

Purcotton 全棉时代

winner 稳健医疗

PureH2B 津梁生活

Stock code: 300888



2021

Winner Medical Co., Ltd.

Semi-annual Report

To enhance your health, life and well-being

Section 1 Important Notes, Contents, and Definitions

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

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

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

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

The main risks that the Company may face in the future are described in the “12. Risks and countermeasures” in “Section 3 Management Discussion and Analysis” of this report. Investors are asked to read the entire section carefully.

The Company does not plan to distribute cash dividends, transfer shares or increase the share capital of the common reserve fund.

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Document Catalog

- (1) Financial statements containing the signatures and seals of the person in charge of the Company, the person in charge of accounting work, and the person in charge of the accounting body (accountant in charge).
- (2) The originals of all company documents and announcements publicly disclosed during the reporting period.
- (3) The place where the documents are available for inspection: the Securities Department of the Company.

Definitions

Term	Refers to	Definition
Company, Winner Medical	Refers to	Winner Medical Co., Ltd.
Winner Group	Refers to	Winner Group Limited, a controlling shareholder of the Company
Sequoia Xinyuan	Refers to	Beijing Sequoia Xinyuan Equity Investment Center (L.P.), a shareholder of the Company
Kangsheng Investment	Refers to	Shenzhen Kangsheng Investment Partnership (L.P.), a shareholder of the Company
Kangxin Investment	Refers to	Shenzhen Kangxin Investment Partnership (L.P.), a shareholder of the Company
SCGC	Refers to	Shenzhen Capital Group Co., Ltd., a shareholder of the Company
Kanglong Investment	Refers to	Shenzhen Kanglong Investment Partnership (L.P.), a shareholder of the Company
Kangli Investment	Refers to	Shenzhen Kangli Investment Partnership (L.P.), a shareholder of the Company
Winner Medical (Chongyang)	Refers to	Winner Medical (Chongyang) Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Jiayu)	Refers to	Winner Medical (Jiayu) Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Jingmen)	Refers to	Winner Medical (Jingmen) Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Yichang)	Refers to	Yichang Winner Medical Textile Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Huanggang)	Refers to	Winner Medical (Huanggang) Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Tianmen)	Refers to	Winner Medical (Tianmen) Co., Ltd., a wholly-owned subsidiary of the Company
Shenzhen Purcotton	Refers to	Shenzhen Purcotton Technology Co., Ltd., a wholly-owned subsidiary of the Company
Guangzhou Purcotton	Refers to	Guangzhou Purcotton Medical Technology Co., Ltd., a wholly-owned subsidiary of Shenzhen Purcotton
Beijing Purcotton	Refers to	Beijing Purcotton Technology Co., Ltd., a wholly-owned subsidiary of Shenzhen Purcotton

Shanghai Purcotton	Refers to	Shanghai Purcotton Technology Co., Ltd., a wholly-owned subsidiary of Shenzhen Purcotton
Qianhai Purcotton	Refers to	Shenzhen Qianhai Purcotton E-Commerce Co., Ltd., a wholly-owned subsidiary of Shenzhen Purcotton
Purunderwear	Refers to	Shenzhen Purunderwear Sci-Tech Innovation Co., Ltd., a wholly-owned subsidiary of Shenzhen Purcotton
Winner (Huanggang) Cotton	Refers to	Winner (Huanggang) Cotton Processing & Trading Co., Ltd., a wholly-owned subsidiary of Winner Medical (Huanggang)
Winner Medical Malaysia	Refers to	Winner Medical Malaysia Sdn. Bhd., a subsidiary controlled by the Company
Winner Medical (Hong Kong)	Refers to	Winner Medical (Hong Kong) Ltd., a subsidiary controlled by the Company
Winner Medical (Heyuan)	Refers to	Winner Medical (Heyuan) Co., Ltd., a wholly-owned subsidiary of the Company
Winner Medical (Wuhan)	Refers to	Winner Medical (Wuhan) Co., Ltd., a wholly-owned subsidiary of the Company
Pure HB (Shanghai)	Refers to	Pure HB (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company
PureH2B	Refers to	Shenzhen PureH2B Technology Co., Ltd., a wholly-owned subsidiary of the Company
Chengdu Wenjian Likang	Refers to	Chengdu Wenjian Likang Medical Products Co., Ltd., a wholly-owned subsidiary of the Company
Tmall	Refers to	An integrated online Business-to-Consumer (B2C) shopping platform (www.tmall.com) under Alibaba Group
JD.com	Refers to	Beijing Jingdong Century Trading Co., Ltd. (JD.com, Inc.), a company listed on U.S. exchanges with an integrated online B2C shopping platform (www.jd.com)
Key Client	Refers to	Corporate clients with bulk purchase or customized purchase needs regarding Purcotton business
Galaxy Real Estate	Refers to	Shenzhen Galaxy Real Estate Development Co., Ltd.
Reporting period	Refers to	The first half of 2021, from January 1, 2021 to June 30, 2021
yuan	Refers to	CNY
10,000 yuan	Refers to	CNY 10,000 yuan

Section 2 Company Profile and Major Financial Indicators

I. Company Profile

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

II. Contact Person and Contact Information

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

III. Other Information

1. Company contact

Whether the registered and office addresses and their post codes, official website, and email of the Company were changed during the reporting period

Applicable Not applicable

Registered address 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 City
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Postal code of the Company's registered address	518131
Office address of the Company	F42, Building 2, Huilong Business Center, Shenzhen North Railway Station Area, Minzhi Subdistrict, Longhua District, Shenzhen City
Postal code of the Company's office address	518131
Website	http://www.winnermedical.cn , http://www.winnermedical.com
E-mail	investor@winnermedical.com
Date of inquiry on the designated website for disclosure of interim announcements (if any)	April 20, 2021
Query index of the designated website for disclosure of interim announcements (if any)	http://www.cninfo.com.cn/new/index

2. Information disclosure and keeping place

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

Applicable Not applicable

The newspapers selected by the Company for information disclosure, the websites designated by the China Securities Regulatory Commission (CSRC) for publishing the semi-annual report, and the place where the semi-annual report is kept were not changed during the reporting period. See the 2020 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 2020 Annual Report for details.

IV Main Accounting Data and Financial Indicators

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

Yes No

	Current reporting period	Same period last year	Increase/decrease the reporting period compared to the previous year
Revenue (yuan)	4,059,865,654.92	4,179,778,883.27	-2.87%
Net profits attributable to shareholders of listed companies (yuan)	761,038,730.24	1,032,218,689.91	-26.27%
Net profits attributable to shareholders of the listed company after deduction of non-recurring profits and losses (yuan)	627,255,609.19	1,022,971,049.47	-38.68%
Net cash flow from operating activities (yuan)	197,604,865.77	2,473,405,982.25	-92.01% ^{Note 1}

Basic EPS (yuan/share)	1.7844	2.7417	-34.92%
Diluted EPS (yuan/share)	1.7715	2.7417	-35.39%
Weighted average return on net assets	7.06%	28.33%	-21.27% ^{Note 2}
	End of the reporting period	End of the previous year	Increase/decrease at the end of the reporting period compared to the end of the previous year
Total assets (yuan)	13,112,976,247.91	13,002,251,764.44	0.85%
Net assets attributable to shareholders of listed companies (yuan)	10,518,676,503.69	10,453,934,045.43	0.62%

Note 1: (1) Cash received from the sales of goods and services decreased by 1,548 million yuan during the reporting period compared with the same period of the previous year, mainly due to the decrease in advance payments from customers. In the same period of last year, the Company adopted a credit policy of 100% advance payment for protection products, and the credit policy returned to the normal level during the reporting period. (2) The increase of 899 million yuan in cash paid for operating activities in this reporting period was mainly due to the better performance and the higher provision for various taxes in the previous year, resulting in an increase of 403 million yuan in various taxes paid after remittance in this reporting period compared with the same period of the previous year. In addition, the higher provision for performance bonuses in the previous year led to an increase of 160 million yuan in employee compensation paid in this reporting period compared with the same period of the previous year. (3) The above two points were the main reasons for the decrease of 2,276 million yuan in net cash flow from operating activities in this reporting period compared with the same period of the previous year, a decrease of 92.01% year-on-year.

Note 2: -21.27% is the level of difference not the rate of change.

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: yuan

Item	Amount	Description
Profits and losses on the disposal of non-current assets (including the write-off part of the provision for asset impairment)	(7,991,363.76)	
Government subsidies included into the current profits and losses, except those government subsidies, which are closely related to the business of a company and enjoyed in accordance with a certain standard quota or quantity of the state	86,791,122.28	
In addition to the effective hedging business related to the company's normal business operations, the profit and loss from fair value changes arising from holding tradable financial assets, derivative financial assets, tradable financial liabilities, and derivative financial liabilities, as well as the investment income from disposal of tradable financial assets and derivative financial assets, tradable financial liabilities, derivative financial liabilities, and other debt investments	79,825,882.59	
Income and expenditure other than those mentioned above	1,756,948.93	
Less: Amount affected by income tax	26,599,643.40	
Amount of minority shareholders' equity affected (after tax)	(174.41)	
Total	133,783,121.05	--

Explain the non-recurrent profit and loss items defined by the Company according to the Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses and defined from the 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

Applicable Not applicable

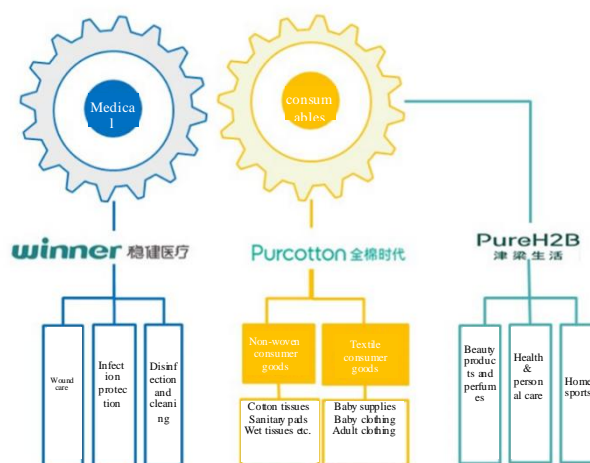
No definition of non-recurrent profit and loss items defined and enumerated in the Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses as non-recurrent profit and loss items during the reporting period.

Section 3 Management Discussion and Analysis

I. Main Business of the Company During Reporting Period

(I) Main business of the Company during reporting period

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



1. Medical consumables section

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



The Company is one of the earliest medical consumables enterprises in China to establish a full industrial chain covering cotton

procurement, R&D, production, and direct export. The Company's products have been certified by the EU CE certification, the US FDA certification and the Japanese Ministry of Health, Labour and Welfare certification, and exported to Europe, America, Japan and other countries. In 2005, "Winner" brand entered the domestic hospital and drugstore market. With its excellent product quality and service, Winner Medical gradually established a good brand and reputation in domestic hospitals and drugstores. Since the outbreak of COVID-19 in 2020, the "Winner" brand 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, disinfection and cleaning. Disposable operating room consumables can more effectively reduce nosocomial infection than reusable medical products. With more attention of the state and hospitals to nosocomial infection and residents' attention to personal health environment, disposable operating room consumables are gradually accepted by the domestic market. Winner Medical's medical dressing product line has been expanded from traditional dressing products mainly focusing on gauze products to high-end 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 dressings has been in the forefront of the industry, and is expected to become the core products for the development of Winner Medical.



2. Healthy Consumer Goods Section

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



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





In July 2019, the Company launched the “PureH2B” brand, aiming to build a one-stop retail platform covering beauty makeup, personal care, sports and other healthy and beautiful life needs. As of June 30, 2020, “PureH2B” has sold products through 9 offline stores, online official websites and Wechat mini programs, and its business is still at the initial stage.






(II) Main Products and Purposes



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







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

Product Class	Product Category	Main Purpose	Product	Image of Some Products
Wound care products	Traditional wound care and wound dressing products	For absorbing wound exudate, dressing wounds, and sports protection	Gauze sheets, non-woven sheets, gauze bandage, dressing change kits, etc.	
	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, etc.	

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


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

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

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

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

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

1. Procurement mode

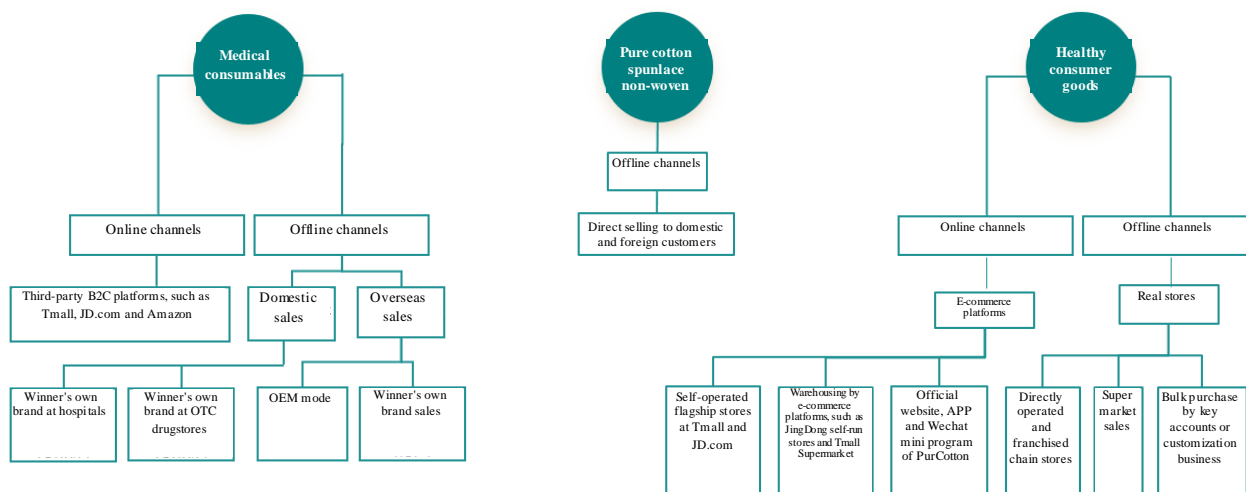
The Company has established a complete procurement management system, which mainly includes the Procurement Control Process, Procurement Price Management Process, New Supplier Selection and Review Control Process, Supplier Performance Appraisal Management Process, and the Company also has made a Qualified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

2. Production mode

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

3. Sales mode

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



4. Marketing mode

The Company is developing its products under the Winner, Purcotton, and PureH2B brands a coordinated way. With 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 “To enhance your health, life and well-being” 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-sales 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 “Purcotton Changes the World”, which helps deepen the meaning of Purcotton brand and increase its brand awareness and loyalty. PureH2B offers consumers selected products that are high-quality, healthy, and beautiful from around the world through its paid membership system. It offers its members products with extremely competitive prices and a series of excellent offline services such as beauty salons, free makeup, and seminars. With “Love, protect and enjoy nature” as its brand vision, and “Influence the mainstream consumption attitude with “inner health brings outer beauty” philosophy, and attract mainstream consumers with natural products” as its mission, PureH2B is bringing consumers a new all-round digital retail experience.

(IV) Main Driving Factors of Performance

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

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

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

2. The Company's ability to innovate and its foresight enable it to lead the market and seize opportunities

In terms of technological innovation, the Company's pure cotton spunlace non-woven fabric is a kind of pioneering fabric in the industry, with breakthrough significance. The Company innovatively applies the fabric in healthy consumer goods and medical consumables. In terms of product innovation, the Company keeps introducing new products based on medical consumables and healthy consumer goods, to increase loyalty of existing customers and to win new customers. In addition, the Company keeps exploring new areas based on its R&D advantages. For example, the innovative application of pure cotton spunlace non-woven fabrics in infection prevention products such as medical protective clothing, surgical gowns, and isolation gowns, which has not only alleviated the shortage of raw materials during the pandemic but also improved the breathability and comfort of anti-pandemic products, allowing them to be more environmentally friendly. As for high-end wound dressings, the Company keeps tackling obstacles to enrich its high-end dressing products. With a top-down innovation system established, the Company is able to grasp the trend of market development in a timely manner to develop new products and constantly promote its self-innovation.

3. High-quality products and precise brand positioning enhance brand value

The Company is one of the earliest medical consumables enterprises in China to establish a full industrial chain covering cotton procurement, R&D, production, and direct export. The Company is one of the early companies that established a medical-grade quality management system in the industry, and has passed the ISO13485 Medical Devices Quality Management System Certification. Its product quality complies with the European, American, Japanese, and Chinese standards. Winner Medical enjoys a high brand reputation and recognition. In 2020, Winner Medical was praised by the Joint Prevention and Control Mechanism of the State Council as a well-deserved "ordnance factory" in fighting the pandemic. Its wholly-owned subsidiary Winner Medical (Huanggang) was awarded the title of "National Advanced Unit for Fighting the COVID-19 Pandemic" by the CPC Central Committee and the State Council. It is also the only enterprise awarded the title in Hubei Province. In May 2021, Winner Medical was selected by the Federation of Shenzhen Industries as the "Benchmarking Enterprise in China's Medical Consumables Sector" and at the same time recognized as an "International Renowned Brand" by the United Nations Industrial Development Organization. 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 and Purcotton brands will help the Company enhance customer loyalty, stabilize product prices, and expand its market share in the fierce competitive market, thereby ensuring its sustainable and stable profitability.

