. Advantages of sales channels

(3) 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, Vipshop 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 Tik Tok, Kuaishou and Xiaohongshu, which helps it open up new sales growth channels.

(4) Advantages of offline channels

In the medical consumables section, the Company has covered more than 1,000 medical institutions and 170,000 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 June 30, 2023, Purcotton has opened 353 offline stores (including 44 franchisees) in more than 80 mid- and high-end shopping malls in Shenzhen, Shanghai, Beijing, Guangzhou and other key cities in China. The Company integrates its brand concept into its store design. It hires well-known designers at home and abroad to upgrade its store image and to enhance its consumer experience with an exhibition-style product display balancing both aesthetics and richness of products. It also adds an experience area to highlight product display and 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, high-end 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 17,000 outlets of Wal-Mart, China Resources Vanguard, Rt-Mart, Rainbow, Ole' Supermarket, Sam's Clubs, and other mainstream supermarket chains, over 17,700 outlets of Meiyijia, 7-11, Rosen, Convenience Bee, Today, Every Day, Hong Qi and other convenience store chains, as well as over 6,600 beauty stores and offline maternal & infant stores such as Watsons, Kidswant and MAM & BAB.

(5) 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 omni-channel integration, the Company thoroughly optimized and integrated various channels to integrate traffic and sales of offline stores, supermarkets, stores and online apps, and home delivery platforms (Meituan, daojia.jd.com, and ele.me, etc.), thereby further improving its operating efficiency and performance. Online channels can meet offline consumers subsequent consumption needs while offline channels can provide online consumers further product information and service experience. Flows of traffics can be directed between the two kinds of channels, so online and offline traffic can be effectively obtained. As of June 30, 2023, the number of domain-wide Purcotton users has exceeded 48 million, including over 24 million registered members of its private platforms (1.1 million store registered members, and over 1.3 million registered members of its official website and apps).

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 an industrial base for medical biological and infection control protection in the Guangdong-Hong Kong-Macao Greater Bay Area, which will be used for scientific research innovation and industrial production of medical biology, high-end medical dressings and medical infection control protection products. In 2022, the Company acquired three 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.

III. Main business analysis

Overview

(I) Business data

(1) Income from main operations through main channels

Unit: 10,000 yuan

Business type	Channel type	First half of 2023	First half of 2022	YoY change	Reasons for YoY change in performance
Medical consumables	Hospitals in China	57,391.82	159,467.76	-64.01%	Effective control of public health incidents and reduced market demand for infection protection products
	Domestic pharmacies	21,943.98	25,028.53	-12.32%	Effective control of public health incidents and reduced market demand for infection protection products
	E-commerce	42,071.65	46,158.81	-8.85%	Effective control of public health incidents and reduced market demand for infection protection products
	Overseas sales	69,019.77	70,541.63	-2.16%	/
	Domestic direct selling	26,878.42	24,455.98	9.91%	/
	Subtotal	217,305.64	325,652.71	-33.27%	/
Healthy consumer goods	E-commerce	124,262.01	112,519.99	10.44%	Increased online marketing efforts while continuing to drive new leads to increase penetration and conversions.
	Offline stores	64,695.93	54,941.28	17.75%	Effective control of public health incidents and gradual recovery of passenger flow
	Supermarket channels	14,168.35	14,332.75	-1.15%	/
	Key accounts	3,175.05	3,940.97	-19.43%	Mainly decline in sales of products related to public health events
	Subtotal	206,301.34	185,734.99	11.07%	/
Total		423,606.98	511,387.70	-17.17%	/

In 2023, the Company split PureH2B business and adjusted the management organization, and merged the health personal care business of PureH2B business into the medical segment for management, and therefore synchronously adjusted the data for the first half of 2022 by adjusting part of the business of PureH2B business, which was originally in the consumer goods segment, to the health personal care products in the medical segment.

(2) Income from main operations of main products

Unit: 10,000 yuan

Business type	Product type	First half of 2023	First half of 2022	YoY change	Reasons for YoY change in performance
Medical consumables	Traditional wound care and wound dressing products	56,975.15	51,923.99	9.73%	/
	Advanced wound dressing products	28,260.82	16,304.37	73.33%	1. High-end dressing sales business rose after the integration of mergers and acquisitions; 2. High-end dressing sales rose through e-commerce channels.
	Operating room consumables	27,111.46	15,457.76	75.39%	The Company increased the marketing efforts for operating room consumables
	Infection prevention products	73,448.50	225,166.66	-67.38%	Effective control of public health incidents and reduced market demand for infection protection products
	Health & personal care products	11,775.69	16,799.93	-29.91%	Mainly decline in sales of products related to hand hygiene and other public health events
	Other products	19,734.02			Mainly test kits and safety infusion products
	Subtotal		217,305.64	325,652.71	-33.27%
Healthy consumer goods	Wet and dry cotton tissues	54,513.16	49,576.57	9.96%	Continuous attraction of new members and product iterations and upgrades to enhance product strength
	Sanitary pads	29,531.59	29,290.16	0.82%	/
	Other non-woven products	19,870.43	19,978.93	-0.54%	/
	Baby clothing and supplies	43,008.65	40,563.99	6.03%	Effective control of public health incidents and gradual recovery of passenger flow
	Adult clothing	40,039.52	30,774.83	30.10%	Enhancing the product appearance, focusing on specialty fabrics, and improving product comfort.
	Other woven products	19,337.99	15,550.51	24.36%	
	Subtotal		206,301.34	185,734.99	11.07%
Total		423,606.98	511,387.70	-17.17%	/

With the expansion of the Company's business scope, the product categories have become more diversified. In 2022 annual report, the Company reclassified the product categories according to application scenarios; the Company adjusted the classification of the products for the half-year of FY2022 by the adjusted product classification for FY2022. The new classification eliminates disinfection and cleaning products and adds new health personal care products, adjusting cotton swabs, cotton balls, cotton pads and other products applicable to wound care in the original disinfection and cleaning products to the traditional wound care category, and adjusting the remaining hand disinfectant, functional wet wipes, and alcohol disinfectant tablets products to the health personal care products; adjusting the small care packs applicable to basic care in the operating room consumables products to traditional wound care, and personal care products such as oral and nasal cavity to health personal care products; adjusting the products applicable to personal care scenarios, such as cotton towels in traditional wound care and dressing products, to health personal care products; and adjusting the band-aids in the high-end dressings to health personal care products. In 2023, the Company split PureH2B business and adjusted the management organization, and merged the health personal care business of PureH2B business into the medical segment for management, and therefore synchronously adjusted the data for the first half of 2022 by adjusting part of the business of PureH2B business, which was originally in the consumer goods segment, to the health personal care products in the medical segment.

(II) Business analysis

In the first half of 2023, as the economy and society fully resumed normalized operation market demand gradually recovered, production and supply continued to increase, and overall economic performance rebounded to a positive trend. In the face of the changing external environment under the new situation, Winner Medical, based on the two businesses of medical consumables and consumer healthcare products, has responded positively and adjusted flexibly under the guidance of the three core business principles of “quality over profit, brand over speed, and social value over corporate value”. Based on the impact of the high base of infection protection products in the same period of last year, the company's operating income in the first half of 2023 was RMB4.27 billion, down 17.3%; net profit attributable to shareholders of listed companies was RMB680 million, and net profit after extraordinary gains and losses was RMB550 million, down 23.7% and 33.0%, respectively. The Company has always adhered to the core strategy of “leading products with operational excellence”, deeply explored channels and enhanced the competitiveness of its products, enjoying a sustained improvement in the overall quality of its operations during the reporting period.

(1) Medical consumables business: significant impact of high base of infection protection products, steady development of conventional products business

In the first half of 2023, the overall operating income of the medical sector was 2.17 billion yuan, down 33.3%. Due to the decline in market demand for infection protection products and the high inventory of related products on the demand side and the channel side, the dynamic sales were at a very low speed level, coupled with the impact of last year's high base, the operating income of infection protection products during the reporting period amounted to RMB730 million, representing a decrease of 67.4%. Also affected were some health personal care products (disinfectant wipes, hand hygiene, etc.), amounted an operating income of RMB120 million during the reporting period, a decline of 29.9%. In addition, the business of conventional medical consumables developed steadily. Revenue from the traditional dressings business was RMB570 million, an increase of 9.7%, while revenue from the high-end dressings and operating room consumables business was RMB280 million and RMB270 million, an increase of 73.3% and 75.4% respectively, representing a better growth trend. With innovation to promote product development, the company in the first half of the year focused on the developed cotton spunlace nonwoven materials applied to surgical gowns, isolation gowns, surgical towels and wipes as well as other operating room supplies. Compared with the chemical fiber nonwoven disposable operating room supplies, cotton material disposable operating room supplies products, in order to achieve infection control at the same time, has a strong comfort and degradability. It can be seen that this product will greatly enhance the competitiveness of the market in the disposable operating room consumable fabric products. As of the end of the reporting period, we hold 732 patents in the medical consumables segment and 332 medical product registrations (including 25 registrations of Category III medical products).

In terms of channels, the company continued to deepen its cultivation in the first half of 2023 through a variety of ways to actively open up marketing channels. Besides, changes in the public health event situation restored a more balanced and rationalized revenue structure across channels. During the reporting period, operating income from foreign markets amounted to RMB690 million, accounting for 31.8% of the medical revenue. The domestic hospital channel expanded steadily, achieving operating income of RMB570 million, with the revenue share recovering to 26.4%. The C-end business developed steadily, and the operating income of e-commerce and domestic pharmacies in the first half of the year was 420 million yuan and 220 million yuan, respectively, raising the combined revenue share to 29.5%. In terms of e-commerce, as of the end of the reporting period, the number of fans on domestic e-commerce platform totaled 16.42 million, with a new addition of nearly 3 million in the first half of the year; in the cross-border e-commerce Amazon platform, the ranking of the core large-item category continued to stay ahead.

(2) Health consumer goods business: All-cotton products build differentiation and offline recovery drives performance improvement

In the first half of 2023, total retail sales of consumer goods amounted to 22.8 trillion yuan, with the overall vitality of the consumer market gradually recovering; but residents' consumption capacity and confidence in consumption still need to be strengthened, and the foundation for restoring and expanding consumption needs to be further consolidated. In such a market environment, the healthy lifestyle consumer goods business under the brand name of “Purcotton” continued to consolidate its brand building, focused on three scenarios and practiced the strategy of explosive products, announcing an operating income of RMB2.06 billion during the reporting period; a growth of 11.1% compared to the same period of last year when the base figure was not significantly low last year, and an increase of 55.5% over the same period of 2019, showing a strong development resilience.

In terms of products, Purcotton tries to build a differentiated product matrix around “one cotton, one fiber”, and keeps improving product competitiveness by continuously enriching product categories through research and development innovation. By the end of the reporting period, Purcotton has obtained 502 patents. During the reporting period, non-woven products and woven products contributed operating income of RMB1.04 billion and RMB1.02 billion, respectively. The company's core best-selling product, wet and dry cotton wipes, experienced a steady increase in sales, contributing operating income of 550 million yuan in the reporting period, up 10.0%. Thanks to the rapid recovery of offline sales, adult apparel and other consumer textile products (mainly bedding and bathroom products) with stronger sense of experience grew at a significant rate, contributing operating income of RMB400 million and RMB190 million respectively during the reporting period, an increase of 30.1% and 24.4%. The company continues to promote green product certification, product carbon footprinting, research and development of biodegradable products, organic cotton breeding and application, leading the green development of the industry.

In terms of channels, Purcotton has diversified online and offline channels, including traditional third-party platforms such as Tmall, Jingdong, Vipshop, e-commerce platforms such as TikTok, Xiaohongshu and other interest in e-commerce platforms, as well as its own official website and applets and other self-owned platforms. 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. As of the end of the reporting period, there were approximately 48 million members in across the domain, an increase of 12.1% from the end of last year. With the recovery of offline traffic, average store performance, store efficiency and other operating indicators steadily improved, profitability improved significantly; as of the end of the reporting period, the company had 353 offline stores (including 309 directly-managed stores, 44 franchised stores), including 22 newly opened stores in the first half of the year (7 directly operated stores and 15 franchised stores); during the reporting period, offline stores announced an operating income of 650 million yuan, an increase of 17.8%. The online channel focused on new products and best-selling products matrix, strengthened mutual penetration between categories, and strived to improve the conversion rate of new members and the repurchase rate of regular customers, announcing an operating income of 1.24 billion yuan during the reporting period, an increase of 10.4%.

(3) Profitability: More initiatives to help improve gross profitability

In the first half of 2023, the company steadily increased its gross profit margin to 51.5% through multiple ways such as value return, cost reduction and efficiency improvement, and new product iteration and optimization of product structure, an increase of 2.6% over the same period last year. The health and life consumer goods business performed well, helping Purcotton achieve a gross profit margin of 58.2% in the first half of the year, earning an operating profit of 270 million yuan, an increase of 28.7% over the same period last year; restoring profitability to a good level in 2019, with an operating margin of 12.9%. In the first half of the year when the situation of public health events changed significantly, the Company took the initiative to vigorously promote the steady development of conventional medical consumables and consumer goods, and it actively improved the management ability, and tried to reduce the impact of the sharp decline in the sales of infection protection products on the profitability, finally achieving a net profit margin of 16.0%, a decline of only 1.3% compared with the same period of last year, with the net profit attributable to shareholders of listed companies up to 680 million yuan.

(4) Outlook for future development: Focus firmly on the two main industries and take the road of high-quality development

Medical consumables are just-demanded, high-frequency, widely-used products, with huge domestic and international market space. The medical consumables industry in China is extremely decentralized, but in overseas markets, after decades of development, the concentration effect of the leader has emerged. With strong manufacturing capacity, Winner Medical relies on its brand awareness and reputation accumulated in recent years to further consolidate the construction of online and offline channels, laying a solid foundation for the steady development of conventional products and the continuous improvement of market share. In the future, Winner Medical will endeavor to enhance its endogenous capabilities in manufacturing, innovation and R&D as well as industry chain control, and stay active to seek opportunities for outward mergers and acquisitions so as to make great strides towards the strategic goal of “leading in medical consumables and providing one-stop medical consumables solutions”.

Healthy life consumer goods brand - Purcotton, backed by the parent company's more than 30 years of medical experience and quality genes, has formed a differentiated competitive advantage with “all-cotton” comfortable, healthy, environmentally friendly materials, high stickiness of the customer base, and the excellent product quality. Especially after the big challenges of the macro environment in the past three years, the company has practiced hard to optimize the store area, adjust the product structure, reduce costs and increase efficiency and other initiatives, so that the first half of 2023 saw no decline in profits, but a significant increase in the gross profit margin and operating profit margin. Purcotton will continue to focus on the scenarios, practicing the best-selling strategy, and be active to explore domestic and international online and offline channels, so that more consumers get access to the cotton products with good quality and good price, reduce environmental pollution, and return to the natural way of life. Purcotton will continue to promote the healthy lifestyle of cotton, shaping the brand mind, to convey the original intension and brand value of “changing the world with pure cotton”, and firmly take the road of brand development.

Opportunities always exist alongside challenges in the complex and changing external environment. The Company will continue to promote the core strategy of “product leadership and operation excellence”, focus on its main business, insist on the parallel development of medical and consumer, both online and offline, and the synergistic development of endogenous and exogenous, and endeavor to open a new chapter in the high-quality development of Winner Medical.

(III) Business management analysis

(1) Product R&D

The Company sticks to independent innovation and development of basic materials. In the field of medical wound care, the Company continued to improve the second generation of high-end wet wound dressings product line technology arrangements, had the scar repair new products successfully marketed in China, and obtained access qualification for a variety of newly developed antibacterial dressings from the U.S. FDA. Relying on the success of last year's research and development of a variety of core basic materials and mass production and application, the company in the first half of this year focused on improving product competitiveness in the direction of product development and upgrading to meet the differentiated customized design needs of customers. In the field of medical consumables, the company focuses on the

development of core basic materials on the application of operating room consumables such as surgical gowns, isolation gowns, surgical towels and wipes, to enhance the comfort of the products, reduce the cost of production of the products, and to further enhance the market competitiveness of the products, provide a better experience of the products for the medical practitioners and other users, and continue to create greater value for users. In June this year, the company and Wuhan Textile University jointly built a comprehensive technological innovation platform for advanced fiber materials in Hubei Province to carry out industrial incubation, and trying to complete the in vitro and in vivo biological evaluation of a new series of artificial blood vessels with high patency rate early, to break the monopoly of artificial blood vessels abroad, and to achieve the substitution with home-made products.

In the field of health consumer goods, Purcotton has independently developed soft cotton yarn and created a series of soft cotton flannel warmer products, with a thermal insulation rate of more than 30% and a weight reduced by 20%. The developed elastic hoodie fabric greatly improves the comfort and elasticity of hoodies and pants for infants and young children. The developed ozone bleaching technology can be used to desize and bleach cotton fabric by gaseous ozone treatment at low temperature. Compared with traditional pretreatment, it saves 92% of water and discharges zero sewage; and it saves 44% of chemicals, 49% of energy, and reduces carbon dioxide emissions by 95%. The technology has been pioneered in the application of bedding suits and sandwich quilts. The company continues to carry out the excavation and transformation of low-carbon production processes, and has completed the verification statement of carbon footprint for five core products. In addition, on that basis, the company has carried out carbon reduction by the low-temperature de-bleaching technology, with the unit steam consumption reduced by more than 30%. The company has also carried out research with Tianjin Polytechnic University on the comfort of all-cotton leisure wear, and with Jiangnan University on the technical development of cotton and cotton-type yarn performance enhancement.

(2) Brand building

In the first half of 2023, Winner Medical continued to consolidate the brand image favored by the public and trusted by doctors and nurses, and continuously improved brand awareness and reputation through effective means. Brand building efforts during the reporting period were mainly centered on joint media promotions, sponsorship of large-scale events, heterogeneous brand co-marketing, participation in medical exhibitions, as well as hospital and pharmacy promotions. In the first half of the year, Winner Medical participated in 8 domestic and overseas exhibitions to showcase its product matrix and comprehensive strengths to both professional and general audiences; launched a special campaign to improve the skills of medical staff in hospital infection prevention and control, helping medical staff in China to develop better habits of hygiene protection; and launched the third phase of the “Winner Medical Academy (Sensitive Control)” training in Beijing at the end of March, focusing on the medical staff’s own protection under the theme of “helping to prevent and control infections and caring for one’s own protection”.

In terms of brand construction, Purcotton continued to deepen its communication with consumers, and continued to convey to consumers the multiple advantages of "cotton" in environmental protection and sustainable development through spokespersons, creation of original high-quality content, offline exhibition tours and press conferences, so as to enhance consumer awareness and loyalty to the brand. In March, the brand continued to launch its original character documentary series, “What She Changed” by Bai Xiangen, with over 42 million video views and 734 million microblog topic reads. In February, Winner Medical and Purcotton, as the “Official Partner of 2022 Shenzhen Marathon”, provided high-quality health protection products and cotton lifestyle products to convey the concept of “Love Life and Love Health”. On February 26, Purcotton officially announced new generation actor Sun Qian as its brand ambassador and held a new product release event. It joined hands with 80 colleges and universities across the country to continue the [WE Eco Cotton-Use] environmental protection program, and jointly carried out a packaging design competition, environmental protection public welfare lectures (including a special session at Peking University), the Earth Lights Out Concert and other campus environmental protection campaigns, so that students participated in the interaction and at the same time, understood the relationship between cotton and environmental protection, thus having safe and comfortable cotton enter into the lives of more young people groups to have them join the sustainable all-cotton lifestyle and to protect the blue sky, green land and clear water.

(3) Digital transformation

In order to promote "consumer-centric and digital and intelligent manufacturing-driven" business transformation, and carry out the five digital strategies of "digital commodity operation", "omni-channel digital operation", "consumer digital operation", "digital smart logistics digital operation" and "smart manufacturing digital operation", the Company further delivered the digital project phase of core business operation, and effectively promoted the whole industrial chain of the group to drive and lead the overall business change and innovation from top to bottom.

The Company advanced the following digitization projects in the first half of 2023. ① The Company continuously promoted the construction of the domain-wide member union and the CDP-MA marketing cloud, and completed the construction partially in some platforms during the reporting period. ② The Company continued to promote the upgrade of the digital operation capability of the whole category and life cycle of the commodity, and based on the end-to-end connection of the commodity supply chain, empowered the automatic distribution and replenishment system to balance the supply chain capacity and effectively reduce the risk of inventory with advanced algorithms. 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 self-developed 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. As of the first half of 2023, Win+ platform was successfully launched in 5 factories, together with IOT 600+ manufacturing equipment, 800+ smart meters, algorithmic applications in 6 scenarios, constituted a secondary node platform for industrial Internet identification analysis, improving the comprehensive competitiveness of manufacturing. ④ 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.

YoY changes in key financial data

Unit: yuan

	Current reporting period	Same period last year	Year-on-year increase/decrease	Reason for change
Operating income	4,266,838,038.66	5,157,944,495.72	-17.28%	Mainly decline in revenue from the medical consumables
Operating costs	2,071,428,206.72	2,640,556,563.64	-21.55%	Lower revenues corresponding to lower costs
Selling expenses	960,442,911.44	950,172,124.74	1.08%	No major changes
Administrative expenses	289,596,702.14	325,391,883.32	-11.00%	No major changes
Financial expenses	-52,794,426.69	-73,619,152.34	-28.29%	Mainly increase in interest expense and decrease in foreign exchange gain
Income tax expenses	114,886,459.15	145,670,282.34	-21.13%	Mainly decrease in total profit
R&D expenses	194,636,202.14	238,644,498.62	-18.44%	No major changes
Net cash flow from operating activities	158,178,712.89	801,150,899.38	-80.26%	Mainly decrease in payments received in advance from customers, higher payment of prior year's taxes and goods in the current period
Net cash flow from investing activities	380,420,978.74	-966,552,145.71	-139.36%	Mainly payment for the acquisition of the company's equity in the prior period
Net cash flow from financing activities	-678,722,588.25	192,733,749.29	-452.16%	Mainly higher repayment of bank borrowings during the period
Net increase in cash and cash equivalents	-134,381,719.01	54,933,264.88	-344.63%	Mainly changes in investing and financing activities during the period

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

Applicable Not applicable

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

Products or services accounting for more than 10%

Applicable Not applicable

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/decrease of operating income	Year-on-year increase/decrease of operating cost	Year-on-year increase/decrease of gross margin ratio
By industries						
Medical consumables	2,173,056,329.26	1,190,712,847.40	45.21%	-33.27%	-31.98%	-1.04%
Healthy consumer goods	2,063,013,439.28	862,440,651.91	58.20%	11.07%	-0.08%	4.67%
By products						
Medical consumables - traditional wound care and wound dressing products	569,751,468.09	362,344,232.29	36.40%	9.73%	4.62%	3.11%
Medical consumables - infection prevention products	734,484,964.80	343,008,384.18	53.30%	-67.38%	-69.90%	3.92%
Healthy consumer goods - wet and dry cotton tissues	545,131,629.73	249,856,538.28	54.17%	9.96%	1.09%	4.02%
By regions						
Domestic	3,486,307,548.95	1,640,031,127.77	52.96%	-20.17%	-25.46%	3.34%
Abroad	749,762,219.59	413,122,371.54	44.90%	0.41%	-0.13%	0.30%

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

Applicable Not applicable

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

Yes No

Distribution of brick-and-mortar stores

Types of stores	Number of stores	Area of stores	Number of new stores during the reporting period	Number of stores closed at the end of the reporting period	Reasons for store closings	Brands involved
Direct-sale stores	309	105,790	7	9	Contract Expiration	Purcotton
Franchises	44	10,842	15	0	/	Purcotton

Total area and performances of direct-sale stores

Levels of areas	Number of stores	Total area	Operating income in January-June 2023(10,000 yuan)	Operating income for the same period last year (10,000 yuan)	Average year-on-year increase/decrease in performance of stores	Reasons
300m ² or less	140	30,824.45	21,993.94	19,208.56	14.50%	
300-500m ²	90	33,471.59	18,399.06	16,973.53	8.40%	
500-800m ²	39	24,262.28	10,508.97	9,233.42	13.81%	
800m ² or more	11	10,287.48	3,428.11	3,016.03	13.66%	
Total	280	98,845.80	54,330.09	48,431.54	12.18%	Passenger traffic of offline stores Increase over the same period of the previous year

Note: The above stores are Purcotton's stores opened for more than 12 months as of June 30, 2023. The operating income of offline stores include the sales of O2O, 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	7,515,843.59	18,589.77
2	Second	August 06, 2012	6,119,372.39	10,464.22
3	Third	May 15, 2010	6,052,052.24	9,303.69
4	Fourth	September 19, 2014	5,492,677.43	7,304.09
5	Fifth	April 30, 2015	5,405,008.08	4,873.77
Total	--	--	30,584,953.72	8,737.09

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	Central China	2023	214.78	1,281,038.69	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	1
Direct-sale stores of Purcotton	North China	2023	269.5	1,822,208.38	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	2
Direct-sale stores of Purcotton	South China	2023	684.36	3,516,407.23	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	3
Direct-sale stores of Purcotton	East China	2023	206	880,363.75	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	1
Purcotton franchisees	North China	2023	200	297,885.38	Healthy consumer goods	Retail	Franchisees	Purcotton franchisees	1
Purcotton franchisees	South China	2023	914.66	1,502,039.85	Healthy consumer goods	Retail	Franchisees	Purcotton franchisees	4
Purcotton franchisees	West China	2023	817.07	1,495,406.11	Healthy consumer goods	Retail	Franchisees	Purcotton franchisees	4
Purcotton franchisees	Central China	2023	1,033.82	1,521,775.51	Healthy consumer goods	Retail	Franchisees	Purcotton franchisees	5
Purcotton franchisees	East China	2023	225.75	374,079.31	Healthy consumer goods	Retail	Franchisees	Purcotton franchisees	1
Total			4,565.94	12,691,204.21					22

Does the Company disclose the information on the Top 5 franchises

Yes No

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

1. Production capacity

The Company's production capacity

	Current reporting period	Same period last year
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More than 10% YoY change in production capacity utilization rate

Yes No

Business category	Product Category	Unit	January-June 2023			January-June 2022			Production capacity utilization rate Change in percentage points	Change reason description
			Production capacity	Output	Production capacity utilization rate	Production capacity	Output	Production capacity utilization rate		
Medical consumables	Gauze	ton	5,018	3,255	65%	5,585	3,568	64%	1%	No major changes
	Cotton	ton	1,373	1,252	91%	1,373	1,026	75%	16%	Fewer orders in the first half of 2022 due to the impact of public health events, sales demand grew this year and production increased.
	Mask	'0,000 pieces	305,313	145,824	48%	328,051	295,621	90%	-42%	Market demand declined and factories adjusted production capacity accordingly
	Protective clothing	'0,000 suits	632	282	45%	2,652	2,627	99%	-54%	Public health events were effectively controlled but market demand decreased significantly, resulting in a decrease in production capacity output in the first half of 2023
	Surgical gowns	'0,000 suits	720	646	90%	1,950	1,796	92%	-2%	No major changes
	Medical combo kits	'0,000 kits	2,545	2,326	91%	2,600	2,329	90%	1%	No major changes
	Pure cotton spunlace non-woven fabric	ton	25,628	13,344	52%	25,628	14,241	56%	-4%	No major changes
Healthy consumer goods	Cotton tissues	'0,000 kits	17,987	7,742	43%	17,397	6,565	38%	5%	No major changes
	Sanitary pads	'0,000 pieces	31,869	20,225	63%	25,040	19,496	78%	-15%	There were new additional production lines in the first half of 2023, while sales did not rise significantly, resulting in a decrease in capacity utilization rate

Is there overseas production capacity?