(V) The Industry in Which We Operate

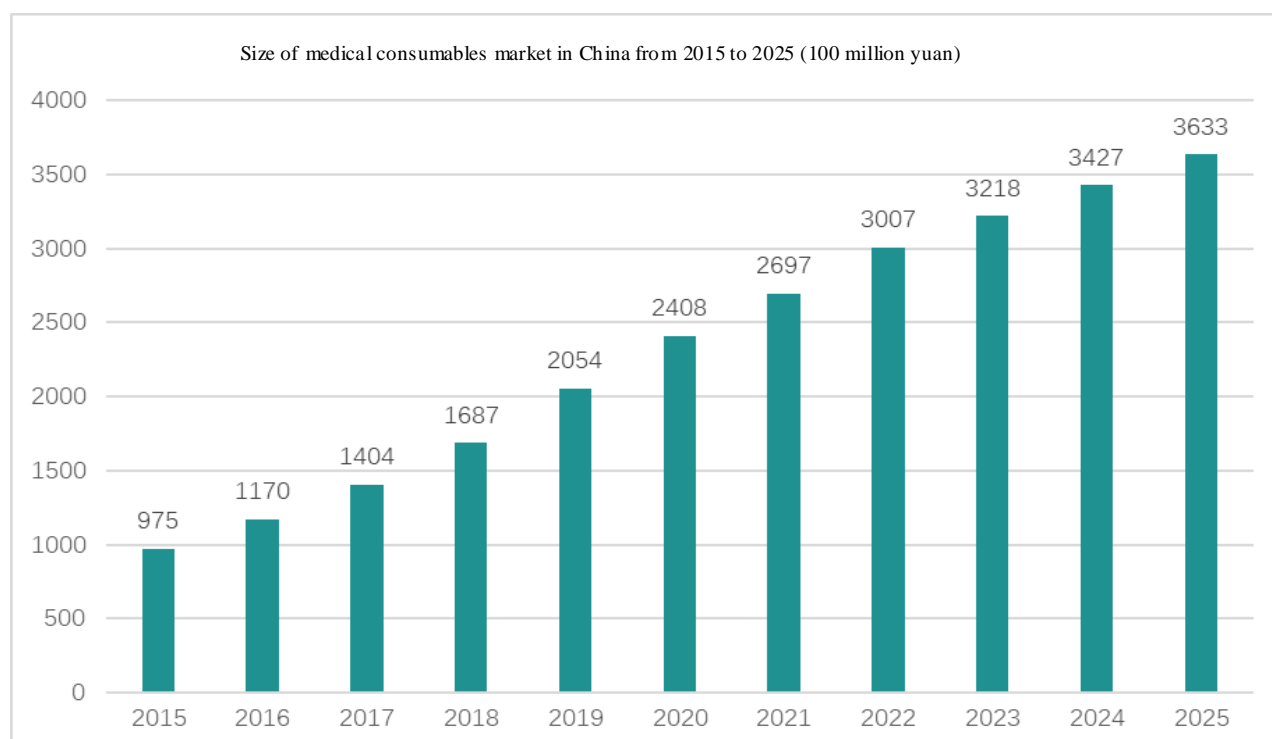
1. Industry definition

According to the Classification Rules of Medical Devices (2015) (Order No. 15 of the China Food and Drug Administration) and the Classification Catalogue of Medical Devices (Notice No. 104 of the China Food and Drug Administration in 2017), the medical dressings produced and sold by the Company belong to the nursing and protective devices in medical devices. According to the Industry Classification of National Economy (GB/T4754-2017) and the Industry Classification Guidelines for Listed Companies (revised in 2012), the industry of the Company is special equipment manufacturing industry (C35) in manufacturing industry (C). The products of the Company's healthy consumer goods include pure cotton tissues, sanitary pads with pure cotton surface, cotton wet tissues and other non-woven consumer goods, baby supplies, baby clothing, adult clothing and other textile consumer goods. According to the Industry Classification of National Economy (GB/T4754-2017) and the Industry Classification Guidelines for Listed Companies (revised in 2012), the consumer goods operated by the Company mainly belong to the textile industry (C17) and the textile and apparel industry (C18) in the manufacturing industry (C).

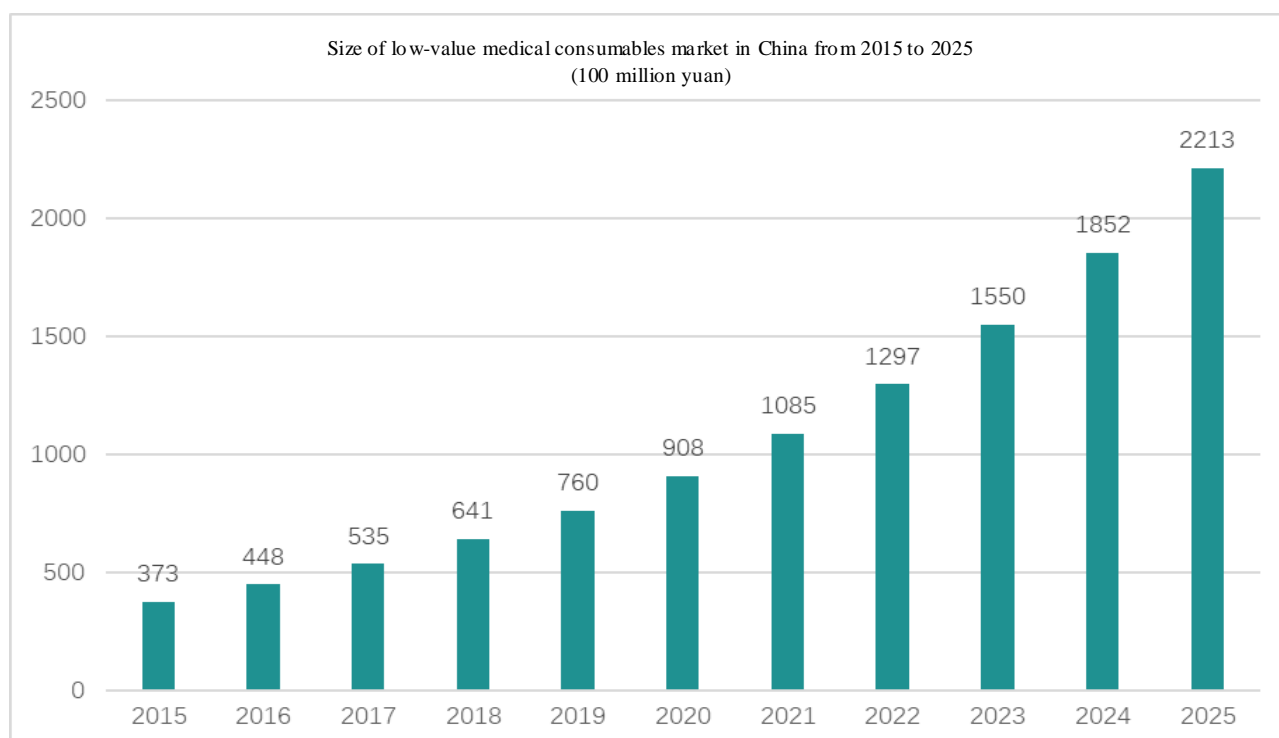
2. Development of the industry

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

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



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



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

Compared with high-value medical consumables, low-value medical consumables are mainly injection and punching, medical dressings and medical polymers, with low entry threshold and fierce market competition. Due to the wide application and benefit from the improvement of people's living standards and the continuous growth of medical demand in China, the market space of low-value medical consumables is huge, and will continue to maintain high-speed growth in the future. According to the research and analysis of IBM, it is estimated that the market scale of low-value medical consumables in China will reach 221.3 billion yuan by 2025.

① Market development of operating room infection control products

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

Operating room infection control products can be divided into reusable products and disposable products. The change from reusable products to disposable products is the development trend of the industry. The main reasons include: on the one hand, compared with reusable products, disposable surgical infection control products can significantly reduce the risk of cross infection. According to Coherent, disposable operating room infection control products can reduce the risk of cross infection during surgery by 60%. The Guide to Operating Room Nursing Practice compiled by the Operating Room Professional Committee of Chinese Nursing Association also recommends the use of disposable aseptic products in the operating room. On the other hand, disposable operating room infection control products also have advantages in convenience and cost compared with reusable products, which makes the demand for disposable products more active.

Compared with a single product, the market scale of customized surgical packs will show a rapid growth trend. According to the statistics of CMI, the market size of global customized surgical packs is expected to grow to USD 21.347 billion in 2026, with an average annual compound growth rate of 10.2%. In China, the market size of customized surgical packs is expected to rise to USD 1.504 billion, with an average compound annual growth rate of 12.2%, which is quite promising.

② Market development of high-end wound dressing products

Judging from the global trend, the demand for high value-added and multifunctional medical dressings made of new materials is increasing, and the high-end medical dressing industry will usher in good development opportunities. According to the statistics of BMI, the global high-end dressing market is expected to reach USD 7.015 billion in 2022.

As the manufacturers in China improve their technologies and product quality, and relevant government departments and institutions formulate and implement laws, regulations, and industry policies to support the development of medical dressings, including high-end dressings, high-end medical dressings in China is expected to replace the imported ones in the future.

(2) Development of consumer goods segmentation industry

① Development of household paper industry

According to 2020 Annual Report of China's Paper Industry released by China Paper Association, the production of household paper in 2020 was 10.80 million tons, an increase of 7.46% over the previous year, and the consumption was 9.96 million tons, an increase of 7.10% over the previous year. The average annual growth rate of production from 2011 to 2020 is 4.45%, and the average annual growth rate of consumption is 4.43%.

Household paper has the characteristics of rigid and continuous demand, its market continues to expand, and the popularization rate of facial tissue and wipe paper products also further increases. Because of its more environmental protection and less sensitization, pure cotton tissues can replace traditional paper products and have great market potential. Since cotton tissues are gaining higher acceptance, Tmall has added cotton tissue as a category under its paper products. Cotton tissues are widely used in many scenarios such as cleaning and personal care. As people's consumption capacity improves, cotton tissues' penetration rate is expected to rise. The Company is the pioneer of cotton wipes, leading the industry to achieve rapid growth in the past few years. According to the data of Leading Industry Research Institute, the demand for cotton wipes in China increased from 2.35 billion sheets in 2015 to 23.35 billion sheets in 2019, with an average annual compound growth rate of 77.5%.

② Development of disposable sanitary products industry

According to Euromonitor statistics, the market of absorptive care products in China increased from 128.9 billion yuan to 175.4 billion in 2015-2020, with an average annual compound growth rate of 6.4%. Among them, female health care products increased from 74 billion yuan to 89.1 billion yuan, with an average annual compound growth rate of 3.8%. The market scale of infant diapers increased from 47.9 billion yuan to 70.3 billion yuan, with an average annual compound growth rate of 8.0%. The market scale of adult incontinence products increased from 1.6 billion yuan to 5.1 billion yuan, with an average annual compound growth rate of 26.7%. The market scale of wet tissues increased from 5.4 billion yuan to 10.9 billion yuan, with an average annual compound growth rate of 15.3%. Adult incontinence products started late in China and are still in the introduction period. With the gradual emergence of aging population, the huge potential of adult incontinence products market in China will be released. The market penetration rate of wipes in China is relatively low. At present, the market is dominated by baby wet tissues and general-purpose wet tissues. Female hygiene wet tissues, makeup removal wet tissues, home cleaning wet tissues and other categories account for a relatively small proportion, so there is a large market space to develop.



③ Development of textile industry and textile clothing and apparel industry

China has become the world's largest producer and consumer of textiles and clothing. The sales of specialized retail goods of textiles, clothing and daily necessities increased from 70.302 billion yuan in 2007 to 667.640 billion yuan in 2019, with an average compound annual growth rate of 20.63%. Among them, the sales of textile, clothing and daily necessities in chain retail enterprises have increased rapidly in recent years, reaching 144.802 billion yuan in 2019.

The development of e-commerce industry also led to the transformation and upgrading of textile, clothing and daily necessities industries. According to the statistics of China National Textile And Apparel Council, the total volume of e-commerce transactions of textile and clothing in China in 2019 was 6.69 trillion yuan, accounting for 19.22% of the total volume of national e-commerce transactions, which is the most active trading category of e-commerce platform. Among them, the scale of online retail of textile and apparel is 1.67 trillion yuan, accounting for 19.59% of the total online retail sales of physical goods.



④ Development of maternal and child supplies industry

On May 31, 2021, the Political Bureau of the Communist Party of China held a meeting to deliberate and approve the Decision on Optimizing the Fertility Policy and Promoting the Long-term Balanced Development of the Population. The meeting proposed to implement the policies that a couple can have three children and supporting measures are conducive to improving China's population structure, implementing the national strategy of actively responding to the aging population, and maintaining China's advantages in human resources endowment. The supporting policies for three-child policy - the Decision of the Central Committee of the Communist Party of China and the State Council on Optimizing the Fertility Policy and Promoting the Long-term Balanced Development of the Population, and the Notice of the Office of the National Healthcare Security Administration on Improving Birth Insurance to Support the Three-Child Policy - were released in July 2021. With the release of the three-child policy and its supporting fertility policy dividend as well as the trend of consumption upgrade, the domestic maternal and infant market will usher in a broader space for development. According to Nielsen, the proportion of high-end & mid-to-high-end products sales in the baby care segment increased by 2.5ppt in 2020. According to the Research and Investment Value Analysis Report on China's Maternal and Infant Industry Chain 2021 released by iiMedia Research, the maternal and infant market size in China exceeded 4 trillion yuan in 2020 and is expected to increase to 7.546 trillion yuan by 2024.



3. Competitive position of the Company

(1) Medical consumables business

Winner Medical is a manufacturer with comprehensive leading advantage in China's medical consumables industry. It has established a medical-grade quality management system earlier in the industry and realized the whole industry chain operation mode from cotton procurement to R & D, production and sales. As a leading enterprise in the medical dressings industry, the Company promotes the establishment of the medical dressings branch of China Chamber of Commerce for Import and Export of Medicines and Health Products, and serves as the president of the medical dressings industry, leading the industry to continuously expand its international market share with innovative and high-quality products. After the outbreak of COVID-19, the Company has fully exerting its core business principle, "social value before corporate value", strictly controlled the quality of epidemic prevention products, and did not increase the price of terminal products. Its products were highly praised by the country and the public, and the brand value was greatly improved.

(2) Healthy consumer goods business

Purcotton takes "cotton" as the core, covering multiple consumer groups, such as mothers and infants, children and adults, and span multiple product lines, such as high-end pure cotton tissue, female care, baby care, adult clothing, home textile products, etc. The Company takes the self-developed pure cotton spunlace non-woven fabric as the basic material carrier, and successfully realizes the expansion of medical products to household products. The Company is the pioneer and industry leader of cotton non-woven consumer goods market. With its leading product R & D ability, medical-grade product quality and popular brand image, the Company has rapidly increased the market share of cotton non-woven products. Purcotton has developed into a flagship national brand among high-quality domestic consumer brands, which is one of the primary choices for consumers to buy cotton consumer goods.

The Company needs to comply with the disclosure requirements of the No. 10 Guideline of Shenzhen Stock Exchange's GEM Board for Information Disclosure of Listed Companies Engaging in Medical Device Business.

The Company needs to comply with the disclosure requirements of the No. 17 Guideline of Shenzhen Stock Exchange for Industry Information Disclosure of Listed Companies Engaging in Textile and Apparel Business.

II. Discussion and Analysis of Operations

(1) Overview of business performance

During the reporting period, the COVID-19 pandemic has been effectively controlled in China, the Company's quality and brand advantages have been brought into full play, the sales volume of epidemic prevention products has increased significantly compared with that in the same period last year, and the sales price has gradually returned to normal. At the same time, the international community still faces a severe epidemic situation during the reporting period, the turnover velocity of global cargo transportation slowed down dramatically, and the global transportation capacity was extremely tight, which promoted a substantial increase in export freight, resulting in the delayed delivery of some of the Company's overseas orders. The above factors caused the Company's revenue of medical consumables business to drop to 2.127 billion yuan, a year-on-year decrease of 15.28%. Fortunately, domestic consumer demand and consumption capacity have gradually recovered, the Company upgraded its products, and saw effective marketing and promotion results. The revenue of the Company's healthy consumer goods business increased to 1.79 billion yuan, a year-on-year increase of 20.64%.

During the reporting period, the Company's revenue reached 4.060 billion yuan, a decrease of 2.87% compared with the same period of the previous year and an increase of 92.87% compared with the first half of 2019. The net profits attributable to shareholders of the listed company was 761 million yuan, a decrease of 26.27% compared with the same period of the previous year and an increase of 230.87% compared with the first half of 2019. The incomes by channels and by products during the reporting period are as follows:

1. Income from main operations through main channels

Unit: '0,000 yuan

Business type	Channel type	Income in 1H21	Income in 1H20	Changes over 1H20	Income in 1H19	Changes over 1H19	YoY performance Reason for change
Medical consumables	Hospitals in China	59,701.88	39,267.22	52.04%	9,112.46	555.17%	Increase in brand's influences, more channels, and more disposable operating room consumables accepted by hospitals in China
	Domestic drugstores	21,248.24	21,083.19	0.78%	9,309.80	128.24%	No major changes
	E-commerce Note 1	35,272.19	10,128.90	248.23%	1,261.90	2,695.16%	The Company's anti-epidemic actions in last year were recognized by the community and its brand awareness and reputation on the consumer side increased significantly. As a key category and the product that helps drive traffic to the

							Company, masks are gaining popularity among consumers, and introducing more and more home care products to customers.
	Domestic direct selling	1,719.83	72,488.42	-97.63%	2,511.44	-31.52%	Larger purchase amount of enterprises and institutions as well as government departments in the same period last year due to severe pandemic situation
	Overseas sales	94,714.23	108,037.64	-12.33%	39,355.57	140.67%	The slowdown in global cargo transportation leading to global capacity constraints and resulting in delays in the delivery of some of the Company's overseas orders
	Subtotal	212,656.37	251,005.37	-15.28%	61,551.17	245.50%	/
healthy consumer goods ^{Note 2}	E-commerce	110,278.98	99,304.17	11.05%	71,641.20	53.93%	/
	Among them: (1) Tmall, JD.com and other third-party e-commerce platform channels	86,924.58	82,002.85	6.00%	69,275.40	25.48%	/
	(2) Company-owned platform channels such as official website, Wechat mini program and APP	23,354.40	17,301.32	34.99%	2,365.80	887.17%	See Note 3 of the Table for details
	Offline stores ^{Note 4}	54,263.42	38,223.85	41.96%	52,528.79	3.31%	Effective control of the COVID-19 pandemic in China enabling recovery of consumer demand and

							spending power, resulting in store expansion and internal operational capacity improvement across the Company
	Supermarket channels	10,617.06	6,045.82	75.61%	5,030.07	111.07%	Internal management improvement leading to the improvement of human efficiency; new product introduction; new maternal & infant stores and hypermarket chains
	Key Client	3,874.40	4,832.25	-19.82%	3,494.48	10.87%	/
	Subtotal	179,033.86	148,406.09	20.64%	132,694.54	34.92%	/
Pure cotton spunlace non-woven fabric	Direct selling	9,835.25	15,236.24	-35.45%	1,3685.50	-28.13%	Coil products more for private use, reducing external sales
	Subtotal	9,835.25	15,236.24	-35.45%	13,685.50	-28.13%	/
Total		401,525.48	414,647.70	-3.16%	207,931.21	93.10%	/

Note 1: The “e-commerce” channel of medical consumables business includes domestic e-commerce platforms and cross-border e-commerce platforms.

Note 2: The healthy consumer goods business consists of Purcotton business and PureH2B business, of which PureH2B’s sales amounted to 24,564,700 yuan.

Note 3: In terms of healthy consumer goods business, the reason for the change in the performance of “company-owned platform channels such as official website, Wechat mini program and APP”: improving the purchase conversion of regular users by focusing on the operation of users and categories, resulting in a YoY increase of 24.9% in the purchase rate of regular users (“regular users” refers to users who made purchases in the previous year).

In addition, the data of “company-owned platform channels such as official website, Wechat mini program and APP” of healthy consumer goods business include the data driving from company-owned channels to online platforms, and the income hereof is 97,425,600 yuan.

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

2. Income from main operations of main products

Unit: '0,000 yuan

Business type	Product type	Income in 1H21	Income in 1H20	Changes over 1H20	Income in 1H19	Changes over 1H19	YoY performance Reason for change
Medical consumables	Traditional wound care and wound dressing	25,573.22	24,141.90	5.93%	28,780.08	-11.14%	/

	products						
	High-end wound dressing products	4,374.06	4,113.21	6.34%	4,123.15	6.09%	/
	Operating room infection control products	22,804.66	10,333.10	120.70%	11,522.11	97.92%	Benefiting from the product quality and environmentally-friendly pure cotton recognized by hospitals; improvement in the coverage rate of channels
	Disease prevention and control products	146,319.30	199,058.52	-26.49%	8,330.68	1,656.39%	Effective control of COVID-19 pandemic in China, and sufficient supply of disease prevention and control products all over the world; gradual recovery of prices to normal
	Disinfection & cleaning products	13,585.13	13,358.64	1.70%	8,795.15	54.46%	/
	Subtotal	212,656.37	251,005.37	-15.28%	61,551.17	245.50%	/
Healthy consumer goods	Cotton tissues	40,885.23	37,004.54	10.49%	39,889.58	2.50%	/
	Sanitary pads	26,454.67	17,085.23	54.84%	13,293.44	99.01%	Enhancing brand awareness and reputation by marketing activities; launching new products; attracting more young people
	Wet tissues	9,019.84	9,627.70	-6.31%	10,032.28	-10.09%	/
	Other non-woven consumer goods	22,693.78	30,022.09	-24.41%	9,383.00	141.86%	/
	Baby supplies	17,998.93	11,734.25	53.39%	12,678.01	41.97%	Model, design and color enhancement of products; storytelling and theme enhancement on communication; digital automatic replenishment on
	Baby clothing	20,690.19	14,612.59	41.59%	15,684.13	31.92%	
	Adult clothing	27,451.73	17,897.45	53.38%	17,519.08	56.70%	

	Other textile consumer goods	13,839.49	10,422.24	32.79%	14,215.02	-2.64%	new effect release
	Subtotal	179,033.86	148,406.09	20.64%	132,694.54	34.92%	/
Pure cotton spunlace non-woven fabric	Pure cotton spunlace non-woven fabric	9,835.25	15,236.24	-35.45%	13,685.50	-28.13%	Coil products more for private use, reducing external sales
	Subtotal	9,835.25	15,236.24	-35.45%	13,685.50	-28.13%	/
Total		401,525.48	414,647.70	-3.16%	207,931.21	93.10%	/

(2) Overview of operation and management

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

1. Digital transformation

The Company has adopted numerous reform measures since 2019 to promote “consumer-centric” and “digital and intelligent manufacturing-driven” business transformation, and carry out the five digital strategies of “centralized commodity digital operation”, “omni-channel digital operation”, “consumer omni-channel operation”, “digital smart logistics digital operation” and “smart manufacturing digital operation”. During the reporting period, the first phase of “omni-channel digital operation” and “centralized commodity digital operation” enabled the support of multiple e-commerce platforms, one inventory for online and offline, intelligent distribution of orders, omni-channel price and unified membership rights across channels. Consumer omni-channel operation is mainly provided by Tencent’s CDP (Consumer Data Platform) and MA (Marketing Automation), which have created a domain-wide consumer operation system and are committed to realizing the accurate matching of people, goods and fields at the data and technology levels. Digital smart logistics digital operation is mainly launched together with JDLogistics, which is committed to transforming the Company’s existing logistics system from a growth supporter to a revenue driver, and to building an integrated, intelligent, expandable and fast-responding active logistics system based on customer’s demand. Smart manufacturing digital operation also refers to the advice of top consulting firms, and is committed to creating a green, low-carbon and agile platform for ecological synergy in industry chain and group unified control, promoting the Company to rapidly and significantly reduce manufacturing costs and continuously improve management, operational performance and overall competitiveness.

In March 2021, the Company launched the SAP Reinvention Project, and partnered with the world’s largest information technology and business solutions consulting firm again to upgrade and reinvent SAP ERP in order to make the system agile enough to support mobile terminals, accelerate IoT and big data applications, improve operational efficiency, and better meet the challenges of a rapidly changing market and globalization. With SAP Big Data solution, the Company will establish a unified information platform covering R&D and innovation, commodity management, production operation and control, warehousing and logistics management, retail management, financial management, human resource management and corporate decision-making, which will enhance the Company’s capability of managing strategic decision making, operation control, technological innovation and comprehensive information application and other related businesses.

Through the Salesforce CRM solution, the Company has completed the foundation of CRM system and established end-to-end digital capabilities for marketing and sales to support Winner Medical’s customer, marketing, sales and channel management business with efficient processes and business collaboration. During the reporting period, the CRM project has been launched online as a whole, which helps each sales department enable the full lifecycle management of customers and develop a unified sales configuration and quotation tool, aiming to improve customer acquisition capability and marketing ROI.

2. R&D and Innovation

In terms of medical consumables, the Company has successfully developed anti-bacterial and anti-viral masks, which have better disinfection and sterilization effect, to fight against the constantly changing pandemic and the variation of viruses, and protect everyone's health. At the same time, the Company develops 100% pure cotton triple resistance surgical gown, which improves the comfort and is more environmentally friendly and biodegradable, to deal with problems of wearing protective clothing for a long time and suffocation in surgical wear. Thanks to the aforementioned product advantages, the Company's protective clothing is in short supply in patchy distribution of affected area in many regions during the COVID-19 pandemic. To solve the problem of wound infection, which is an annoying problem for clinicians, the Company has developed a variety of antibacterial dressings to solve the infection problem at different stages of wound healing and different types of wounds, so as to reduce pain for patients, lower the cost of care and mitigate the risk for a hospital bed shortage. In the concept of health and beauty, the product range has been expanded to include medical aesthetics, such as hyaluronic acid sheet mask (hyaluronic acid dressings) and scar repair products based on silicone gel technology.

In terms of healthy consumer goods business, the Company successfully completed research and development of "soft and flexible gauze free of additive". Thanks to its independent innovation of new process of yarns, together with physical batting, the fabric is softer and more flexible. This kind of material is applied to pure cotton bedding and gauze toiletries, allowing more energy-saving and environmentally-friendly production as well as safer and healthier products. The "pure cotton antibacterial cooling fabric" developed by the Company integrates cooling microcapsules and herbal cotton antibacterial technology with pure cotton fabric, which can quickly absorb heat and achieve long-lasting cooling effect. This kind of fabric has 5A antibacterial effect, and can be used for baby and adult's cooling T-shirts, pants, summer sleeping mats, etc. At the same time, the Company developed "pure cotton unidirectional moisture-guiding fabric" for children's loungewear and baby supplies, which completely solves the pain point of children who are easy to catch a cold after sweating. In terms of industry-university-research collaboration, the research project of "temperature scale of gauze quilt and sleep comfort" carried out by the Company and Soochow University has been completed, providing guidance for consumers to make rational choice in scientific parenting and sleep comfort.

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 (released on May 21, 2021 and implemented on December 1, 2021). During the reporting period, the Company obtained 3 new invention patent certificates, 49 utility model patents and 44 design patents. The certificates are conducive to the further establishment of product technology and competitive barriers and the enhancement of the core competitiveness of the Company.

3. Brand marketing

2021 marks the 30th anniversary of the founding of the Company. It plans to increase the investment in marketing activities to enhance brand influence. During the reporting period, Winner Medical enhanced its brand influences by involving in the shooting projects of "Days and Nights in Wuhan", the first documentary film in China focusing on the war against COVID-19 pandemic, and "Chinese Doctors", a blockbuster adopted from the real story of Wuhan Jinyintan Hospital. It also worked with Shenzhen TV to produce the "My White Gown 2: the Ace Sections", Shenzhen TV's first documentary observation program of doctors, to improve consumer awareness in a way of pan-entertainment shows. Moreover, it strives to drive traffic to e-commerce and Wechat mini program through live-streaming with goods. In the professional academic field, Winner Medical influenced the professional market through the dissemination of academic conferences at all levels. In the first half of the year, more than 2,000 people participated in the "Winner Medical Academy (Sensitive Control)" and other thematic activities jointly sponsored by Winner Medical and Beijing Infection Control and Disinfection Technology Industry Association, and many renowned national experts delivered new concepts of sensitive control and operating rooms. Through the Nurses' Day thematic activities, the Company built partnerships with nearly 100 hospitals and influenced key customers. It also attended CMEF, World Health Expo and other exhibitions to consolidate its influence in the industry. In addition, Winner Medical is promoting a clinical comparative observation program for surgical caps in the middle and large operating rooms, and strengthening clinical academic cooperation with domestic top hospitals.

Purcotton continues to deepen communication with consumers, aiming to deliver the multiple advantages "cotton" in terms of

environmental protection, sustainable development, etc., and constantly communicate with consumers emotionally. During the reporting period, thanks to the upgrading of store image provided by an international team, the Company integrates cotton stories and its natural benefits into the core of the design. As a designated partner brand, it appeared in the “Kids Fashion Week 2021” of China Oil Painting Institute in Beijing, combining fashion trends with happiness and care and creating a secure and comfortable environment for children to grow up with its quality products, so as to lead the new trend of kids’ fashion. The Company also worked with CCTV Technology Channel to produce “Fashion Technology Show”. The Programme led the public into the world of cotton to discover the wonders of cotton, and enhanced the public’s attention to the brand of Purcotton, which is the pioneer and leader of pure cotton tissue. On the occasion of the Earth Day, Purcotton held a “Cotton · Nature · Excellent” conference in Beijing, and worked with the authoritative color agency COLORO® to launch the “cotton” theme series color numbers for the first time, enabling people to sense the vitality of cotton and the beauty of diversity of the earth. On the 12th China International Cotton Conference held in Suzhou, Purcotton, as the first batch of participating companies on the consumer side, made a wonderful appearance and talked about the sustainable development of cotton, aiming to create a quality image of “Chinese cotton”. In addition, Purcotton actively carries out brand marketing activities through living stream, and invites KOLs in maternal & infant and travel segments to the living events to promote attractive cotton products. Thanks to the long-term activities of “normalized store livestream shopping” and “normalized plant livestream shopping”, Purcotton can display its unique advantages of stores and plant industrial chain, and direct online and offline traffic to each other.

4. Internal management

At the beginning of 2021, the Company launched a risk control system project and hired a well-known external consultant to sort out the operational risks of each business module. The project consists of three parts: risk diagnosis, special governance and system development. The external consultant has sorted out potential business risks and responsible departments at all levels, initially completed the building of the organizational structure and operation process of risk control, established the internal control management committee, formulated the Comprehensive Risk Management System, the Mechanism for Regular Reporting of Risk Information, the Mechanism for Emergency Handling of Sudden and Significant Risks, the Definition of Routine and Significant Risk Events, and the Mechanism for Accountability for Risks, and established the normalized operation mechanism of risk management. At present, the Company is sorting out risks one by one, and for each risk, carry out risk research, build risk warning foundation and risk control mechanism, and develop a risk control and management platform, with a view to realizing the controllability, visibility, warning and transformation of risks.

The company has always focused on strategic development and guided the strategic planning and execution of each business module at a strategic level. In addition to self-exploration, it has also engaged internationally renowned consultants for strategic project collaboration. In October 2020, the Company launched the “Process Diagnosis Project” to comprehensively scan the overall business flow from the perspective of “strategic relevance” and “process maturity”, and sort out hundreds of processes at all levels covering both To B and To C. Starting from quick wins in a short term, agility in medium term and growth in long term, the Company carries out special projects through professional project management to build short-, medium- and long-term business capabilities in a hierarchical and graded manner, so as to improve the Company’s overall management maturity. In addition, the Company has formulated a “three-year enhancement and deployment project of process maturity”, aiming to complete process assetization by 2021, significantly improve process efficiency by 2022, and provide more professional products and services to customers through more efficient management methods and tools by 2023.

In 2021, the Company’s businesses entered a new round of rapid expansion, with a surge in demand for talents. To enhance the overall competitiveness of the Company and deepen and thicken the talent pool, a group of experienced professional management teams was introduced from the industry. The Company has recruited many talents in management, marketing and R&D from P&G, Wal-Mart, SF and Nielsen to further optimize the Company’s management strategy, improve marketing effectiveness and enhance product creativity.

(3) Business strategy at later stages

In the field of medical consumables, operations are mainly carried out in the following three areas: channels, products and production capacity. In terms of channels, the Company will take advantages of brands and products to get new customers and increase its market shares and coverage through domestic and overseas channels in 2020. In addition, it will invest more in academic and clinical promotion, and expand business in hospital channel for operating room consumables and high-end dressings. Thanks to its more than 4 million fans, Winner Medical's e-commerce in China has increased marketing investment, focused on the user and category operations, and improved purchase conversion and customer unit price. In terms of products, the Company focuses on three areas: wound care, infection control and home care, among which wound care products are expanding to high-end dressing from traditional wound dressing, and after years of technology reserves of high-end dressings, its products have been widely recognized in the European and American markets. Infection control products are expanding from the existing medical field to the personal protection field and other application fields, where the market space is larger, aiming to replace chemical fibers with cotton as much as possible and make efforts for sustainable social development. Home care products are expanding in the direction of the consumer side, and exploring the adult incontinence, personal care and postoperation care of medical aesthetics based on the Company's existing respiratory protection, wound care and disinfection and cleaning business. The Company's production capacity grew over last year. To create a more reasonable production capacity, the Company will further transform the automation equipment and eliminate the inefficient equipment.

The operations of healthy consumer goods business are mainly carried out from such aspects as channels, products and brands. In terms of channels, the Company improved its business performance of the offline store channel through strategies such as upgrading the image of stores, optimizing customer shopping circulation, enhancing scenario-based displays, creating experiential services, and strengthening communication and cooperation with shopping malls. In addition, the Company takes advantages of the existing 33 million users of Purcotton, and ultimately improves the business performance of the e-commerce channel by strengthening operational capabilities, increasing marketing efforts, expanding the customer base (especially the Gen Z). Finally, it reduces the payback period of the supermarket channel through scale expansion and diversified category strategy. In terms of products, the Company is committed to the development of pure cotton products in order to provide the customers with high-quality cotton products to meet the needs of different scenarios. It continues to focus on the unique advantages of fabric research and development efforts, thus reducing the quantity of long-tail ineffective products. It also increases the relevance of the product mix, improves product refinement operation and management capabilities, and increases customer unit prices. In terms of branding, the Company strictly follows "Quality before profit, brand before speed, social value before corporate value", and insists on creating a full range of pure cotton lifestyle. It strengthens the building of brand system, realizes brand unity to the outside world, enhances brand credibility, and increases brand communication through media matrix and precise marketing. It also gains deep insight into consumers, establishes warm communication and interaction, actively fulfills social responsibility and gives back to society.

III. Analysis of Core Competitiveness

1. Advantages of Business Philosophy and Corporate Culture

With offering quality products as its mission, the Winner brand aims to lead in the medical dressing industry, to grow from a small Chinese enterprise to a large international enterprise offering high-quality products recognized by developed countries, bringing Chinese medical dressings to the international stage. With "To enhance your health, life and well-being" as its vision, the brand keeps focusing on product quantity and innovations, and making its way into the medical consumables and high-end medical dressing market. Cotton fiber has ten prominent advantages, including natural, safe, comfortable, naturally degradable, high output ratio, drought-resistant, salt and alkali-resistant, environmentally friendly, time-honored, and high social value. With its brand vision of "Purcotton Changes the World", Purcotton applies "comfortable, healthy, and environmentally friendly" cottons in household supplies and home care products to help customers raise life quality, constantly bringing them happiness and reassurance. 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 sustainable development. With "Love, protect and enjoy nature" as its brand vision, PureH2B insists on the principle of pursuing beauty without sacrificing health for health is beauty. PureH2B select natural cosmetics and toiletries, healthy food and health products, 3C and health equipment with excellent experience from around the world for customers. Meanwhile, the groundbreaking, innovative natural products developed independently by PureH2B are winning the trust of consumers with their applicability and safety, meeting the needs of consumers who pursue both quality life and health and environmental protection. The visions and business philosophies regarding the company's three brands are focused on human health, environmental protection, and improving the quality of life, which are in line with humans' sustainable development strategy.