Yes No

2. Sales model and channels

Sales channels and actual operation of products

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

Unit: RMB

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 margin ratio
Online sales	1242620067.03	568596423.04	54.24%	10.44	-1.07	5.32
Offline stores	646959312.93	227641518.20	64.81%	17.75	6.47	3.73
Supermarket channels	141683490.06	51388698.39	63.73%	-1.15	-6.00	1.87
Key accounts	31750569.26	14814012.28	53.34%	19.43	-25.67	3.91
Total	2063013439.28	862440651.91	58.20%	11.07	-0.08	4.67

Reasons for change

3. Selling expenses and composition

Selling expenses	January-June 2023	January-June 2022	Year-on-year increase/decrease	Description of significant changes
Employee compensation	315,528,733.79	322,603,966.58	-2.19%	No major changes
Travel expenses	10,524,681.48	3,848,684.40	173.46%	Increase in travel demand after effective control of public health incidents
Office communication costs	6,090,498.20	8,396,979.22	-27.47%	No major changes
Sales commission	125,398,549.11	118,542,577.52	5.78%	No major changes
Insurance premiums	2,967,753.30	3,018,944.71	-1.70%	No major changes
Depreciation and amortization	112,902,943.06	156,566,925.78	-27.89%	No major changes
Advertising and promotion expenses	276,337,254.06	235,198,138.16	17.49%	No major changes
Rent	77,531,439.61	66,454,933.41	16.67%	No major changes
Others	33,161,058.83	35,540,974.96	-6.70%	No major changes
Total	960,442,911.44	950,172,124.74	1.08%	No major changes

4. Franchising and distribution

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

Yes No

Top 5 franchisees

S/N	Name of franchisee	Time of cooperation	A related party or not	Total sales (yuan)	Level of franchisee
1	Franchisee I	May 1, 2020	No	2,779,690.03	Primary
2	Franchisee II	November 9, 2020	No	2,609,494.32	Primary
3	Franchisee III	June 26, 2022	No	1,883,116.72	Primary
4	Franchisee IV	June 10, 2021	No	1,739,555.35	Primary
5	Franchisee V	October 24, 2020	No	1,715,897.65	Primary
Total	--	--	--	10,727,754.07	--

Top 5 distributors

S/N	Name of franchisee	Time of cooperation	A related party or not	Total sales (yuan)
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5. Online sales

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

Yes No

Is there a self-built sales platform?

Yes No

Operation starting time	January 6, 2014
Number of registered users	13,208,503
The average number of monthly active users	1,601,600

Does it work with a third-party sales platform?

Yes No

Unit: RMB

Name of platform	Transaction amount during the reporting period	Return rate
Taobao (healthy consumer goods)	594,823,048.85	2.03%

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

6. Agency operation

Does it adopt agency operation?

Yes No

7. Inventory

Inventory

Main products	Inventory turnover in days	Inventory balance	Inventory aging	YoY increase/decrease in inventory balance	Reasons
Raw materials and goods processed by the commission		277,811,574.68		-110,030,904.60	Mainly due to the year-on-year decrease in Purcotton inventory and cotton inventory
Work in process		180,932,253.18		17,389,240.47	Mainly resulting from the increase in semi-finished products in process
Merchandise inventory		916,052,498.36		-14,221,789.00	
Semi-finished products shipped in transit		28,477,092.97		-32,913,019.15	Mainly resulting from the decrease in inventories not yet received by the Company's shipped customers
Low priced and easily worn articles		10,419,634.45		-5,454,047.45	
Total	156	1,413,693,053.64		-145,230,519.73	

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	54,831,465.50	10,616,808.72		39,153,897.95		26,294,376.27
Work in process	9,184,849.77	23,924,918.05		7,659,434.85		25,450,332.97
Merchandise inventory	258,680,380.74	157,009,803.06	1,074,316.06	176,715,280.05		240,049,219.81
Semi-finished products shipped in transit	130,228.78			130,228.78		
Low priced and easily worn articles	1,591,988.35	709,144.82		1,339,094.08		962,039.09
Total	324,418,913.14	192,260,674.65	1,074,316.06	224,997,935.71		292,755,968.14

Inventory information of end channels such as franchises or distributors

The Purcotton franchisees, selling the Company's healthy consumer goods, had 44 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 June 30, 2023, the inventory balance were 17.16 million yuan, or 390,000 yuan on average in each store.

8. Brand building

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

✓Whether private brand

Brand name	Trademark name	Main product types	Features	Target customers	Main product price bands	Main market territory	Level of cities
Purcotton	Purcotton	Cotton tissues	Made of 100% high-quality natural cotton without fluorescent whitening agent; mild and non-irritating; meeting the daily needs of consumers	All-age customer base	RMB 5-30 /pack (100 pieces)	Nationwide	Second- and third-tier cities and above
Purcotton	Nice Princess	Sanitary pads	100% cotton surface layer (surface layer, spacer, sanitary wing surface layer)	The female population at appropriate ages	RMB 1.99-3.99 /piece	Nationwide	Second- and third-tier cities and above
Purcotton	BBNice	Cotton diapers	100% cotton surface layer; unique in the market; made from natural cotton; 2mm ultra-thin core with 28 times ultra-high absorption capacity	Parental population	RMB 3.32-4.14 /piece	Nationwide	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	RMB 20-40 /pack	Nationwide	Second- and third-tier cities and above
Purcotton	Purcotton	Baby products /clothing	100% cotton material without fluorescent nor formaldehyde; the unique gauze fabric to provide more comfortable care	Expecting mothers, newborns, babies, toddlers	100-500 yuan /piece	Nationwide	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 apparel: adult men and women of all ages; intimate apparel: customers of all ages	Outwear: 150-800 yuan/piece; home wear: 200-800 yuan/piece; thermal underwear: 200-600 yuan/piece; underwear: 48-128 yuan/pair (pack); socks: 20-40 yuan/pair	Nationwide	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 bedding: 268-500 yuan/set; toddler bedding: 198-1098 yuan/set; adult bedding: 268-3198 yuan/set Bathroom products: 38-398 yuan/piece	Nationwide	Second- and third-tier cities and above

Partner brands

Brand name	Trademark name	Main product types	Features	Target customers	Main product price bands	Main market territory	Level of cities	Brand and trademark rights ownership	Partner name	Cooperation mode	Cooperation period
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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	Licensors	License period	Exclusive license or not
Purcotton, China Aerospace	Purcotton, China Aerospace modeling figures	Baby clothing and supplies	The product is made from 100% cotton material and designed with China Aerospace image	Infants and young children customer group	198-458 yuan/piece	Nationwide	Second- and third-tier cities and above	Koni Culture (Beijing) Co., Ltd.	2021.9.1520 23.10.14	No
Purcotton, Ultraman	Purcotton, Ultraman 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.	2021.9.1202 4.1.31	No

Marketing and operation of each brand during the reporting period

Please refer to the "III. Analysis of Main Business" of "Section III Management Discussion and Analysis" for details.

Cases involved in trademark ownership disputes

Applicable Not applicable

9. Others

Whether the Company is engaged in apparel design-related business

Yes No

Did the company hold an order meeting?

Yes No

V. Non-main business analysis

✓Applicable □Not applicable

Unit: RMB

	Amount	Proportion in total profits	Formation reasons	Is it sustainable
Investment income	39,412,441.13	4.80%	Mainly refers to the income from cash management with raised funds and self-owned funds	No
Profit/loss from changes in fair value	59,639,836.03	7.26%	Mainly refers to the income from cash management with raised funds and self-owned funds	No
Impairment of assets	-100,794,883.37	-12.28%	Mainly refers to the impairment arising from fair value assessment of inventories	No
Non-operating income	6,702,598.77	0.82%	Mainly refers to the gains from scrapping fixed assets	No
Non-operating expenses	4,906,948.03	0.60%	Mainly refers to the loss of scrapping fixed assets	No
Credit impairment Loss	2,831,973.61	0.34%	Mainly refers to the estimated provision for credit impairment loss of accounts receivable and other receivables	No
Gains from asset disposal	5,324,751.10	0.65%	Mainly refers to the loss on disposal of non-current assets	No
Other incomes	46,680,694.51	5.69%	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: RMB

	End of the reporting period		End of the previous year		Increase/decrease in proportions	Description of significant changes
	Amount	The proportion in total assets	Amount	The proportion in total assets		
Cash and cash equivalents	4,343,196,327.38	25.12%	4,526,877,578.90	24.65%	0.47%	No major changes
Accounts receivable	800,588,299.16	4.63%	932,642,061.04	5.08%	-0.45%	Mainly due to decrease in sales
Inventory	1,413,693,053.64	8.18%	1,558,923,573.37	8.49%	-0.31%	No major changes
Investment real estates	8,224,991.33	0.05%	8,747,014.25	0.05%	0.00%	No major changes
Long-term equity investment	23,328,454.74	0.13%	21,747,635.99	0.12%	0.01%	No major changes
Fixed assets	2,362,409,101.13	13.66%	2,312,982,598.88	12.60%	1.06%	No major changes
Construction in progress	1,017,739,015.40	5.89%	765,009,910.63	4.17%	1.72%	Mainly due to the increase in plant and equipment investment
Right-of-use assets	416,590,030.56	2.41%	472,356,125.64	2.57%	-0.16%	No major changes

	End of the reporting period		End of the previous year		Increase/ decrease in proportions	Description of significant changes
	Amount	The proportion in total assets	Amount	The proportion in total assets		
Short-term loans	1,763,023,992.64	10.20%	2,295,218,930.85	12.50%	-2.30%	Mainly due to repayment of bank loans during the period
Contract liabilities	239,363,072.30	1.38%	566,819,254.08	3.09%	-1.71%	Mainly due to the decrease in advance receipts during the period
Long-term loans	180,000,000.00	1.04%	0.00	0.00%	1.04%	Mainly due to the increase in long-term bank borrowings during the period
Lease liabilities	303,947,082.02	1.76%	326,459,697.90	1.78%	-0.02%	No major changes
Notes receivable	23,164,092.22	0.13%	51,001,784.57	0.28%	-0.15%	Decrease in bank acceptance bill received from customers
Amounts receivable financing	38,279,923.83	0.22%	93,093,113.79	0.51%	-0.29%	Decrease in bank acceptance bill received from customers
Advances to suppliers	135,413,790.57	0.78%	229,225,273.09	1.25%	-0.47%	Mainly due to the decrease in purchases during the period
Other current assets	175,698,904.05	1.02%	119,059,084.47	0.65%	0.37%	Mainly due to the increase in value-added tax to be offset
Other non-current assets	136,785,373.15	0.79%	83,524,640.64	0.45%	0.34%	Mainly due to the increase in prepayment for equipment and project
Payroll payable	203,597,080.67	1.18%	312,450,241.38	1.70%	-0.52%	Mainly due to excess bonus accruals at the end of the previous year
Taxes payable	84,539,799.83	0.49%	322,101,244.04	1.75%	-1.26%	Mainly due to better sales at the end of last year and higher VAT and EIT payable
Other payables	917,656,694.74	5.31%	570,843,242.88	3.11%	2.20%	Mainly due to the unpaid cash dividend of Winner Group at the end of the period
Capital stock	594,387,367.00	3.44%	426,492,308.00	2.32%	1.12%	Mainly due to the increase in share capital due to stock dividends paid during the period

2. Major overseas assets

Applicable Not applicable

3. Assets and liabilities measured at fair value

✓Applicable Not applicable

Unit: RMB

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. Trading financial assets (excluding derivative financial assets)	4,378,789,960.23	59,639,836.03			2,971,245.00	3,829,582,315.00	45,084,821.92	3,623,520,946.56
5. Other non-current financial assets	40,000,000.00				30,000,000.00			70,000,000.00
Total of the above	4,418,789,960.23	59,639,836.03			3,001,245.00	3,829,582,315.00	45,084,821.92	3,693,520,946.56
Financial liabilities		0.00						0.00

Other changes

Other changes were the balance of financial assets held for trading at the date of merger and acquisition of Shanghai Hongsong.

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

Yes No

4. 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
3,287,448,839.13	4,609,168,278.88	-28.68%

2. Significant equity investments acquired during the reporting period

Applicable Not applicable

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

✓Applicable Not applicable

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)
High-end dressing production line construction project	Independent	Yes	Medical consumables	20,062,706.26	135,793,225.58	Proceeds	62.62%	0.00	0.00	N/A		
Marketing network construction project	Independent	Yes	Healthy consumer goods	91,840,093.19	400,166,046.20	Proceeds	64.75%	0.00	0.00	N/A		
R&D Center construction project	Independent	Yes	Medical consumables + healthy living consumer products	26,112,172.15	150,066,344.12	Proceeds	69.66%	0.00	0.00	N/A		
Digital management system project	Independent	Yes	Medical consumables + healthy living consumer products	24,472,391.47	144,685,912.11	Proceeds	53.82%	0.00	0.00	N/A		
Winner Industrial Park Project (Jiayu)	Independent	Yes	Medical consumables	129,274,043.91	370,803,301.13	Proceeds	88.29%	0.00	0.00	N/A		
Phase II Expansion Project of Winner Medical Wuhan	Independent	Yes	Medical consumables + healthy living consumer products	54,442,432.15	580,529,382.72	Proceeds	96.75%	0.00	0.00	N/A		
Total	--	--	--	346,203,839.13	1,782,044,211.86	--	--	0.00	0.00	--	--	--

4. Financial assets measured at fair value

✓Applicable Not applicable

Asset classes	Initial investment cost	Gain/loss from changes in fair value for the period	Accumulated fair value changes included in equity	Purchase amount in the current reporting period	Sales amount in the current reporting period	Accumulated investment income	Other changes	Closing balance	Source of funds
Others	493,000,000.00	6,039,558.65		1,114,500,000.00	1,289,587,315.00	7,521,787.32		319,090,847.26	Proceeds
Others	2,548,995,000.00	23,393,546.98		1,646,745,000.00	2,419,995,000.00	28,853,427.38	45,084,821.92	1,844,223,368.90	Self-owned funds
Trust products	1,340,000,000.00	30,206,730.40		180,000,000.00	90,000,000.00	1,456,407.69		1,460,206,730.40	Self-owned funds
Total	4,381,995,000.00	59,639,836.03	0.00	2,941,245,000.00	3,799,582,315.00	37,831,622.39	45,084,821.92	3,623,520,946.56	--

5. The use of proceeds

✓Applicable Not applicable

The overall use of proceeds

✓ Applicable Not applicable

Unit: 10,000 yuan

Total amount of proceeds	355,884.93
Total amount of proceeds invested during the reporting period	34,631.61
Total accumulated amount raised for proceeds	304,748.08
Total amount of proceeds for alteration purposes during the current reporting period	2,000
Total accumulated amount of proceeds for alteration purposes during the current reporting period	11,102.13
Proportion of total amount of proceeds for alteration purposes during the current reporting period	3.12%

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 the first half of 2023, the Company mobilized 0.3463161 billion yuan of proceeds, of which: 0.3462038 billion yuan of proceeds were used by the fundraising projects (including 112,300 yuan for replenishment of working capital).

In the first half of 2023, the Company mobilized a total of 3.0474808 billion yuan of proceeds, of which: 1.7820442 billion yuan of proceeds were used for fundraising projects (including a total of 1.4481528 billion yuan of proceeds invested in fund-raising projects and 333.8914 million yuan of funds pre-invested in fund-raising projects by replacing self-financing funds), and a total of 1.2654366 billion yuan of idle proceeds for permanently replenishing the working capital.

Committed proceeds projects

✓ Applicable Not applicable

Unit: 10,000 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											
High-end dressing production line construction project	No	21,685.86	21,685.86	2,006.27	13,579.32	62.62%	September 30, 2024	0	0	N/A	No
Marketing network construction project	Yes	70,456.87	61,804.04	9,184.01	40,016.6	64.75%	September 30, 2024	0	0	N/A	No
R&D Center construction project	Yes	23,542.15	21,542.15	2,611.22	15,006.64	69.66%	September 30, 2024	0	0	N/A	No
Digital management system project	No	26,881.05	26,881.05	2,447.24	14,468.59	53.82%	September 30, 2024	0	0	N/A	No
Bolster working capital	No		9,102.13		9,102.13			0	0	N/A	No
Subtotal of committed investment projects	--	142,565.93	141,015.23	16,248.74	92,173.28	--	--	0	0	--	--
Investment of over-raised proceeds											
Winner Industrial Park (Jiayu) Project	Yes		42000	12927.4	37080.33	88.29%	December 31, 2023	0	0	N/A	No

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
	Applicable										
Pre-investment and replacement of the proceeds investment project											
	On February 26, 2021, the 18th meeting of the Second Board of Directors and the 12th meeting of the Second Board of Supervisors of the Company reviewed and approved the "Proposal on Opening bank Accounts and the Replacement of Self-financing Funds Pre-invested in New Projects with Excess Funds Raised", respectively, and agreed that the Company could replace the self-raised funds pre-invested in the fundraising project with 100.1742 million yuan of proceeds. It has been verified by the [2021] No.Z110031 "Special Auditor's Report on Proceeds Replacement of Winner Medical Products Co., Ltd." issued by BDO Certified Public Accountants (Special General Partnership) on February 23, 2021. Among them: the actual investment amount of the Company's self-raised funds pre-invested in the proceeds investment project is RMB 100.1742 million, of which: RMB 85.8942 million was invested in the Wuhan Phase II expansion project, and RMB 14.28 million was invested in Winner Industrial Park (Jiayu) Project. In February and March 2021, the Company transferred 14.28 million yuan and RMB85.8942 million respectively from the special account for proceeds to replace the self-raised funds that had been invested in advance in the proceeds project.										
	On October 12, 2020, the 13th meeting of the Second Board of Directors and the seventh meeting of the Second Board of Supervisors of the Company reviewed and approved the "Proposal Regarding the Use of Proceeds to Replace Self-raised Funds Pre-invested in the Fundraising Project", respectively, and agreed that the Company could replace the self-raised funds pre-invested in the fundraising project with RMB 233.7173 million of proceeds. It has been verified by the [2020] No.Z110635 "Special Auditor's Report on Proceeds Replacement of Winner Medical Products Co., Ltd." issued by BDO Certified Public Accountants (Special General Partnership) on October 12, 2020. Among them: the actual investment amount of the Company's self-raised funds pre-invested in the proceeds investment project is RMB 233.7173 million, of which: RMB 26.5062 million was invested in high-end dressing production line construction project, RMB 110.0794 million was invested in marketing network building project, RMB 50.2174 million was invested in R&D center construction project, RMB 46.9143 million was invested in digital management system project. In October and November 2020, the Company transferred RMB 73.4204 million and RMB 160.2968 million respectively from the special account for proceeds to replacing the self-raised funds that had been invested in advance in the proceeds project.										
Temporary replenishment of working capital with idle proceeds	N/A										
Amount of and reasons for the balance of proceeds resulting from project implementation	N/A										
Usage and purposes of proceeds not used during the current reporting period											
	As of June 30, 2023, the balance of unused proceeds of the Company was 647.974 million, of which: the balance of cash management was 537.9127 million and the balance of 110.0613 million was deposited in the account for proceeds.										
Problems or other circumstances in the use and disclosure of proceeds	N/A										

Changes in proceeds projects

Applicable Not applicable

Unit: 10,000 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	9,184.01	40,016.6	64.75%	September 30, 2024	0	N/A	No
R&D Center construction project	R&D Center construction project	21,542.15	2,611.22	15,006.64	69.66%	September 30, 2024	0	N/A	No
Winner Industrial Park (Jiayu) Project	Winner Industrial Park (Jiayu) Project	42,000	12,927.4	37,080.33	88.29%	December 31, 2023	0	N/A	No
Total	--	125,346.19	24,722.63	92,103.57	--	--	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)								
	The Company held the twelfth meeting of the third session of the Board of Directors and the ninth meeting of the third session of the Board of Supervisors on 5 May 2023, and reviewed and approved the "Proposal on Adjusting the Use of Proceeds, Extending the Construction Period of Some Fund Raising Projects", which became effective after the consideration of the 2022 Annual General Meeting of Shareholders held on May 16, 2022. The proceeds from the research and development center construction project should be adjusted among the implementation entities, part of the proceeds from the R&D Center Construction Project shall be moved to the Winner Industrial Park (Jiayu) Project. (Announcement No.: 2023-018)								
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	There has been no material change in the feasibility of the marketing network building project, the R&D center construction project and the Winner Industrial Park (Jiayu) Project								

6. Entrusted financial management, derivatives investment and entrusted loans

Information of entrusted financial management

Applicable Not applicable

Overview of entrusted financial management during the reporting period

Unit: 10,000 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	Self-owned funds	167,674.5	184,422.34	0	0
Bank financial products	Proceeds	111,450	31,909.08	0	0
Trust financial products	Self-owned funds	18,000	146,020.67	0	0
Total		297,124.5	362,352.09	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

Derivatives investment

Applicable Not applicable

The Company has no derivative investment in the reporting period.

Information of entrusted loans

Applicable Not applicable

The Company had no entrusted loan during the reporting period.

VIII. Sales of significant asset and equity

1. Information of significant assets for sale

Applicable Not applicable

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

2. Information of significant equity for sale

Applicable Not applicable

IX. Analysis of major holding companies and joint stock companies

Applicable Not applicable

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

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	1,521,382,941.58	1,358,906,294.91	602,253,321.24	107,275,995.48	94,270,507.52

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
Pan-China (H.K.)	Establishment	No material impact
Mexico Longtai	Establishment	No material impact

Description of major holding companies and joint stock companies

X. Structured subjects controlled by the Company

Applicable Not applicable

XI. Risks faced by the Company and countermeasures

1. Risk of raw material price fluctuations and countermeasures

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

To deal with the risk of cotton price fluctuations, the Company usually adopts a cotton procurement stocking mechanism, 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. 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 the first half of 2023, the Company's foreign sales amount in the overall revenue accounted for 17.7%. 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.

3. 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. If the Company fails to adapt to profound changes in industry policies in a timely manner, it may impact the Company's operations.

4. Impairment risk of goodwill and other assets and countermeasures

Since 2022, the Company acquired Longterm Medical, Winner Medical (Hunan) and Winner Guilin to improve its industrial chain. As of the first half of 2023, the carrying value of goodwill amounted to 1.054 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.

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 has applied to the court for enforcement and has been accepted by the court. The Company is currently closely following up on the subsequent payment plan of the People's Government of Zijin County, Heyuan City.

6. Risks of proceeds projects and countermeasures

The Company plans to allocate the proceeds from this listing 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 17, 2023	Headquarter conference rooms	Telephone communication	Institutions	119 investors, including China Southern Fund, Fullgoal Fund and Invesco Great Wall Funds	Business overview and operation	For details, please refer to SZSE Interactive Ease
February 8, 2023	Headquarter conference rooms	Telephone communication	Institutions	32 investors, including Ping An Fund, Rongtong Fund and Infore Capital	Business overview and operation	For details, please refer to SZSE Interactive Ease
February 20, 2023	Headquarter conference rooms	Telephone communication	Institutions	53 investors, including ChinaAMC, Beike Investment, Ping An Securities Asset Management	Business overview and operation	For details, please refer to SZSE Interactive Ease
April 25, 2023	Shenzhen Panorama Roadshow Hall	Others	Institutions	87 investors or media, including China Southern Fund, Fullgoal Fund and Da Cheng Fund	Company's FY2022 operation and financial performance	For details, please refer to SZSE Interactive Ease
April 26, 2023	Headquarter conference rooms	Telephone communication	Institutions	80 investors, including China Southern Fund, GF Fund and ChinaAMC	Company's FY2022 operation and financial performance	For details, please refer to SZSE Interactive Ease
June 5, 2023	Headquarter conference rooms	Telephone communication	Institutions	Investors such as CCB Wealth Management, Danyi Investment, Lombarda China Fund	Business overview and operation	For details, please refer to SZSE Interactive Ease



04



Section IV
Corporate
Governance

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

1. General meeting of shareholders during the reporting period

Meeting session	Meeting type	Investor participation proportion	Convening date	Date of disclosure	Resolutions of the meeting
Annual general meeting of shareholders in 2022	Annual general meeting of shareholders	76.92%	May 16, 2023	May 17, 2023	Proposal on the <Annual Report and Summary for 2022>, Proposal on the Plan on the Profit Distribution for 2022, etc.

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

Applicable Not applicable

II. Change of directors, supervisors and senior management

Applicable Not applicable

There were no changes in the directors, supervisors and senior management of the Company during the reporting period, which can be found in the Annual Report 2022.

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

Applicable Not applicable

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

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

Applicable Not applicable

1. Share Incentive

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 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 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 on April 22, 2022.

The Company held the 11th Meeting of the Third Session of the Board of Directors and the 8th Meeting of the Third Session of the Supervisory Board on April 23, 2023, and deliberated and approved the "Proposal on the Achievement of the Vesting Conditions for the Second Vesting Period of the 2020 Restricted Shares Incentive Plan", and the vesting conditions for the second vesting period of the 2020 Restricted Shares Incentive Plan had been accomplished and the number of the Class II Restricted Shares which could be vested in the current time was The number of Class II restricted shares that can be vested this time is 1.16214 million shares, and the Company will handle the vesting procedures for the 388 incentive recipients who meet the vesting conditions in accordance with the relevant regulations. In addition, the "Proposal on Voiding Part of the Granted Restricted Shares Not Yet Vested" was deliberated and approved, due to the fact that an additional 95 incentive recipients in the 2020 Restricted Shares Incentive Plan of the Company have left their jobs, and 419 incentive recipients failed to meet the standards of performance appraisal at the individual level in the year of 2022 resulting in failure to fully vest the granted restricted shares, the Company intends to void the total number of its granted restricted shares of 1.303935 million shares.

2. Implementation of Employee Stock Ownership Plan

Applicable Not applicable

3. Other Employee Incentive Measures

Applicable Not applicable

Section V
Environment and
Social
Responsibility



I. Significant environmental issues

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

✓Yes No

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).