The Company will always uphold its core operating principle of "Quality before profit, brand before speed, social value before corporate value", and stick by its core values of "Self-sacrifice / Responsible / Collaborative / Innovative / Tenacity / Self-criticism / Sustainable development". The Company promotes healthy sports such as running, mountain climbing, and ball games. The Company is weakening the power from titles to reduce bureaucracy, and creating open workplaces to ensure efficient cross-department communication. During the epidemic, the Company responded quickly and made every effort to ensure the production of protective products. It carried out a series of activities to improve the rapid response capability to market demand in terms of decision-making management, process integration, product and equipment innovation, and industry chain integration. Within one month at the beginning of the epidemic outbreak in January 2020, the Company provided 108.9 million masks and 114,000 pieces of protective clothing to major hospitals in Hubei, which played a key role in the initial absence of any reserves. During the outbreak of COVID-19 pandemic in Guangdong Province in May 2021 and in Nanjing City in July 2021, the Company fully mobilized internal forces, and delivered medical protective products to customers immediately, so as to effectively help frontline medical staff and volunteers to fight against the pandemic.

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 innovative application of pure cotton spunlace non-woven fabrics in infection prevention products, such as protective clothing, surgical gowns, and isolation gowns, has not only alleviated the shortage of raw materials during the pandemic but also improved the breathability and comfort of anti-pandemic products, which is safe and environmentally friendly. In the field of consumer products, the Company has developed pure cotton tissues, pure cotton wet tissues, sanitary pads with pure cotton surface, as well as disposal cleansing towels, disposable underwear and other products. It has been invited to participate in the

development of 14 national standards and industry standards, drafting and developing performance requirements for pure cotton non-woven surgical dressings, and technical specifications for contact trauma dressings and children's masks. As the first and major drafter, Purcotton, a wholly-owned subsidiary of the Company, led the development of national standards for cotton tissues (GB/T 40276-2021), which requires that the fiber composition and content of cotton tissues shall be identified, and the fiber content tolerance shall comply with the provisions of GB/T 29862 (released on May 21, 2021 and 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. The Company worked with Soochow University to carry out “temperature scale of gauze quilt and sleep comfort” project, and partnered with Wuhan Textile University to carry out “repolymer gauze” for spinning technology. The Company and the Shenzhen Institute of Advanced Technology of the Chinese Academy of Sciences have jointly established the “Joint Lab for Wound Dressing Innovative Technology Research” to conduct cutting-edge technology research and new product development of wound dressings. At present, the Company has two provincial R&D platforms, the “Guangdong Functional Cotton Engineering Technology Research Center” and the “Guangdong Wound Repair Material Engineering Technology Research Center” that are dedicated to the research of functional cotton and wound repair materials.

As of June 30, 2021, the Company has obtained 41 invention patents, 460 utility model patents, and 264 design patents in China; 56 invention patents and 6 utility model patents have been obtained 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

The Company is one of the early companies that established a complete medical-grade quality management system in the industry, including SO13485, FDA21CFR820, China's Good Manufacturing Practice for Medical Devices, and ISO9001, which have been certified or approved. Its medical dressings meet the quality standards of many countries and regions, including Europe, the United States, Japan, and China, and have been accepted by these countries and regions. It also implements the quality control requirements of medical devices when expanding its health consumer goods business. In addition, the Company's R&D Center and Labs have the professional capabilities for product testing certified by the China National Accreditation Service for Conformity Assessment (CNAS). The medical masks have passed the Type I, Type II and Type IIR product certification of EU MDR, PPE certification, and Level 1, Level 2 and Level 3 certification of FDA 510K in the United States, respectively, in overseas markets. The Company ranked 1st in the white book for exporters of epidemic prevention materials issued by the General Administration of Customs and General Administration of Market Supervision of China during the epidemic in 2020. In China, the masks have passed the testing and certification of Beijing Institute of Medical Device Testing, National Medical Products Administration. The protective clothing have been CE certified for EU Type 5 and Type 6. The Company's N95 masks and protective clothing are of good quality and high reputation, allowing it to be the designated reserve unit of the government's prevention and control command, as well as the main material supplier for Guangzhou, Shenzhen and Nanjing which have been hit by the COVID-19 pandemic in 2021. In addition, the Company's product quality has been widely recognized by the market. During the Tokyo Olympic Games, many athletes wear the Company's protective products, which protected athletes to ensure their excellent performance in the field.

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 medical-level quality 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 green weaving

and finishing process. To ensure that its products are safe and natural, no fluorescent brighteners are added to its products. Some of its products are OEKO-TEX Standard 100 certified and Shenzhen Standard certified, the latter is used for advanced evaluation of Shenzhen Standard for infant textile and clothing product standards. Some non-woven products have passed the EU AP (2002) 1 and EC1935/2004 EU Food Contact Materials CE certification, and are in line with food-grade standard testing.

4. Product advantages

(1) Medical consumables

The Company's product categories include wound care, infection protection, and cleaning and disinfection, covering application scenarios like clinical and medical institutions and families, which can better meet clients' needs of one-stop procurement. In addition to traditional acute wound care products, the Company has also developed representative high-end wet dressings like silicone foam dressings, hydrocolloid dressings, and super absorbent pads 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 disease protection and control, the Company replaces chemical fiber fabrics with pure cotton spunlace non-woven fabrics for masks, protective clothing, surgical gowns, and isolation gowns. Such innovative products not only meet infection prevention and control standards but also are more comfortable and environmentally friendly with better breathability. In the field of home care, the Company provides professional products for clinical use such as hyaluronic acid masks, saline cleaning pads, hydrocolloid band-aids and medical 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. The non-woven consumer goods include cotton tissues, sanitary pads, and wet tissues; the textile consumer goods include baby supplies, baby clothing, adult clothing, and bedding. The Company accurately captured the market demand for domestic high-quality consumer products under the backdrop of consumption upgrading, and took the lead in proposing the innovative concept of replacing chemical fibers with cotton and getting rid of chemical stimulation, and provide consumers with healthy consumer goods of medical grade. And its cotton tissues are pioneering tissues in the industry, which can partially replace household paper. Pure cotton tissues are made of degradable cotton after physical processing. There are less chemical stimulation and the tissues can be reused. Both the production and use of the tissues are more comfortable, safe, and environmentally friendly, so consumer acceptance of the tissues has been significantly improved, and there are many imitators in the market. For pure cotton wet 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 woven consumer products such as gauze bedding and bath towels are getting more popular.

5. Brand advantages

(1) Brand advantages in the field of medical consumables

As one of the market leaders in the field of medical consumables, the Company attaches great importance to product quality and service, and holds exhibitions worldwide to launches the "Winner Medical Academy", aiming to invite experts to educate, organize and participate in academic forums and public welfare activities, thus promoting the brand, allowing "Winner Medical" to enjoy a high reputation in the industry, and enabling the products to be widely recognized by customers at home and abroad. During the COVID-19 pandemic, the Company's actions were highly recognized by the government of China. Winner Medical was praised by the Joint Prevention and Control Mechanism of the State Council as a well-deserved "ordnance factory" in fighting the pandemic.

Winner Medical (Huanggang) was awarded the title of “National Advanced Unit for Fighting the COVID-19 Pandemic” by the CPC Central Committee and the State Council. The Company's medical consumables are mainly sold to developed countries and regions such as Europe, Japan and the United States, and the products under its brand Winner are mainly sold to developing countries and regions such as Asia, Africa, and Latin America. The Company are providing services for world-renowned medical supplies companies such as Mölnlycke, Lohmann, and PAUL HARTMANN. According to statistics from the China Chamber of Commerce for Import and Export of Medicines and Health Products (CCCMHPIE), the Company has been ranked among the top three exporters of Chinese medical dressings for many consecutive years. The products of “Winner Medical” brands have covered all public and most private hospitals in Hong Kong. In May 2021, Winner Medical was selected by the Federation of Shenzhen Industries as the “Benchmarking Enterprise in China’s Medical Consumables Sector” and at the same time recognized as an “International Renowned Brand” by the United Nations Industrial Development Organization.

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

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

6. Advantages of sales channels

(1) Advantages of online channels

In terms of online channels, the Company’s “Winner Medical” and “Purcotton” have completed the deployment of mainstream third-party e-commerce platforms, including Tmall, JD.com 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. At the same time, Purcotton is also actively exploring cooperation with new social retail and e-commerce platforms by the way of setting brand counters in these platforms, which helps it open up new sales growth channels. With the attributes of “sales + social”, Purcotton’s official website is an important platform for its product display, user interaction, and brand promotion. In addition, its self-own official platform, Wechat mini program and APP are also important parts of the Company's marketing channels.

(2) Advantages of offline channels

In the medical consumables section, the Company’s domestic medical business distributors (hospital market) have covered over 3,000 hospitals in more than 30 provinces (incl. municipalities and autonomous regions); retail pharmacy market distributors have covered nearly 110,000 retail pharmacies in more than 20 provinces (incl. municipalities and autonomous regions); foreign medical business customers and distributors have covered more than a hundred countries and regions such as Europe, Japan and the United States.

As for healthy consumer goods section, the Company has opened a total of 302 offline stores as of June 30, 2021. Among them, Purcotton has opened 279 offline stores (including 10 franchisees) in more than 60 mid- and high-end shopping malls in Shenzhen, Shanghai, Beijing, Guangzhou and other key cities in China; Purunderwear opened 14 offline stores; and PureH2B opened 9 offline stores. The Company integrates its brand concept into its store design. It hires well-known designers at home and abroad to upgrade its store image and to enhance its consumer experience with an exhibition-style product display balancing both aesthetics and

richness of products. It also adds an experience area to highlight product display and user experience, which has helped increase the Company's sales revenue and further increase its brand awareness.

As for offline terminals like chain stores and supermarkets, based on Purcotton's positioning of high-quality consumer goods, the Company mainly deploys Purcotton products in High-end boutique supermarkets and local leading supermarkets. Meanwhile, the Company also has set up dedicated sales teams to cover the bulk purchase or customized purchase needs of corporate clients. The Company's core products, such as Purcotton's cotton tissue and Nice Princess, have successfully entered supermarket chains, convenience store chains and offline maternal & infant stores and communities, including about 5,500 outlets of China Resources Vanguard, Ole' Supermarket, Yonghui Supermarket, Sam's Clubs, Wal-Mart and other mainstream supermarket chains, over 6,000 outlets of 7-11, Rosen, Convenience Bee, Today, Every Day and other convenience store chains, as well as offline maternal & infant stores in over 20 provinces and cities.

(3) Advantages of integration between online and offline channels

The omnichannel retail model is a newly emerging retail form that provides consumers with a consistent shopping experience by integrating physical channels, e-commerce channels, and mobile e-commerce channels. In such form, the convenience of online channels and the consumer experience of offline channels can complement each other. Having a deep insight into the development trend of integrating online and offline channels, the Company thoroughly optimized and integrated various channels to integrate traffic and sales of offline stores and online Wechat mini programs, thereby further improving its operating efficiency and performance. Online channels can meet offline consumers subsequent consumption needs while offline channels can provide online consumers further product information and service experience. Flows of traffics can be directed between the two kinds of channels, so online and offline traffic can be effectively obtained. As of the end of the reporting period, the number of Purcotton users has exceeded 33 million, including 15 million registered members of its private platforms (6.17 million store registered members, and nearly 9 million registered members of its official website and WeChat mini programs).

7. Advantages of full industrial chain

Since its establishment, the Company has always been attaching great importance to its product quality, cost and delivery management and control. It has built a full industrial chain with advantages from raw material procurement, production, sterilization, warehousing, to delivery. The Company has seven wholly-owned production subsidiaries in Hubei, covering a total area of more than one million square meters, including 105,000 square meters of clean workshops. The seven factories supply large quantities of high-quality medical supplies and daily necessities to all over 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 (Jia yu) 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 medical consumables, disposable surgical kits, 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, Winner Medical (Tianmen) is the production base of medical gauze in China for trade; established in 1999, Winner Medical (Yichang) is the main production base for its grey cloth.

With constant improvement, the Company's excellent production management system has been upgraded from 1.0 to 3.0, covering seven modules (i.e. standardization, visualization, automation, Just-in-Time, rapid response, value engineering, organizational guarantee). It has gradually established and improved its daily management system in factory. It has improved its production efficiency through equipment innovation. For example, its self-developed soft ear loop mask manufacturing equipment truly realize the unmanned manufacturing of masks with high-efficient equipment; it has basically realized the fully automated production of its

products like cotton tissues and wet tissues; it has preliminarily replace manual production with machinery production for cotton swabs, cotton balls, cotton pads, makeup cotton, packages, and drapes, which has greatly supported its rapid production and supply. The Company is also going to explore and build smart factories. It will realize "unmanned production, process-based management, and process digitalization" step by step.

IV. Analysis of Main Business

Overview

Please refer to the relevant information in "I. Main Business of the Company During Reporting Period".

YoY changes in key financial data

Unit: yuan

	Current reporting period	Same period last year	Year-on-year increase/decrease	Reason for change
Revenue	4,059,865,654.92	4,179,778,883.27	-2.87%	No major changes
Costs	1,921,789,702.47	1,900,091,985.00 ^{Note 1}	1.14%	No major changes
Selling expenses	825,805,820.57	655,948,904.24	25.89%	For details, please refer to "3. selling expenses and Composition" of "V. Other information required by the disclosure guidelines for textile and apparel-related sectors" below.
Administrative expenses	310,652,551.64	158,666,340.89	95.79%	This is mainly due to the YoY increase in share-based payment expenses of 142,429,497.69 yuan, and the administrative expenses after deducting the equity incentive fees increased by 6.02% compared with the same period of the previous year
Financial expenses	(12,616,456.80)	(465,911.33)	-2,607.91%	This is mainly due to the increase in revenues from daily cash management of self-owned funds
Income tax expenses	143,286,407.76	173,749,962.63	-17.53%	No major changes

R&D expenses	189,917,265.47	168,845,188.59	12.48%	This is mainly due to the increase in R&D investment
Net cash flow from operating activities	197,604,865.77	2,473,405,982.25	-92.01%	Please refer to Note 2 at the end of the Table for details
Net cash flow from investing activities	1,134,322,825.18	(517,565,700.23)(517,565,700.23)	319.16%	This is mainly due to the increase in cash management funds recovered in the reporting period
Net cash flow from financing activities	(821,629,805.97)(821,629,805.97)	(201,673,801.32)(201,673,801.32)	307.41%	This is mainly due to the increase in dividends distributed to shareholders in the reporting period
Net increase in cash and cash equivalents	510,599,067.48	1,754,428,329.70	-70.90%	See the explanation of changes in cash flow from operating activities, investment activities and financing activities
Investment income	50,073,259.81	7,158,219.52	599.52%	This is mainly due to the increase in cash management revenues
Other incomes	86,754,859.99	19,765,789.73	338.91%	This is mainly due to the increase in government subsidies related to operations
Gains from asset disposal	(37,621.25)	15,447.79	-343.54%	This is mainly due to the increase in the loss on disposal of long-current assets
Income from changes in fair value	31,408,220.30	0.00	100.00%	This is mainly due to the increase in cash management revenues
Credit impairment Loss	11,808,406.71	(787,646.99)	-1,599.20%	This is mainly due to the recovery of other receivables and the decrease in credit impairment losses
Non-revenue	2,339,463.94	13,659,135.49	-82.87%	This is mainly due to the

				decrease in government subsidies not related to operations
Non-operating expenses	8,502,804.42	21,986,722.02	-61.33%	This is mainly due to the decrease in the scrapping loss of non-current assets

The amount of costs disclosed in the review report for the same period of the previous year was 1,767,729,037.00 yuan, and the difference of 132,362,948.00 yuan of the comparative data disclosed in the current period is the reclassification adjustment of freight costs. When the review report for the same period of the previous year was disclosed, there was no clear regulation on the adjustment of freight costs to the main costs as performance costs in the new income guidelines, so this reclassification was not completed for the same period of the previous year. The reclassification adjustment was made to the data of the same period of the previous year in the comparative data of the current reporting period.

Note 2: (1) Cash received from the sales of goods and services decreased by 1,548 million yuan during the reporting period compared with the same period of the previous year, mainly due to the decrease in advance payments from customers. In the same period of last year, the Company adopted a credit policy of 100% advance payment for protection products, and the credit policy returned to the normal level during the reporting period. (2) The increase of 899 million yuan in cash paid for operating activities in this reporting period was mainly due to the better performance and the higher provision for various taxes in the previous year, resulting in an increase of 403 million yuan in various taxes paid after remittance in this reporting period compared with the same period of the previous year. In addition, the higher provision for performance bonuses in the previous year led to an increase of 160 million yuan in employee compensation paid in this reporting period compared with the same period of the previous year. (3) The above two points were the main reasons for the decrease of 2,276 million yuan in net cash flow from operating activities in this reporting period compared with the same period of the previous year, a decrease of 92.01% year-on-year.

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

Applicable Not applicable

No major change occurred in the profit composition or profit source of the Company during the reporting period.

Products or services accounting for more than 10%

Applicable Not applicable

Unit: '0,000 yuan

	Revenue	Costs	Gross margin ratio	Year-on-year increase/decrease of revenue	Increase or decrease in costs over the same period of the previous year	Year-on-year increase/decrease of gross margin ratio
By products or services						
Medical consumables - protective products	146,319.30	59,260.95	59.50%	-26.49%	-19.16%	-3.67%
Healthy consumer goods -	40,885.23	21,649.58	47.05%	10.49%	8.73%	0.86%

cotton tissues						
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Note: The incomes in this Table are from main businesses

The Company needs to comply with the disclosure requirements of the No. 17 Guideline of Shenzhen Stock Exchange for Industry Information Disclosure of Listed Companies Engaging in Textile and Apparel Business.

Unit: yuan

	Revenue	Costs	Gross margin ratio	Year-on-year increase/decrease of revenue	Increase or decrease in costs over the same period of the previous year	Year-on-year increase/decrease of gross margin ratio
By sectors						
Medical consumables	2,126,563,787.23	1,014,408,882.34	52.30%	-15.28%	-1.90%	-6.50%
Healthy consumer goods	1,790,338,558.90	820,820,906.35	54.15%	20.64%	10.03%	4.42%
By products						
Medical consumables - protective products	1,463,192,999.33	592,609,477.85	59.50%	-26.49%	-19.16%	-3.67%
Healthy consumer goods - cotton tissues	408,852,296.85	216,495,822.12	47.05%	10.49%	8.73%	0.86%
By regions						
Domestic	2,905,937,643.85	1,407,515,963.89	51.56%	-3.63%	-4.07%	-0.22%
Abroad	1,109,317,192.89	491,678,856.56	55.68%	-1.93%	19.45%	-7.94%

Note: The incomes in this Table are from main businesses

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	292	116,141	26	5	The closed stores	269 stores for

					are under the brand of Purcotton, resulting mainly the Company's active strategies against the epidemic control and contract expirations.	Purcotton, 9 stores for PureH2B, and 14 stores for Purunderwear
Franchises	10	2,313	5	0	N/A	Purcotton

Total area and performances of direct-sale stores

Levels of areas	Number of stores	Total area (m2)	Revenue in 1H21 ('0,000 YUAN)	Same period last year ('0,000 YUAN)
Less than 300m2	87	17,559.99	14,444.07	12,062.82
300-500m ²	57	21,240.98	11,768.80	9,200.96
500-800m ²	56	35,106.97	13,475.58	9,957.72
More than 800m2	23	21,754.81	5,680.43	4,289.98
Total	223	95,662.75	45,368.88	35,511.48

Note: The above are the stores of Purcotton that have opened for more than 12 months as of June 30, 2021.

Top 5 Stores in terms of Operating Revenues

S/N	Name of stores	Opening date	Revenue (yuan)	Average performance of the store
1	The Store in Shenzhen Uniwalk Center	October 25, 2017	7,299,509.88	18,077.04
2	The Store in Futian COCOPARK	May 15, 2010	5,547,610.13	8,528.22
3	The Store in Suzhou Center Mall	November 11, 2017	5,495,739.33	4,955.58
4	The Store in Beijing Jinyuan Yansha Mall	August 6, 2012	4,968,968.10	8,497.01
5	The Store in Shenzhen UpperHills	January 18, 2018	4,736,947.06	3,553.60
Total	--	--	28,048,774.50	6,872.86

New stores of listed companies

√ Yes □ No

Name of stores	Address of stores	Opening time	Contract area (m2)	Investment amount (yuan)	Product Category	Business type	Business model	Property ownership	Number of
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								status	stores
Direct-sale stores of Purcotton	Northeast China	2021	288.00	1,881,019.90	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	1
Direct-sale stores of Purcotton	North China	2021	1,715.88	8,644,405.33	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	6
Direct-sale stores of Purcotton	East China	2021	1,223.00	6,134,151.79	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	4
Direct-sale stores of Purcotton	South China	2021	2,148.30	11,788,677.11	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	7
Direct-sale stores of Purcotton	Central China	2021	650.92	2,377,684.39	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	1
Direct-sale stores of Purcotton	Southwest China	2021	859.76	4,720,649.18	Healthy consumer goods	Retail	Direct-sale stores	Purcotton leasing	3
Purcotton franchises	North China	2021	280.00	685,918.96	Healthy consumer goods	Retail	Franchises	Franchisee leasing	1
Purcotton franchises	East China	2021	208.00	510,670.55	Healthy consumer goods	Retail	Franchises	Franchisee leasing	1
Purcotton franchises	Southwest China	2021	477.00	884,673.16	Healthy consumer goods	Retail	Franchises	Franchisee leasing	3
Total			7,850.86	37,627,850.37					27

Note: The number of new stores in this table is for Purcotton only, excluding the new stores of Purunderwear and PureH2B

Does the Company disclose the information on Top 5 franchises

Yes No

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

1. Production capacity

The Company's own production capacity

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

√ Yes □ No

Business category	Product Category	Unit	January-June 2021			January-June 2020			Percentage of change in production capacity utilization rate	Change reason description
			Production capacity	Output	Production capacity Utilization rate	Production capacity	Output	Production capacity Utilization rate		
Medical consumables	Gauze	ton	5,275.63	3,210.30	60.85%	4,960.33	2,605.50	52.53%	8.32%	No major changes
	Cotton	ton	1,029.60	856.96	83.23%	947.70	718.40	75.80%	7.43%	No major changes
	Mask	'0,000 pieces	197,350.56	148,799.00	75.40%	89,678.00	88,405.00	98.58%	-23.18%	Production capacity gradually increased in 2H20, and thanks to the further control of pandemic in 1H21, the demands and outputs decreased
	Protective clothing	'0,000 suits	780.00	517.40	66.33%	468.00	386.95	82.68%	-16.35%	Production capacity gradually increased in 2H20, and thanks to the further control of pandemic in 1H21, the demands and outputs decreased

	Surgical gowns	'0,000 suits	1,560.00	1,214.66	77.86%	468.00	453.27	96.85%	-18.99%	Production capacity gradually increased in 2H20, and thanks to the further control of pandemic in 1H21, the demands and outputs decreased
	Medical combo kits	'0,000 kits	2,595.00	2,219.00	85.51%	2,160.00	1,971.00	91.25%	-5.74%	No major changes
Healthy consumer goods	Cotton tissues	'0,000 kits	13,821.95	6,934.47	50.17%	13,821.95	5,889.35	42.61%	4.56%	No major changes
	Sanitary pads	'0,000 pieces	25,039.87	18,925.16	75.58%	25,039.87	12,164.64	48.58%	27.00%	In the first half of last year, the production staff focused on the production of anti-pandemic products, resulting in fewer production staff available for this category and a corresponding decrease in outputs
Pure cotton spunlace non-woven fabric	Pure cotton spunlace non-woven	ton	24,089.86	12,435.18	51.62%	24,089.85	15,468.99	64.21%	-14.60%	Thanks to the effective control of COVID-19

	fabric									pandemic in the first half of 2021, the demand for cotton protective clothing, isolation gowns and surgical gowns declines, and the corresponding demand for semi-finished products for self-use declines
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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 and 100% cotton spunlace non-woven fabrics are involved in textile and apparel industries. The sales channels for healthy consumer goods include e-commerce, direct chains and supermarkets, key accounts and franchisees; while the sales channel of 100% cotton spunlace non-woven fabrics is direct selling.

Unit: yuan

Sales channels	Revenue	Costs	Gross margin ratio	Year-on-year increase/decrease of revenue	Increase or decrease in costs over the same period of the previous year	Year-on-year increase/decrease of gross margin ratio
Online sales	1,102,789,788.54	554,967,079.25	49.68%	109,748,088.69	4,941,000.57	5.06%
Direct selling	537,968,951.60	207,218,926.91	61.48%	156,659,256.47	53,154,686.76	1.89%
Franchising	4,665,282.20	3,618,471.16	22.44%	3,736,462.32	2,885,741.13	1.33%
Supermarket channels	106,170,642.36	36,192,846.86	65.91%	45,712,399.52	15,080,909.44	0.83%
Key Client	38,743,894.20	18,823,582.17	51.42%	(9,578,527.42)	(1,224,460.72)	-7.10%

Subtotal of healthy living consumer product	1,790,338,558.90	820,820,906.35	54.15%	306,277,679.58	74,837,877.18	4.42%
Direct selling	98,352,490.63	63,965,031.74	34.96%	(54,009,938.04)	(34,760,398.95)	-0.24%
Subtotal of pure cotton spunlace non-woven fabrics	98,352,490.63	63,965,031.74	34.96%	(54,009,938.04)	(34,760,398.95)	-0.24%

Reasons for change

As the Company has only two businesses involved in the textile and apparel: healthy consumer goods and pure cotton spunlace non-woven fabric, the above-mentioned revenue and costs by channel are not equal to the total revenue and costs in the consolidated statements. The Company's gross margin ratio for each channel fluctuated by less than 10% in the first half of 2021, without any significant changes.

3. Selling expenses and composition

Unit: yuan

Selling expenses	January-June 2021	January-June 2020	Year-on-year increase/decrease	Description of significant changes
Employee compensation	229,922,405.33	218,246,955.67	5.35%	No major changes
Travel expenses	5,786,992.03	2,213,199.29	161.48%	This is mainly due to the travel restrictions against the pandemic in the same period last year
Office communication costs	3,075,901.11	7,111,983.72	-56.75%	This is mainly due to the decrease in office and network expenses
Sales commission	98,622,807.60	97,068,184.37	1.60%	No major changes
Insurance premiums	2,574,426.91	2,271,675.17	13.33%	No major changes
Depreciation and amortization	113,209,102.14	29,276,701.85	286.69%	This is mainly due to the increase in amortization of the right-of-use asset added for the first application of the new lease standard in 2021
Advertising and marketing expenses	233,984,397.50	115,342,907.94	102.86%	This is mainly due to the increase in advertising and marketing expenses for e-commerce channels of

				Purcotton's consumer products and medical consumables on third-party platforms
Rent	85,737,804.97	139,580,079.91	-38.57%	This is mainly due to the decrease in lease payment as a result of first application of the new lease standard in 2021
Others	52,891,982.98	44,837,216.32	17.96%	No major changes
Total	825,805,820.57	655,948,904.24	25.89%	No major changes overall

Note: The amount of selling expenses in the review report for the same period last year was 788,311,852.24 yuan, of which the amount of freight was 132,362,948.00 yuan (the amount after deducting the freight was 655,948,904.24 yuan). Since the new revenue standard had not yet specified the adjustment of freight to the main cost at the time of the disclosure of the review report in the same period last year, there was no reclassification, which was only completed in Annual Report 2020. During this reporting period, the freight costs for the same period last year were reclassified into main costs.

4. Franchising and distribution

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

Yes No

Top 5 franchisees

S/N	Name of franchisee	Time of cooperation	A related party or not	Total sales (RMB)	Level of franchisee
1	First	May 01, 2020	No	1,706,157.78	The Stores in Lhasa Shenli Times Square / Shanshan Outlets in Xining Wangfujing Daxiangcheng
2	Second	November 09, 2020	No	1,008,109.52	The Store in Hengyang Shanshan Outlets
3	Third	June 12, 2020	No	679,182.25	The store in Yinchuan CCPark
4	Fourth	December 24, 2020	No	566,673.13	The Store in Dujiangyan IMIX Park
5	Fifth	March 31, 2021	No	372,386.66	The Store in Yongsheng Shopping Mall, Jinhua, Zhejiang

Total	--	--	--	4,332,509.34	--
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Top 5 distributors

S/N	Name of franchisee	Time of cooperation	A related party or not	Total sales (RMB)
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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 06, 2014
Number of registered users	15,060,000
Average number of monthly active users	2,100,000

Does it work with a third-party sales platform?

Yes No

Unit: yuan

Name of platform	Transaction amount during the reporting period	Payment to the platform	Return rate
Taobao (healthy consumer goods)	594,184,171.14	102,049,089.66	1.46%
Jingdong (healthy consumer goods)	215,144,181.52	42,294,085.90	0.98%
Amazon (medical consumables)	104,636,793.87	7,157,281.14	1.86%

Opening or closing online sales channels by the Company

Applicable Not applicable

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

Not applicable.

6. Agency operation

Does it adopt agency operation?

Yes No

7. Inventory

Inventory

Main products	Inventory turnover in days	Inventory amount	YoY increase/decrease in inventory balance	Reasons
Medical consumables	84	417,335,870.29	(54,324,962.39)	Decreasing by 11.52% over

				the end of last year without significant changes
Healthy consumer goods	192	802,311,473.15	111,929,167.50	Increasing by 16.21% over the end of last year without significant changes
Pure cotton spunlace non-woven fabric	149	44,818,211.81	(9,625,590.07)	Decreasing by 17.68% over the end of last year without significant changes
Overall	133	1,264,465,555.25	47,978,615.04	Overall increasing by 3.94% over the end of last year without significant changes

Provision accrual for inventory depreciation

Product Category	Provision for inventory depreciation	Proportion of provision for depreciation	Net value of inventories	Original value of inventories	Inventory age			
					Within 1 year	1-2 years	2-3 years	3 years and above
Medical consumables	31,640,302.41	7.0%	417,335,870.29	448,976,172.70	442,044,603.45	4,946,095.99	1,257,351.66	728,121.60
Healthy consumer goods	110,608,892.04	12.1%	802,311,473.15	912,920,365.18	853,857,341.61	45,109,105.91	9,366,905.80	4,587,011.86
Pure cotton spunlace non-woven fabric	2,639,304.64	5.6%	44,818,211.81	47,457,516.46	46,720,391.53	734,084.29	718.63	2,322.01
Total	144,888,499.09	10.3%	1,264,465,555.25	1,409,354,054.34	1,342,622,336.57	950,789,286.19	10,624,976.09	5,317,455.47

Inventory information of end channels such as franchises or distributors

Purcotton, a brand of the Company's healthy consumer goods business, started franchises in 2020. Its business model requires franchisees to be responsible for the construction and daily operation of stores while Purcotton providing goods and supply chain supports. After the sales of goods, Purcotton and franchisees realize their respective benefits through sharing. The ownership of the franchisee's inventory belongs to Purcotton, and as of June 30, 2021, the inventory balance of ten franchisees were 5.28 million yuan.

8. Brand building

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

Yes No

Private brand

Brand name	Trademark name	Main product types	Features	Target customers	Main product price bands	Main market territory	Level of cities
Purcotton	Purcotton	Cotton tissues	Made of 100% high-quality natural cotton without fluorescent whitening agent; mild and non-irritating; meeting the daily needs of consumers	All-age customer base	5-30 yuan /pack (100 pieces)	Nationwide	Second- and third-tier cities and above
Purcotton	Nice Princess	Sanitary pads	100% cotton surface layer (surface layer, spacer, sanitary wing surface layer)	Female population at appropriate ages	1.99-3.99 yuan /piece	Nationwide	Second- and third-tier cities and above
Purcotton	BBNice	BBNice	100% cotton surface layer; unique in the market; made from natural cotton; 2mm ultra-thin core with 28 times ultra-high absorption capacity	Parental population	3.32-4.14 yuan /piece	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	20-40 yuan /pack	Nationwide	Second- and third-tier cities and above
Purcotton	Purcotton	Baby supplies/clothing	100% cotton material without fluorescent nor formaldehyde;	Expecting mothers, newborns, toddlers, children	100-400 yuan /piece	Nationwide	Second- and third-tier cities and above

			the unique gauze fabric to provide more comfortable care				
Purcotton	Purcotton	Clothing / intimate apparel for outing	100% cotton material; high-quality cotton without fluorescent nor formaldehyde; soft to the touch; the unique gauze fabrics to provide more comfortable care	adults at appropriate ages, boys and girls	Outwear: 200-600 yuan /piece; home wear: 200-500 yuan /piece; thermal underwear: 100-500 yuan /piece; socks: 20-80 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, toddlers and adult customer base	Baby/toddler bedding: 300-800 yuan /set; adult bedding: 500-2000 yuan /set; bathroom supplies: 50-200 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	Main market territory	Level of cities	Licensor	License period	Exclusive license or not
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					bands					
Purcotton, Sanrio	Purcotton, Sanrio characters	Cotton tissue, baby clothing, underwear and loungewear	The product is made from 100% cotton material and designed with HELLO KITTY cartoon image	All-age customer base	5-300 yuan /piece	Nationwid e	Second- and third-tier cities and above	KT Licensing (Shanghai) Co., Ltd.	2020.1.1-2 021.12.31	

Marketing and operation of each brand during the reporting period

Please refer to the “Brand marketing” in “II. Discussion and Analysis of Operations” of “Section 3 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

The number of fashion designers in the Company	37	The number of contracted fashion designers	1
The operation of the built designer platform	Construction of PLM and 3D design platform were started in the second half of 2020 and would be put into operation in spring and summer of 2022.		

Did the company hold an order meeting?

Yes No

VI. Analysis of Non-main Business

Applicable Not applicable

VII. Analysis of Assets and Liabilities

1. Significant changes in the composition of assets

Unit: yuan

	End of the reporting period	End of the previous year	Increase/d	Description of significant changes
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	Amount	The proportion in total assets	Amount	The proportion in total assets	increase in proportions	
Cash and cash equivalents	4,700,529,527.85	35.85%	4,162,539,245.78	32.01%	3.84%	No major changes
Accounts receivable	863,667,816.94	6.59%	844,317,708.12	6.49%	0.10%	No major changes
Inventory	1,264,465,555.25	9.64%	1,216,486,940.21	9.36%	0.28%	No major changes
Long-term equity investment	15,079,827.94	0.11%	13,424,230.41	0.10%	0.01%	No major changes
Fixed assets	1,437,854,645.76	10.97%	1,400,749,050.00	10.77%	0.20%	No major changes
Construction in progress	104,425,911.11	0.80%	61,383,340.97	0.47%	0.33%	It is mainly due to the increase in plant and equipment investment by subsidiaries
Right-of-use assets	551,278,768.29	4.20%		0.00%	4.20%	It is mainly due to the first application of the new lease standard
Short-term loans			150,071,416.66	1.15%	-1.15%	It is mainly due to the repayment of matured short-term loans
Contract liabilities	328,875,043.44	2.51%	530,188,257.63	4.08%	-1.57%	It is mainly because the Company's credit policy for medical protective materials has returned to normal levels
Lease liabilities	616,985,285.44	4.71%		0.00%	4.71%	It is mainly due to the first application of the new lease standard
Tradable financial assets	2,707,384,233.24	20.65%	4,131,178,589.44	31.77%	-11.12%	It is mainly due to structural adjustment of cash management products
Amounts receivable financing	9,263,087.17	0.07%	18,182,662.70	0.14%	-0.07%	It is mainly due to the decrease in bank acceptance bills that have not been transferred out
Advances to suppliers	179,107,611.07	1.37%	124,031,239.05	0.95%	0.42%	It is mainly due to the increase in prepaid raw material purchases
Other current assets	317,280,449.51	2.42%	35,184,227.09	0.27%	2.15%	It is mainly due to structural adjustment of cash management products
Other non-current assets	133,729,374.90	1.02%	63,807,415.75	0.49%	0.53%	It is mainly due to the increase in prepaid long-term asset purchases

Notes payable	69,765,505.06	0.53%	29,418,100.00	0.23%	0.30%	It is mainly due to the increase in outstanding bank acceptance bills payable
Taxes payable	109,204,542.62	0.83%	444,381,369.49	3.42%	-2.59%	It is mainly due to the decrease in corporate income tax after the annual settlement and payment
Dividends payable	200,000,000.00	1.53%	0.00	0.00%	1.53%	It is mainly due to the increase in dividends payable to shareholders
Other current liabilities	16,270,217.30	0.12%	23,638,266.47	0.18%	-0.06%	It is mainly due to the decrease in the amount of sales tax to be transferred.