Administrative license for environmental protection

Company	Project name	Approval unit	Approval time	Acceptance
Winner Medical (Chongyang)	Medical degreasing gauze series production line		September 21, 2005	August 22, 2008
	Sterilization packaging and sterilization production line project	Chongyang County Environmental Protection Bureau	March 29, 2013	June 26, 2014
	Qingshan plant construction project		November 18, 2015	March 1, 2016
	Qingshan sewage treatment plant project	Xianning Environmental Protection Bureau	March 01, 2017	March 20, 2017
	Newly built 6390M2 workshop project	Registration	May 17, 2017	/
Winner Medical (Jiayu)	Annual output of 800 tons of degreased cotton project	Jiayu County Environmental Protection Bureau	March 20, 2013	September 20, 2014
	Winner Medical Purcotton construction project		December 25, 2014	September 28, 2017
	Environmental Impact Assessment Report of Winner Industrial Park (Jiayu) Project	Approved by Xianning Ecological Environment Bureau	March 15, 2021	Under construction
Winner Medical (Yichang)	Annual output of 90 million meters of medical gauze project	Zhijiang Environmental Protection Bureau	December 19, 2014	October 14, 2015
Winner Medical (Tianmen)	Pure cotton spunlace non-woven fabric and medical dressing products production project	Tianmen Environmental Protection Bureau	March 11, 2015	Phase I January 25, 2017; Phase II May 10, 2020; Phase III December 31, 2022
	Medical dressing production line automation upgrading project		January 19, 2016	March 23, 2018
	Medical product sterilization center project		January 17, 2022	December 31, 2022

Company	Project name	Approval unit	Approval time	Acceptance
Winner Medical (Jingmen)	30 million meters/year medical gauze bleaching and refining production line expansion project	Jingmen Environmental Protection Bureau	October 18, 1999	December 14, 2001
	Reform and expansion project of gauze pads, gauze sheets and shrinkage bandages	Jingmen Dongbao District Environmental Protection Bureau	September 23, 2003	August 3, 2005
	Annual output of 1500t de-bleaching medical gauze project	Jingmen Dongbao District Environmental Protection Bureau	April 5, 2006	September 27, 2017
	Winner Medical Purcotton construction project	Jingmen Environmental Protection Bureau	October 19, 2016	September 27, 2017
	Expansion project of deblended gauze production line (Purcotton phase II expansion project)	Jingmen Ecological Environment Bureau	December 24, 2020	Under construction
Winner Medical (Huanggang)	Phase I of pure cotton spunlace non-woven fabric production project	Hubei E.P.D.	August 5, 2011	Phase I May 8, 2012; Phase II December 31, 2015
	Phase II of pure cotton spunlace non-woven fabric production project		December 31, 2015	January 24, 2017
	New project of Purcotton distribution center		June 27, 2016	October 10, 2018
	Boiler remodeling project	Huanggang Environmental Protection Bureau	January 29, 2018	November 14, 2019
	Foam roll production line project (expansion)	Huanggang Environmental Protection Bureau	February 5, 2018	October 8, 2018
	High-end wound dressing production line construction project		November 6, 2018	Construction has not started yet
	Medical protective products renovation project		July 20, 2020	October 19, 2021
Winner Medical (Wuhan)	Hubei Winner Medical Co., Ltd. cotton spun laced nonwovens and products production project	Wuhan Xinzhou District Administration and Approval Bureau	July 12, 2017	Phase I January 18, 2020; Phase II is under construction
	R&D Center construction project		December 24, 2018	Construction has not started yet
	New electron accelerator irradiator project	Wuhan Environmental Protection Bureau	January 15, 2018	Phase I May 15, 2020; Phase II November 19, 2021
	Medical protective equipment renovation project	Xinzhou District Administrative Approval Bureau	May 7, 2021	Under construction
	Winner Medical phase II expansion project	Administrative Approval Bureau of Wuhan Ecological Environment Bureau	June 21, 2022	Under construction
	Innovation research institute construction project	Wuhan Ecological Environment Bureau	August 9, 2022	Under construction
Winner Guilin	Annual output of 200 million pairs of TPU-covered medical gloves, automation upgrading and energy saving retrofit project	Guilin Ecological Environment Bureau	May 15, 2023	Under construction

Discharge procedures: 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
Winner Medical (Tianmen) Co., Ltd.	August 1, 2020	August 6, 2020	August 5, 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 Latex Co., Ltd.	July 27, 2020	July 27, 2020	July 26, 2023	914503008988813841001U	Applied
	March 4, 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 5, 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

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

Company 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 (Chongyang) Co., Ltd.	Gaseous pollutants	PM, SO ₂ , NOX	/	1	Boiler discharge outlet	6.2mg/m ³ , <3mg/m ³ , 136mg/m ³	20mg/m ³ , 50mg/m ³ , 200mg/m ³	NOX: 0.356T, SO ₂ : 0.007T	NOX: 13.28T/a, SO ₂ : 3.32T/a	Not exceeding the standard
Winner Medical (Chongyang) Co., Ltd.	Liquid pollutants	PH, COD, BO, D, NH ₃ -N, SS	Direct discharge	1	Sewage discharge outlet	7.6, 65mg/L, 18.4mg/L, 0.18mg/L, 5mg/L	6-9, 80mg/L, 20mg/L, 10mg/L, 50mg/L	COD: 8.52T, NH ₃ -N: 0.143T	COD: 57.6T/a, NH ₃ -N: 7.27T/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 , 87mg/m ³	20mg/m ³ , 50mg/m ³ , 200mg/m ³	NOX: 1.399T, SO ₂ : 0.038T	NOX: unlicensed, SO ₂ : unlicensed	Not exceeding the standard
Winner Medical (Jiayu) Co., Ltd.	Liquid pollutants	PH, COD, BO, D, NH ₃ -N, SS	Direct discharge	1	Sewage discharge outlet	7.4, 25mg/L, 8.0mg/L, 0.323mg/L, 9mg/L	6-9, 100mg/L, 20mg/L, 15mg/L, 70mg/L	COD: 5.285T, NH ₃ -N: 0.48T	COD: 34.29T/a, NH ₃ -N: 1.19T/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 , <3mg/m ³ , 93/87mg/m ³	20mg/m ³ , 50mg/m ³ , 200mg/m ³	NOX: 5.872T, SO ₂ : 0.006T	NOX: 23.52T/a, SO ₂ : unlicensed	Not exceeding the standard
Winner Medical (Huanggang) Co., Ltd.	Liquid pollutants	PH, COD, BO, D, NH ₃ -N, SS	Indirect discharge	1	Sewage discharge outlet	7.2, 68mg/L, 14.3mg/L, 2.78mg/L, 22mg/L	6-9, 500mg/L, 300mg/L, 45mg/L, 400mg/L	COD: 21.11T, NH ₃ -N: 0.81T	COD: 90T/a, NH ₃ -N: 13.5T/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 , 104mg/m ³	20mg/m ³ , 50mg/m ³ , 200mg/m ³	NOX: 1.873T, SO ₂ : 0.053T	NOX: 16.8764T/a, SO ₂ : 1.804T/a	Not exceeding the standard
Winner Medical (Tianmen) Co., Ltd.	Liquid pollutants	PH, COD, BO, D, NH ₃ -N, SS	Indirect discharge	1	Sewage discharge outlet	7.2, 45mg/L, 24.6mg/L, 0.83mg/L, 20mg/L	6-9, 400mg/L, 150mg/L, 30mg/L, 250mg/L	COD: 7.24TNH ₃ -N: 0.321T	COD: 62.573T/a, NH ₃ -N: 6.2573T/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, NH ₃ -N, chromaticity	Indirect discharge	1	Sewage discharge outlet	7.4, 203mg/L, 39.0mg/L, 1.1mg/L, 3	6-9, 500mg/L, 300mg/L, 45mg/L, 64	COD: 12.34T, NH ₃ -N: 1.234T	COD: 90.35T/a, NH ₃ -N: 9.04T/a	Not exceeding the standard

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 (Jingmen) Co., Ltd.	Gaseous pollutants	PM, SO ₂ , NOX	/	1	Boiler discharge outlet	2.8mg/m ³ , <3mg/m ³ , 86mg/m ³	20mg/m ³ , 50mg/m ³ , 150mg/m ³	NOX:0.921T, SO ₂ :0.038T	NOX:10.83T/a, SO ₂ :3.11T/a	Not exceeding the standard
Winner Medical (Jingmen) Co., Ltd.	Liquid pollutants	PH, COD, BOD, NH ₃ -N, SS	Indirect discharge	1	Sewage discharge outlet	8.1, 43mg/L, 9.4mg/L, 0.54mg/L, 12mg/L	6-9, 200mg/L, 50mg/L, 20mg/L, 100mg/L	COD:4.33T, NH ₃ -N:0.433T	COD:19.48T/a, NH ₃ -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	Decommissioned in 2022
Yichang Winner Medical Textile Co., Ltd.	Liquid pollutants	PH, COD, BOD, NH ₃ -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, NH ₃ -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, NH ₃ -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.

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 key sewage subsidiaries involved in the production of wastewater discharge are installed with online monitoring systems, which 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.

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, Winner Medical Co., Ltd. and its subsidiaries have set up an environmental accident emergency leading group and formulated the Emergency Plan for Environmental Accidents.

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

During the reporting period, the amount of environmental protection tax paid by the Company and its subsidiaries accounted for 69,600 yuan.

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
None	None	None	None	None	None

Other environmental information that should be disclosed

N/A

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

Applicable Not applicable

The company has been actively engaged in energy-saving and consumption reduction activities by taking measures such as switching to high-efficiency motors, implementing waste heat recovery, and optimizing pipelines. During the reporting period, a total of 3.719 million yuan was saved in energy costs.

Other information related to environmental protection

N/A

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

N/A

II. Social responsibility

The company was founded thirty-two years ago, and since its inception, it has always insisted on achieving the organic unity and dynamic balance of corporate benefits, environmental benefits and social benefits, unswervingly taking the road of sustainable development, constructing a large health consumption system, and practicing the concept of green environmental protection. Winner Medical has always adhered to the core principles of "quality over profit, brand over speed, and social value over corporate value", and practiced ESG concepts, pursuing stable development while always keeping in mind to feed the society and contribute to green development.

In the field of operational excellence, we will take digital transformation as a key, focus on the development direction of "six insights", invest more in scientific research and innovation, enhance management and operational efficiency, and continuously strengthen our internal strengths on the road of corporate development. In the field of environmental protection, we will continue to implement the national "carbon peaking and carbon neutrality goals", promote the building of the company's carbon management system in a scientific, systematic manner, and strive to realize low-carbon and environmental protection from raw materials in all stages of product design, R&D and production. In the field of social welfare, we will continue to give full play to the energy of the public welfare IP of "The Power of a Piece of Cotton", fight against the anxiety and impatience of the times with positive, tolerant and benevolent attitude, attach greater importance to the disadvantaged groups, and build a harmonious and loving society together.



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Section VI
Important Matters

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

Applicable Not applicable

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

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

Applicable Not applicable

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

III. Illegal external guarantee

Applicable Not applicable

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

IV. Appointment of and dismissal of accounting firms

Whether the semi-annual financial report has been audited

Yes No

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

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

Applicable Not applicable

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

Applicable Not applicable

VII. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization of the Company during the reporting period.

VIII. Litigation matters

Major litigation, arbitration matters

Applicable Not applicable

Basic information of litigation (arbitration)	Amount involved (10,000 yuan)	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 (excluding legal fees and litigation costs) returned by the People's Government of Zijin County. The Company has handed over the project land, above-ground buildings, equipment and facilities and relevant supporting materials to the People's Government of Zijin County.		

Other litigation matters

Applicable Not applicable

Basic information of litigation (arbitration)	Amount involved (10,000 yuan)	Whether to form estimated liabilities	Progress of litigation (arbitration)	Trial result and influence of litigation (arbitration)	Implementation of litigation (arbitration) judgment	Disclosure Date	Disclosure index
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	7,460.48	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	64.28	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		

IX. Punishment and rectification

Applicable Not applicable

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

Applicable Not applicable

XI. Major related transactions

1. 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, the finance company controlled by the Company and the related parties.

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

Applicable Not applicable

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

7. Other major connected transactions

Applicable Not applicable

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

XII. Major contracts and their performance

1. Trusteeship, contracting and lease

(1) Trusteeship

Applicable Not applicable

No trusteeship of the Company during the reporting period.

(2) Contracting

Applicable Not applicable

No contracting of the Company during the reporting period.

(3) Lease

Applicable Not applicable

No leasing of the Company during the reporting period.

2. Major guarantee

Applicable Not applicable

No major guarantees of the Company during the reporting period.

3. Major contracts for daily operation

Unit: RMB

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

Applicable Not applicable

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

XIII. Description of other important events

Applicable Not applicable

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

XIV. Major events of subsidiaries

Applicable Not applicable

Section VII
Changes in Shares
and Shareholders



I. Changes in shares

1. Changes in shares

Unit: share

	Before this change		Increase/decrease (+, -)				After this change		
	Quantity	Proportion	New issue of shares	Share donation	Share capital increase from reserved funds	Others	Subtotal	Quantity	Proportion
I. Restricted shares	290,495,323	68.11%			116,198,129		116,198,129	406,693,452	68.42%
1. State shareholding									
2. State legal person shareholding									
3. Other domestic holdings	56,475	0.01%			22,590		22,590	79,065	0.01%
Wherein: domestic legal person shareholding									
Domestic natural person shareholding	56,475	0.01%			22,590		22,590	79,065	0.01%
4. Foreign shareholding	290,438,848	68.10%			116,175,539		116,175,539	406,614,387	68.41%
Wherein: foreign legal shareholding	290,438,848	68.10%			116,175,539		116,175,539	406,614,387	68.41%
Foreign natural person shareholding									
II. Unrestricted shares	135,996,985	31.89%			51,696,930		51,696,930	187,693,915	31.58%
1. RMB common share	135,996,985	31.89%			51,696,930		51,696,930	187,693,915	31.58%
2. Foreign shares listed in China									
3/ Foreign shares listed abroad									
4. Other									
III. Total amount of shares	426,492,308	100.00%			167,895,059		167,895,059	594,387,367	100.00%

Causes for change in shares

Applicable Not applicable

The Company implemented the 2022 equity distribution plan on June 1, 2023, which is the equity registration date. Based on the 419,737,649 shares after deducting the repurchased shares, the Company intended to distribute a cash dividend of RMB 19.00 (tax-inclusive) per 10 shares to all shareholders, with 4 shares converted into share capital for every 10 shares without any bonus shares. Therefore, the Company's total share capital including repurchased shares increased from 426,492,308 shares to 594,387,367 shares.

Approval of changes in shares

Applicable Not applicable

The Company held the 11th meeting of the 3rd Board of Directors, the 8th meeting of the 3rd Board of Supervisors on April 23, 2023, and the 2022 Annual General Meeting on May 16, 2023, respectively, to review and approve the *Proposal on the 2022 Annual Profit Distribution Plan*. Based on the 419,737,649 shares after deducting the repurchased shares, the Company intended to distribute a cash dividend of RMB 19.00 (tax-inclusive) per 10 shares to all shareholders, with 4 shares converted into share capital for every 10 shares without any bonus shares.

Transfer of share changes

Applicable Not applicable

Implementation progress of share repurchase

Applicable Not applicable

Implementation progress of reducing repurchased shares by centralized competitive bidding

Applicable Not applicable

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

Applicable Not applicable

Without considering the impact of the new share change, the Company's basic earnings per share in the first half of 2023 will be RMB 1.62, diluted earnings per share will be RMB 1.62, and the net assets per share attributable to ordinary shareholders of the Company will be RMB 27.65;

Take into consideration of the impact of the new share change, according to the latest calculation of total share capital after the share change, the Company's basic earnings per share in the first half of 2023 will be RMB 1.16, diluted earnings per share will be RMB 1.16, and the net assets per share attributable to ordinary shareholders of the Company will be RMB 19.75;

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

Applicable Not applicable

2. Changes in restricted shares

Applicable Not applicable

Unit: share

Shareholder's name	Number of restricted shares at the beginning of the period	Number of shares released from restricted sale in current period	Number of restricted shares increased in current period	Number of restricted shares at the end of the period	Reasons for restricted sale	The proposed date of lifting the restricted sale
Winner Group Limited	290,438,848	0	116,175,539	406,614,387	Restricted shares before IPO	September 17, 2023
Fang Xiuyuan	30,000	0	12,000	42,000	Shares locked by directors, supervisors and senior management	Unlocking in accordance with relevant regulations on shareholding by directors, supervisors and senior management
Wang Ying	22,500	0	9,000	31,500	Shares locked by directors, supervisors and senior management	Unlocking in accordance with relevant regulations on shareholding by directors, supervisors and senior management
Chen Huixuan	3,975	0	1,590	5,565	Shares locked by directors, supervisors and senior management	Unlocking in accordance with relevant regulations on shareholding by directors, supervisors and senior management
Total	290,495,323	0	116,198,129	406,693,452	--	--

II. Securities Issuance and Listing

Applicable Not applicable

III. Number and shareholding of the Company's shareholders

Unit: share

Total number of common shareholders at the end of the reporting period	27762	Total number of preferred shareholders with voting rights restored at the end of the reporting period (if any) (see Note 8)	0	Total number of shareholders holding special voting shares (if any)	0				
Shareholders holding more than 5% shares or top 10 shareholders									
Shareholder's name	Shareholder nature	Shareholding ratio	Number of shares held at the end of the reporting period	Increase or decrease during the reporting period <small>Note 1</small>	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	68.41%	406,614,387	116,175,539	406,614,387	0			
Beijing Sequoia Xinyuan Equity Investment Center (Limited Partnership)	Domestic non-state legal person	4.58%	27,240,487	5,106,345	0	27,240,487			
Xiamen Leyuan Investment Partnership (Limited Partnership)	Domestic non-state legal person	3.01%	17,910,410	4,148,235	0	17,910,410			
Xiamen Yutong Investment Partnership (Limited Partnership)	Domestic non-state legal person	1.60%	9,498,962	2,174,389	0	9,498,962			
Xiamen Huikang Investment Partnership (Limited Partnership)	Domestic non-state legal person	0.97%	5,736,027	1,317,965	0	5,736,027			
Xiamen Zepeng Investment Partnership (Limited Partnership)	Domestic non-state legal person	0.50%	2,942,503	710,515	0	2,942,503			
National Social Security Fund 101 Portfolio	Others	0.49%	2,940,162	1,376,162	0	2,940,162			
Basic Endowment Insurance Fund 1001 Portfolio	Others	0.46%	2,754,742	2,754,742	0	2,754,742			
Basic Endowment Insurance Fund 808 Portfolio	Others	0.38%	2,269,120	1,033,140	0	2,269,120			
Industrial and Commercial Bank of China - E Fund ETF	Others	0.38%	2,265,037	1,695,733	0	2,265,037			
Strategic investors or general legal persons becoming the top 10 shareholders due to the allotment of new shares (if any)		N/A							
Description of the above-mentioned shareholder association or concerted action		N/A							
Description of the above shareholders involved in entrusting / entrusted voting right and waiver of voting right		N/A							
Special note on the existence of repurchase special accounts among the top 10 shareholders		As of June 30, 2023, the Company repurchased 6,754,659 shares held in the "special securities account for the repurchase of Winner Medical Co., Ltd."							

Shareholding of top 10 shareholders with unlimited sales conditions			
Shareholder's name	Number of shares with unlimited sales conditions held at the end of the reporting period	Share type	
		Share type	Quantity
Beijing Sequoia Xinyuan Equity Investment Center (Limited Partnership)	27,240,487	RMB common share	27,240,487
Xiamen Leyuan Investment Partnership (Limited Partnership)	17,910,410	RMB common share	17,910,410
Xiamen Yutong Investment Partnership (Limited Partnership)	9,498,962	RMB common share	9,498,962
Xiamen Huikang Investment Partnership (Limited Partnership)	5,736,027	RMB common share	5,736,027
Xiamen Zepeng Investment Partnership (Limited Partnership)	2,942,503	RMB common share	2,942,503
National Social Security Fund 101 Portfolio	2,940,162	RMB common share	2,940,162
Basic Endowment Insurance Fund 1001 Portfolio	2,754,742	RMB common share	2,754,742
Basic Endowment Insurance Fund 808 Portfolio	2,269,120	RMB common share	2,269,120
Industrial and Commercial Bank of China - E Fund ETF	2,265,037	RMB common share	2,265,037
Hong Kong Securities Clearing Company Limited	1,821,887	RMB common share	1,821,887
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 N/A			
Description of the top 10 common shareholders participating in the financing and securities financing business (if any) N/A			

Note 1: The the number of shares in the "increase or decrease during the reporting period" of some shareholders increased, which is due to the Company's implementation of a plan of 4 shares converted into share capital for every 10 shares on June 2, 2023.

Whether the Company has arrangements for differences in voting rights

Yes No

Whether the Company's top 10 common shareholders and op 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 op 10 common shareholders with unlimited sales conditions did not agree on a repurchase transaction during the reporting period

IV. 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

V. Equity changes of directors, supervisors and senior management

Applicable Not applicable

There was no change in the shareholding of directors, supervisors and senior management of the Company during the reporting period, which can be found in 2022 Annual Report.

VI. Change in controlling shareholders or actual controllers

Change of controlling shareholders during the reporting period

Applicable Not applicable

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

Applicable Not applicable

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



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**Section VIII
Information
Related to
Preferred Shares**

Applicable

Not applicable



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Section IX
Information
Related to Bonds

Applicable

Not applicable

Section X
Financial Report



I. Audit Report

Whether the semi-annual report is audited

Yes No

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

II. Financial Statements

Unit of statements in financial notes: RMB

1. Consolidated Balance Sheet

Prepared by: Winner Medical Co., Ltd.

June 30, 2023

Unit: yuan

Item	June 30, 2023	January 1, 2023
Current assets:		
Cash and cash equivalents	4,343,196,327.38	4,526,877,578.90
Deposit reservation for balance		
Lending funds		
Tradable financial assets	3,623,520,946.56	4,378,789,960.23
Derivative financial assets		
Notes receivable	23,164,092.22	51,001,784.57
Accounts receivable	800,588,299.16	932,642,061.04
Amounts receivable financing	38,279,923.83	93,093,113.79
Advances to suppliers	135,413,790.57	229,225,273.09
Premiums receivables		
Reinsurance accounts receivable		
Provision of cession receivable		
Other receivables	220,541,980.86	236,298,390.78
Including: Interest receivable		
Dividends receivable		
Redemptory monetary capital for sale		
Inventory	1,413,693,053.64	1,558,923,573.37

Item	June 30, 2023	January 1, 2023
Contract assets		
Assets held for sales		
Non-current assets due within a year	0.00	
Other current assets	175,698,904.05	119,059,084.47
Total current assets	10,774,097,318.27	12,125,910,820.24
Non-current assets:		
Loans and advances		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investment	23,328,454.74	21,747,635.99
Other equity instrument investments		
Other non-current financial assets	70,000,000.00	40,000,000.00
Investment real estates	8,224,991.33	8,747,014.25
Fixed assets	2,362,409,101.13	2,312,982,598.88
Construction in progress	1,017,739,015.40	765,009,910.63
Productive biological assets	0.00	0.00
Oil and gas assets	0.00	0.00
Right-of-use assets	416,590,030.56	472,356,125.64
Intangible assets	1,026,411,606.71	1,033,109,803.45
Development expenditure	0.00	
Goodwill	1,053,578,033.51	1,044,674,814.01
Long-term unamortized expenses	116,016,428.56	132,692,286.03
Deferred income tax assets	283,155,395.27	322,582,125.98
Other non-current assets	136,785,373.15	83,524,640.64
Total non-current assets	6,514,238,430.36	6,237,426,955.50
Total assets	17,288,335,748.63	18,363,337,775.74
Current liabilities:		
Short-term loans	1,763,023,992.64	2,295,218,930.85
Borrowings from central bank		
Borrowing funds		

Item	June 30, 2023	January 1, 2023
Trading financial liabilities	0.00	
Derivative financial liabilities		
Notes payable	86,200,204.52	24,760,000.00
Accounts payable	805,598,628.73	1,119,574,518.58
Advance from customers		
Contract liabilities	239,363,072.30	566,819,254.08
Financial assets sold for repurchase		
Deposits from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	203,597,080.67	312,450,241.38
Taxes payable	84,539,799.83	322,101,244.04
Other payables	917,656,694.74	570,843,242.88
Including: Interest payable		
Dividends payable	566,642,012.68	
Fees and commissions payable		
Dividend payable for reinsurance		
Liabilities held for sales		
Non-current liabilities due within one year	191,760,393.47	215,946,889.32
Other current liabilities	19,429,632.19	59,604,591.85
Total current liabilities	4,311,169,499.09	5,487,318,912.98
Non-current liabilities:		
Reserve fund for insurance contracts		
Long-term loans	180,000,000.00	
Bonds payable		
Including: preferred stock		
Perpetual bond		
Lease liabilities	303,947,082.02	326,459,697.90
Long-term payable		
Long-term payroll payable	8,579,637.94	8,579,637.94
Estimated liabilities		

Item	June 30, 2023	January 1, 2023
Deferred income	126,610,563.31	98,791,412.91
Deferred income tax liabilities	233,730,351.12	244,258,589.21
Other non-current liabilities		
Total non-current liabilities	852,867,634.39	678,089,337.96
Total liabilities	5,164,037,133.48	6,165,408,250.94
Owner's equity:		
Capital stock	594,387,367.00	426,492,308.00
Other equity instruments		
Including: preferred stock		
Perpetual bond		
Capital reserve	4,379,321,924.89	4,546,247,611.24
Less: treasury stock	500,082,734.11	500,082,734.11
Other comprehensive income	2,346,650.43	782,778.15
Special reserve		
Surplus reserve	420,212,778.13	420,212,778.13
General risk provision	0.00	
Undistributed profit	6,710,230,837.23	6,826,115,347.65
Total owners' equities attributable to the owners of parent company	11,606,416,823.57	11,719,768,089.06
Minority equity	517,881,791.58	478,161,435.74
Total owners' equities	12,124,298,615.15	12,197,929,524.80
Total liabilities and owners' equities	17,288,335,748.63	18,363,337,775.74

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: RMB

Item	June 30, 2023	January 1, 2023
Current assets:		
Cash and cash equivalents	3,410,124,924.05	3,657,596,762.00
Tradable financial assets	3,326,545,477.38	3,937,805,999.74
Derivative financial assets		
Notes receivable	3,029,488.75	15,100,060.05
Accounts receivable	340,382,858.59	454,131,329.85
Amounts receivable financing	14,481,337.07	72,766,987.70
Advances to suppliers	680,838,901.90	1,247,948,057.70
Other receivables	125,325,368.83	123,628,108.60
Including: Interest receivable		
Dividends receivable		
Inventory	339,388,759.84	335,624,519.05
Contract assets		
Assets held for sales		
Non-current assets due within a year		
Other current assets	127,698,486.46	100,484,526.44
Total current assets	8,367,815,602.87	9,945,086,351.13
Non-current assets:		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investment	3,580,096,539.05	3,547,654,880.31
Other equity instrument investments		
Other non-current financial assets	70,000,000.00	40,000,000.00
Investment real estates		
Fixed assets	56,328,105.37	99,683,983.66
Construction in progress	48,631,437.68	28,127,353.45
Productive biological assets		

Item	June 30, 2023	January 1, 2023
Oil and gas assets		
Right-of-use assets	63,457,441.86	73,896,162.36
Intangible assets	41,437,022.98	37,561,928.32
Development expenditure		
Goodwill		
Long-term unamortized expenses	18,202,393.57	20,782,444.19
Deferred income tax assets	49,530,678.50	50,466,779.11
Other non-current assets	26,182,128.75	24,649,870.57
Total non-current assets	3,953,865,747.76	3,922,823,401.97
Total assets	12,321,681,350.63	13,867,909,753.10
Current liabilities:		
Short-term loans	810,000,000.00	1,010,087,083.33
Trading financial liabilities		
Derivative financial liabilities		
Notes payable	704,649,839.51	980,000,000.00
Accounts payable	356,902,087.14	868,496,158.04
Advance from customers	0.00	
Contract liabilities	133,639,732.52	464,022,623.08
Payroll payable	50,679,704.69	123,859,226.02
Taxes payable	10,533,051.56	145,900,821.94
Other payables	687,809,053.47	346,143,459.66
Including: Interest payable	0.00	
Dividends payable	551,833,811.20	0.00
Liabilities held for sales		
Non-current liabilities due within one year	43,499,574.70	22,369,924.68
Other current liabilities	5,984,448.12	44,098,604.24
Total current liabilities	2,803,697,491.71	4,004,977,900.99
Non-current liabilities:		
Long-term loans	180,000,000.00	
Bonds payable		
Including: preferred stock		

Item	June 30, 2023	January 1, 2023
Perpetual bond		
Lease liabilities	44,352,557.70	54,991,421.86
Long-term payable		
Long-term payroll payable		
Estimated liabilities		
Deferred income	16,119,246.53	17,434,675.44
Deferred income tax liabilities	17,873,544.72	12,594,840.31
Other non-current liabilities		
Total non-current liabilities	258,345,348.95	85,020,937.61
Total liabilities	3,062,042,840.66	4,089,998,838.60
Owner's equity:		
Capital stock	594,387,367.00	426,492,308.00
Other equity instruments		
Including: preferred stock		
Perpetual bond		
Capital reserve	4,404,728,687.24	4,571,654,373.59
Less: treasury stock	500,082,734.11	500,082,734.11
Other comprehensive income		
Special reserve		
Surplus reserve	411,397,111.21	411,397,111.21
Undistributed profit	4,349,208,078.63	4,868,449,855.81
Total owners' equities	9,259,638,509.97	9,777,910,914.50
Total liabilities and owners' equities	12,321,681,350.63	13,867,909,753.10

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: RMB

Item	Semiannual 2023	Semiannual 2022
I. Total operating income	4,266,838,038.66	5,157,944,495.72
Including: Operating income	4,266,838,038.66	5,157,944,495.72
Interest revenue		
Premium earned		
Fee and commission income		
II. Total operating costs	3,500,655,804.36	4,122,305,279.41
Including: Operating costs	2,071,428,206.72	2,640,556,563.64
Interest expenditure		
Fee and commission expense		
Surrender value		
Net payments for insurance claims		
Net reserve fund extracted for insurance liability		
Bond insurance expense		
Reinsurance costs		
Taxes and surcharges	37,346,208.61	41,159,361.43
Selling expenses	960,442,911.44	950,172,124.74
Administrative expenses	289,596,702.14	325,391,883.32
R&D expenses	194,636,202.14	238,644,498.62
Financial expenses	-52,794,426.69	-73,619,152.34
Including: interest expenditure	32,891,514.25	19,119,362.58
Interest revenue	69,863,134.66	62,087,089.05
Plus: other incomes	46,680,694.51	28,747,393.29
Income from investment (loss expressed with "-")	39,412,441.13	31,452,189.90
Including: Income from investment of joint venture and cooperative enterprise	1,580,818.74	2,408,209.89
Income from derecognition of financial assets measured at amortized cost		
Exchange gain (loss expressed with "-")		
Net exposure hedging gain (loss expressed with "-")		
Income from fair value changes (loss expressed with "-")	59,639,836.03	35,182,098.83

Item	Semiannual 2023	Semiannual 2022
Credit impairment losses (loss expressed with "-")	2,831,973.61	-7,749,168.11
Assets impairment losses (loss expressed with "-")	-100,794,883.37	-73,045,565.34
Income from disposal of assets (loss expressed with "-")	5,324,751.10	-547,132.74
III. Operating profits (loss expressed with "-")	819,277,047.31	1,049,679,032.14
Plus: Non-operating income	6,702,598.77	2,152,935.65
Less: Non-operating expenditure	4,906,948.03	8,633,722.09
IV. Total profit (total loss expressed with "-")	821,072,698.05	1,043,198,245.70
Less: Income tax expenses	114,886,459.15	145,670,282.34
V. Net profit (net loss expressed with "-")	706,186,238.90	897,527,963.36
(I) Classified by business continuity		
1. Net profits from continuing operations (net loss expressed with "-")	706,186,238.90	897,527,963.36
2. Net profits from discontinued operations (net loss expressed with "-")		
(II) Classified by ownership		
1. Net profit attributable to shareholders of parent company (net loss expressed with "-")	681,617,022.69	892,823,503.14
2. Minority interest income (net loss expressed with "-")	24,569,216.21	4,704,460.22
VI. Net amount of other comprehensive income after tax	2,650,491.58	1,457,765.86
Net amount of other comprehensive income after tax attributed to parent company owners	1,563,872.28	874,163.62
(I) Other comprehensive income that can't be reclassified into profit and loss		
1. Remeasure the variation of net indebtedness or net asset of defined benefit plan		
2. Other comprehensive income that can't be reclassified into profit and loss in the invested enterprise under equity method		
3. Fair value change of other equity instrument investments		
4. Fair value change of enterprise credit risks		
5. Other		
(II) Other comprehensive income that will be reclassified into profit and loss	1,563,872.28	874,163.62
1. Other comprehensive income that will be reclassified into profit and loss in the invested enterprise under equity method		
2. Fair value change of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation reserve	1,563,872.28	874,163.62
7. Other		

Item	Semiannual 2023	Semiannual 2022
Net amount of other comprehensive income after tax attributed to minority shareholders	1,086,619.30	583,602.24
VII. Total comprehensive income	708,836,730.48	898,985,729.22
Total comprehensive income attributed to parent company owners	683,180,894.97	893,697,666.76
Total comprehensive income attributed to minority shareholders	25,655,835.51	5,288,062.46
VIII. Earnings per share		
(I) Basic earnings per share	1.1599	1.5207 ¹
(II) Diluted earnings per share	1.1599	1.5207

Note: 1 In the current period, the capital reserve is converted into shares, and the earnings per share in the previous period are adjusted synchronously.

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

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



4. Income Statement of Parent Company

Prepared by: Winner Medical Co., Ltd.

Unit: RMB

Item	Semiannual 2023	Semiannual 2022
I. Operating income	1,688,984,838.44	3,098,525,248.00
Subtract: Operating costs	1,107,234,465.65	1,934,623,204.93
Taxes and surcharges	6,199,059.31	16,034,785.38
Selling expenses	171,944,157.54	180,002,852.70
Administrative expenses	119,410,984.58	207,912,208.98
R&D expenses	67,280,160.05	93,688,666.00
Financial expenses	-54,781,345.93	-68,427,155.06
Including: interest expenditure	21,619,496.73	5,567,270.21
Interest revenue	63,513,874.74	57,354,975.22
Plus: other incomes	9,242,864.74	8,538,808.91
Income from investment (loss expressed with "-")	33,524,358.49	717,992,220.00
Including: Income from investment of joint venture and cooperative enterprise	1,580,818.74	2,348,078.76
Income from derecognition of financial assets measured at amortized cost		
Net exposure hedging gain (loss expressed with "-")		
Income from fair value changes (loss expressed with "-")	58,989,477.64	31,577,241.02
Credit impairment losses (loss expressed with "-")	4,720,507.23	-6,534,785.58
Assets impairment losses (loss expressed with "-")	-57,802,348.67	-4,973,851.97
Income from disposal of assets (loss expressed with "-")	0.00	
II. Operating profit (loss expressed with "-")	320,372,216.67	1,481,290,317.45
Plus: Non-operating income	2,045,766.35	43,721.08
Less: Non-operating expenditure	167,212.91	324,053.04
III. Total profit (total loss expressed with "-")	322,250,770.11	1,481,009,985.49
Less: Income tax expenses	43,991,014.19	117,459,507.27
IV. Net profit (net loss expressed with "-")	278,259,755.92	1,363,550,478.22
(I) Net profits from continuing operations (net loss expressed with "-")	278,259,755.92	1,363,550,478.22
(II) Net profits from discontinued operations (net loss expressed with "-")		
V. Net amount of other comprehensive income after tax		
(I) Other comprehensive income that can't be reclassified into profit and loss		

Item	Semiannual 2023	Semiannual 2022
1. Remeasure the variation of net indebtedness or net asset of defined benefit plan		
2. Other comprehensive income that can't be reclassified into profit and loss in the invested enterprise under equity method		
3. Fair value change of other equity instrument investments		
4. Fair value change of enterprise credit risks		
5. Other		
(II) Other comprehensive income that will be reclassified into profit and loss		
1. Other comprehensive income that will be reclassified into profit and loss in the invested enterprise under equity method		
2. Fair value change of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investments		
5. Cash flow hedging reserve		
6. Translation reserve		
7. Other		
VI. Total comprehensive income	278,259,755.92	1,363,550,478.22
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: RMB

Item	HY 2023	HY 2022
I. Cash flow from financing activities:		
Cash from selling goods or offering labor	4,149,289,686.79	5,116,730,407.67
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	39,145,772.95	54,482,126.94
Other cash received related to operating activities	152,209,281.69	56,108,219.58
Subtotal of cash inflow from operating activities	4,340,644,741.43	5,227,320,754.19
Cash paid for selling goods or offering labor	2,347,177,845.94	2,939,776,049.76
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	945,931,347.90	800,031,019.92
Taxes and fees paid	539,168,797.14	319,812,985.54
Other cash paid related to operating activities	350,188,037.56	366,549,799.59
Subtotal of cash outflow from operating activities	4,182,466,028.54	4,426,169,854.81
Net cash flow from operating activities	158,178,712.89	801,150,899.38

Item	HY 2023	HY 2022
II. Cash flow from investment activities:		
Cash from investment withdrawal	3,567,682,315.00	4,024,661,820.00
Cash from investment income	74,573,040.85	96,593,854.89
Net cash from disposal of fixed assets, intangible assets and other long-term assets	3,744,427.60	6,741,954.00
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	3,645,999,783.45	4,127,997,628.89
Cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets	423,829,164.39	513,652,602.31
Cash paid for investment	2,820,573,504.00	3,577,034,300.00
Net cash received from reinsurance business		
Net cash paid for obtaining subsidiaries and other business units	21,176,136.32	1,003,862,872.29
Other cash paid related to investment activities		
Subtotal of cash outflow from investment activities	3,265,578,804.71	5,094,549,774.60
Net cash flow from investing activities	380,420,978.74	-966,552,145.71
III. Cash flow from financing activities:		
Receipts from equity securities		14,000,000.00
Including: Cash received from subsidiaries' absorption of minority shareholders' investment		
Cash received from borrowings	1,113,000,000.00	1,050,000,000.00
Other cash received related to financing activities	50,000,000.00	
Subtotal of cash inflow from financial activities	1,163,000,000.00	1,064,000,000.00
Cash repayments of amounts borrowed	1,453,050,000.00	55,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	281,994,493.51	396,090,530.15
Including: Dividends and profits paid by subsidiaries to minority shareholders		
Other cash paid related to financing activities	106,678,094.74	420,175,720.56
Subtotal of cash outflow from financial activities	1,841,722,588.25	871,266,250.71
Net cash flow from financing activities	-678,722,588.25	192,733,749.29
IV. Impact of exchange rate movements on cash and cash equivalents		
	5,741,177.61	27,600,761.92
V. Net increase of cash and cash equivalents		
	-134,381,719.01	54,933,264.88
Plus: Balance of cash and cash equivalents at the beginning of the period	4,370,821,958.17	4,088,612,262.04
Plus: Balance of cash and cash equivalents at the beginning of the period	4,236,440,239.16	4,143,545,526.92

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: RMB

Item	HY 2023	HY 2022
I. Cash flow from financing activities:		
Cash from selling goods or offering labor	2,009,939,115.28	3,258,287,430.41
Refund of tax and levies	30,090,751.05	7,667,891.23
Other cash received related to operating activities	127,280,729.54	364,335,473.72
Subtotal of cash inflow from operating activities	2,167,310,595.87	3,630,290,795.36
Cash paid for selling goods or offering labor	793,781,802.03	2,053,877,022.21
Cash paid to and for employees	270,071,817.38	213,532,606.79
Taxes and fees paid	188,487,201.67	183,161,300.38
Other cash paid related to operating activities	545,109,264.17	645,932,910.29
Subtotal of cash outflow from operating activities	1,797,450,085.25	3,096,503,839.67
Net cash flow from operating activities	369,860,510.62	533,786,955.69
II. Cash flow from investment activities:		
Cash from investment withdrawal	2,651,995,000.00	2,697,990,188.87
Cash from investment income	66,170,519.75	775,721,707.52
Net cash from disposal of fixed assets, intangible assets and other long-term assets	3,011,395.00	5,431,000.00
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	2,721,176,914.75	3,479,142,896.39
Cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets	68,641,277.60	73,115,880.93
Cash paid for investment	2,123,934,344.00	3,396,124,300.00
Net cash paid for obtaining subsidiaries and other business units		
Other cash paid related to investment activities		
Subtotal of cash outflow from investment activities	2,192,575,621.60	3,469,240,180.93
Net cash flow from investing activities	528,601,293.15	9,902,715.46
III. Cash flow from financing activities:		
Receipts from equity securities		
Cash received from borrowings	400,000,000.00	100,000,000.00
Other cash received related to financing activities	50,000,000.00	

Item	HY 2023	HY 2022
Subtotal of cash inflow from financial activities	450,000,000.00	100,000,000.00
Cash repayments of amounts borrowed	1,280,000,000.00	
Cash paid for distribution of dividends or profits and for interest expenses	257,603,321.30	394,672,045.23
Other cash paid related to financing activities	11,308,615.92	300,624,090.59
Subtotal of cash outflow from financial activities	1,548,911,937.22	695,296,135.82
Net cash flow from financing activities	-1,098,911,937.22	-595,296,135.82
IV. Impact of exchange rate movements on cash and cash equivalents	3,014,936.71	18,970,584.36
V. Net increase of cash and cash equivalents	-197,435,196.74	-32,635,880.31
Plus: Balance of cash and cash equivalents at the beginning of the period	3,540,343,438.87	3,430,110,781.71
Plus: Balance of cash and cash equivalents at the beginning of the period	3,342,908,242.13	3,397,474,901.40

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: RMB

Item	Semiannual 2023												Minority equity	Total owners' equities	
	Owners' equities attributable to the owners of parent company														
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Others			Subtotal
	Preferred stock	Perpetual bond	Others												
I. Ending balance of the previous year	426,492.30				4,546,247	500,082	782,778.15		420,212.		6,810,953,829.		11,704,60	478,161,4	12,182,768,00
	8.00				,611.24	,734.11			778.13		30		6,570.71	35.74	6.45
Plus: Changes in accounting policies											15,161,518.35		15,161,51		15,161,518.35
													8.35		
Prior period error correction															
Business combination under common control															
Others															
II. Beginning balance in current year	426,492.30				4,546,247	500,082	782,778.15		420,212.		6,826,115,347.		11,719,76	478,161,4	12,197,929,52
	8.00				,611.24	,734.11			778.13		65		8,089.06	35.74	4.80
III. Increase/decrease in the current period (decrease expressed with the "-")	167,895,05				166,925,6		1,563,872.28				115,884,510.4		113,351,2	39,720,35	-
	9.00				86.35						2		65.49	5.84	73,630,909.65
(I) Total comprehensive income							1,563,872.28				681,617,022.6		683,180,8	25,655,83	708,836,730.4
											8		94.96	5.51	7
(II) Owner's invested and decreased capital					969,372.6								969,372.6	0.00	969,372.65
					5								5		
1. Common stock invested by the owner													0.00	0.00	0.00
2. Capital invested by other equity instrument holders													0.00	0.00	0.00
3. Amount of share-based payment included in the owner's equity					969,372.6								969,372.6	0.00	969,372.65
					5								5		
4. Other															0.00
(III) Profit distribution											797,501,533.1		797,501,5	0.00	797,501,533.1
											0		33.10		0
1. Withdrawal of surplus reserves															0.00
2. Withdrawal of general risk preparation															0.00
3. Distribution to owners (or shareholders)											797,501,533.1		797,501,5	0.00	797,501,533.1
											0		33.10		0
4. Other															0.00
(IV) Internal transfer of owner's equity	167,895,05				167,895,0										0.00
	9.00				59.00										
1. Capital surplus transfer to paid-in capital (or capital stock)	167,895,05				167,895,0										0.00
	9.00				59.00										
2. Earned surplus transfer to paid-in capital (or capital stock)															0.00
3. Earned surplus covering the deficit															0.00
4. Carryforward retained earnings in variation of defined benefit plan															0.00
5. Carryforward retained earnings of other comprehensive income															0.00
6. Other															0.00
(V) Special reserve															0.00
1. Draw in current period															0.00
2. Use in current period															0.00
(VI) Others													0.00	14,064.52	14,064,520.33
														0.33	
IV. Balance at the end of current period	594,387.36				4,379,321	500,082	2,346,650.43		420,212.		6,710,230,837.		11,606,41	517,881,7	12,124,298,61
	7.00				,924.89	,734.11			778.13		23		6,823.57	91.58	5.15

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.

Prior year amount

Unit: RMB

Item	Semiannual 2022												Minority equity	Total owners' equities		
	Owners' equities attributable to the owners of parent company															
	Capital stock	Other equity instruments	Preferred stock	Perpetual bond	Others	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Others	Subtotal		
I. Ending balance of the previous year	426,492,308.00					4,549,621,096.81	257,992,366.68	-1,556,935.43		420,212,778.13		5,538,135,285.97		10,674,912,166.80	12,196,045.94	10,687,108,212.74
Plus: Changes in accounting policies																
Prior period error correction																
Business combination under common control																
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 "-")						42,396.249.94	242,090,367.43	874,163.62				515,059,619.04		316,239.665.17	281,115,269.96	597,354,935.13
(I) Total comprehensive income								874,163.62				892,823,503.14		893,697.666.76	5,288,062.46	898,985,729.22
(II) Owner's invested and decreased capital						42,396.249.94								42,396.249.94	275,827,207.50	318,223,457.44
1. Common stock invested by the owner																
2. Capital invested by other equity instrument holders																
3. Amount of share-based payment included in the owner's equity						42,396.249.94								42,396.249.94		42,396,249.94
4. Other															275,827,207.50	275,827,207.50
(III) Profit distribution												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 to owners (or shareholders)												377,763,884.10		377,763,884.10		377,763,884.10
4. Other																
(IV) Internal transfer of owner's equity																
1. Capital surplus transfer to paid-in capital (or capital stock)																
2. Earned surplus transfer to paid-in capital (or capital stock)																
3. Earned surplus covering the deficit																
4. Carryforward retained earnings in variation of defined benefit plan																
5. Carryforward retained earnings of other comprehensive income																
6. Other																
(V) Special reserve																
1. Draw in current period																
2. Use in this current																
(VI) Others							242,090,367.43							242,090,367.43		242,090,367.43
IV. Balance at the end of current period	426,492,308.00					4,592,017,346.75	500,082,734.11	-682,771.81		420,212,778.13		6,053,194,905.01		10,991,151,831.97	293,311,315.90	11,284,463,147.87

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: RMB

Item	Semiannual 2023											
	Capital stock	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equities
	Preferred stock	Perpetual bond	Others									
I. Ending balance of the previous year	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
Plus: Changes in accounting policies												
Prior period error correction												
Others												
II. Beginning balance in current year	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
III. Increase/decrease in the current period (decrease expressed with "-")	167,895,059.00				-166,925,686.35					-519,241,777.18		-518,272,404.53
(I) Total comprehensive income										278,259,755.92		278,259,755.92
(II) Owner's invested and decreased capital					969,372.65							969,372.65
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					969,372.65							969,372.65
4. Other												
(III) Profit distribution										-797,501,533.10		-797,501,533.10
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)										-797,501,533.10		-797,501,533.10
3. Other												
(IV) Internal transfer of owner's equity	167,895,059.00				-167,895,059.00							
1. Capital surplus transfer to paid-in capital (or capital stock)	167,895,059.00				-167,895,059.00							
2. Earned surplus transfer to paid-in capital (or capital stock)												
3. Earned surplus covering the deficit												
4. Carryforward retained earnings in variation of defined benefit plan												
5. Carryforward retained earnings of other comprehensive income												
6. Other												
(V) Special reserve												
1. Draw in current period												
2. Use in current period												
(VI) Others												
IV. Balance at the end of current period	594,387,367.00				4,404,728,687.24	500,082,734.11			411,397,111.21	4,349,208,078.63		9,259,638,509.97

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: RMB

Item	Semiannual 2022											
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equities
	Preferred stock	Perpetual bond	Others									
I. Ending balance of the previous year	426,492,308.00				4,575,027,859.16	257,992,366.68		411,397.11	11.21	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		411,397.11	11.21	3,391,392,215.70		8,546,317,127.39
III. Increase/decrease in the current period (less to be filled out with the minus sign "-")					42,396,249.94	242,090,367.43				985,786,594.12		786,092,476.63
(I) Total comprehensive income										1,363,550,478.22		1,363,550,478.22
(II) Owner's invested and decreased capital					42,396,249.94							42,396,249.94
1. Common stock invested by the owner												
2. Capital invested by other equity instrument holders												
3. Amount of share-based payment included in the owner's equity					42,396,249.94							42,396,249.94
4. Other												
(III) Profit distribution										-377,763,884.10		-377,763,884.10
1. Withdrawal of surplus reserves												
2. Distribution to owners (or shareholders)										-377,763,884.10		-377,763,884.10
3. Other												
(IV) Internal transfer of owner's equity												
1. Capital surplus transfer to paid-in capital (or capital stock)												
2. Earned surplus transfer to paid-in capital (or capital stock)												
3. Earned surplus covering the deficit												
4. Carryforward retained earnings in variation of defined benefit plan												
5. Carryforward retained earnings of other comprehensive income												
6. Other												
(V) Special reserve												
1. Draw in current period												
2. Use in current period						242,090,367.43						-242,090,367.43
(VI) Others												
IV. Balance at the end of current period	426,492,308.00				4,617,424,109.10	500,082,734.11		411,397.11	11.21	4,377,178,809.82		9,332,409,604.02

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

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

On June 8, 2006, the board of directors of the Company decided to increase the Company's registered capital from HKD 70.00 million to HKD 126.00 million, and the total investment from HKD 134.00 million to HKD 270.00 million. The newly increased registered capital of HKD 56.00 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 (RMB 10,000)	Amount of equity contribution (RMB 10,000)	Amount included in capital surplus (RMB 10,000)	Amount of equity contribution (Convert to HKD 10,000)
		(a)	(b)	(c)= (a)- (b)	(d) = (b)*conversion exchange rate
Winner Medical (Chongyang) Co., Ltd. (formerly known as "Chongyang Winner Medical Textile Co., Ltd.")	100.00	3,232.93	32.33	3,200.60	39.94
Winner Medical (Jiayu) Co., Ltd. (formerly known as "Jiayu Winner Medical Textile Co., Ltd.")	100.00	3,520.95	35.21	3,485.74	43.50
Winner Medical (Jingmen) Co., Ltd. (formerly known as "Jingmen Winner Medical Textile Co., Ltd.")	100.00	2,527.24	25.27	2,501.97	31.22
Yichang Winner 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 (L.P.) (renamed as Shenzhen Leyuan Investment Partnership (L.P.), hereinafter referred to as the "Leyuan Investment"), Shenzhen Kangxin Investment Partnership (L.P.) (renamed as Xiamen Yutong Investment Partnership (L.P.), hereinafter referred to as the "Yutong Investment"), Shenzhen Kanglong Investment Partnership (L.P.) (renamed as Xiamen Huikang Investment Partnership (L.P.), hereinafter referred to as the "Huikang Investment") with HKD 10,322,400, HKD 4,414,500 and HKD 3,331,300 respectively. After the completion of the capital increase, the Company's ownership structure was changed as follows:

Investor	Capital contribution amount (HKD 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 3646,600. The registered capital after the change was HKD 21,7986,100, 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.

On July 18, 2023, the Company had a registered capital of RMB 594,387,367 due to the implementation of profit distribution and capital reserve conversion for the year 2022.

Business term: sustainable operation.

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

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

The financial statements were approved by the Board of Directors of the Company on August 15, 2023.

As of June 30, 2023, 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)")
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")
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. (hereinafter referred to as "Winner Medical (Foshan)")
Zhejiang Longterm Medical Technology Co., Ltd. (hereinafter referred to as "Zhejiang Longterm")
Xi'an Longtemu Medical Technology Co., Ltd. (hereinafter referred to as "Xi'an Longtemu")
Hangzhou Shengyi Technology Co., Ltd. (hereinafter referred to as "Hangzhou Shengyi")

Subsidiary name
Deqing Longterm Medical Silica Gel Products Co., Ltd. (hereinafter referred to as "Deqing Longterm")
Longterm Medical US LLC (hereinafter referred to as "American Longterm")
Winner (Guilin) Latex Products Co., Ltd. (hereinafter referred to as "Winner (Guilin)")
Winner Pingan Medical (Hunan) Co., Ltd. (hereinafter referred to as "Winner Pingan")
Hunan Ruian Medical Device Technology Co., Ltd. (hereinafter referred to as "Ruian Medical Device")
Shenzhen Junjian Medical Device Co., Ltd. (hereinafter referred to as "Junjian Medical")
Nature Health Development (Hong Kong) Co., Ltd. (hereinafter referred to as "Nature Health (Hong Kong)")
LONGTERM MEDICAL,S.DE.R.L.DE C.V (hereinafter referred to as "Mexico Longterm")
Shanghai Hongsong Medical Device Co., Ltd. (hereinafter referred to as "Shanghai Hongsong")

In this period, a new subsidiary Nature Health (Hong Kong) was established, a new subsidiary Mexico Longterm was established by Longterm Medical, and Shanghai Hongsong was newly established through a business combination not under the same control. 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 June 30, 2023 and the business performance and cash flows of the consolidated and parent company in HY 2023.

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 ones as "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the income statement are converted at the spot rate on the date of transaction.

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

10. Financial instruments

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

1) Classification of financial instruments

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

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

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

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

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

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

Except the above financial assets measured at the amortized cost and the financial assets measured at fair value of which changes are recorded into other comprehensive income, the Company classifies all other financial assets as financial assets at fair value of which changes are recorded in current profit and loss. Upon initial recognition, if accounting mismatches can be eliminated or significantly reduced, the Company 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 (except in the consolidation) and prepayments with similar credit risk characteristics (aging), and estimates the proportion of bad debt provision for notes receivable -trade acceptance, accounts receivable and prepayments based on all reasonable and informed information, including forward-looking information, as follows:

Aging	Accruing proportion of accounts receivable (%)	Accruing proportion of trade acceptance (%)	Accruing proportion of prepaid accounts (%)
Within 1 year (including 1 year)	5	5	0
1~2 years	10	10	0
2~3 years	30	30	50
3~4 years	50	50	100
4~5 years	80	80	100
More than 5 years	100	100	100

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

2) Other receivables

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

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”.

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) Perpetual inventory system is adopted as the inventory system.
- 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

N/A

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 recognizes 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 when meeting the following conditions:

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

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

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

(2) Depreciation method

Class	Depreciation method	Depreciation life	Residual rate	Yearly depreciation
Houses and building	Straight-line depreciation	10-38 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	3-10years	5.00%-10.00%	9.00%-31.67%
Electronic equipment and office equipment, etc.	Straight-line depreciation	2-10years	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 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

N/A

28. Oil and gas assets

N/A

29. Right-of-use assets

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

30. Intangible assets

(1) Valuation method, service life and impairment test

1) Pricing methods 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

Pricing methods of intangible assets

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

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

Item	Expected 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 years	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

4) 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 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;
- 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 the relevant asset group by a reasonable method from the date of purchase; if it is difficult to apportion to the relevant asset group, it shall be apportioned to the relevant asset group combination. The relevant asset group or asset group combination is an asset group or asset group combination that can benefit from the synergies of business combination.

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 well 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 indirectly form contractual obligations;
- (5) When the issuer liquidates, the perpetual bonds are in the same order of liquidation as the ordinary bonds and other debts issued by the issuer.