2. Major overseas assets

Applicable Not applicable

3. Assets and liabilities measured at fair value

Applicable Not applicable

Unit: yuan

Item	Opening balance	Gain/loss from changes in fair value for the period	Accumulated fair value changes included in equity	Impairment in accrual of current period	Purchase amount during the reporting period	Sales amount during the reporting period	Other changes	Closing balance
Financial assets								
1. Tradable financial assets (excluding derivative financial assets)	4,131,178,589.44	16,205,643.80	0.00	0.00	2,650,000,000.00	4,090,000,000.00	0.00	2,707,384,233.24
Financial assets subtotal	4,131,178,589.44	16,205,643.80	0.00	0.00	2,650,000,000.00	4,090,000,000.00	0.00	2,707,384,233.24
Total of the above	4,131,178,589.44	16,205,643.80	0.00	0.00	2,650,000,000.00	4,090,000,000.00	0.00	2,707,384,233.24
Financial liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Other changes

Not applicable.

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

Yes No

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

The breakdown of monetary funds with restrictions on use due to mortgages, pledges or freezes, as well as those placed outside China with restrictions on repatriation of funds, is as follows:

Unit: yuan

Item	Ending book value	Causes for restriction
L/C deposit	34,512,382.24	It is mainly the deposit made for domestic Letters of Credit
Performance bond	2,200,068.49	It is mainly the deposit made for transactions with customers
Other restricted monetary fund balances	3,483,315.26	It refers to the balance of special deposit accounts for restricted non-budget units opened by Shenzhen Purcotton in accordance with the regulations of prepaid card issuance formulated by the Ministry of Commerce.
Total	40,195,765.99	

VIII. Analysis of Investment Situation

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
2,855,178,484.95	0.00	100.00%

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

Unit: yuan

Project name	Investme	Investme	Industrie	Investme	Cumulat	Source	Project	Estimat	Cumula	Reasons	Date of	Disc los
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	nt method	nt in fixed assets or not	s involved in investme nt projects	nt amount in the current reporting period	ive actual investme nt amount as of the end of the reporting period	of funds	progres s	ed income	tive realized gains as of the end of the reportin g period	for not meeting the schedul ed progres s and projecte d earnings	disclosu re (if any)	ure index (if any)
High-end dressing production line construction project	Independ ent	Yes	Medical consuma bles	2,804,99 9.18	29,324,1 38.24	Proceeds	13.52%	0.00	0.00	N/A		
Marketing network construction project	Independ ent	Yes	Healthy consume r goods	43,867,3 71.69	166,159, 286.32	Proceeds	23.58%	0.00	0.00	N/A		
R&D Center construction project	Independ ent	Yes	Medical consuma bles + healthy consume r goods	6,006,82 7.09	56,703,1 85.36	Proceeds	24.09%	0.00	0.00	N/A		
Digital management system project	Independ ent	Yes	Medical consuma bles + healthy consume r goods	17,203,1 76.12	75,514,1 51.15	Proceeds	28.09%	0.00	0.00	N/A		
Winner Industrial Park (Jiayu) Project	Independ ent	Yes	Medical consuma bles	37,910,0 00.00	37,910,0 00.00	Proceeds	9.48%	0.00	0.00	N/A		
Phase II Expansion Project of Winner Medical Wuhan	Independ ent	Yes	Medical consuma bles + healthy consume r goods	97,386,1 10.87	102,386, 110.09	Proceeds	17.06%	0.00	0.00	N/A		
Total	--	--	--	205,178,	467,996,	--	--	0.00	0.00	--	--	--

				484.95	871.16							
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4. Financial assets measured at fair value

Applicable Not applicable

Unit: yuan

Asset classes	Initial investment cost	Gain/loss from changes in fair value for the period	Accumulated fair value changes included in equity	Purchase amount in the current reporting period	Sales amount in the current reporting period	Accumulated investment income	Closing balance	Source of funds
Trust products	200,000,000.00		0.00	350,000,000.00	50,000,000.00	5,856,502.39	500,000,000.00	Self-owned funds
Others	3,920,000,000.00	16,205,643.80	0.00	2,300,000,000.00	4,040,000,000.00	42,490,809.79	2,207,384,233.24	Proceeds + self-owned funds
Total	4,120,000,000.00	16,205,643.80	0.00	2,650,000,000.00	4,090,000,000.00	48,347,312.18	2,707,384,233.24	--

5. The use of proceeds

Applicable Not applicable

(1) The overall use of proceeds

Applicable Not applicable

Unit: '0,000 yuan

Total amount of proceeds	355,884.93
Total amount of proceeds invested during the reporting period	20,517.84
Total accumulated amount raised for proceeds	110,699.68
Total amount of proceeds for alteration purposes during the current reporting period	0
Total accumulated amount of proceeds for alteration purposes during the current reporting period	0
Proportion of total amount of proceeds for alteration purposes during the current reporting period	0.00%
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 above-mentioned proceeds were in place in September 2020 and verified by BDO Certified Public Accountants (Special General Partnership) with a “Capital Verification Report” (Xin Kua i Shi Bao Zi [2020] No. ZI10584). As of June 30, 2021, the Company mobilized 1,106,996,800,000 yuan of proceeds (of which 467,996,800,000 yuan of proceeds were actual used for fund-raising projects and 639,000,000 yuan of idle proceeds for permanently replenishing the working capital), 25,531,200,000 yuan of revenues from bank financial products (tax included), and 1,055,900,000 yuan of net amount of interest income from special account deposits deducting bank charges. As of June 30, 2021, the balance of unused proceeds of the Company was 2,487.9396 yuan million, of which: the balance of cash management was 2,385.0000 million yuan and the balance deposited in the proceeds account was 102.9396 million yuan.

(2) Committed proceeds projects

√Applicable □ Not applicable

Unit: '0,000 yuan

Committed investment projects and investment of over-raised proceeds	Whether the project has been changed (including partial change)	Total investment in committed proceeds	Adjusted total investment (1)	Investment amount in the current reporting period	Cumulative investment amount as of the end of the reporting period (2)	Investment progress as of the end of the reporting period (3) = (2)/(1)	The project reaches the intended usable status date	Benefits realized in the current reporting period	Cumulative benefits realized as of the end of the reporting period	Whether projected benefits are met	Whether there is a significant change in project feasibility
Committed investment projects											
High-end dressing production line construction project	No	21,685.86	21,685.86	280.5	2,932.42	13.52%	October 01, 2022	0	0	N/A	No
Marketing network construction project	No	70,456.87	70,456.87	4,386.73	16,615.92	23.58%	October 01, 2023	0	0	N/A	No
R&D Center construction project	No	23,542.15	23,542.15	600.69	5,670.33	24.09%	October 01, 2022	0	0	N/A	No
Digital management system project	No	26,881.05	26,881.05	1,720.31	7,551.4	28.09%	October 01, 2022	0	0	N/A	No
Subtotal of committed investment projects	--	142,565.93	142,565.93	6,988.23	32,770.07	--	--	0	0	--	--
Investment of over-raised proceeds											
Winner Industrial Park (Jiayu) Project		40,000	40,000	3,791	3,791	9.48%	June 01, 2023	0	0	N/A	No

Phase II Expansion Project of Winner Medical Wuhan		60,000	60,000	9,738.61	10,238.61	17.06%	December 01, 2022	0	0	N/A	No
Bolster working capital (if any)	--	63,900	63,900	0	63,900	100.00%	--	--	--	--	--
Subtotal of use of over-raised proceeds	--	163,900	163,900	13,529.61	77,929.61	--	--	0	0	--	--
Total	--	306,465.93	306,465.93	20,517.84	110,699.68	--	--	0	0	--	--
Information on and reasons for not meeting the scheduled progress or projected earnings (by specific project)	N/A										
Description of significant changes in project feasibility	N/A										
Amount, purpose and progress of use of over-raised proceeds	Applicable										
	<p>On October 12, 2020, the 13th meeting of the Second Board of Directors and the seventh meeting of the Second Board of Supervisors of the Company reviewed and approved the “Proposal Regarding the Use of Some Over-raised Proceeds To Permanently Supplement the Working Capital”, and agreed that the Company could allocate 639.00 million yuan of the over-raised proceeds to permanently supplement the working capital. As of November 2, 2020, 639.00 million yuan of over-raised proceeds have been used to bolster working capital.</p> <p>On November 27, 2020, the 15th meeting of the Second Board of Directors and the 9th meeting of the Second Board of Supervisors of the Company reviewed and approved the “Proposal Regarding the Use of Over-raised Proceeds for the Investment in Winner Industrial Park (Jiayu) Project”. The main body of the Proposal is as follows: The Company plans to allocate 400.0000 million yuan of the over-raised proceeds to the investment in the Winner Industrial Park (Jiayu) Project. The total investment in Winner Industrial Park (Jiayu) Project is estimated at 900.0000 million yuan, and the implementing entity is Winner Medical (Jiayu) Co., Ltd. The project is located in Hubei Jiayu Economic Development Zone, adjacent to the Park’s 2nd Road in the north, 3rd Road in the south, Jiayu Avenue in the east, and Shijingpu Road in the west. The total land area is about 451 mu. The project relies on independent research and development of patented technology achievements, and based on the existing advantages of the Company in the industry, considers natural cotton as the main raw material to innovate and improve degreasing and spunlace technology. It adopts comprehensive use of high-pressure “water needle” and other high-efficiency production technologies, and plans to build production projects in relation to spunlace, wash care, wet tissues, medical cotton/gauze/non-woven fabrics, hand sanitizer and other products. As of June 30, 2021, the total amount invested in the above project is 37.9100 million yuan.</p> <p>On November 27, 2020, the 15th meeting of the Second Board of Directors and the 9th meeting of the Second Board of Supervisors of the Company reviewed and approved the “Proposal Regarding the Use of</p>										

	<p>Over-raised Proceeds for the Phase II Expansion Project of Winner Medical Wuhan”. The main body of the Proposal is as follows: The Company plans to allocate 600.0000 million yuan of the over-raised proceeds to the investment in the Phase II Expansion Project of Winner Medical Wuhan. The total investment in Phase II Expansion Project of Winner Medical Wuhan totals 1,500.0000 million yuan, and the implementing entity is Winner Medical (Wuhan) Co., Ltd. The project includes non-woven coil center, sterilization processing center, domestic medical sales and marketing center, intelligent distribution center of Hubei regional headquarters, regional headquarters in Central China and the second R&D center of the Group, which are fully invested and independently operated by the Company. Thanks to the project construction, the Company’s production capacity and market share will be increased, enabling it to become a global leader in overall technical level and product quality scale. As of June 30, 2021, the total amount invested in the above project is 102.3861 million yuan.</p>
Change of location for the implementation of the proceeds investment project	Applicable
	Occurred in the previous year
	<p>On November 27, 2020, the 15th meeting of the Second Board of Directors and the 9th meeting of the Second Board of Supervisors of the Company reviewed and approved the “Proposal Regarding Capital Increase in Wholly owned Subsidiaries with Some of the Proceeds, Changes to Implementing Entity of the Fundraising Projects, and Addition of Implementation Sites of Some Fundraising Projects”. The main body of the Proposal is as follows: To further improve the production, management efficiency and comprehensive utilization rate of resources, seize market development opportunities, and better promote the implementation of fundraising projects, the Company plans to use some of the proceeds to increase the capital of the wholly-owned subsidiaries and change the implementing entity of the fundraising projects, and add new implementation sites for the fundraising projects. Among them, the original implementing entity of the “R&D Center Construction Project” was Winner Medical (Wuhan) Co., Ltd. According to the Company’s development strategy and actual business needs, it plans to include Winner Medical Products Co., Ltd. as the implementing entity of “R&D Center Construction Project”, a fundraising project. A new implementation site in Winner Industrial Park, No. 660 Bulong Road, Longhua New District, Shenzhen is also included accordingly.</p>
Adjustment of the implementation mode of the proceeds investment project	N/A
Pre-investment and replacement of the proceeds investment project	Applicable
	<p>On October 12, 2020, the 13th meeting of the Second Board of Directors and the seventh meeting of the Second Board of Supervisors of the Company reviewed and approved the “Proposal Regarding the Use of Proceeds to Replace Self-raised Funds Pre-invested in the Fundraising Project”, respectively, and agreed that the Company could replace the self-raised funds pre-invested in the fundraising project with 233.7173 million yuan of proceeds. It has been verified by the “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 233.7173 million yuan, of which: 26.5062 million</p>

	<p>yuan was invested in high-end dressing production line construction project, 110.0794 million yuan was invested in marketing network construction project, 50.2174 million yuan was invested in R&D center construction project, 46.9143 million yuan was invested in digital management system project. In October and November 2020, the Company transferred 73.4204 million yuan and 160.2968 million yuan respectively from the special account for proceeds to replacing the self-raised funds that had been invested in advance in the proceeds project.</p> <p>On February 26, 2021, the 18th meeting of the Second Board of Directors and the 12th meeting of the Second Board of Supervisors were held by the Company to deliberate and approve the “Proposal Regarding the Opening of Bank Accounts and Replacement of Pre-invested Self-raised Funds for the New Project of Over-raised Proceeds”. The meetings agreed that the Company could use over-raised funds of 100.1742 million yuan to replace the self-raised funds invested in new fund-raising projects in advance. It has been verified by the “Special Auditor’s Report on Proceeds Replacement of Winner Medical Products Co., Ltd.” ([2021] No. ZI10031) issued by BDO Certified Public Accountants (Special General Partnership) on February 23, 2021. Among them: the pre-investment of self-raised funds of Phase II Expansion Project of Winner Medical Wuhan was 85,894,200 yuan and that of self-raised funds of Winner Industrial Park (Jiayu) Project was 14,280,000 yuan, totaling 100.1742 million yuan.</p>
Temporary replenishment of working capital with idle proceeds	N/A
Amount of and reasons for the balance of proceeds resulting from project implementation	N/A
Usage and purposes of proceeds not used during the current reporting period	As of June 30, 2021, the balance of unused proceeds of the Company was 2,487.9396 million yuan, of which: the balance of cash management was 2,385.0000 million yuan and the balance deposited in the proceeds account was 102.9396 million yuan.
Problems or other circumstances in the use and disclosure of proceeds	NA

(3) Changes in proceeds projects

Applicable Not applicable

The Company did not have any change in the proceeds project during the reporting period.

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

Overview of entrusted financial management during the reporting period

Unit: '0,000 yuan

Specific type	Source of funds for entrusted financial management	Amount incurred in entrusted financial management	Outstanding balance	Overdue amount not recovered	The amount of impairment for overdue financial management
Bank financial products	Proceeds	204,606.56	204,606.56	0	0
Bank financial products	Self-owned funds	25,500.00	16,131.86	0	0
Trust financial products	Self-owned funds	50,000.00	50,000.00	0	0
Total		280,106.56	270,738.42	0	0

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

 Applicable Not applicable

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

 Applicable Not applicable**(2) Derivatives investment** Applicable Not applicable

No derivative investment in the Company during the reporting period

(3) Information of entrusted loans Applicable Not applicable

The Company had no entrusted loan during the reporting period.

IX. 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

X. Analysis of Major Holding Companies and Joint Stock Companies

Applicable Not applicable

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

Unit: yuan

Company name	Company type	Principal operation	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit
Winner Medical (Huanggang) Co., Ltd.	Subsidiaries	It is mainly responsible for the production of pure cotton spunlace non-woven fabrics and cotton tissues	259,459,200.00	1,260,590,795.96	1,123,306,948.24	708,821,921.35	127,247,689.65	104,794,838.11

Acquisition and disposal of subsidiaries during the reporting period

Applicable Not applicable

Description of major holding companies and joint stock companies

The operating revenues of the above subsidiaries include sales to the parent company and other subsidiaries in the Group.

XI. Structured Subjects Controlled by the Company

Applicable Not applicable

XII. Risks to the company and countermeasures**1. Risk of earnings volatility due to the COVID-19 outbreak and countermeasures**

With the sudden outbreak of the epidemic in early 2020, the global demand for protective products grew geometrically. The Company overcame all difficulties to increase production capacity and secure supply, resulting in significant growth in the performance in 2020, especially in the third quarter when sales and profits of overseas CDC protective products surged in a short period of time and reached a peak. However, with the effective prevention and control of the global epidemic, the significant growth in production capacity of CDC protective products, and the perfection of global supply chain of protective products, prices have returned to normal. The Company expects to see a decrease in the volume and price of protective products exported abroad in the third quarter of 2021 compared to that in the same period of 2020.

Although the sales and profits of protective products cannot maintain substantial growth in 2020, after the baptism of the epidemic, the country, hospitals and the public have raised the requirements for a hygienic environment, the Company's brand awareness, reputation and influence has been greatly enhanced, and the sales channels have been further expanded. Based on the widespread impact of the COVID-19 pandemic, public awareness of epidemic control and prevention has been significantly enhanced, and CDC

protective products become essential for public travel. Governments and hospitals around the world will increase the stockpile and quality of protective products, so the demand for medical protective products will increase substantially than that before the pandemic. The Company will seize the market opportunity to rapidly increase its market shares and coverage of medical consumables, further enhance the reputation and awareness of the Winner Medical brand, and establish a far-leading market position in the industry.

2. Risk of raw material price fluctuations and countermeasures

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

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

3. Exchange rate risks and countermeasures

Medical consumables are the main exports of the Company, which are settled in major international currencies such as US dollars. In recent years, the Company's foreign sales amount accounted for a high proportion of the main business income, and with the accelerated pace of RMB internationalization and further marketization of the RMB exchange rate formation mechanism, the exchange rate flexibility of RMB against the above currencies has increased. Fluctuations in the RMB 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. If there is a significant appreciation of RMB in the future, it will affect the price competitiveness of the Company in overseas markets, and cause exchange losses, which will adversely affect the Company's operating revenues 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 normally according to the agreed price adjustment mechanism; and at the same time, the Company adjusts the quotation cycle for new orders received, shortens the quotation cycle, and adjusts the quotation exchange rate in a timely manner; (2) the Company carries out forward settlement and sale of foreign exchange for the purpose of hedging, and locks the forward settlement exchange rate in advance to reduce the risk and hedge the exchange rate risk in international business; and (3) The Company will strengthen its research and analysis of exchange rates, pay attention to changes in the international market environment in real time, and adjust its business strategies in a timely manner to minimize the risk of exchange rate fluctuations.

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

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

5. Risk of changes in industry policies and standards and countermeasures

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

6. 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 314 million yuan returned by the People's Government of Zijin County. There is a risk that the remaining amount may not be received on time in accordance with the "Award". The Company is currently closely following up on the subsequent payment plan of the People's Government of Zijin County, Heyuan City.

7. Risks of proceeds projects and countermeasures

The Company plans to allocate the proceeds from this issuance to the construction projects of high-end dressing production lines, marketing network, R&D Center and digital management system, Winner Industrial Park (Jiayu) Project, and Phase II Expansion Project of Winner Medical Wuhan. The development progress and operation of such projects will contribute to the Company's development and profitability in the next few years.

Based on the forecast of the future market, 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, if there are changes in external factors such as the industry market, it cannot rule out that some projects may not be implemented as scheduled or the actual investment returns may be lower than expected. In accordance with 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 the risk of project investment.

XIII. 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 22,	Headquarters	Telephone	Institutions	267 investors	Operation status and	For details, please

2021	conference rooms	communication		including Invesco Great Wall, Great Wall Fund, China Southern Fund	development plan of each business segment	refer to Shenzhen Stock Exchange Interactive (http://irm.cninfo.com)
February 19, 2021	Headquarters conference rooms	Telephone communication	Institutions	151 investors including China Life Asset Management, Harvest Fund, and BOCOM Schroders Fund	Operation status of each business segment	For details, please refer to Shenzhen Stock Exchange Interactive (http://irm.cninfo.com)
March 18, 2021	Winner Medical (Huanggang) Co., Ltd., Winner Medical (Chongyang) Co., Ltd., Winner Medical (Jiayu) Co., Ltd.	Field surveys	Institutions	E Fund, Da Cheng Fund, Manulife Teda and many other institutions	Information related to each production base	For details, please refer to Shenzhen Stock Exchange Interactive (http://irm.cninfo.com)
April 20, 2021	Panorama studio	Others	Institutions	TF Securities, CITIC Securities, Bosera Funds and other investors	Operation status of each business segment	For details, please refer to Shenzhen Stock Exchange Interactive (http://irm.cninfo.com)
April 28, 2021	Headquarters conference rooms	Telephone communication	Institutions	China Post Fund, Fullgoal Fund, Qian He Capital and other investors	Operation status of each business segment	For details, please refer to Shenzhen Stock Exchange Interactive (http://irm.cninfo.com)
May 10, 2021	Headquarters conference rooms	Field surveys	Institutions	GF Securities, Bosera Funds, Guosen Securities and other investors	Operation status of each business segment	For details, please refer to Shenzhen Stock Exchange Interactive (http://irm.cninfo.com)
May 14, 2021	Panorama	Others	Institutions	Investors	Operation status of each business segment	For details, please refer to Shenzhen

						Stock Exchange Interactive (http://irm.cninfo.com)
May 24, 2021	Headquarters conference rooms	Field surveys	Institutions	Da Cheng Fund, Baoying Fund	Operation status of each business segment	For details, please refer to Shenzhen Stock Exchange Interactive (http://irm.cninfo.com)

Section 4 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
2020 Annual General Meeting of Shareholders	Annual general meeting of shareholders	89.42%	May 10, 2021	May 11, 2021	Announcement of Resolutions of the 2020 Annual General Meeting of Shareholders (Announcement No.:2021-025), disclosure website: http://www.cninfo.com.cn/new/index

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. See the 2020 Annual Report for details.

III. Profit distribution and capitalization of capital reserve during the reporting period

Applicable Not applicable

The Company does not plan to distribute cash dividends, transfer shares or increase the share capital of the common reserve fund within half a year.

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

Applicable Not applicable

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, and on December 15, 2020, it held the 6th extraordinary general meeting of shareholders in 2020. The Company deliberated and agreed Proposal on the Company's Restricted Stock Incentive Plan in 2020 (Draft) and Its Abstract at the meetings, and proposed to grant 6.5 million of Class II restricted stocks. For details, please refer to Company's Restricted Stock Incentive Plan in 2020 (Draft) disclosed by the Company on the website (<http://www.cninfo.com.cn>) on 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. It deliberated and agreed Proposal on the Proposal on the First Grant of Restricted Stocks to the Incentive Objects, and determined that 5.833 million of of Class II restricted stocks should be granted to 1,036 eligible incentive objects. For details, please refer to relevant announcement disclosed by the Company on the website (<http://www.cninfo.com.cn>) on December 22, 2020.

Section 5 Environmental Protection and Social Responsibility

I. Major environmental issues

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

√ Yes □ No

Company or subsidiary name	Names of main pollutants and characteristic pollutants	Emission mode	Number of discharge outlets	Distribution of discharge outlets	Emission concentration	Pollutant emission standards implemented	Total emissions	Total emissions approved	Emissions beyond standards
Winner Medical (Chongyang) Co., Ltd.	PM, SO ₂ , NOX	/	1	Boiler discharge outlet	7mg/m ³ , <3mg/m ³ , 160mg/m ³	20mg/m ³ , 50mg/m ³ , 200mg/m ³	NOX: 1.57T, SO ₂ : 0.037T	NOX: 13.28T/a, SO ₂ : 3.32 T/a	Not exceeding the standard
Winner Medical (Chongyang) Co., Ltd.	PH, COD, BOD, NH ₃ -N, SS	Direct discharge	1	Sewage discharge outlet	7.95, 41mg/L, 15.3mg/L, 0.476mg/L, 5mg/L	6-9, 80mg/L, 20mg/L, 10mg/L, 50mg/L	COD: 7.86T, NH ₃ -N: 0.227T	COD: 57.6T/a, NH ₃ -N: 7.27 T/a	Not exceeding the standard
Winner Medical (Jiayu) Co., Ltd.	PM, SO ₂ , NOX	/	1	Boiler discharge outlet	5.5mg/m ³ , <3mg/m ³ , 90mg/m ³	20mg/m ³ , 50mg/m ³ , 200mg/m ³	NOX: 1.26T, SO ₂ : 0.034T	NOX: unlicensed, SO ₂ : unlicensed	Not exceeding the standard
Winner Medical (Jiayu) Co., Ltd.	PH, COD, BOD, NH ₃ -N, SS	Direct discharge	1	Sewage discharge outlet	7.8, 24.7mg/L, 7.4mg/L, 0.319mg/L, 9mg/L	6-9, 100mg/L, 20mg/L, 15mg/L, 70mg/L	COD: 5.87T, NH ₃ -N: 0.01T	COD: 34.29T/a, NH ₃ -N: 1.19T/a	Not exceeding the standard
Winner Medical (Huanggang) Co., Ltd.	PM, SO ₂ , NOX	/	2	1#2# boiler discharge outlet	19/13mg/m ³ , <3/<3mg/m ³ , 125/68mg/m ³	20mg/m ³ , 50 mg/m ³ , 200mg/m ³	NOX: 3.41T, SO ₂ : 0.414T	NOX: 23.52T/a, SO ₂ : unlicensed	Not exceeding the standard
Winner Medical (Huanggang)	PH, COD, BOD,	Indirect discharge	1	Sewage discharge	8.2, 47mg/L, 13.3mg/L,	6-9, 500mg/L, 300mg/L,	COD: 27.59T, NH ₃ -N:	COD: 90T/a, NH ₃ -N:	Not exceeding

) Co., Ltd.	NH3-N, SS			outlet	0.354mg/L, 9mg/L	45mg/L, 400mg/L	0.376T	13.5 T/a	the standard
Winner Medical (Tianmen) Co., Ltd.	PM, SO2, NOX	/	1	Boiler discharge outlet	6.0mg/m ³ <3mg/m ³ 122mg/m ³	20mg/m ³ 50mg/m ³ 200mg/m ³	NOX: 1.71T, SO2: 0.05T	NOX: 16.235T/a, SO2: 4.059T/a	Not exceeding the standard
Winner Medical (Tianmen) Co., Ltd.	PH, COD, BOD, NH3-N, SS	Indirect discharge	1	Sewage discharge outlet	7.54, 72mg/L, 19.4mg/L, 0.440mg/L, 8mg/L	6-9, 400mg/L, 150mg/L, 30mg/L, 250mg/L	COD: 10.9T/NH3-N: 1.08T	COD: 132.52T/a, NH3-N: 16.57 T/a	Not exceeding the standard
Winner Medical (Wuhan) Co., Ltd.	PM, SO2, NOX	/	/	/	/	/	/	No boiler, no license	/
Winner Medical (Wuhan) Co., Ltd.	PH, COD, BOD, NH3-N,	Indirect discharge	1	Sewage discharge outlet	7.79, 35mg/L, 11.7mg/L, 1.48mg/L, 2	6-9, 500mg/L, 300mg/L, 45mg/L, 64	COD: 8.1T, NH3-N: 0.8T	COD: 61T/a, NH3-N: 6.1T/a	Not exceeding the standard
Winner Medical (Jingmen) Co., Ltd.	PM, SO2, NOX	/	1	Boiler discharge outlet	4.9mg/m ³ <3 mg/m ³ 80mg/m ³	20mg/m ³ 50mg/m ³ 150mg/m	NOX: 1.426T, SO2: 0.055T	NOX: 10.83T/a, SO2: 3.11T/a	Not exceeding the standard
Winner Medical (Jingmen) Co., Ltd.	PH, COD, BOD, NH3-N, SS	Indirect discharge	1	Sewage discharge outlet	8.43, 26mg/L, 12.4mg/L, 0.79mg/L, 11 mg/L	6-9, 280mg/L, 150mg/L, 25mg/L, 210mg/L	COD: 7.36T, NH3-N: 0.736T	COD: 19.48T/a, NH3-N: 1.95T/a	Not exceeding the standard
Yichang Winner Medical Textile Co., Ltd.	PM, SO2, NOX	/	1	Boiler discharge outlet	Plan to monitor in H2	20mg/m ³ 50mg/m ³ 150mg/m ³	Unlicensed	Unlicensed	Not exceeding the standard
Yichang Winner Medical Textile Co., Ltd.	PH, COD, BOD, NH3-N, SS	Indirect discharge	1	Sewage discharge outlet	Plan to monitor in H2	6-9, 500mg/L, 300mg/L, 45mg/L, 400mg/L	Without production waterwater	Unlicensed	Not exceeding the standard

Construction and operation of pollution prevention and control facilities

In order to ensure the normal operation of environmental protection facilities, the Company selects advanced, mature and technically feasible environmental protection facilities and treatment processes, formulates environmental protection responsibility system, emergency management system, safe operation rules of environmental protection facilities, etc., assigns special personnel to be

responsible for the operation and maintenance of environmental protection facilities, formulates maintenance plan, makes operation records and daily monitoring of environmental protection facilities. The environmental protection facilities operate normally, and all the pollutant discharge indexes meet the requirements of pollutant discharge permit.

All subsidiaries build hazardous waste rooms, manage the whole process of hazardous waste, sign entrusted disposal agreements with third-party companies, and regularly transfer them to third parties for treatment.

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

The branches and subsidiaries of Winner Medical Co., Ltd. have implemented the environmental impact assessment system and the "three simultaneities" system as required, and have done a good job in the environmental protection acceptance after completion.

Winner Medical (Chongyang) Co., Ltd.: "Medical absorbent gauze series product line" obtained the EIA approval from Environmental Protection Bureau of Chongyang County on September 21, 2005, and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Chongyang County on August 22, 2008; "the project of sterile packaging and sterile production line" obtained the EIA approval (C.H.S.H [2013] No.07) from Environmental Protection Bureau of Chongyang County on March 29, 2013, and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Chongyang County on June 26, 2014; "Qingshan plant construction project" went through the environmental impact assessment in July 2014 and obtained EIA approval from Environmental Protection Bureau of Chongyang County on November 18, 2015; the new 6390M2 workshop project" of Xianning Winner Medical (Chongyang) Co., Ltd. completed the declaration of registration form on May 17, 2017.

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

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

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

Winner Medical (Jingmen) Co., Ltd.: "30 million meters per year medical gauze bleaching and refining production line expansion project" obtained the EIA approval from Environmental Protection Bureau of Jingmen City on October 18, 1999, and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Jingmen City on December 14, 2001; "renovation and expansion project of gauze pad, gauze sheet and shrinkage bandage" obtained the EIA approval from Environmental Protection Bureau of Jingmen City on September 23, 2003 and passed the environmental protection acceptance after completion of Environmental Protection Bureau of Dongbao District, Jingmen City on August 3, 2005; "degreasing and bleaching medical gauze project with annual production of 1,500 tons" obtained the EIA approval from Environmental Protection Bureau of Dongbao District,

Jingmen City on April 5, 2006, and accepted together with the construction project of Purcotton on September 27, 2017; “Winner Purcotton construction project” obtained the EIA approval (D.H.H [2016] No.138) from Environmental Protection Bureau of Jingmen City on October 19, 2016, and passed the environmental protection acceptance of Environmental Protection Bureau of Jingmen City on September 27, 2017; the expansion project of absorbent gauze production line (Purcotton phase II expansion project) obtained the EIA approval (J.H.S. [2020] No.112) from Jingmen Municipal Bureau of Ecology and Environment on December 24, 2020.

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

Winner Medical (Wuhan) Co., Ltd.: “Hubei Winner Medical Co., Ltd. cotton spunlace non-wovens and products production project” obtained the EIA approval (X.S.P.Zi [2017] No.68) from Administrative Approval Bureau of Xinzhou District, Wuhan City on July 12, 2017 (see Annex 3 for the approval), and completed the independent acceptance of Phase I on January 18, 2020; “R&D center construction project” obtained the EIA approval (X.S.P.Zi [2018] No.193) from Administrative Approval Bureau of Xinzhou District, Wuhan City on December 24, 2018 (see Annex 4 for the approval), but the project has not started construction yet; “new electron accelerator irradiation device project” obtained the EIA approval (W.H.G. [2018] No.5) from Wuhan Environmental Protection Bureau on January 15, 2018, and the independent acceptance of phase I was completed on May 15, 2020. The environmental impact report form of the protective product upgrading project was approved by Administrative Approval Bureau of Xinzhou District on May 7, 2021, with the approval number of Xin Shen Pi Zi [2021] No. 95.

Emergency plan for environmental emergencies

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

Environmental self-monitoring scheme

The Company implements the environmental self-monitoring scheme according to the requirements of the pollutant discharge permit, and detects the pollutants through the methods of manual testing + entrusted monitoring + online monitoring. The online monitoring system of enterprises with production wastewater discharge carries out real-time monitoring and networking with the competent government departments. The entrusting party of the online monitoring equipment carries out the operation and maintenance of the online monitoring equipment, and the manual testing and entrusted monitoring results are released in time on the provincial pollutant platform.

Note: the self-monitoring scheme is stipulated in the pollutant discharge permit, and the pollutant discharge permit and self-monitoring scheme are made public on the national pollutant discharge permit management platform. Monitoring data shall be entered into the pollution source monitoring information management platform of Hubei Province.

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

None

Other information related to environmental protection

None

The Company needs to comply with the disclosure requirements of the No. 17 Guide line of Shenzhen Stock Exchange for Industry Information Disclosure of Listed Companies Engaging in Textile and Apparel Business.

Environmental compliance of the Company during the reporting period

II. Social responsibility

Winner Medical has been founded for almost thirty years, and kept on upholding the determinations of “To enhance your health, life and well-being” and “Purcotton Changes the World” to continue to promote the progress of and efforts to medical consumables, so as to provide consumers with better quality products and explore more beneficial practices for the benefit of mankind.

(1) Pick up courage to move forward and fight against the pandemic.

Time is of the essence, and Winner Medical is always at the warfront against the pandemic. After the outbreak of COVID-19 pandemic, the Mask Shop of Winner Medical (Huanggang), as well as Protective Product Shops of Winner Medical (Jiayu) and Winner Medical (Chongyang), as the manufacturer who supplying the protective materials that were badly needed at frontlines, kept working overtime during the Spring Festival, so as to fully guarantee the production and supply of protective materials. The Company overcame the huge impact on production caused by the shortage of raw materials and supplies as well as rising prices, and successfully achieved a several-fold expansion of production capacity. The Company provided 108.9 million masks and 114,000 pieces of protective clothing on January 26, 2020; nearly 300 million masks and 3 million pieces of protective clothing on March 31, 2020; and 700 million masks, 5 million pieces of protective clothing, and 5 million surgical and isolation gowns on May 31, 2020. Most of these were delivered to the most urgently needed hospitals and pandemic prevention institutions in China. At the end of December 2020, a total of nearly 4 billion masks and more than 86 million pieces of protective clothing, isolation and surgical gowns were delivered to the most affected areas around the world.

(2) Be honest and fulfill the dream of pure cotton

Since the creation of the first piece of cotton tissue in Purcotton in 2009, the Company has sold more than 13 million pure cotton garments and bedding, more than 21.5 billion cotton tissues and more than 6.8 million non-woven environmental protection shopping bags, which help reduce the use and emission of tens of thousands of tons of chemical fibers, and protect tens of thousands of trees from being cut down. The innovation is conducive to environmentally-friendly development.