In case that the financial instrument such as perpetual bond / preferred stock issued by the Company does not meet one of the above conditions, it 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

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

N/A

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 without significant change 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 change that meets 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 lease change that meets 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.

(2) Accounting treatment method of finance lease

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

Content and reasons of changes in accounting policies	Approval procedures	Remark
On November 30, 2022, the Ministry of Finance promulgated and implemented the <i>Interpretation of Accounting Standards for Business Enterprises No.16</i> , which stipulates "the deferred income tax related to assets and liabilities arising from individual transactions shall not be applicable to the accounting treatment of initial recognition exemption", and shall come into effect from January 1, 2023. In case of taxable temporary differences and deductible temporary differences arising from the lease liabilities and right-to-use assets recognized due to the single transaction to which this provision applies, and the estimated liabilities related to the confirmed abandonment obligations and the corresponding related assets at the beginning of the earliest period of first financial statement presentation, the Company will adjust the financial statements with cumulative impact to present the retained earnings at the beginning of the earliest period and other related financial statement items in accordance with this provision and the provisions of <i>Accounting Standards for Business Enterprises No.18 - Income Tax</i> .		

(2) Changes in major accounting estimates

Applicable Not applicable

(3) Adjustment of relevant items in financial statements at the beginning of first implementation year as a result of first implementation of new accounting standards from 2023

Applicable Not applicable

Adjustment description

1. Consolidated Balance Sheet

Item	December 31, 2022	January 1, 2023	Adjusted figure
Deferred income tax assets	196,993,751.80	322,582,125.98	125,588,374.18
Deferred income tax liabilities	133,677,102.81	244,258,589.21	110,581,486.40
Taxes payable	322,255,874.61	322,101,244.04	-154,630.57
Undistributed profit at the beginning of the year	6,810,953,829.30	6,826,115,347.65	15,161,518.35

2. Balance sheet of parent company

Item	December 31, 2022	January 1, 2023	Adjusted figure
Deferred income tax assets	38,862,577.13	50,466,779.11	11,604,201.98
Deferred income tax liabilities	1,510,415.96	12,594,840.31	11,084,424.35
Taxes payable	145,381,044.31	145,900,821.94	519,777.63

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%

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%
Hangzhou Shengyi, Xi'an Longtemu, Deqing Longterm, Ruian Medical Device	20%

2. Tax preference

- (1) 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 corporate 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) 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%.
- (8) 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.
- (9) Hangzhou Shengyi, Xi'an Longtemu, Deqing Longterm are all small low-profit enterprises. From January 1, 2023 to December 31, 2024, the part portion of annual taxable income not exceeding RMB 1 million shall be reduced by 25% and included into the taxable income, and corporate income tax shall be paid at the rate of 20%.

(10) 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.

(11) Hunan Ruian Medical Device Technology Co., Ltd. is a small enterprise with small profits. From January 1, 2023 to December 31, 2024, the part portion of annual taxable income not exceeding RMB 1 million shall be reduced by 25% and included into the taxable income, and corporate income tax shall be paid at the rate of 20%.

(12) 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. The application for review has been provided in current period and is under review.

3. Others

N/A

VII. Notes to Items in Consolidated Financial Statements

1. Cash and cash equivalents

Unit: yuan

Item	Closing Balance	Beginning balance
Cash on hand	124,589.58	246,825.76
Bank deposit	4,235,674,316.66	4,169,305,311.41
Other monetary capital	107,397,421.14	357,325,441.73
Total	4,343,196,327.38	4,526,877,578.90
Including: Total amount deposited abroad	21,596,431.39	15,822,664.52

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 deposited 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	8,340,000.00	7,428,000.00
Letter of Credit deposit* 2	89,600,000.00	139,600,000.00
Performance bond* 3	2,803,835.98	2,922,681.16
Balance of other restricted monetary funds *4	6,012,252.24	6,104,939.57
Total	106,756,088.22	156,055,620.73

*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 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.

*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: RMB

Item	Closing Balance	Beginning balance
Financial assets measured at fair value of which the changes are included in current profit and loss	3,623,520,946.56	4,378,789,960.23
Including:		
Bank financial products	2,163,314,216.16	3,027,531,039.77
Trust products	1,460,206,730.40	1,351,258,920.46
Including:		
Total	3,623,520,946.56	4,378,789,960.23

Other description:

3. Derivative financial assets

Unit: RMB

Item	Closing Balance	Beginning balance
Other description: N/A		

4. Notes receivable

(1) Classified presentation of notes receivable

Unit: RMB

Item	Closing Balance	Beginning balance
Bank acceptance bill	23,164,092.22	51,001,784.57
Total	23,164,092.22	51,001,784.57

Unit: RMB

Class	Closing Balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Accruing proportion		Amount	Proportion	Amount	Accruing proportion	

Including:

Including:

If the bad debt provision of notes receivable is withdrawn according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of bad debt provision:

Applicable Not applicable

(2) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: RMB

Class	Beginning balance	Amount of change in current period				Closing Balance
		Accrual	Recovered or reversed	Write-off	Others	

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: RMB

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: RMB

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	47,164,293.21	3,823,275.97
Total	47,164,293.21	3,823,275.97

- (5) Notes transferred to accounts receivable by the Company at the end of the period due to failure of the drawer to perform

Unit: RMB

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: RMB

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				Book value	Beginning balance				Book value
	Book balance		Provision for bad debt			Book balance		Provision for bad debt		
	Amount	Proportion	Amount	Accruing proportion		Amount	Proportion	Amount	Accruing proportion	
Accounts receivable of provision for bad debt by single item	9,836,375.05	1.15%	8,484,628.31	86.26%	1,351,746.74	2,811,067.30	0.28%	2,811,067.30	100.00%	0.00
Including:										
Accounts receivable of provision for bad debt by combination	844,384,317.48	98.85%	45,147,765.06	5.35%	799,236,552.42	984,485,837.09	99.72%	51,843,776.05	5.27%	932,642,061.04
Including:										
Aging analysis method	844,384,317.48	98.85%	45,147,765.06	5.35%	799,236,552.42	984,485,837.09	99.72%	51,843,776.05	5.27%	932,642,061.04
Total	854,220,692.53	100.00%	53,632,393.37	6.28%	800,588,299.16	987,296,904.39	100.00%	54,654,843.35	5.54%	932,642,061.04

Provision for bad debt by single item:

Unit: yuan

Name	Closing Balance			
	Book balance	Provision for bad debt	Accruing proportion	Reasons for provision
Customer I	158,667.30	158,667.30	100.00%	Expected to be irrecoverable
Customer II	1,170,400.00	1,170,400.00	100.00%	Expected to be irrecoverable
Customer III	1,482,000.00	1,482,000.00	100.00%	Expected to be irrecoverable
Customer IV	273,539.67	273,539.67	100.00%	Expected to be irrecoverable
Customer V	6,751,768.08	5,400,021.34	79.98%	Expected to be irrecoverable in full amount
Total	9,836,375.05	8,484,628.31		

Provision for bad debt by combination: aging analysis method

Unit: RMB

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion
Within 1 year	818,380,736.08	40,919,036.81	5.00%
1~2 years	22,708,574.37	2,270,857.44	10.00%
2~3 years	1,328,997.73	398,699.32	30.00%
3~4 years	711,476.43	355,738.22	50.00%
4~5 years	255,498.02	204,398.42	80.00%
More than 5 years	999,034.85	999,034.85	100.00%
Total	844,384,317.48	45,147,765.06	

Description of the basis for determining the combination:

On June 30, 2023, the Company reviewed the appropriateness of the provision for bad debts of receivables in the previous year according to the historical bad debt loss, and believed that the default probability has a strong correlation with the aging of accounts, and the account age is still a sign of whether the credit risk of the Company's receivables has significantly increased. Therefore, the Company's credit risk loss on June 30, 2023 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: RMB

Aging	Closing Balance
Within 1 year (including 1 year)	820,832,523.09
1~2 years	23,234,954.34
2~3 years	1,328,997.73
More than 3 years	8,824,217.37
3~4 years	2,685,702.03
4~5 years	2,331,147.74
More than 5 years	3,807,367.60
Total	854,220,692.53

(2) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: RMB

Class	Beginning balance	Amount of change in current period			Closing Balance
		Accrual	Recovery or reversal Write-off	Others	
Provision for bad debt of accounts receivable	54,654,843.35	12,924,501.70	15,501,696.22	1,554,744.54	53,632,393.37
Total	54,654,843.35	12,924,501.70	15,501,696.22	1,554,744.54	53,632,393.37

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

Unit: RMB

Unit name	Amount recovered or reversed	Recovery way

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

Unit: RMB

Item	Amount written off

Write-off of important accounts receivable:

Unit: RMB

Unit name	Nature of accounts receivable	Amount written off	Reasons for write-off	Write-off procedures performed	Whether the payments arise from related transactions

(4) Accounts receivable with Top 5 ending balances by debtor

Unit: RMB

Unit name	Ending balance of accounts receivable	Proportion in total other ending balance of accounts receivable	Ending balance of bad debt provision
First	90,821,409.13	10.63%	4,541,070.46
Second	39,016,368.88	4.57%	1,950,818.44
Third	28,042,213.28	3.28%	1,402,110.66
Fourth	24,783,503.09	2.90%	1,239,175.15
Fifth	24,061,555.94	2.82%	1,203,077.80
Total	206,725,050.32	24.20%	

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

NA

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

NA

Other description:

6. Amounts receivable financing

Unit: yuan

Item	Closing Balance	Beginning balance
Notes receivable - bank acceptance bill	38,279,923.83	93,093,113.79
Total	38,279,923.83	93,093,113.79

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: RMB

Aging	Closing Balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	130,557,434.98	96.41%	226,208,813.98	98.32%
1~2 years	4,465,515.74	3.30%	2,922,303.77	1.27%
2~3 years	375,839.85	0.28%	948,358.84	0.41%
More than 3 years	15,000.00	0.01%		
Provision for bad debt			-854,203.50	
Total	135,413,790.57		229,225,273.09	

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	36,435,795.97	26.91%
Second	5,122,543.20	3.78%
Third	4,570,000.00	3.37%
Fourth	4,207,018.68	3.11%
Fifth	3,971,964.44	2.93%
Total	54,307,322.29	40.10%

Other description:

8. Other receivables

Unit: RMB

Item	Closing Balance	Beginning balance
Other receivables	220,541,980.86	236,298,390.78
Total	220,541,980.86	236,298,390.78

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Closing Balance	Beginning balance
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2) Important overdue interest

Unit: RMB

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: RMB

Project (or invested unit)	Closing Balance	Beginning balance
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2) Important dividends receivable with the aging more than 1 year

Unit: RMB

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: RMB

Nature of payment	Ending book balance	Beginning book balance
Compensation for investment and construction project of Heyuan Winner	224,655,320.00	224,655,320.00
Margin and deposit	95,972,047.81	107,940,240.20
Export drawback		147,743.12
Employee pretty cash	3,134,396.54	3,851,541.87
Others	17,093,646.50	20,322,649.47
Total	340,855,410.85	356,917,494.66

2) Provision for bad debt

Unit: RMB

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, 2023	108,878,474.34		11,740,629.54	120,619,103.88
Balance on January 1, 2023 in the current period				
- Carried over to Stage 3	-57,953.35		57,953.35	
Accrual in current period	1,003,444.00			1,003,444.00
Reversal in current period	1,258,223.09			1,258,223.09
Written-off in current period			57,953.35	57,953.35
Other changes	7,058.55			7,058.55
Balance on June 30, 2023	108,572,800.45		11,740,629.54	120,313,429.99

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

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Closing Balance
Within 1 year (including 1 year)	28,846,160.03
1~2 years	15,387,475.31
2~3 years	15,996,728.40
More than 3 years	280,625,047.11
3~4 years	236,680,521.73
4~5 years	13,785,458.31
More than 5 years	30,159,067.07
Total	340,855,410.85

3) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: RMB

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	120,619,103.88	1,003,444.00	1,258,223.09	57,953.35	7,058.55	120,313,429.99
Total	120,619,103.88	1,003,444.00	1,258,223.09	57,953.35	7,058.55	120,313,429.99

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

Unit: RMB

Unit name	Amount reversed or recovered	Recovery way
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N/A

4) Other receivable actually written off at the current period

Unit: RMB

Item	Amount written off
Other receivables actually written off	57,953.35

Write-off of important other receivables:

Unit: RMB

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: RMB

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	65.91%	112,327,660.00
Second	Others	2,735,840.08	Within 1 year: RMB 4,859.88; 1~2 years: RMB 19,638.22; 2~3 years: RMB 7,240.90; 3~4 years: RMB 2,704,101.08	0.80%	2,167,659.95
Third	Margin deposit and	2,311,115.80	Within 1 year	0.68%	142,147.46
Fourth	Others	2,000,000.00	2~3 years	0.59%	600,000.00
Fifth	Others	1,960,692.59	Within 1 year	0.58%	98,034.63
Total		233,662,968.47		68.56%	115,335,502.04

6) Accounts receivable involving government subsidies

Unit: RMB

Unit name	Name of government subsidy project	Closing Balance	Ending aging	Estimated collection time, amount and basis
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7) Other receivables derecognized due to transfer of financial assets

Not applicable.

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

Not applicable.

Other description:

9. Inventory

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

(1) Inventory classification

Unit: RMB

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 and goods processed by the commission	304,105,950.95	26,294,376.27	277,811,574.68	442,673,944.78	54,831,465.50	387,842,479.28
Work in process	206,382,586.15	25,450,332.97	180,932,253.18	172,727,862.49	9,184,849.77	163,543,012.72
Merchandise inventory	1,156,101,718.17	240,049,219.81	916,052,498.36	1,188,954,668.09	258,680,380.74	930,274,287.35
Semi-finished products shipped in transit	28,477,092.97		28,477,092.97	61,520,340.90	130,228.78	61,390,112.12
Low priced and easily worn articles	11,381,673.54	962,039.09	10,419,634.45	17,465,670.25	1,591,988.35	15,873,681.90
Total	1,706,449,021.78	292,755,968.14	1,413,693,053.64	1,883,342,486.51	324,418,913.14	1,558,923,573.37

(2) Inventory falling price reserves and provision for impairment of contract performance costs

Unit: RMB

Item	Beginning balance	Amount increased in current period		Amount decreased in current period		Closing Balance
		Accrual	Others	Reversal or write-back	Others	
Raw materials	54,831,465.50	10,616,808.72		39,153,897.95		26,294,376.27
Work in process	9,184,849.77	23,924,918.05		7,659,434.85		25,450,332.97
Merchandise inventory	258,680,380.74	157,009,803.06	1,074,316.06	176,715,280.05		240,049,219.81
Semi-finished products shipped in transit	130,228.78			130,228.78		
Low priced and easily worn articles	1,591,988.35	709,144.82		1,339,094.08		962,039.09
Total	324,418,913.14	192,260,674.65	1,074,316.06	224,997,935.71		292,755,968.14

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

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

10. Contract assets

Unit: RMB

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: RMB

Item	Amount of change	Reason for change
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If the impairment provision of contract assets is accrued according to the general model of expected credit loss, please refer to the disclosure method of other receivables to disclose the relevant information of impairment provision:

Applicable Not applicable

Provision for impairment of contract assets in current period:

Unit: yuan

Item	Accrual in current period	Reversal in current period	Write off/verification in current period	Reasons
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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
Total	0.00	

Important debt investments/other debt investments

Unit: yuan

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

Other description

13. Other current assets

Unit: RMB

Item	Closing Balance	Beginning balance
Return cost receivable	999,992.27	1,181,368.44
Interest on fixed deposit / large deposit	122,446,380.94	101,670,459.07
VAT input tax to be deducted / uncertified input tax	30,619,026.20	5,863,706.62
Prepaid corporate income tax	1,726,029.85	4,773,735.12
Unamortized expenses	19,673,276.72	4,853,649.47
Others	234,198.07	716,165.75
Total	175,698,904.05	119,059,084.47

Other description:

14. Debt investment

Unit: RMB

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

Important debt investments

Unit: RMB

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: RMB

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
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Balance on January 1, 2023 in the current period

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

Applicable Not applicable

Other description:

15. Other debt investments

Unit: RMB

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: RMB

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

Provision for impairment

Unit: RMB

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
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Balance on January 1, 2023 in the current period

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

Applicable Not applicable

Other description:

16. Long-term receivables

(1) Long-term receivables

Unit: RMB

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: RMB

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
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Balance on January 1, 2023 in the current period

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

Applicable Not applicable

- (2) Long-term receivables derecognized due to transfer of financial assets
- (3) Description of the amount of assets and liabilities formed by transferring long-term receivables and continuing involvement

17. Long-term equity investment

Unit: RMB

Invested unit	Beginning balance (Book value)	Increase or decrease in current period							Closing Balance (Book value)	Ending balance of impairment provision
		Further investment	Capital reduction	Investment gains and losses recognized by the equity method	Adjustment of other comprehensive income	Changes in other equity	Declared payment of cash dividends or profits	Provision for impairment		
I. Cooperative enterprise										
II. Joint venture										
Chengdu Winner	21,642,696.16			1,580,818.75						23,223,514.91
Hubei Xianchuang Technology Co., Ltd.	104,939.83									104,939.83
Subtotal	21,747,635.99									23,328,454.74
Total	21,747,635.99			1,580,818.75						23,328,454.74

18. Other equity instrument investments

Unit: RMB

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

Unit: RMB

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: RMB

Item	Closing Balance	Beginning balance
Equity instrument investments	70,000,000.00	40,000,000.00
Total	70,000,000.00	40,000,000.00

Other description:

20. Investment real estates

(1) Investment real estates using cost measurement mode

Applicable Not applicable

Unit: RMB

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Beginning balance	10,739,083.13			10,739,083.13
2. Amount increased in current period				
(1) Outsourcing				
(2) Transfer from inventory / fixed assets / construction in progress				
(3) Increase by business combination				
3. Amount decreased in current period				
(1) Disposal				
(2) Other roll-out				
4. Ending balance	10,739,083.13			10,739,083.13
II Accumulated depreciation and accumulated amortization				
1. Beginning balance	1,992,068.88			1,992,068.88
2. Amount increased in current period	522,022.92			522,022.92
(1) Provision or amortization	522,022.92			522,022.92
3. Amount decreased in current period				
(1) Disposal				
(2) Other roll-out				
4. Ending balance	2,514,091.80			2,514,091.80

Item	Houses and buildings	Land use right	Construction in progress	Total
III. Provision for impairment				
1. Beginning balance				
2. Amount increased in current period				
(1) Withdraw				
3. Amount decreased in current period				
(1) Disposal				
(2) Other roll-out				
4. Ending balance				
IV. Book value				
1. Ending book value	8,224,991.33			8,224,991.33
2. Beginning book value	8,747,014.25			8,747,014.25

(2) Investment real estates using fair value measurement mode

Applicable Not applicable

(3) Investment real estates without certificate of title

Unit: RMB

Item	Book value	Reasons for not obtaining the certificate of title
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Other description

21. Fixed assets

Unit: RMB

Item	Closing Balance	Beginning balance
Fixed assets	2,362,409,101.13	2,312,982,598.88
Total	2,362,409,101.13	2,312,982,598.88

(1) Fixed assets

Unit: RMB

Item	Houses and building	Machinery equipment	Transportation equipment	Electronic equipment and office equipment, etc.	Total
I. Original book value:					
1. Beginning balance	1,539,756,530.45	1,738,833,686.67	32,042,953.81	173,097,303.06	3,483,730,473.99
2. Amount increased in current period	162,766,323.83	66,620,464.09	3,812,371.25	9,532,098.69	242,731,257.86
(1) Purchase	6,712,373.80	54,089,929.16	1,011,260.61	9,170,010.36	70,983,573.93
(2) Transfer from construction in progress	156,053,950.03	12,530,534.93			168,584,484.96
(3) Increase by business combination			2,801,110.64	362,088.33	3,163,198.97
3. Amount decreased in current period	18,779.00	89,347,080.57	1,022,119.89	21,338,014.69	111,725,994.15
(1) Disposal or scrap	18,779.00	89,347,080.57	1,022,119.89	21,338,014.69	111,725,994.15
4. Ending balance	1,702,504,075.28	1,716,107,070.19	34,833,205.17	161,291,387.06	3,614,735,737.70
II. Accumulated depreciation					
1. Beginning balance	342,594,926.93	597,986,893.92	18,669,157.81	87,708,190.39	1,046,959,169.05
2. Amount increased in current period	34,518,291.00	68,058,018.44	2,387,121.47	15,400,106.32	120,363,537.23
(1) Provision	34,518,291.00	68,058,018.44	1,561,557.83	15,261,824.99	119,399,692.26
(2) Increase by business combination			825,563.64	138,281.33	963,844.97
3. Amount decreased in current period	10,049.47	17,994,884.36	839,520.62	18,448,630.43	37,293,084.88
(1) Disposal or scrap	10,049.47	17,994,884.36	839,520.62	18,448,630.43	37,293,084.88
4. Ending balance	377,103,168.46	648,050,028.00	20,216,758.66	84,659,666.28	1,130,029,621.40
III. Provision for impairment					
1. Beginning balance	43,277,161.98	79,082,344.13	25,258.85	1,403,941.10	123,788,706.06
2. Amount increased in current period					
(1) Provision					
(2) Increase by business combination					
3. Amount decreased in current period		1,448,617.30		43,073.59	1,491,690.89
(1) Disposal or scrap		1,448,617.30		43,073.59	1,491,690.89
4. Ending balance	43,277,161.98	77,633,726.83	25,258.85	1,360,867.51	122,297,015.17
IV. Book value					
1. Ending book value	1,282,123,744.84	990,423,315.36	14,591,187.66	75,270,853.27	2,362,409,101.13
2. Beginning 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) Fixed assets that are temporarily idle

Unit: RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Houses and building	36,623.93	22,523.72	8,789.75	5,310.46	Not needed for now
Machinery equipment	31,153,006.00	13,350,603.01	13,127,892.48	4,674,510.51	Not needed for now
Electronic equipment and office equipment, etc.	176,221.69	115,511.29	735.00	59,975.40	Not needed for now
Total	31,365,851.62	13,488,638.02	13,137,417.23	4,739,796.37	

(3) Fixed assets leased out by operating lease

Unit: RMB

Item	Ending book value

(4) Fixed assets without certificate of title

Unit: RMB

Item	Book value	Reasons for not obtaining the certificate of title
Winner Medical (Tianmen) - Intelligent 3D e-commerce warehouse for pure cotton business	47,799,504.55	The formalities have not yet been completed
Winner Medical (Tianmen) - No.2 Workshop for finished products	11,019,389.17	The formalities have not yet been completed

Other description

(5) Liquidation of fixed assets

Unit: RMB

Item	Closing Balance	Beginning balance

Other description

22. Construction in progress

Unit: RMB

Item	Closing Balance	Beginning balance
Construction in progress	1,017,739,015.40	765,009,910.63
Total	1,017,739,015.40	765,009,910.63

(1) Construction in progress

Unit: RMB

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Winner Medical (Wuhan) engineering project	467,417,775.16		467,417,775.16	375,173,643.40		375,173,643.40
Winner Medical (Jiayu) engineering project	355,662,545.00		355,662,545.00	165,245,291.40		165,245,291.40
Winner Medical (Huanggang) engineering project	14,156,488.39		14,156,488.39	83,828,495.28		83,828,495.28
Jingmen infrastructure project	0.00		0.00	36,276,311.67		36,276,311.67
Winner Medical (Shenzhen) engineering project	39,119,972.83		39,119,972.83	12,844,241.04		12,844,241.04
Winner Guilin engineering project	4,713,203.22		4,713,203.22	1,877,054.35		1,877,054.35
Tianmen infrastructure project	641,726.39		641,726.39	397,954.71		397,954.71
Winner Medical (Hunan) engineering project	32,519,101.68		32,519,101.68			
Other equipment to be installed and sporadic projects	114,373,682.73	10,865,480.00	103,508,202.73	100,232,398.78	10,865,480.00	89,366,918.78
Total	1,028,604,495.40	10,865,480.00	1,017,739,015.40	775,875,390.63	10,865,480.00	765,009,910.63

(2) Current changes in major projects under construction

Unit: yuan

Project name	Budget number	Beginning balance	Amount increased in current period	Amount carried forward to fixed assets in current period	Other decreases in current period	Closing Balance	Proportion of total project input to the budget	Progress of works	Accumulated amount of interest capitalization	Including: interest capitalization funds in the current period	Interest capitalization rate in the current period	Source of funds
Integrated Workshop Project of Winner Medical (Huanggang)	85,000,000.00	83,828,495.28	277,357.92	84,105,853.20		0.00	98.95%	100.00%				Others
Winner Medical (Huanggang) production equipment	45,000,000.00	41,378,064.05	281,974.42			41,660,038.47	92.58%	90.00%				Others
Winner Industrial Park (Jiayu) Project	272,380,000.00	141,859,864.32	94,845,817.01			236,705,681.33	86.90%	98.00%				Others
Comprehensive Workshop Engineering of Winner Medical (Jingmen)	73,000,000.00	36,276,311.67	32,819,952.47	69,096,264.14		0.00	68.81%	100.00%				Others
Phase II Sorting Engineering of Winner Medical (Wuhan)	268,000,000.00	184,403,669.79	36,880,733.88			221,284,403.67	82.57%	80.00%				Others
Winner Medical (Wuhan) Phase II Main Project	110,871,722.11	91,545,458.64	0.00			91,545,458.64	82.57%	90.00%				Others
Phase II Plant Engineering of Winner Medical (Wuhan)	96,000,000.00	21,238,938.05	29,734,513.26			50,973,451.31	53.10%	60.00%				Others
R&D Center Project of Winner Medical (Wuhan)	35,666,270.00	19,632,809.17	6,544,269.73			26,177,078.90	73.39%	70.00%				Others
Shift Building and Canteen Expansion Project of Winner Medical (Wuhan)	33,213,730.00	19,928,238.00	4,190,429.05			24,118,667.05	72.62%	75.00%				Others
Medical Industry Building of Winner Medical (Shenzhen)	261,723,960.00	2,741,232.41	22,600,628.30			25,341,860.71	10.00%	10%				Others
Chengdu Wenjiang Project of Winner Medical (Shenzhen)	17,500,000.00	10,103,008.63	3,675,103.49			13,778,112.12	79.00%	80%				Others
Plant Construction Project Production Line Expansion and Transformation of Winner Guilin	180,450,000.00	1,877,054.35	2,836,148.87			4,713,203.22	3.00%	3.00%				Others
Total	1,478,805,682.11	654,813,144.36	234,686,928.40	153,202,117.34	0.00	736,297,955.42						

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

Unit: RMB

Item	Current accrued amount	Reason for accrual
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Other description

N/A

(4) Engineering materials

Unit: RMB

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

Other description: N/A

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: RMB

Item	Houses and building	Total
I. Original book value		
1. Beginning balance	916,984,153.11	916,984,153.11
2. Amount increased in current period	86,606,025.55	86,606,025.55
- New lease	78,758,510.23	78,758,510.23
- Increase by business combination	7,847,515.32	7,847,515.32
3. Amount decreased in current period	134,097,378.17	134,097,378.17
- Disposal	134,097,378.17	134,097,378.17
4. Ending balance	869,492,800.49	869,492,800.49
II. Accumulated depreciation		
1. Beginning balance	444,628,027.47	444,628,027.47
2. Amount increased in current period	98,173,196.40	98,173,196.40
(1) Withdraw	97,174,613.52	97,174,613.52
- Increase by business combination	998,582.88	998,582.88
3. Amount decreased in current period	89,898,453.94	89,898,453.94
(1) Disposal	89,898,453.94	89,898,453.94
4. Ending balance	452,902,769.93	452,902,769.93
III. Provision for impairment		
1. Beginning balance		
2. Amount increased in current period		
(1) Withdraw		
3. Amount decreased in current period		
(1) Disposal		
4. Ending balance		
IV. Book value		
1. Ending book value	416,590,030.56	416,590,030.56
2. Beginning book value	472,356,125.64	472,356,125.64

Other description:

26. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Land use right	Patent right	Nonpatented technology	Software use right	Franchised use right	Trademark right	Client relations	Total
I. Original book value								
1. Beginning balance	566,900,313.57	269,943,554.50		83,745,573.57	10,228,226.53	67,090,980.97	180,488,908.40	1,178,397,557.54
2. Amount increased in current period	12,123,734.51			5,322,715.79			11,440,000.00	28,886,450.30
(1) Purchase	12,123,734.51			5,322,715.79				17,446,450.30
(2) Internal R&D								
(3) Increase by business combination							11,440,000.00	11,440,000.00
3. Amount decreased in current period				79,242.43		67,000.00		146,242.43
(1) Disposal				79,242.43		67,000.00		146,242.43
4. Ending balance	579,024,048.08	269,943,554.50		88,989,046.93	10,228,226.53	67,023,980.97	191,928,908.40	1,207,137,765.41
II. Accumulated amortization								
1. Beginning balance	51,413,899.49	22,902,340.61		48,333,127.60	10,228,226.53	7,377,554.38	5,032,605.48	145,287,754.09
2. Amount increased in current period	6,146,452.65	14,559,231.59		3,110,649.09		3,142,500.06	8,541,957.08	35,500,790.47
(1) Provision	6,146,452.65	14,559,231.59		3,110,649.09		3,142,500.06	8,541,957.08	35,500,790.47
3. Amount decreased in current period				12,135.86		50,250.00		62,385.86
(1) Disposal				12,135.86		50,250.00		62,385.86
4. Ending balance	57,560,352.14	37,461,572.20		51,431,640.83	10,228,226.53	10,469,804.44	13,574,562.56	180,726,158.70
III. Provision for impairment								
1. Beginning balance								
2. Amount increased in current period								
(1) Provision								
3. Amount decreased in current period								
(1) Disposal								
4. Ending balance								
IV. Book value								
1. Ending book value	521,463,695.94	232,481,982.30		37,557,406.10		56,554,176.53	178,354,345.84	1,026,411,606.71
2. Beginning book value	515,486,414.08	247,041,213.89		35,412,445.97		59,713,426.59	175,456,302.92	1,033,109,803.45

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: RMB

Item	Book value	Reasons for not obtaining the certificate of title
Winner Medical (Shenzhen) - North Side of Guifang Road, Guanlan Street Planning	27,253,333.33	Land and real estate are regarded as a whole, a real estate certificate can only be applied after the project completion.
Winner Medical (Hunan) - Phase II land for infusion category	109,242,491.65	Land and real estate are regarded as a whole, a real estate certificate can only be applied after the project completion.
Mexico Longterm plant land	12,110,619.51	Without certificate of title
Total	148,606,444.49	

Other description

27. Development expenditure

Unit: RMB

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: RMB

Investee name or goodwill forming matter	Beginning balance	Increase in current period Formed by business combination	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 Guilin Latex	244,814,604.75			244,814,604.75
Business combination not under common control - Acquisition of 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
Business combination not under common control - Acquisition of Shanghai Hongsong		8,903,219.50		8,903,219.50
Total	1,047,356,046.10	8,903,219.50		1,056,259,265.60

(2) Provision for impairment of goodwill

Unit: RMB

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

Goodwill impairment test process and recognition method of key parameters (forecast period growth rate when estimating the present value of future cash flow, stable period growth rate, profit rate, discount rate and forecast period) and goodwill impairment loss:

Impact of goodwill impairment tests

Other description

29. Long-term unamortized expenses

Unit: RMB

Item	Beginning balance	Amount increased in current period	Amortization amount in current period	Other decreases	Closing Balance
Decoration cost	38,774,369.19	2,396,354.12	5,918,383.86	396,491.90	34,855,847.55
Decoration expenses for operating leased fixed assets	93,917,916.84	9,871,300.20	19,871,524.51	2,757,111.52	81,160,581.01
Total	132,692,286.03	12,267,654.32	25,789,908.37	3,153,603.42	116,016,428.56

Other description

30. Deferred income tax assets / deferred income tax liabilities

(1) Unoffset deferred income tax assets

Unit: RMB

Item	Closing Balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	597,192,032.67	105,426,667.51	635,561,435.85	113,878,209.59
Unrealized profit of internal transaction	105,473,850.56	20,633,341.60	176,701,413.90	33,954,186.63
Deductible loss	83,014,377.48	20,431,842.96	121,028,998.43	29,902,881.36
Deferred income	126,610,563.31	19,096,071.17	98,791,412.91	14,929,042.38

Item	Closing Balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Member points	11,332,289.56	2,833,072.39	9,067,179.42	2,266,794.86
Accrued liabilities	2,502,622.92	625,655.73	2,781,740.46	624,681.92
Advertising expenses in excess of the tax deductible limit	6,060,597.53	1,515,149.38	1,176,743.33	176,511.50
Changes in fair value of trading financial assets			5,189,000.26	778,350.04
New lease standards - Lease liabilities	475,396,715.17	111,989,928.06	533,774,609.44	125,588,374.18
Dismission welfare	3,868,908.48	603,666.47	2,858,415.48	483,093.52
Total	1,411,451,957.68	283,155,395.27	1,586,930,949.48	322,582,125.98

(2) Unoffset deferred income tax liabilities

Unit: RMB

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	623,367,722.74	106,475,380.88	665,595,964.73	109,308,421.87
Changes in fair value of trading financial assets	54,778,439.64	8,242,186.32	1,983,960.49	304,114.59
Depreciation of fixed assets	130,672,475.76	19,600,871.38	149,207,192.40	22,381,078.85
New lease standards - Right-of-use assets	416,590,030.56	97,728,425.04	472,356,125.64	110,581,486.40
Others	11,223,250.00	1,683,487.50	11,223,250.00	1,683,487.50
Total	1,236,631,918.70	233,730,351.12	1,300,366,493.26	244,258,589.21

(3) Deferred income tax assets or liabilities presented as net amount after offset

Unit: RMB

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		283,155,395.27		322,582,125.98
Deferred income tax liabilities		233,730,351.12		244,258,589.21

(4) Details of unrecognized deferred income tax assets

Unit: RMB

Item	Closing Balance	Beginning balance
Deductible loss	250,720,395.68	251,019,604.38
Dismission welfare		996,517.00
Provision for impairment of assets and amortization of depreciation	1,060,454.17	7,053,355.76
Total	251,780,849.85	259,069,477.14

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

Unit: RMB

Year	Closing balance	Beginning amount	Remark
2023	20,797,157.61	25,574,944.59	
2024	48,715,468.37	48,794,287.92	
2025	46,546,726.71	46,546,726.71	
2026	74,343,804.38	74,343,804.38	
2027	55,364,880.58	55,364,880.58	
2028	3,756,253.26		
No maturity date	1,196,104.77	394,960.20	
Total	250,720,395.68	251,019,604.38	

Other description

31. Other non-current assets

Unit: RMB

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	136,785,373.15		136,785,373.15	83,524,640.64		83,524,640.64
Total	136,785,373.15		136,785,373.15	83,524,640.64		83,524,640.64

Other description:

32. Short-term loans

(1) Classification of short-term loans

Unit: RMB

Item	Closing Balance	Beginning balance
Pledge borrowing	0.00	
Guaranteed borrowing	30,000,000.00	5,000,000.00
Bill discount	800,000,000.00	1,130,050,000.00
Trade financing (Letter of Credit, etc.)	700,000,000.00	1,000,000,000.00
Mortgage + Guaranteed borrowing		60,000,000.00
Debt of honor	233,000,000.00	100,000,000.00
Borrowing interest	23,992.64	168,930.85
Total	1,763,023,992.64	2,295,218,930.85

Description on the classification of short-term borrowing:

(2) short-term loans unpaid overdue

The total amount of overdue short-term borrowings at the end of the period is RMB 0.00, of which the important overdue short-term borrowings are as follows:

Unit: RMB

Borrower	Closing Balance	Borrowing interest rate	Overdue time	Overdue interest rate
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Other description

33. Trading financial liabilities

Unit: RMB

Item	Closing Balance	Beginning balance
Including:		
Including:		
Total	0.00	

Other description:

34. Derivative financial liabilities

Unit: RMB

Item	Closing Balance	Beginning balance
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Other description:

35. Notes payable

Unit: RMB

Type	Closing Balance	Beginning balance
Bank acceptance bill	86,200,204.52	24,760,000.00
Total	86,200,204.52	24,760,000.00

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: RMB

Item	Closing Balance	Beginning balance
Within 1 year (including 1 year)	782,892,485.49	1,094,753,592.92
1~2 years (including 2 years)	11,096,226.50	19,338,059.30
2~3 years (including 3 years)	6,811,115.18	2,914,279.27
More than 3 years	4,798,801.56	2,568,587.09
Total	805,598,628.73	1,119,574,518.58

(2) Important accounts payable with the aging more than 1 year

Unit: RMB

Item	Closing Balance	Reasons for failure of payment or carryover
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Other description:

37. Advance from customers

(1) Presentation of advance from customers

Unit: RMB

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

Unit: RMB

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

Unit: RMB

Item	Closing Balance	Beginning balance
Customer consideration received	228,030,782.74	557,752,074.66
Member points	11,332,289.56	9,067,179.42
Total	239,363,072.30	566,819,254.08

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

Unit: RMB

Item	Amount of change	Reason for change
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39. Payroll payable

(1) Presentation of payroll payable

Unit: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
I. Short-term compensation	301,139,811.76	781,407,960.43	890,250,325.56	192,297,446.63
II. Welfare after dismissal - defined contribution plan	7,455,497.14	60,961,351.90	60,982,323.48	7,434,525.56
III. Dismissal welfare	3,854,932.48	15,561,847.76	15,551,671.76	3,865,108.48
Total	312,450,241.38	857,931,160.09	966,784,320.80	203,597,080.67

(2) Presentation of short-term compensation

Unit: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
1. Wages, bonuses, allowances and subsidies	297,664,958.99	720,763,140.43	829,537,708.04	188,890,391.38
2. Employee welfare expenses	2,789,216.06	9,598,926.02	10,054,494.37	2,333,647.71
3. Social insurance premium	409,397.19	32,308,113.67	32,058,812.11	658,698.75
Including: medical insurance premium	232,375.41	28,794,257.44	28,554,834.58	471,798.27
Industrial injury insurance premium	124,437.99	2,095,519.27	2,095,329.57	124,627.69
Birth insurance premium	52,583.79	1,418,336.96	1,408,647.96	62,272.79
4. Housing fund	3,943.00	17,850,395.32	17,748,732.32	105,606.00
5. Labor union expenditure and personnel education fund	272,296.52	887,384.99	850,578.72	309,102.79
Total	301,139,811.76	781,407,960.43	890,250,325.56	192,297,446.63

(3) Presentation of defined contribution plans

Unit: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
1. Basic endowment insurance	7,350,564.34	58,952,111.29	58,973,586.66	7,329,088.97
2. Unemployment insurance premium	104,932.80	2,009,240.61	2,008,736.82	105,436.59
Total	7,455,497.14	60,961,351.90	60,982,323.48	7,434,525.56

Other description:

40. Taxes payable

Unit: RMB

Item	Closing Balance	Beginning balance
Added value tax	36,062,802.48	96,897,978.48
Corporate income tax	33,478,497.96	197,417,079.11
Individual income tax	2,857,585.57	4,579,372.68
Urban maintenance and construction tax	3,101,780.92	8,167,572.37
Housing property tax	4,725,233.72	5,597,557.89
Education surcharge and local education surcharge	2,432,194.74	6,150,636.51
Land use tax	1,046,187.10	1,153,638.19
Environmental protection tax	36,910.58	35,809.57
Stamp duty	798,606.76	2,101,599.24
Total	84,539,799.83	322,101,244.04

Other description

41. Other payables

Unit: RMB

Item	Closing Balance	Beginning balance
Dividends payable	566,642,012.68	
Other payables	351,014,682.06	570,843,242.88
Total	917,656,694.74	570,843,242.88

(1) Interest payable

Unit: RMB

Item	Closing Balance	Beginning balance
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Important overdue and unpaid interest:

Unit: RMB

Borrower	Overdue amount	Overdue reason
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Other description:

(2) Dividends payable

Unit: RMB

Item	Closing Balance	Beginning balance
Common stock dividends	566,642,012.68	
Total	566,642,012.68	

(3) Other payables

1) Other payables listed by nature

Unit: RMB

Item	Closing Balance	Beginning balance
Intercourse funds with related parties	4,356,725.66	83,907,582.49
Intercourse funds with the third parties	42,400,567.41	19,647,462.33
Margin and deposit	102,444,734.32	170,299,618.40
Commission	42,892,474.77	58,911,887.83
Freight and other accrued expenses	143,513,054.23	222,336,599.71
Others	15,407,125.67	15,740,092.12
Total	351,014,682.06	570,843,242.88

2) Important other payable with the aging more than 1 year

Unit: RMB

Item	Closing Balance	Reasons for failure of payment or carryover
Other description		

42. Liabilities held for sales

Unit: RMB

Item	Closing Balance	Beginning balance
Other description		

43. Non-current liabilities due within one year

Unit: RMB

Item	Closing Balance	Beginning balance
Long-term borrowing due within one year	20,000,000.00	8,011,977.78
Bonds payable due within one year	310,760.32	620,000.00
Lease liabilities due within one year	171,449,633.15	207,314,911.54
Total	191,760,393.47	215,946,889.32

Other description:

44. Other current liabilities

Unit: RMB

Item	Closing Balance	Beginning balance
Refund payable	2,502,622.92	3,963,108.90
Output tax to be transferred	16,927,009.27	55,641,482.95
Total	19,429,632.19	59,604,591.85

Increase/decrease of short-term bonds payable:

Unit: RMB

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: RMB

Item	Closing Balance	Beginning balance
Debt of honor	180000000.00	
Total	180000000.00	

Description on the classification of long-term borrowing:

Other descriptions, including interest rate range:

46. Bonds payable

(1) Bonds payable

Unit: RMB

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: RMB

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: RMB

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: RMB

Item	Closing Balance	Beginning balance
Lease payments	341,355,691.18	365,030,013.20
Unrecognized financing expenses	-37,408,609.16	-38,570,315.30
Total	303,947,082.02	326,459,697.90

Other description

48. Long-term payable

Unit: RMB

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

Unit: RMB

Item	Closing Balance	Beginning balance
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Other description:

(2) Special accounts payable

Unit: RMB

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: RMB

Item	Closing Balance	Beginning balance
I Welfare after dismissal - net liabilities of defined benefit plan	8,890,398.26	9,199,637.94
Less: Long-term payroll payable due within one year	-310,760.32	-620,000.00
Total	8,579,637.94	8,579,637.94

(2) Changes in defined benefit plan
Present value of defined benefit plan obligations:

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
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Planned assets:

Unit: RMB

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

Unit: RMB

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: RMB

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: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance	Causes
Government subsidies	98791412.91	33721500.00	5902349.60	126610563.31	Government subsidies related to assets
Total	98791412.91	33721500.00	5902349.60	126610563.31	

Projects involving government subsidies:

Unit: RMB

Liability item	Beginning balance	Amount of additional subsidy in current period	Amount included in current non-operating income	Amount included in other income in current period	Amount offsetting the cost in the current period	Other changes	Closing Balance	Asset/income related
Subsidy of 2014 Hubei provincial science and technology support plan project (the second batch) - Huanggang Winner	412,500.00			75,000.00			337,500.00	Asset related
Subsidy for Huanggang Chibi Avenue demolition company planning change - Huanggang Winner	2,271,374.07			52,822.64			2,218,551.43	Asset related

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
Technology Center R & D project subsidy - the Company	544,772.41			102,994.91			441,777.50	Asset related
new medical bandage factory land acquisition land use right grant fee remission of Winner company in Pailou Town, Jingmen - Jingmen Winner	589,330.00			10,160.00			579,170.00	Asset related
Subsidy funds for municipal government project infrastructure construction - Chongyang Winner	8,443,312.50			206,775.00			8,236,537.50	Asset related
Subsidy funds for land and subsidy funds for sewage treatment - Jiayu Winner	9,395,833.43			203,416.62			9,192,416.81	Asset related
2015 Huanggang provincial budget investment plan, Huanggang Winner's cotton spunlaced nonwoven (Line 8) extension project subsidy - Huanggang Winner	165,000.00			30,000.00			135,000.00	Asset related

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
2014 Huanggang urban industrial development special fund subsidy - Huanggang Winner	68,750.00			12,500.00			56,250.00	Asset related
Special subsidy funds urban industrial development in 2015 (construction of 2# sanitary products production line) - Winner Medical (Huanggang)	130,000.00			20,000.00			110,000.00	Asset related
Automatic transformation of surgical consumables production line - the Company	837,000.00			93,000.00			744,000.00	Asset related
2016 Tianmen industrial key technical transformation and expansion project reward - Tianmen Winner	212,477.00			25,002.00			187,475.00	Asset related
2017 increase production and expansion equipment subsidy for Tianmen processing & trade - Tianmen Winner	70,000.00			7,500.00			62,500.00	Asset related
Yichang gas boiler subsidy - Yichang Winner	68,000.17			7,999.98			60,000.19	Asset related
Second batch of traditional industry transformation subsidy in 2017 - Huanggang Winner	888,990.98			104,587.14			784,403.84	Asset related

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
2017 cotton spunlaced non-woven fabric project with the production of 15,000 tons - Tianmen Winner	316,981.31			39,622.62			277,358.69	Asset related
Key technical reform and expansion project (cotton spunlunge wipes production line project) - Tianmen Winner	486,487.00			54,054.00			432,433.00	Asset related
Production line project with an annual output of 120 million bales of cotton fabric in 2017 - Tianmen Winner	491,826.84			53,653.86			438,172.98	Asset related
Second batch of special funds for the transformation and upgrading of traditional industries - Yichang Winner	131,250.16			12,499.98			118,750.18	Asset related
Technical innovation subsidy for the Purcotton Phase II Expansion Project - Jingmen Winner	4,159,154.45			83,183.10			4,075,971.35	Asset related
Key technical transformation and expansion projects (cotton spun laced wipes production project) - Winner Medical (Tianmen)	641,666.79			49,999.98			591,666.81	Asset related

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
20180311 Subsidies for research, science and innovation on the technology of thermo-responsive self-curing wound regeneration and repair materials - the Company	552,903.04			119,434.00			433,469.04	Asset related
2018 provincial traditional industry transformation and upgrading special funds for the second batch of liquidation block fund subsidies - Jiayu Winner	1,286,190.50			26,428.62			1,259,761.88	Asset related
Subsidies for first batch of technological transformation award of industrial enterprises in 2018 - Chongyang Winner	584,217.97			53,078.56			531,139.41	Asset related
Provincial traditional industry transformation and upgrading special funds for the first batch of block funds allocation plan in Tianmen City in 2019 - Tianmen Winner	887,586.22			68,275.86			819,310.36	Asset related
2018 urban technical transformation fund of Huanggang City - Huanggang Winner	305,555.66			27,777.76			277,777.90	Asset related

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
First batch of traditional subsidies in 2019 - Huanggang Winner	847,000.00			60,500.00			786,500.00	Asset related
2019 district technical improvement subsidy - Jingmen Winner	320,236.88			14,556.18			305,680.70	Asset related
Technical transformation project of key material production enterprises for Shenzhen in 2020 - the Company	15,500,000.00			1,000,000.00			14,500,000.00	Asset related
2019 district technical improvement subsidy - Jingmen Winner	327,999.95			14,909.10			313,090.85	Asset related
2019 special fund project of the transformation and upgrading of traditional industries - Jiayu Winner	669,642.92			13,392.84			656,250.08	Asset related
Surgical gown production line project subsidy - Chongyang Winner	2,846,846.83			216,216.22			2,630,630.61	Asset related
Subsidy for purchasing equipment in key enterprises of "Three Batches" - Winner Medical (Chongyang)	4,415,630.25			281,848.74			4,133,781.51	Asset related

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 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)	6,544,278.21			291,144.36			6,253,133.85	Asset related
Subsidy for capacity expansion & technical upgrading of enterprises producing materials - Winner Medical (Wuhan)	2,187,396.35			5,351.53			2,182,044.82	Asset related
2020 special funds for the high-quality development of manufacturing - Huanggang Winner	2,355,140.18			168,224.30			2,186,915.88	Asset related
2021 urban technical transformation fund - Huanggang Winner	1,358,958.35			82,361.10			1,276,597.25	Asset related
Equipment subsidies in 2021 - Winner Medical (Jingmen)	3,825,000.00			850,000.00			2,975,000.00	Asset related
2020 Provincial special funds for the high-quality development of manufacturing - Jiayu Winner	798,245.62			52,631.58			745,614.04	Asset related
Annual equipment investment subsidies (Spunlace Phase III) - Tianmen Winner	14,625,000.00			750,000.00			13,875,000.00	Asset related

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
1 million provincial special funds for the development of manufacturing - Wuhan Winner	770,234.35			62,730.24			707,504.11	Asset related
Received subsidies from the development of the central government emergency material security system for production capacity improvement - Wuhan Winner	1,923,950.50			102,435.32			1,821,515.18	Asset related
Technical transformation funds for urban areas in 2022 - Winner Medical (Huanggang) (1*)	4,094,200.00			0.00			4,094,200.00	Asset related
Award for technical upgrading project - Chongyang Winner	534,545.45			32,727.28			501,818.17	Asset related
Industrial support funds for multi-layer baby facial towel production projects in 2022 - Winner Medical (Yichang)	270,581.49			5,057.58			265,523.91	Asset related
Special fund for high quality development of manufacturing in Zhijiang in 2021 - Winner Medical (Yichang)	581,197.50			29,805.00			551,392.50	Asset related
Provincial funds for high-quality development in 2023 - Winner Medical (Huanggang)		6,800,000.00					6,800,000.00	Asset related
Award for technical upgrading project in 2022 - Winner Medical (Chongyang)		800,000.00		28,828.83			771,171.17	Asset related

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
Provincial special funds for the high-quality development of manufacturing in 2023 - Winner Medical (Chongyang)		2,850,000.00		102,702.71			2,747,297.29	Asset related
Special funds for technical transformation from Bureau of Science, Technology and Economic Information Technology in 2022 - Winner Medical (Wuhan)		2,802,500.00		194,085.06			2,608,414.94	Asset related
Reward for fixed investment of special account for land acquisition and demolition by Li County High-tech Industrial Development Zone Management Committee - Winner Medical (Hunan)		20,469,000.00					20,469,000.00	Asset related
Others	54,167.58			3,075.00			51,092.58	Asset related
Total	98,791,412.91	33,721,500.00	0.00	5,902,349.60	0.00	0.00	126,610,563.31	

Other description:

52. Other non-current liabilities

Unit: RMB

Item	Closing Balance	Beginning balance
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Other description:

53. Capital stock

Unit: RMB

	Beginning balance	Increase/decrease (+, -)					Closing Balance
		New issue of shares	Share donation	Share capital increase from reserved funds	Others	Subtotal	
Total amount of shares	426,492,308.00			167,895,059.00		167,895,059.00	594,387,367.00

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: RMB

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: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
Capital premium (capital stock premium)	4,457,762,555.30		167,895,059.00	4,289,867,496.30
Other capital surplus	88,485,055.94	969,372.65		89,454,428.59
Total	4,546,247,611.24	969,372.65	167,895,059.00	4,379,321,924.89

Other description, including current increase/decrease and change reasons:

56. Treasury stock

Unit: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
Treasury stock	500,082,734.11			500,082,734.11
Total	500,082,734.11			500,082,734.11

Other description, including current increase/decrease and change reasons:

57. Other comprehensive income

Unit: RMB

Item	Amount incurred in current period							Closing Balance
	Beginning balance	Amount before current income tax	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	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that can't be reclassified into profit and loss	601,000.00							601,000.00
Including: Changes arising from re-measurement for defined benefit plans	601,000.00							601,000.00
II. Other comprehensive income that will be reclassified into profit and loss	181,778.15	2,650,491.58			1,563,872.28	1,086,619.30		1,745,650.43
Balance arising from the translation of foreign currency financial statements	181,778.15	2,650,491.58			1,563,872.28	1,086,619.30		1,745,650.43
Total other comprehensive income	782,778.15	2,650,491.58			1,563,872.28	1,086,619.30		2,346,650.43

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: RMB

Item	Current period	Prior period
Undistributed profit at the end of previous period before adjustment	6,810,953,829.30	5,538,135,285.97
Total undistributed profits at the beginning of the adjustment period (+ for increase and - for decrease)	15,161,518.35	
Undistributed profits at the beginning of the period after adjustment	6,826,115,347.65	
Plus: Net profits attributable to the owners of parent company in current period	681,617,022.68	1,650,582,427.43
Common stock dividends payable	797,501,533.10	377,763,884.10
Undistributed profits at the end of the period	6,710,230,837.23	6,810,953,829.30

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 15,161,518.35 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. Operating income and cost

Unit: RMB

Item	Amount incurred in current period		Amount incurred in previous period	
	Income	Cost	Income	Cost
Main business	4,236,069,768.54	2,053,153,499.31	5,113,877,083.65	2,613,729,979.52
Other businesses	30,768,270.12	18,274,707.41	44,067,412.07	26,826,584.12
Total	4,266,838,038.66	2,071,428,206.72	5,157,944,495.72	2,640,556,563.64

Income related information:

Unit: RMB

Contract classification	Segment 1	Segment 2	Medical consumables (segment 1)	Healthy consumer goods (Segment 2)	Total
Type of goods					
Including:					
Main business			2,173,056,329.26	2,063,013,439.28	4,236,069,768.54
Other businesses			30,768,270.12		30,768,270.12
Classified by operating area					
Including:					
Domestic sales			1,454,062,379.79	2,063,013,439.28	3,517,075,819.07
Overseas sales			749,762,219.59		749,762,219.59
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			2,203,824,599.38	2,063,013,439.28	4,266,838,038.66

Information related to performance obligations:

N/A

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

62. Taxes and surcharges

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Urban maintenance and construction tax	14,156,008.49	18,495,175.61
Education surcharge	6,616,460.38	8,259,222.82
Housing property tax	6,353,206.48	4,020,316.15
Land use tax	2,683,790.39	1,666,760.16
Vehicle and vessel use tax	11,808.84	8,823.96
Stamp duty	3,296,228.60	3,124,207.56
Surcharge for local education	4,096,996.80	5,505,078.38
Environmental protection tax	61,532.02	79,776.79
Others	70,176.61	
Total	37,346,208.61	41,159,361.43

Other description:

63. Selling expenses

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	315,528,733.79	322,603,966.58
Travel expenses	10,524,681.48	3,848,684.40
Office communication costs	6,090,498.20	8,396,979.22
Sales commission	125,398,549.11	118,542,577.52
Insurance premiums	2,967,753.30	3,018,944.71
Depreciation and amortization	112,902,943.06	156,566,925.78
Advertising and promotion expenses	276,337,254.06	235,198,138.16
Rent	77,531,439.61	66,454,933.41
Others	33,161,058.83	35,540,974.96
Total	960,442,911.44	950,172,124.74

Other description:

64. Administrative expenses

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	166,770,159.81	153,347,954.56
Equity incentive fee	969,372.65	42,396,249.94
Depreciation and amortization charge	62,559,814.44	31,523,347.61
Consultant and intermediary service fees	5,393,034.14	17,011,517.75
Maintenance cost	12,638,086.57	15,965,110.27
Communication and network services, cloud service fees, etc.	8,675,647.54	10,844,678.10
Water/electricity fee	5,190,635.07	4,826,421.80
Material consumption	872,320.18	2,583,067.32
Recruitment fee	462,635.41	2,138,742.55
Others	26,064,996.33	44,754,793.42
Total	289,596,702.14	325,391,883.32

Other description

65. R&D expenses

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	91,378,032.54	80,616,282.16
Depreciation and amortization	12,257,120.71	9,034,205.00
Material	47,320,354.16	97,340,715.49
Other miscellaneous expenses	43,680,694.73	51,653,295.97
Total	194,636,202.14	238,644,498.62

Other description

66. Financial expenses

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Interest expenses	32,891,514.25	19,119,362.58
Including: Interest expense on lease liabilities	11,671,553.10	13,353,482.15
Less: Interest revenue	69,863,134.66	62,087,089.05
Exchange gain or loss	-16,974,769.11	-31,671,165.22
Others	1,151,962.83	1,019,739.35
Total	-52,794,426.69	-73,619,152.34

Other description

67. Other incomes

Unit: RMB

Other sources of income	Amount incurred in current period	Amount incurred in previous period
Government subsidies	46,680,694.51	28,747,393.29

68. Investment income

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Long-term equity investment gains measured by employing the equity method	1,580,818.74	2,408,209.89
Investment income from purchasing financial products	37,831,622.39	29,043,980.01
Total	39,412,441.13	31,452,189.90

Other description

69. Net gain on exposure hedging

Unit: RMB

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: RMB

Sources of gains from fair value change	Amount incurred in current period	Amount incurred in previous period
Income from structured deposits of bank financial products and trust products - Structured deposits	59,639,836.03	35,182,098.83
Total	59,639,836.03	35,182,098.83

Other description:

71. Credit impairment Loss

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Loss on bad debts of other receivables	254,779.09	571,417.03
Loss on bad debts of accounts receivable	2,577,194.52	-8,320,585.14
Total	2,831,973.61	-7,749,168.11

Other description

72. Assets impairment losses

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
II. Inventory falling price loss and impairment loss of contract performance costs	-100,794,883.37	-71,699,155.49
V. Impairment loss of fixed assets		-1,346,409.85
Total	-100,794,883.37	-73,045,565.34

Other description:

73. Gains from asset disposal

Unit: RMB

Source of income from disposal of assets	Amount incurred in current period	Amount incurred in previous period
Net gain or loss on disposal of long-term assets	5,324,751.10	-547,132.74

74. Non-operating income

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period	Amounts included in the non-recurring gains and losses of the current period
Non-current assets scrap gains	1,894,252.58	755,380.00	1,894,252.58
Income from compensation or fines	181,446.52	509,551.22	181,446.52
Government subsidies	78,000.00	8,545.43	78,000.00
Others	4,548,899.67	879,459.00	4,548,899.67
Total	6,702,598.77	2,152,935.65	6,702,598.77

Government subsidies included in current profit and loss:

Unit: RMB

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
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Other description:

75. Non-operating expenses

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period	Amounts included in the non-recurring gains and losses of the current period
External donations	225,225.18	956,452.02	225,225.18
Loss on damage and scrap of non-current assets	3,478,280.51	2,609,947.50	3,478,280.51
Compensation or amercement outlay	326,411.19	672,809.18	326,411.19
Others	877,031.15	4,394,513.39	877,031.15
Total	4,906,948.03	8,633,722.09	4,906,948.03

Other description:

76. Income tax expenses

(1) Income tax expense table

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Current income tax expenses	90,099,787.82	158,472,538.38
Deferred income tax expenses	24,771,163.62	-12,007,847.03
Adjustment of the previous annual income tax amount in the current period	15,507.71	-794,409.01
Total	114,886,459.15	145,670,282.34

(2) Accounting profit and income tax expense adjustment process

Unit: RMB

Item	Amount incurred in current period
Total profit	821,072,698.05
Income tax expenses calculated at the appropriate/applicable tax rate	123,160,904.71
Impact of different tax rates applied on subsidiaries	10,255,854.66
Impact of income tax before adjustment	15,507.71
Impact of weighted deduction of R&D costs	-18,516,794.19
Impact of weighted deduction of wages for the disabled	-29,013.74
Income tax expenses	114,886,459.15

Other description:

NA

77. Other comprehensive income

See Note 57 for details

78. Cash flow statement items

(1) Other cash received related to operating activities

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Deposit, margin and quality guarantee deposit received	55,581,827.38	14,529,056.53
Interest income received	14,608,751.97	7,191,289.35
Government subsidies received	74,577,844.91	18,335,704.11
Others	7,440,857.43	16,052,169.59
Total	152,209,281.69	56,108,219.58

Explanation on other cash received related to operating activities:

(2) Other cash paid related to operating activities

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Management and development costs paid in cash	96,646,768.64	130,183,042.11
Selling expenses paid in cash	129,897,821.41	117,260,516.70
Deposit, margin and quality guarantee deposit paid	15,415,236.51	16,980,843.60
Bank handling charge	1,151,962.83	1,019,739.35
Others	107,076,248.17	101,105,657.83
Total	350,188,037.56	366,549,799.59

Description of other cash paid related to operating activities

(3) Other cash received related to investment activities

Unit: RMB

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: RMB

Item	Amount incurred in current period	Amount incurred in previous period
L/C loan deposit recovered	50,000,000.00	
Total	50,000,000.00	

Description of other cash received related to financing activities:

(6) Other cash paid related to financing activities

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Lease liability principal and interest paid on lease payments	106,678,094.74	128,085,353.13
Treasury stock repurchase paid		242,090,367.43
L/C loan deposit paid		50,000,000.00
Total	106,678,094.74	420,175,720.56

Description of other cash paid related to financing activities:

79. Further information on cash flow statement

(1) Further information on cash flow statement

Unit: RMB

Further Information	Current amount	Last term amount
1. Reconciliation from net profits to cash flows from operating activities:		
Net profit	706,186,238.90	897,527,963.36
Plus: Provision for impairment of assets	97,962,909.76	80,794,733.45
Depreciation of fixed assets, oil and gas assets and productive biological assets	119,399,692.26	84,546,487.61
Depreciation of Right-of-use assets	97,174,613.52	114,777,463.11
Amortization of intangible assets	35,500,790.47	11,264,308.35
Amortization of long-term deferred expenses	25,789,908.37	34,480,229.33
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains expressed with "-")	-5,324,751.10	547,132.74
Loss on retirement of fixed assets (gains expressed with "-")	1,584,027.93	1,854,567.50
Loss from fair value change (gains expressed with "-")	-59,639,836.03	-35,182,098.83

Further Information	Current amount	Last term amount
Financial expenses (gains expressed with "-")	-28,104,046.05	-63,381,020.43
Investment losses (gains expressed with "-")	-39,412,441.13	-31,452,189.90
Decreased in deferred income tax assets (increase expressed with "-")	39,426,730.71	-10,159,727.35
Increase in deferred income tax liabilities (decrease expressed with "-")	-13,913,432.61	-1,977,084.09
Decrease in inventories (increase expressed with "-")	48,071,373.02	-61,057,169.21
Decrease in operating receivables (increase expressed with "-")	319,055,153.50	-395,035,590.30
Increase in operating payables (decrease expressed with "-")	-1,214,366,741.68	141,628,284.84
Others	28,788,523.05	31,974,609.20
Net cash flow from operating activities	158,178,712.89	801,150,899.38
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	4,236,440,239.16	4,143,545,526.92
Less: Beginning balance of cash	4,370,821,958.17	4,088,612,262.04
Plus: Ending balance of cash equivalents		
Less: Ending balance of cash equivalents		
Net increase in cash and cash equivalents	-134,381,719.01	54,933,264.88

(2) Net cash paid for obtaining subsidiaries in current period

Unit: RMB

	Amount
Cash or cash equivalents paid in the current period for business combinations occurred in current period	30,000,000.00
Including:	
Shanghai Hongsong	30,000,000.00
Less: Cash and cash equivalents held by the Company on the acquisition date	8,823,863.68
Including:	
Shanghai Hongsong	8,823,863.68
Including:	
Net cash paid for obtaining subsidiaries	21,176,136.32

Other description:

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

Unit: RMB

	Amount
Including:	
Including:	
Including:	

Other description:

(4) Composition of cash and cash equivalents

Unit: RMB

Item	Closing Balance	Beginning balance
I. Cash	4,236,440,239.16	4,370,821,958.17
Including: cash on hand	124,589.58	246,825.76
Bank deposit readily available for payment	4,235,674,316.66	4,169,305,311.38
Other monetary capital readily available for payment	641,332.92	201,269,821.03
III. Balance of cash and cash equivalents at end of period	4,236,440,239.16	4,370,821,958.17

Other description:

80. Notes to items in statement of owner's equity

State the name of "other" items and the amount of adjustment to the ending balance of previous year:

Not applicable.

81. Assets with ownership or use rights restricted

Unit: RMB

Item	Ending book value	Causes for restriction
Cash and cash equivalents	106,756,088.22	For details, see "VII. Notes to Items in Consolidated Financial Statements / 1. Monetary Funds".
Total	106,756,088.22	

Other description:

82. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Ending balance in foreign currency	Conversion exchange rate	Ending balance converted to RMB
Cash and cash equivalents			165,609,048.09
Including: USD	19,060,646.41	7.2258	137,728,418.80
EUR	265,100.94	7.8771	2,088,226.61
HKD	25,155,123.37	0.92198	23,192,520.64
Yen	12,797,912.00	0.050094	641,098.60
Ringgit	210,422.30	1.55118	326,402.86
Mexican peso	3,854,044.57	0.42355	1,632,380.58
Accounts receivable			201,971,272.20
Including: USD	26,478,710.84	7.2258	191,329,868.77
EUR	477,745.59	7.8771	3,763,249.79
HKD	7,448,366.63	0.92198	6,867,245.07
Yen	217,761.98	0.050094	10,908.57
Long-term loans			
Including: USD			
EUR			
HKD			
Other receivables			1,698,335.39
Including: USD	155,356.35	7.2258	1,122,573.91
HKD	624,254.00	0.92198	575,549.70
Mexican peso	500.00	0.42355	211.78
Accounts payable			1,396,421.36
Including: USD	148,870.71	7.2258	1,075,709.98
HKD	334,167.00	0.92198	308,095.29
Mexican peso	29,786.54	0.42355	12,616.09
Other payables			35,199,937.02
Including: USD	4,493,170.97	7.2258	32,466,754.80
EUR	15,985.29	7.8771	125,917.73
HKD	2,446,771.22	0.92198	2,255,874.13
Ringgit	226,531.00	1.55118	351,390.36

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
I. Government subsidies related to assets			
Subsidy of 2014 Hubei provincial science and technology support plan project (the second batch) - Huanggang Winner	1,500,000.00	Deferred income	75,000.00
Subsidy for Huanggang Chibi Avenue demolition company planning change - Huanggang Winner	3,169,359.20	Deferred income	52,822.64
Technology Center R & D project subsidy - the Company	12,420,000.00	Deferred income	102,994.91
new medical bandage factory land acquisition land use right grant fee remission of Winner company in Pailou Town, Jingmen - Jingmen Winner	987,040.00	Deferred income	10,160.00
Subsidy funds for municipal government project infrastructure construction - Chongyang Winner	1,000,000.00	Deferred income	206,775.00
Subsidy funds for land and subsidy funds for sewage treatment - Jiayu Winner	11,430,000.00	Deferred income	203,416.62
2015 Huanggang provincial budget investment plan, Huanggang Winner's cotton spunlaced nonwoven (Line 8) extension project subsidy - Huanggang Winner	600,000.00	Deferred income	30,000.00
2014 Huanggang urban industrial development special fund subsidy - Huanggang Winner	250,000.00	Deferred income	12,500.00
Special subsidy funds urban industrial development in 2015 (construction of 2# sanitary products production line) - Winner Medical (Huanggang)	400,000.00	Deferred income	20,000.00
Automatic transformation of surgical consumables production line - the Company	1,860,000.00	Deferred income	93,000.00
2016 Tianmen industrial key technical transformation and expansion project reward - Tianmen Winner	500,000.00	Deferred income	25,002.00
2017 increase production and expansion equipment subsidy for Tianmen processing & trade - Tianmen Winner	150,000.00	Deferred income	7,500.00
Yichang gas boiler subsidy - Yichang Winner	160,000.00	Deferred income	7,999.98
Second batch of traditional industry transformation subsidy in 2017 - Huanggang Winner	1,900,000.00	Deferred income	104,587.14
2017 cotton spunlaced non-woven fabric project with the production of 15,000 tons - Tianmen Winner	700,000.00	Deferred income	39,622.62
Key technical reform and expansion project (cotton spunlunge wipes production line project) - Tianmen Winner	1,000,000.00	Deferred income	54,054.00
Production line project with an annual output of 120 million bales of cotton fabric in 2017 - Tianmen Winner	930,000.00	Deferred income	53,653.86
Second batch of special funds for the transformation and upgrading of traditional industries - Yichang Winner	250,000.00	Deferred income	12,499.98
Technical innovation subsidy for the Purcotton Phase II Expansion Project - Jingmen Winner	4,755,300.00	Deferred income	83,183.10
Key technical transformation and expansion projects (cotton spun laced wipes production project) - Winner Medical (Tianmen)	1,000,000.00	Deferred income	49,999.98

Type	Amount	Presented item	Amount recorded in current profit and loss
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	119,434.00
2018 provincial traditional industry transformation and upgrading special funds for the second batch of liquidation block fund subsidies - Jiayu Winner	1,480,000.00	Deferred income	26,428.62
Subsidies for first batch of technological transformation award of industrial enterprises in 2018 - Chongyang Winner	1,000,000.00	Deferred income	53,078.56
Provincial traditional industry transformation and upgrading special funds for the first batch of block funds allocation plan in Tianmen City in 2019 - Tianmen Winner	1,320,000.00	Deferred income	68,275.86
2018 urban technical transformation fund of Huanggang City - Huanggang Winner	500,000.00	Deferred income	27,777.76
First batch of traditional subsidies in 2019 - Huanggang Winner	1,210,000.00	Deferred income	60,500.00
2019 district technical improvement subsidy - Jingmen Winner	410,000.00	Deferred income	14,556.18
Technical transformation project of key material production enterprises for Shenzhen in 2020 - the Company	20,000,000.00	Deferred income	1,000,000.00
2019 district technical improvement subsidy - Jingmen Winner	410,000.00	Deferred income	14,909.10
2019 special fund project of the transformation and upgrading of traditional industries - Jiayu Winner	750,000.00	Deferred income	13,392.84
Surgical gown production line project subsidy - Chongyang Winner	4,000,000.00	Deferred income	216,216.22
Subsidy for purchasing equipment in key enterprises of "Three Batches" - Winner Medical (Chongyang)	5,590,000.00	Deferred income	281,848.74
Project on implementing the technical reformation policy of "Zero Land" in Wuhan and the municipal industrial investment and technical transformation special fund project of Bureau for Science, Technology and Economic Information Technology of Xinzhou District - Wuhan Winner	8,000,000.00	Deferred income	291,144.36
Subsidy for capacity expansion & technical upgrading of enterprises producing materials - Winner Medical (Wuhan)	3,645,000.00	Deferred income	5,351.53
2020 special funds for the high-quality development of manufacturing - Huanggang Winner	3,000,000.00	Deferred income	168,224.30
2021 urban technical transformation fund - Huanggang Winner	1,520,000.00	Deferred income	82,361.10
Equipment subsidies in 2021 - Winner Medical (Jingmen)	6,800,000.00	Deferred income	850,000.00
2020 Provincial special funds for the high-quality development of manufacturing - Jiayu Winner	1,000,000.00	Deferred income	52,631.58
Annual equipment investment subsidies (Spunlace Phase III) - Winner Medical (Tianmen)	15,000,000.00	Deferred income	750,000.00
1 million provincial special funds for the development of manufacturing - Wuhan Winner	1,000,000.00	Deferred income	62,730.24
Received subsidies from the development of the central government emergency material security system for production capacity improvement - Wuhan Winner	1,600,000.00	Deferred income	102,435.32
Technical transformation funds for urban areas in 2022 - Winner Medical (Huanggang) (1*)	4,094,200.00	Deferred income	
Award for technical upgrading project - Chongyang Winner	600,000.00	Deferred income	32,727.28
Industrial support funds for multi-layer baby facial towel production projects in 2022 - Winner Medical (Yichang)	276,482.00	Deferred income	5,057.58
Special fund for high quality development of manufacturing in Zhijiang in 2021 - Winner Medical (Yichang)	596,100.00	Deferred income	29,805.00
Provincial funds for high-quality development in 2023 - Winner Medical (Huanggang)	6,800,000.00	Deferred income	
Award for technical upgrading project in 2022 - Winner Medical (Chongyang)	800,000.00	Deferred income	28,828.83
Provincial special funds for the high-quality development of manufacturing in 2023 - Winner Medical (Chongyang)	2,850,000.00	Deferred income	102,702.71
Special funds for technical transformation from Bureau of Science, Technology and Economic Information Technology in 2022 - Winner Medical (Wuhan)	2,802,500.00	Deferred income	194,085.06
Reward for fixed investment of special account for land acquisition and demolition by Li County High-tech Industrial Development Zone Management Committee - Winner Medical (Hunan)	20,469,000.00	Deferred income	
Others	61,500.00	Deferred income	3,075.00
Subtotal:	163,746,481.20		5,902,349.60

Type	Amount	Presented item	Amount recorded in current profit and loss
2. Government subsidies related to income			
Tax preferential declaration for impoverished registrants from 2019 to 2021	2,156,050.00	Other incomes	2,156,050.00
Freight subsidy for cotton from Xinjiang in 2021 - Winner Medical (Huanggang)	1,372,215.00	Other incomes	1,372,215.00
Export credit insurance subsidy from January 2021 to June 2021 - the Company	1,232,000.00	Other incomes	1,232,000.00
Tax increment award and subsidies for technological transformation of industrial enterprises in Hunan Province in 2021 - Winner Medical (Hunan)	843,300.00	Other incomes	843,300.00
Freight subsidy for cotton from Xinjiang in 2021 - Winner Medical (Tianmen)	1,013,328.00	Other incomes	1,013,328.00
Enterprise R&D investment incentive project in 2021 - the Company	880,164.00	Other incomes	880,164.00
Incentive projects for industrial enterprises to expand production and increase efficiency in 2022 - the Company	1,830,000.00	Other incomes	1,830,000.00
High-quality government subsidies for the real economy in 2022 - Winner Medical (Tianmen)	1,411,100.00	Other incomes	1,411,100.00
Special fund allocated by Finance Bureau fund for research on low temperature bleaching technology of pure cotton spunlace - Winner Medical (Huanggang)	500,000.00	Other incomes	500,000.00
Award for infrastructure production capacity achievement / Huzhou Moganshan High-tech Industrial Development Zone Management Committee - Longterm Medical	1,659,612.00	Other incomes	1,659,612.00
Li County High-tech Industrial Development Zone Management Committee - Winner Medical (Hunan)	1,470,700.00	Other incomes	1,470,700.00
Subsidy allocated by Industry and Information Technology Bureau of Longhua District for enterprise informatization construction in 2021 - Shenzhen Purcotton	500,000.00	Other incomes	500,000.00
Subsidy allocated by Industry and Information Technology Bureau of Longhua District for stable industrial growth in 2022 - the Company	1,000,000.00	Other incomes	1,000,000.00
Special fund allocated by Industry and Information Technology Bureau of Longhua District for industry development - the Company	2,000,000.00	Other incomes	2,000,000.00
Special fund allocated by Municipal Science and Technology Bureau for scientific and technological innovation in 2023- Winner Medical (Huanggang)	1,000,000.00	Other incomes	1,000,000.00
Received freight subsidy for cotton from Xinjiang in 2021 - Winner Medical (Wuhan)	865,551.00	Other incomes	865,551.00
Received awards for industrial intelligent transformation demonstration from Economy and Information Technology Bureau - Winner Medical (Wuhan)	2,000,000.00	Other incomes	2,000,000.00
Exemption of value-added tax for key groups - Winner Medical (Huanggang)	1,305,050.00	Other incomes	1,305,050.00
Tax incentives for key groups - Winner Medical (Huanggang)	5,177,000.00	Other incomes	5,177,000.00
Others	12,640,274.91	Other income / Non-operating income	12,640,274.91
Subtotal:	40,856,344.91		40,856,344.91
Total	204,602,826.11		46,758,694.51

(2) Basic information of government subsidies

Applicable Not applicable

Other description:

85. Others

NA

VIII. Consolidation scope changes

1. Business combination not under common control

(1) Business combination not under common control occurred in current period

Unit: RMB

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
Shanghai Hongsong Medical Device Co., Ltd.	April 30, 2023	30,000,000.00	60.00%	Share acquisition	April 30, 2023	Acquisition of control	7,589,133.39	1,409,443.66

Other description:

(2) Combination cost and goodwill

Unit: RMB

Combination cost	Shanghai Hongsong
--Cash	30,000,000.00
--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	30,000,000.00
Less: the share of the fair value of identifiable net assets acquired	21,096,780.50
The amount of goodwill / combination cost less than the share of the fair value of identifiable net assets acquired	8,903,219.50

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:

Other description:

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

Unit: RMB

	Shanghai Hongsong	
	Fair value on the acquisition date	Book value on the acquisition date
Assets:	106,465,238.52	92,924,460.45
Cash and cash equivalents	8,823,863.68	8,823,863.68
Accounts receivable payments	28,050,134.19	28,050,134.19
Inventory	3,635,736.67	2,200,534.27
Fixed assets	2,199,354.00	1,618,600.25
Intangible assets	11,440,000.00	
Tradable financial assets	45,084,821.92	45,000,000.00
Advance to supplier	190,174.00	190,174.00
Other receivables	192,221.62	192,221.62
Right-of-use assets	6,848,932.44	6,848,932.44
Liabilities:	71,303,937.69	67,918,743.17
Loan		
Account payable payments	18,437,112.22	18,437,112.22
Deferred income tax liabilities	3,385,194.52	
Contract liabilities	696,308.23	696,308.23
Payroll payable	1,715,576.91	1,715,576.91
Taxes payable	1,585,782.84	1,585,782.84
Other payables	38,270,724.51	38,270,724.51
Other current liabilities	90,520.07	90,520.07
Non-current liabilities due within one year	643,315.08	643,315.08
Lease liabilities	6,479,403.31	6,479,403.31
Net assets	35,161,300.83	25,005,717.28
Less: Minority equity	14,064,520.33	10,002,286.91
Net assets acquired	21,096,780.50	15,003,430.37

Determination method of fair value of identifiable assets and liabilities:

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

(6) Other description

2. Business combination under common control

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

Unit: RMB

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: RMB

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: RMB

	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:

N/A

Other description:

N/A

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:

In this issue, there are two newly established subsidiaries: Nature Health Development (Hong Kong) Co., Ltd. and LONGTERM MEDICAL,S.DE.R.L.DE C.V (Mexico Longterm).

6. Others

N/A

IX. Interests in other entities

1. Interests in a subsidiary

(1) Composition of enterprise group

Subsidiary name	Main operation site	Registration place	Business nature	Shareholding ratio		Way of obtaining
				Direct	Indirect	
Shenzhen Purcotton	Shenzhen City, Guangdong Province	Shenzhen City, Guangdong Province	Sale of Purcotton products	100.00%		Establishment
Beijing Purcotton	Beijing	Beijing	Sale of Purcotton products		100.00%	Establishment
Guangzhou Purcotton	Guangzhou City, Guangdong Province	Guangzhou City, Guangdong Province	Sale of Purcotton products		100.00%	Establishment
Shanghai Purcotton	Shanghai	Shanghai	Sale of Purcotton products		100.00%	Establishment
Qianhai Purcotton	Shenzhen City, Guangdong Province	Shenzhen City, Guangdong Province	Sale of Purcotton products		100.00%	Establishment
Winner Medical (Huanggang)	Huanggang City, Hubei Province	Huanggang City, Hubei Province	Production and sales of cotton spun laced non-woven fabric, medical consumables and Purcotton products	100.00%		Business combination under common control
Winner Medical (Jingmen)	Jingmen City, Hubei Province	Jingmen City, Hubei Province	Production and sales of medical consumables and Purcotton products	100.00%		Business combination under common control
Winner Medical (Chongyang)	Chongyang County, Hubei Province	Chongyang County, Hubei Province	Production and sales of medical consumables	100.00%		Business combination under common control
Winner Medical (Jiayu)	Jiayu County, Hubei Province	Jiayu County, Hubei Province	Production and sales of medical consumables and Purcotton products	100.00%		Business combination under common control
Winner Medical (Yichang)	Zhijiang City, Hubei Province	Zhijiang City, Hubei Province	Production and sales of medical gray cloth	100.00%		Business combination under common control
Winner Medical (Tianmen)	Tianmen City, Hubei Province	Tianmen City, Hubei Province	Production and sales of cotton spun laced non-woven fabric and Purcotton products	100.00%		Business combination under common control
Winner Medical (Hong Kong)	Hong Kong	Hong Kong	Sales of medical consumables and healthy living consumer goods	60.00%		Business combination under common control

Subsidiary name	Main operation site	Registration place	Business nature	Shareholding ratio		Way of obtaining
				Direct	Indirect	
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
Purunderwear	Shenzhen City, Guangdong Province	Shenzhen City, Guangdong Province	Sales of Cotton Lining products		100.00%	Establishment
Huanggang Purcotton	Huanggang City, Hubei Province	Huanggang City, Hubei Province	Sale of Purcotton products		100.00%	Establishment
Winner Medical (Foshan)	Foshan City, Guangdong Province	Foshan City, Guangdong Province	There is no actual business operation at present		100.00%	Establishment
Longterm Medical	Huzhou, Zhejiang	Huzhou, Zhejiang	Production and sales of medical consumables		55.00%	Business combination not under common control
Hangzhou Shengyi	Hangzhou, Zhejiang	Hangzhou, Zhejiang	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
Pan-China (H.K.)	Hong Kong	Hong Kong	Sales of medical consumables and healthy living consumer goods		100.00%	Establishment
Mexico Longtai	Mexico	Mexico	There is no actual business operation at present		55.00%	Establishment
Shanghai Hongsong	Shanghai	Shanghai	Sales of medical consumables		60.00%	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:

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:

N/A

(2) Important non-wholly owned subsidiary

Unit: RMB

Subsidiary name	Minority shareholding ratio	Current profits and losses attributable to minority shareholders	Current dividends declared to minority shareholders	Ending balance of minority equity
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Difference between the shareholding ratio and the voting right ratio of the minority shareholders of the subsidiary:

N/A

Other description:

N/A

(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:

NA

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

NA

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

NA

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

NA

(2) Impact of transactions on minority shareholders' equity and owners' equities attributable to the owners of parent company

Unit: RMB

Purchase cost / Disposal consideration
--Cash
--Fair value of non-cash assets
Total purchase cost / Disposal consideration
Loss: The share of the net asset of a subsidiary calculated based on the proportion of equity acquired/disposed
Balance
Including: Capital reserve adjusted
Surplus reserve adjusted
Undistributed profit adjusted

Other description

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:

NA

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:

NA

(2) Major Financial Information about Important Cooperative Enterprises

Unit: RMB

	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		
Other comprehensive income		
Total comprehensive income		
Dividends received from joint ventures in current year		

(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: RMB

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in previous period
Cooperative enterprise:		
Total book value of investment	23,223,514.91	21,642,696.16
Total number of following items by shareholding ratio		
-- Net profit	1,580,818.75	2,408,209.89
-- Total comprehensive income	1,580,818.75	2,408,209.89
Joint venture:		
Total number of following items by shareholding ratio		

Other description

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

NA

(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
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Other description

NA

(7) Unconfirmed commitments related to investment in cooperative enterprise

NA

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

NA

4. Important pooling of interests

Name of joint operation	Main operation site	Registration place	Business nature	Shareholding ratio / share enjoyed	
				Direct	Indirect

Difference between the shareholding ratio or share enjoyed and the voting right ratio in joint operation:

NA

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

NA

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

NA

6. Others

NA

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.

1. 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.

2. 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	Closing Balance					Total
	Immediate repayment	Within 1 year	1~2 years	2-5 years	More than 5 years	
Short-term loans		1,763,023,992.64				1,763,023,992.64
Notes payable		86,200,204.52				86,200,204.52
Accounts payable		805,598,628.73				805,598,628.73
Other payables		917,656,694.74				917,656,694.74
Non-current liabilities due within a year		191,760,393.47				191,760,393.47
Long-term loans			180,000,000.00			180,000,000.00
Lease liabilities			135,602,321.48	129,141,667.72	39,203,092.82	303,947,082.02
Total		3,764,239,914.10	315,602,321.48	129,141,667.72	39,203,092.82	4,248,186,996.12

Item	Closing balance of the previous year					Total
	Immediate repayment	Within 1 year	1~2	2-5	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 a 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

3. 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 June 30, 2023, if other variables remain unchanged, and the borrowing rate at the floating rate rises or falls by 100 base points, the Company's net profit will decrease or increase by RMB 1,559,842.08. 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						Total
	USD	EUR	HKD	Yen	Ringgit	Mexican peso	
Foreign currency financial assets							
Cash and cash equivalents	137,728,418.80	2,088,226.61	23,192,520.64	641,098.60	326,402.86	1,632,380.58	165,609,048.09
Accounts receivable	191,329,868.77	3,763,249.79	6,867,245.07	10,908.57	-	-	201,971,272.20
Other receivables	1,122,573.91	-	575,549.70	-	-	211.78	1,698,335.39
Subtotal	330,180,861.48	5,851,476.40	30,635,315.41	652,007.17	326,402.86	1,632,592.36	369,278,655.68
Foreign currency financial liabilities							
Accounts payable	1,075,709.98	-	308,095.29	-	-	12,616.09	1,396,421.36
Other payables	32,466,754.80	125,917.73	2,255,874.13	-	351,390.36	-	35,199,937.02
Subtotal	33,542,464.78	125,917.73	2,563,969.42	-	351,390.36	12,616.09	36,596,358.38
Net amount	296,638,396.70	5,725,558.67	28,071,345.99	652,007.17	-24,987.50	1,619,976.27	332,682,297.30

On June 30, 2023, if the RMB appreciates or depreciates by 5% against USD / EUR / HKD / Yen / Ringgit and all other variables being held constant, the of the Company's net profit will increase or decrease by RMB 14,138,997.64. The management considers that 5% is a reasonable reflection of the reasonable range of possible changes in RMB against USD / EUR / HKD / Yen / Ringgit.

4. 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: RMB

Item	Closing fair value			Total
	Measurement of fair value at first level	Measurement of fair value at second level	Measurement of fair value at third level	
I. Continuous fair value measurement	--	--	--	--
(I) Trading financial assets		2,163,314,216.16	1,460,206,730.40	3,623,520,946.56
1. Financial assets measured with fair value and with the changes included in current profit and loss		2,163,314,216.16	1,460,206,730.40	3,623,520,946.56
(3) Derivative financial assets		2,163,314,216.16		2,163,314,216.16
(4) Trust products			1,460,206,730.40	1,460,206,730.40
◆Receivables financing		38,279,923.83		38,279,923.83
Total assets continuously measured at fair value		2,201,594,139.99	1,460,206,730.40	3,661,800,870.39
II. Non-continuous fair value measurement	--	--	--	--

2. Continuous and non-continuous measurement items of fair value at first level and recognition basis for market price
3. Continuous and non-continuous measurement items of fair value at second level, qualitative and quantitative information on valuation techniques adopted and important parameters
4. Continuous and non-continuous measurement items of fair value at third level, qualitative and quantitative information on valuation techniques adopted and important parameters
5. Continuous measurement items of fair value at third level, adjustment information between opening and closing book value and sensitivity analysis of unobservable parameters
6. For continuous measurement items of fair value, if there is a conversion between different levels in current period, the reasons for the conversion and the policies for determining the conversion time point
7. Valuation technology change and reason of change in current period
8. Fair value of financial assets and financial liabilities not measured at fair value
9. 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 Limited	Group 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" for information on subsidiaries of the Company.

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	Cooperative enterprise
Hubei Xianchuang Technology Co., Ltd.	Cooperative enterprise

Other description

N/A

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
Li Jianquan	Actual controller of the Company
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 (resigned in current period)
Liu Hua	Employee supervisor
Chen Huixuan	Secretary to the board of directors, deputy general manager
Fang Xiuyuan	Director, deputy general manager, chief financial officer
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
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

Name of other related parties	Relationship of other related parties with the Company
ZheJiang Longmed Medical Technology Co., Ltd.	A company actually controlled by Wu Di, a shareholder of Longterm Medical
ZheJiang Longrising 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
Zhang Yan	Supervisor (taking office in current period)
Cao Wensong	Original shareholder of Shanghai Hongsong

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	11,212,057.11		No	37,624,707.33
Chengdu Winner Likang Medical Products Co., Ltd.	Purchase of goods or services	142,663.88		No	343,008.97
Shenzhen Nine Stars Printing and Packaging Group Co., Ltd.	Purchase of goods or services	1,078,762.59		No	
Shenzhen Zhengjun Medical Device Co., Ltd.	Purchase of goods or services	32,035.36		No	
ZheJiang Longrising New Materials Co., Ltd.	Purchase of goods or services	2,189.50		No	
ZheJiang Longmed Medical Technology Co., Ltd.	Purchase of goods or services	196,530.97		No	
Zhejiang Kanglidi Medical Supplies Co., Ltd.	Purchase of goods or services	81,451.32		No	

Sell of commodities/provision of labor service

Unit: RMB

Related party	Connected transaction	Amount incurred in current period	Amount incurred in previous period
Chengdu Winner Likang Medical Products Co., Ltd.	Sell of goods or services	2,900,182.22	5,497,777.06
SCGC	Sell of goods or services		59,350.00
Shenzhen Shengtianning Medical Device Co., Ltd.	Sell of goods or services	1,419,274.31	
ZheJiang Longmed Medical Technology Co., Ltd.	Sell of goods or services	75,658.29	
Zhejiang Kanglidi Medical Supplies Co., Ltd.	Sell of goods or services	4,828,476.21	

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: RMB

Name of entrusting party / subcontractor	Name of entrusted 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
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Associated fiduciary / contracting

N/A

Entrusted management / subcontracting of the Company:

Unit: RMB

Name of entrusting party / subcontractor	Name of entrusted party / contractor	Entrusting / subcontracting asset type	Entrusting / subcontracting start date	Entrusting / subcontracting termination date	Pricing basis of fiduciary fee / subcontracting fee	Fiduciary fee / subcontracting fee recognized in current period
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Associated management / subcontracting

N/A

(3) Related-party lease

The Company as the lessor:

Unit: RMB

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	60,550.46	

The company as the lessee:

Unit: RMB

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: RMB

Secured party	Amount guaranteed	Guarantee start date	Guarantee maturity date	Whether the guarantee has been fulfilled
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The Company as the secured party

Unit: RMB

Guarantor	Amount guaranteed	Guarantee start date	Guarantee maturity date	Whether the guarantee has been fulfilled
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Related-party guarantee

N/A

(5) Related party loan at call

Unit: RMB

Related party	Borrowing amount	Start date	Maturity date	Description
Borrowing				
Lending				

(6) Asset transfer and debt restructuring of related party

Unit: RMB

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

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Key management personnel remuneration	5,193,963.22	5,879,069.64

(8) Other connected transactions

N/A

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.	66,564.28	3,328.21	369,395.74	18,469.79	
	Jingyi Biotechnology (Shanghai) Co., Ltd.	651,786.67	385,788.47	651,786.67	220,006.76	
	Shenzhen Shengtianning Medical Device Co., Ltd.	0.00		7,331,532.66	366,576.63	
	Shenzhen Zhengjun Medical Device Co., Ltd.	0.00		1,762,022.32	88,101.12	
	Zhejiang Kanglidi Medical Supplies Co., Ltd.	5,154,577.03	257,728.85	1,837,108.40	91,855.42	
	ZheJiang Longmed Medical Technology Co., Ltd.	69,777.26	6,977.73	144,673.40	7,233.67	
	ZheJiang Longrising Medical New Materials Co., Ltd.	0.00	0.00	55,964.00	2,798.20	
Advances to suppliers						
	Shenzhen Shengtianning Medical Device Co., Ltd.	0.00		274,273.56		
	Shenzhen Zhengjun Medical Device Co., Ltd.	0.00		1,170.00		

(2) Payables

Unit: RMB

Project name	Related party	Ending book balance	Beginning book balance
Accounts payable			
	Wuhan Zhuoling Packaging Co., Ltd.	1,003,568.19	23,113,608.45
	Chengdu Winner Likang Medical Products Co., Ltd.	105,058.24	81,750.48
	Shenzhen Nine Stars Printing and Packaging Group Co., Ltd.	862,536.38	194,545.00
	Shenzhen Shengtianning Medical Device Co., Ltd.	0.00	9,219.64
	Shenzhen Zhengjun Medical Device Co., Ltd.	0.00	2,964.00
	Zhejiang Kanglidi Medical Supplies Co., Ltd.	111,814.01	93,378.17
	ZheJiang Longmed Medical Technology Co., Ltd.	3,739.38	10,617.60
Other payables			
	Huang Jun	4,356,725.66	4,490,583.41
	Shenzhen Shengtianning Medical Device Co., Ltd.	0.00	470,799.92
	Shenzhen Zhengjun Medical Device Co., Ltd.	0.00	134,199.16
	Zheng Junhui	0.00	78,812,000.00
Contract liabilities			
	Shenzhen Shengtianning Medical Device Co., Ltd.	1,165.93	

7. Related party commitment

N/A

8. Others

N/A

XIII. Share-based payment

1. Overall status of share-based payment

Applicable Not applicable

Unit: RMB

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 < 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	N/A

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: RMB

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	N/A
Reasons for significant differences between the current and previous estimates	N/A
Accumulated amount of equity-settled share-based payments recorded in capital reserves	89,454,428.59
Total amount of expenses recognized by equity-settled share-based payments in current period	969,372.65

Other description

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, 2022, respectively, deliberated and approved the "Proposal on the Revocation of Partially Granted Restricted Shares Not Yet Vested". A total of 3,366,925 restricted shares that had been granted but not vested 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 on April 22, 2022. The Company held the 11th Meeting of the Third Session of the Board of Directors and the 8th Meeting of the Third Session of the Supervisory Board on April 23, 2023, and deliberated and approved the "Proposal on the Achievement of the Vesting Conditions for the Second Vesting Period of the 2020 Restricted Shares Incentive Plan", and the vesting conditions for the second vesting period of the 2020 Restricted Shares Incentive Plan had been accomplished and the number of the Class II Restricted Shares which could be vested in the current time was The number of Class II restricted shares that can be vested this time is 1.16214 million shares, and the Company will handle the vesting procedures for the 388 incentive recipients who meet the vesting conditions in accordance with the relevant regulations. In addition, the "Proposal on Voiding Part of the Granted Restricted Shares Not Yet Vested" was deliberated and approved, due to the fact that an additional 95 incentive recipients in the 2020 Restricted Shares Incentive Plan of the Company have left their jobs, and 419 incentive recipients failed to meet the standards of performance appraisal at the individual level in the year of 2022 resulting in failure to fully vest the granted restricted shares, the Company intends to void the total number of its granted restricted shares of 1.303935 million shares.

3. Cash-settled share-based payments

Applicable Not applicable

4. Modification and termination of share-based payment

NA

5. Others

NA

XIV. Commitment and contingencies

1. Important commitment issues

Important commitments on balance sheet date

- (1) Large-scale outsourcing contracts that have been signed or are about to be performed and their financial implications

As of June 30, 2023, 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 (yuan)
Winner Medical (Huanggang) - period panties equipment	19,600,000.00
Winner Medical (Jiayu) - Workshop construction project	169,000,395.34
Winner Medical (Jiayu) - Spunlace line	9,280,000.00
Winner Medical (Jiayu) - Cotton cleaner and carding machine	5,040,000.00
Winner Medical (Wuhan) - Phase II engineering project	150,907,172.20
Winner Medical (Jingmen) - Comprehensive workshop	24,054,000.00
Winner Medical - Guanlan engineering project	207,000,000.00
Winner Medical (Tianmen) - Hosiery machine equipment	9,314,000.00
Purcotton - Stereoscopic storage pallet in Yangluo warehouse	8,717,500.00
Total	602,913,067.54

2. Contingencies

- (1) Important contingencies on balance sheet date

The Company has no significant contingencies to be disclosed as of June 30, 2023.

- (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

N/A

XV. Post-balance sheet events

1. Important non-adjustment items

Unit: RMB

Item	Description	Influence number of financial position and operating results	Reasons for influence number cannot be estimated
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2. Profit distribution

3. Sales return

The Company has no significant sales returns after the balance sheet date.

4. Other post-balance sheet events

XVI. Other important issues

1. Correction of previous accounting errors

(1) Retrospective restatement

Unit: RMB

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

N/A

4. Pension plan

N/A

5. Discontinued operation

Unit: RMB

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: RMB

Item	Medical consumables (Segment 1)	Healthy consumer goods (Segment 2)	Unallocated	Offset between segments	Total
Operating income	2,203,824,599.38	2,063,013,439.28			4,266,838,038.66
Operating costs	1,208,987,554.81	862,440,651.91			2,071,428,206.72
Assets impairment loss & credit impairment loss	69,444,098.17	28,518,811.59			97,962,909.76
Depreciation expense and amortization expense	65,430,098.24	122,289,779.97			187,719,878.21
Operating profit / loss	441,577,966.18	266,053,799.50	111,645,281.64		819,277,047.31
Non-operating income and expense			1,795,650.74		1,795,650.74
Assets and liabilities					
Total assets	4,374,864,067.67	2,879,264,234.68	10,034,207,446.28		17,288,335,748.63
Total liabilities	1,013,419,797.02	1,171,226,155.60	2,979,391,180.86		5,164,037,133.48

- (3) If the Company has no reporting segments, or cannot disclose the total assets and total liabilities of each reporting segment, the reasons shall be explained.
- (4) Other description

7. Other important transactions and matters affecting the decision-making of investors

1. Urban Renewal Project of Winner Industrial Park

(1) Project Overview

On April 6, 2017, the Company and Shenzhen 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 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 land area of the project is 29,064.49 m². The land has been registered for title with a construction area of 36,625.89 m², used for office, plant and dormitory.

(2) Cooperation mode

The Company entrusts the target land and building to SINDA Group for the application of urban renewal approval, and accepts the relocation compensation of SINDA Group as agreed in agreement. SINDA Group shall be responsible for all the work related to renewal approval application for target land and building and implementation of urban renewal and reconstruction, be liable for the relocation compensation and demolition for reconstruction funds, and enjoy the rights and interests in renewal project as the implementer.

The Company voluntarily chooses the relocation compensation method that combines monetary compensation and property right exchange (relocation), including: 1) monetary compensation: RMB 415 million; 2) Property right exchange (relocation): based on the gross floor area for sale determined in the final approval of the special renewal planning of this Project, the Company shall obtain the area of property right exchange (relocation) according to the proportion negotiated by both parties.

(3) Project progress

On May 23, 2023, the People's Government of Longhua District, Shenzhen issued a planning approval for the project (S.L.H.F.H. [2023] No. 87). On July 8, 2023, the Company signed the *Agreement on Relocation Compensation and Resettlement for Urban Renewal Units of the Winner Industrial Park in Longhua District, Shenzhen* with SINDA Group. On July 17, 2023, the Company handed over the land and buildings located in the Winner Industrial Park in Longhua District to Xinghe Real Estate.

(4) Financial impact

① Impact of monetary compensation on the Company

According to the relocation compensation and resettlement agreement signed by and between the Company and SINDA Group, the Company will receive a monetary compensation of RMB 415 million from SINDA Group. The monetary compensation can basically cover the Company's asset retirement loss, relocation expenses, personnel placement expenses, as well as renovation expenses and rent for newly-added leased properties during the transition period.

② Impact of relocated property on the Company

According to the valuation report issued by Yinxin Appraisal Co., Ltd. on the relocated property (Y.X.Z.B.Zi (2023) No. D0008), the valuation amount of relocated property as of June 30, 2023 is RMB 1.601 billion. Therefore, the Company will conduct accounting treatment in the third quarter of 2023, increasing other non-current assets by RMB 1.601 billion, confirming deferred income tax liabilities by RMB 240 million, increasing asset disposal income by RMB 1.601 billion and income tax expenses by RMB 240 million. In 2023, the net profit attributable to the parent company is expected to increase by RMB 1.361 billion.

The above impact of this transaction on the Company's financial condition is only a preliminary calculation within the Company. The specific impact will be subject to the audited 2023 financial report issued by the accounting firm.

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 June 30, 2023, 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. Prior to 2020, the Company had 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 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

N/A

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

1. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: RMB

Class	Closing Balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Accruing proportion		Amount	Proportion	Amount	Accruing proportion	
Including:										
Accounts receivable of provision for bad debt by combination	357,342,525.40	100.00%	16,959,666.81	4.75%	340,382,858.59	475,895,954.26	100.00%	21,764,624.41	4.57%	454,131,329.85
Including:										
Aging analysis method	337,052,101.55	94.32%	16,959,666.81	5.03%	320,092,434.74	429,616,144.67	90.28%	21,764,624.41	5.07%	407,851,520.26
Other combination	20,290,423.85	5.68%	0.00		20,290,423.85	46,279,809.59	9.72%			46,279,809.59
Total	357,342,525.40	100.00%	16,959,666.81	4.75%	340,382,858.59	475,895,954.26	100.00%	21,764,624.41	4.57%	454,131,329.85

Provision for bad debt by combination: aging analysis combination

Unit: RMB

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion
Within 1 year (including 1 year)	335,340,085.90	16,767,004.29	5.00%
1~2 years (including 2 years)	1,604,710.90	160,471.09	10.00%
2~3 years (including 3 years)	107,304.75	32,191.43	30.00%
Total	337,052,101.55	16,959,666.81	

Description of the basis for determining the combination:

On June 30, 2023, the Company reviewed the appropriateness of the provision for bad debts of receivables in the previous year according to the historical bad debt loss, and believed that the default probability has a strong correlation with the aging of accounts, and the account age is still a sign of whether the credit risk of the Company's receivables has significantly increased. Therefore, the Company's credit risk loss on June 30, 2023 is estimated based on the aging of accounts and estimated at the original loss ratio.

Provision for bad debt by combination: other combination

Unit: RMB

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion
Other combination - related parties within the group	20,290,423.85	0.00	0.00%
Total	20,290,423.85	0.00	

Description of the basis for determining the combination:

According to the Company's accounting policy, the related parties within the group do not make provision for bad debts.

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: RMB

Aging	Closing Balance
Within 1 year (including 1 year)	353,366,496.73
1~2 years	1,608,628.73
2~3 years	108,405.62
More than 3 years	2,258,994.32
4~5 years	550,226.94
More than 5 years	1,708,767.38
Total	357,342,525.40

(2) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: RMB

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	21,764,624.41		4,804,957.60			16,959,666.81
Total	21,764,624.41		4,804,957.60			16,959,666.81

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

Unit: RMB

Unit name	Amount recovered or reversed	Recovery way
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N/A

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

Unit: RMB

Item	Amount written off
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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:

N/A

(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	24,061,555.94	6.73%	1,203,077.80
Second	17,046,600.10	4.77%	852,330.01
Third	11,967,250.86	3.35%	598,362.54
Fourth	10,284,791.02	2.88%	514,239.55
Fifth	10,197,572.95	2.85%	509,878.65
Total	73,557,770.87	20.58%	

(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: RMB

Item	Closing Balance	Beginning balance
Other receivables	125,325,368.83	123,628,108.60
Total	125,325,368.83	123,628,108.60

(1) Interest receivable

1) Classification of interest receivable

Unit: RMB

Item	Closing Balance	Beginning balance
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2) Important overdue interest

Unit: RMB

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

3) Provision for bad debt

Applicable Not applicable

(2) Dividends receivable

1) Classification of dividends receivable

Unit: RMB

Project (or invested unit)	Closing Balance	Beginning balance
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2) Important dividends receivable with the aging more than 1 year

Unit: RMB

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:

N/A

(3) Other receivables

1) Other receivables classified by nature

Unit: RMB

Nature of payment	Ending book balance	Beginning book balance
Compensation for investment and construction project of Heyuan Winner	224,655,320.00	224,655,320.00
Employee pretty cash	1,298,837.39	592,876.83
Margin and deposit	2,920,068.30	3,941,268.30
Intercourse funds with related parties	4,837,854.44	4,688,603.35
Others	4,373,835.77	2,426,136.82
Total	238,085,915.90	236,304,205.30

2) Provision for bad debt

Unit: RMB

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, 2023	112,676,096.70			112,676,096.70
Balance on January 1, 2023 in the current period				
Accrual in current period	103,908.37			103,908.37
Reversal in current period	19,458.00			19,458.00
Balance on June 30, 2023	112,760,547.07			112,760,547.07

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

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Closing Balance
Within 1 year (including 1 year)	10,630,881.10
1~2 years	484,599.00
2~3 years	2,311,115.80
More than 3 years	224,659,320.00
3~4 years	224,655,320.00
4~5 years	4,000.00
Total	238,085,915.90

3) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: RMB

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	112,676,096.70	103,908.37	19,458.00			112,760,547.07
Total	112,676,096.70	103,908.37	19,458.00			112,760,547.07

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

Unit: RMB

Unit name	Amount reversed or recovered	Recovery way

4) Other receivable actually written off at the current period

Unit: RMB

Item	Amount written off

Write-off of important other receivables:

Unit: RMB

Unit name	Nature of other receivables	Amount written off	Reasons for write-off	Write-off procedures performed	Whether the payments arise from related transactions

Description of write-off of other receivables:

N/A

5) Other receivables with Top 5 ending balances by debtor

Unit: RMB

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	94.36%	112,327,660.00
Second	Margin and deposit	2,311,115.80	2~3 years	0.97%	115,555.79
Third	Others	1,960,692.59	Within 1 year	0.82%	98,034.63
Fourth	Margin and deposit	399,599.00	1~2 years	0.17%	19,979.95
Fifth	Employee pretty cash	209,600.00	Within 1 year	0.09%	10,480.00
Total		229,536,327.39		96.41%	112,571,710.37

6) Accounts receivable involving government subsidies

Unit: RMB

Unit name	Name of government subsidy project	Closing Balance	Ending aging	Estimated collection time, amount and basis
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N/A

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: RMB

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	3,560,960,018.63	4,086,994.48	3,556,873,024.15	3,530,099,178.63	4,086,994.48	3,526,012,184.15
Investment on joint ventures and cooperative enterprises	23,223,514.90		23,223,514.90	21,642,696.16		21,642,696.16
Total	3,584,183,533.53	4,086,994.48	3,580,096,539.05	3,551,741,874.79	4,086,994.48	3,547,654,880.31

(1) Investment in subsidiaries

Unit: yuan

Invested unit	Beginning balance (Book value)	Increase or decrease in current period				Closing Balance (Book value)	Balance of impairment provision at the end of period
		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)	236,436,595.28					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)	400,000,000.00					400,000,000.00	
PureH2B	150,000,000.00					150,000,000.00	
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	
Shanghai Hongsong		30,000,000.00				30,000,000.00	
Pan-China (H.K.)		860,840.00				860,840.00	
Total	3,526,012,184.15	30,860,840.00				3,556,873,024.15	4,086,994.48

(2) Investment in cooperative enterprise and joint ventures

Unit: yuan

Invested entity	Beginning balance (Book value)	Increase or decrease in current period								Closing Balance (Book value)	Ending balance of impairment provision
		Further investment	Capital reduction	Investment gains and losses recognized by the equity method	Adjustment of other comprehensive income	Changes in other equity	Declared payment of cash dividends or profits	Provision for impairment	Others		
I. Cooperative enterprise											
II. Joint venture											
Chengdu Winner	21,642,696.16			1,580,818.74						23,223,514.90	
Subtotal	21,642,696.16			1,580,818.74						23,223,514.90	
Total	21,642,696.16			1,580,818.74						23,223,514.90	

(3) Other description

4. Operating income and cost

Unit: RMB

Item	Amount incurred in current period		Amount incurred in previous period	
	Income	Cost	Income	Cost
Main business	1,649,626,729.34	1,102,744,068.83	3,058,391,903.35	1,930,682,989.44
Other businesses	39,358,109.10	4,490,396.82	40,133,344.65	3,940,215.49
Total	1,688,984,838.44	1,107,234,465.65	3,098,525,248.00	1,934,623,204.93

Income related information:

Unit: RMB

Contract classification	Segment 1	Segment 2	Total
Type of goods			
Including:			
Classified by operating area			
Including:			
Type of markets or clients			
Including:			
Type of contracts			
Including:			
Sorted by time of goods transfer			
Including:			
Sorted by contract duration			
Including:			
Sorted by sales channels			
Including:			
Total			

Information related to performance obligations:

N/A

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:

N/A

5. Investment income

Unit: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Long-term equity investment income checked by cost method		700,000,000.00
Long-term equity investment gains measured by employing the equity method	1,580,818.74	2,408,209.89
Investment income from disposal of long-term equity investment		-60,131.13
Investment income from purchasing financial products	31,943,539.75	15,644,141.24
Total	33,524,358.49	717,992,220.00

6. Others

N/A

XVIII. Further Information

1. Statement of current non-recurring gain and loss

Applicable Not applicable

Unit: RMB

Item	Amount	Description
Profits and losses on the disposal of non-current assets (including the write-off part of the provision for asset impairment)	3,740,723.17	
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.	46,758,694.51	
In addition to the effective hedging business related to the Company's normal business operations, the profit and loss from fair value changes arising from holding trading financial assets and trading financial liabilities, as well as the investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	97,471,458.42	
Income and expenditure other than those mentioned above	3,301,678.67	
Less: Amount affected by income tax	23,439,559.06	
Amount of minority shareholders' equity affected (after tax)	-3,725,567.79	
Total	131,558,563.50	

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	5.71%	1.1599	1.1599
Net profit attributable to common shareholders of the Company after deduction of non-recurring profits and losses	4.61%	0.9365	0.9365

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

4. Others