(3) Support the frontline, and assume social responsibility

In January 2021, Hebei Province was hit by the COVID-19 pandemic for a second time. The Company donated materials worth of 600,000 yuan (incl. N95 masks and disposable protective clothing) to Pandemic Prevention and Control Office of Luancheng District, Shijiazhuang City, aiming to help Hebei Province to fight against the pandemic.

In late July 2021, Henan Province was hit by torrential rains that touched the nation's attention. The Company and its subsidiary, Purcotton, donated about 18 million yuan worth of pure cotton tissues, wet tissues, baby diapers, sanitary pads and other disaster relief materials to Henan Women's Federation and Henan Women's and Children's Development Foundation through Shenzhen Women's Federation and Shenzhen Women's and Children's Development Foundation. Winner Medical donated about 3.3 million yuan worth of medical and health materials to Zhengzhou Welfare Institute, Zhengzhou Women's and Children's Hospital, the First Affiliated Hospital of Zhengzhou University and other institutions and hospitals to make a modest contribution to the disaster relief work.

(4) Care for women and children, guard people's health

In March 2021, Purcotton, the subsidiary of the Company, participated in the Care Action themed on "Assisting Women to Brightly Bloom" organized by Shenzhen Women's and Children's Development Foundation in celebration of the Women's Day, to present gifts for female workers at the frontlines of pandemic control and women in need in the community, including masks, sanitary pads, cotton tissues and other feminine care products, as well as socks, gauze square towels, alcohol tablets and other daily needs.

In May 2021, on the occasion of Nurses' Day, the Company donated masks worth a total of 945,000 yuan to dozens of hospitals in China to help healthcare workers prevent occupational exposure and protect themselves from infection control. In the same month, on the National Disability Day, the Company as a member of "Dingdong FSC Pharmaceutical Alliance" donated a total of 370,000 yuan worth of medicines and medical kits to help people with disabilities.

In June 2021, the Company donated 25,000 pieces of "Wow! Shadow" theme co-branded masks to SUSTECH Experimental Education Group No. 1 Primary School in Shenzhen to help elementary school students realize their entrepreneurial dreams and spread traditional Chinese culture. In the same month, as a co-sponsor of the # Weaving Youth Action # public welfare project, Purcotton, the subsidiary of the Company, donated a total of 8.9 million yuan worth of cotton materials such as classic pure cotton tissue, cotton wet tissues and cotton knitting sets, in the hope of bringing peace of mind and happiness to children in the depths of the mountains and protecting the healthy growth of young people.

In the past 30 years, Winner Medical which has three top brands including Winner, Purcotton and PureH2B has strived to achieve synergistic development of the medical and consumer sectors, and will not waver to continue to implement innovation-driven and high-quality development strategy. It will make efforts to build resource-saving and environmentally friendly development model, continue to improve the Company's social responsibility system, and truly put into practice the development vision of "making life better" and "Purcotton Changes the World".

Section 6 Important Issues

1. Commitments of the Company's actual controller, shareholders, related parties, acquirers and other parties related to the Company's commitments that have been fulfilled during the reporting period and those that have been overdue as of the end of the reporting period

Applicable Not applicable

During the reporting period, there were no commitments of the Company's actual controller, shareholders, related parties, acquirers and other parties related to the Company's commitments that have been fulfilled during the reporting period and those that have been overdue as of the end of the reporting period

II. Non-operating occupation of funds of listed companies by controlling shareholders and other 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.

4. Appointment of and dismissal of accounting firms

Whether the semi-annual financial report is audited

Yes No

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

V. Explanations of the Board of Directors and the Board of Supervisors on the “Non-standard Auditor's Report” of the Accounting Firm During the Reporting Period

Applicable Not applicable

VI. Explanation of the Board of Directors on the “Non-standard Auditor's Report” of the Previous Year

Applicable Not applicable

VII. Matters Related to Bankruptcy and Reorganization

Applicable Not applicable

No bankruptcy reorganization of the Company during the reporting period.

VIII. Litigation matters

Major litigation and arbitration matters

√Applicable □ Not applicable

Basic information of litigation (arbitration)	Amount involved (RMB 10,000)	Whether to form estimated liabilities	Progress of litigation (arbitration)	Trial result and influence of litigation (arbitration)	Implementation of litigation (arbitration) judgment	Date of disclosure	Disclosure index
Winner Medical (Tianmen), Shenzhen Purcotton, Winner Medical (Huanggang) v. China National Intellectual Property Administration, administrative dispute case of patent invalidation	0	No	On June 2, 2020, the Reexamination and Invalidation Department of the Patent Office of China National Intellectual Property Administration issued the Decision on Examination of Invalidation Request, which decided to declare the patent right of “production method of cotton non-woven medical dressings” (Patent No. ZL200510033147.1,	If the lawsuit does not support the plaintiff's claim, the patent is finally found to be invalid. The reason for the patent invalidation decision is not that the Company and / or the patent infringes the rights of others. Therefore, the Company can still use the technology and will not have a significant adverse impact on the normal production and operation of the company	N/A		

			<p>valid until February 6, 2025) invalid. On August 26, 2020, Winner Medical (Tianmen), Shenzhen Purcotton, Winner Medical (Huanggang) filed a lawsuit to Beijing Intellectual Property Court in accordance with the provisions of the Patent Law for revocation of the patent invalidation decision. On August 28, 2020, Beijing Intellectual Property Court issued the Notice of Acceptance of Administrative Case. On May 17, 2021, the case was</p>			
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			heard by the Beijing Intellectual Property Court, and as of the disclosure date of the report, the Beijing Intellectual Property Court has not yet made sentences.				
Winner Medical v. the People's Government of Zijin County, arbitration case of contract dispute [Case No.: (2019) G.G.Z Zi No. 095]	55,565.53	No	The Company has received the award of (2019) G.G.Z Zi No. 095 Case.	The ruling confirmed that the original Investment Agreement was terminated, and the People's Government of Zijin County had to bear the lawyer's fees, legal costs and other expenses totaling 2.6553 million yuan, return 3 million yuan of land transfer deposit to the Company, and compensate for economic losses of 550 million yuan. The land, above-ground buildings, equipment and facilities and relevant	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 314 million yuan returned by the People's Government of Zijin County. The Company has handed over the project site, above-ground buildings, equipment and facilities and supporting materials to the People's Government of Zijin County.		

				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.			
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Other litigation matters

√Applicable Not applicable

Basic information of litigation (arbitration)	Amount involved (RMB 10,000)	Whether to form estimated liabilities	Progress of litigation (arbitration)	Trial result and influence of litigation (arbitration)	Implementation of litigation (arbitration) judgment	Date of disclosure	Disclosure index
Total of other small claims	297.61	No	In the process of proceeding according to the litigation process, the plaintiffs of some cases withdrew, some cases were closed through mediation, and the departmental cases are under trial	No significant impacts on the Company's production and operation	The case closed by mediation has been fulfilled		

IX. Punishment and rectification Applicable Not applicable

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

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

Applicable Not applicable

During the reporting period, the Company and its controlling shareholder and the actual controller did not have any outstanding court judgments or outstanding debts of significant amount due to be settled.

XI. Major connected transactions

1. Connected transactions related to daily operation

Applicable Not applicable

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

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

Applicable Not applicable

No connected transactions arising from the acquisition or sale of assets or equity of the Company 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

Whether there are non-operating related debt transactions

Yes No

The Company does not have non-operating related debt transactions during the reporting period.

5. Transactions with the related finance companies and the finance companies controlled by the Company

Applicable Not applicable

There are no deposits, loans, credits or other financial operations between the Company and the finance companies with which it has affiliated relationships, or between the finance companies controlled by the Company and related parties.

6. 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

Lease description

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

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

Applicable Not applicable

No lease project bringing the profits or losses more than 10% of the total profits of the Company in the reporting period to the Company during the reporting period.

2. Major guarantee

Applicable Not applicable

No major guarantees of the Company during the reporting period.

3. Major contracts for daily operation

Unit:

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

4. Other major contracts

Applicable Not applicable

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

13. Explanation of other major matters

Applicable Not applicable

There are no other significant matters that the Company needs to explain in the reporting period.

14. Major matters of the Company's subsidiaries

Applicable Not applicable

Section 7 Changes in Shares and Shareholders

I. Change in shares

1. Change 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	381,502,451	89.45%				(2,543,539)	(2,543,539)	378,958,912	88.85%
1. State shareholding									
2. State legal person shareholding	8,535,444	2.00%				(43,136)	(43,136)	8,492,308	1.99%
3. Other domestic holdings	82,525,726	19.35%				(2,497,970)	(2,497,970)	80,027,756	18.76%
Wherein: domestic legal person shareholding	77,572,687	18.19%				(11,535)	(11,535)	77,561,152	18.19%
Domestic natural person shareholding	12,655	0.00%				(12,655)	(12,655)	0	0.00%
Fund financial products, etc.	4,940,384	1.16%				(2,473,780)	(2,473,780)	2,466,604	0.58%
4. Foreign shareholding	290,441,281	68.10%				(2,433)	(2,433)	290,438,848	68.10%
Wherein: foreign legal person shareholding	290,441,281	68.10%				(2,433)	(2,433)	290,438,848	68.10%
Foreign natural person shareholding								0	
II. Unrestricted shares	44,989,85	10.55%				2,543,539	2,543,539	47,533,39	11.15%

	7							6	
1. RMB common share	44,989,857	10.55%				2,543,539	2,543,539	47,533,396	11.15%
2. Foreign shares listed in China									
3. Foreign shares listed abroad									
4. Others									
III. Total amount of shares	426,492,308	100.00%				0	0	426,492,308	100.00%

Causes for change in shares

Applicable Not applicable

The 2,965,739 shares restricted for sale under the offline placement at the time of the Company's initial public offering were listed for circulation on March 17, 2021 upon the expiration of the six-month lock-up period, resulting in a decrease of 2,965,739 shares in the Company's restricted shares. In addition, the number of shares lent under the China International Capital Corporation Limited - China Merchants Bank - CICC Fengzhong No.26 employee participating in the GEM strategic placement collective asset management plan for the strategic placement decreased by 422,200 shares, resulting in an increase of 422,200 shares in the Company's restricted shares. In summary, the Company's restricted shares decreased by 2,543,539 shares during the reporting period.

Approval of changes in shares

Applicable Not applicable

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

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

IPO offline placement of restricted shares	2,965,739	2,965,739	0	0	10% of the final allocated accounts of the offline issuance part of the IPO are restricted according to the lottery results	March 17, 2021
China International Capital Corporation Limited - China Merchants Bank - CICC Fengzhong No.26 employee participating in the GEM strategic placement collective asset management plan	2,044,404	0	422,200	2,466,604	Strategic placement	September 17, 2021
Total	5,010,143	2,965,739	422,200	2,466,604	--	--

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	33,529	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			
Shareholding of common stockholders holding more than 5% of the shares or the top 10 shareholders								
Shareholder's name	Shareholder nature	Shareholding ratio	Number of shares held at the end of	Increase or decrease during the reporting	Number of shares held with limited	Number of shares held with unlimited sales condition	Pledge, mark or frozen	
							Status of shares	Quantity

			the report ing period	g period	sales conditi ons	s		
Wenjian Group Company Limited	Overseas legal person	68.10%	290,4 38,84 8	0	290,43 8,848	0		
Beijing Sequoia Xinyuan Equity Investment Center (limited partnership)	Domestic non-state legal person	8.09%	34,50 0,000	0	34,500 .000	0		
Shenzhen Kangsheng Investment Partnership (limited partnership)	Domestic non-state legal person	5.01%	21,37 1,232	0	21,371 .232	0		
Shenzhen Kangxin Investment Partnership (limited partnership)	Domestic non-state legal person	2.66%	11,33 4,400	0	11,334, 400	0		
Shenzhen Capital Group Co., Ltd.	State legal person	1.99%	8,492, 308	0	8,492, 308	0		
Shenzhen Kanglong Investment Partnership (limited partnership)	Domestic non-state legal person	1.60%	6,844, 432	0	6,844, 432	0		
Shenzhen Kangli Investment Partnership (limited partnership)	Domestic non-state legal person	0.82%	3,511, 088	0	3,511,0 88	0		
China	Others	0.58%	2,466,	422,200	2,466,	0		

International Capital Corporation Limited - China Merchants Bank - CICC Fengzhong No.26 employee participating in the GEM strategic placement collective asset management plan			604		604		
Schroder Investment Management (Hong Kong) Limited - Schroder ISF* China A. Fund (Exchange)	Overseas legal person	0.45%	1,937,125	1,937,125	0	1,937,125	
Schroder Investment Management (Hong Kong) Limited - Schroder ISF* Greater China (Exchange)	Overseas legal person	0.40%	1,703,765	1,703,765	0	1,703,765	
Situation of strategic investors or general legal persons becoming the top 10 shareholders due to the allotment of new shares (if any) (see note 3)	China International Capital Corporation Limited - China Merchants Bank - CICC Fengzhong No.26 employee participating in the GEM strategic placement collective asset management plan has been frozen for one year due to the placement of new shares for Top 10 shareholders of the Company. The plan will be released on September 17, 2021.						
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 (see Note 11)	N/A		
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
Schroder Investment Management (Hong Kong) Limited - Schroder ISF* China A. Fund (Exchange)	1,937,125	RMB common share	1,937,125
Schroder Investment Management (Hong Kong) Limited - Schroder ISF* Greater China (Exchange)	1,703,765	RMB common share	1,703,765
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	899,457	RMB common share	899,457
China Construction Bank Corporation—Bank of Communications Schroder kernel driven hybrid securities investment funds	835,031	RMB common share	835,031
China CITIC Bank Co., Ltd. — Bank of Communications Schroder new vitality flexible allocation of hybrid securities investment funds	773,160	RMB common share	773,160
Schroder Investment Management (Hong Kong) Limited - Schroder ISF* China Opportunities (Exchange)	625,871	RMB common share	625,871
China Construction Bank Corporation - Zhong Ou GEM One-Year Interval	535,897	RMB common share	535,897

Hybrid Fund			
Hong Kong Securities Clearing Company Ltd.	514,788	RMB common share	514,788
Schroder Investment Management Co., Ltd. - Schroder China Equity Alpha Fund	416,400	RMB common share	416,400
Agricultural Bank of China Limited—Bank of Communications Schroder regular payment double interest balanced hybrid securities investment funds	385,027	RMB common share	385,027
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		
Explanation of Top 10 common shareholders' participation in the securities margin trading (if any) (see Note 4)	N/A		

Whether the company has a voting rights differential arrangement

Applicable Not applicable

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

Yes No

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

IV. Changes in shareholdings of directors, supervisors and senior management

Applicable Not applicable

There were no changes in the shareholdings of directors, supervisors and senior management of the Company during the reporting period. See the 2020 Annual Report for details.

V. Changes in controlling shareholders or actual controllers

Change of controlling shareholders during the reporting period

Applicable Not applicable

No change in controlling shareholders during the reporting period.

Changes in actual controller during the reporting period

Applicable Not applicable

No change in actual controller during the reporting period.

Section 8 Preferred Shares-related Information

Applicable Not applicable

No preferred shares of the Company during the reporting period.

Section 9 Bond-related Information

Applicable Not applicable

Section 10 Financial Statements

I. Auditor's Report

Whether the semi-annual report is audited

Yes No

The Company's semi-annual financial statements have 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, 2021

Unit: yuan

Item	June 30, 2021	December 31, 2020
Current assets:		
Cash and cash equivalents	4,700,529,527.85	4,162,539,245.78
Deposit reservation for balance		
Lending funds		
Tradable monetary assets	2,707,384,233.24	4,131,178,589.44
Derivative financial assets		
Notes receivable		
Accounts receivable	863,667,816.94	844,317,708.12
Accounts receivable financing	9,263,087.17	18,182,662.70
Advances to suppliers	179,107,611.07	124,031,239.05
Insurance premiums receivables		
Reinsurance premium receivable		
Receivable reserve for reinsurance contract		
Other receivables	343,344,829.42	458,174,652.72
Including: Interest receivable		
Dividends receivable		
Monetary assets purchased under		

resale agreements		
Inventory	1,264,465,555.25	1,216,486,940.21
Contract assets		
Assets held for sales		
Non-current assets due within a year		
Other current assets	317,280,449.51	35,184,227.09
Total current assets	10,385,043,110.45	10,990,095,265.11
Non-current assets:		
Loans and advances		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investment	15,079,827.94	13,424,230.41
Other equity instrument investments		
Other non-current financial assets		
Investment in real estates		
Fixed assets	1,437,854,645.76	1,400,749,050.00
Construction in progress	104,425,911.11	61,383,340.97
Productive biological assets		
Oil and gas assets		
Right-of-use assets	551,278,768.29	
Intangible assets	205,887,320.95	208,325,103.79
Development expenditure		
Goodwill		
Long-term unamortized expenses	130,081,773.95	121,335,007.33
Deferred income tax assets	149,595,514.56	143,132,351.08
Other non-current assets	133,729,374.90	63,807,415.75
Total non-current assets	2,727,933,137.46	2,012,156,499.33
Total assets	13,112,976,247.91	13,002,251,764.44
Current liabilities		
Short-term loans		150,071,416.66
Borrowings from the Central Bank		
Borrowing funds		

Tradable monetary liabilities		
Derivative financial liabilities		
Notes payable	69,765,505.06	29,418,100.00
Accounts payable	568,615,255.29	726,577,306.94
Advance from customers		
Contract liabilities	328,875,043.44	530,188,257.63
Monetary assets sold for repurchase		
Deposits from customers and interbank		
Acting trading securities		
Acting underwriting securities		
Payroll payable	125,171,666.85	169,957,077.81
Taxes payable	109,204,542.63	444,381,369.49
Other payables	615,888,545.12	352,543,008.89
Including: Interest payable		
Dividends payable	200,000,000.00	
Fees and commissions payable		
Dividend payable for reinsurance		
Liabilities held for sales		
Non-current liabilities due within one year		
Other current liabilities	16,270,217.30	23,638,266.47
Total current liabilities	1,833,790,775.69	2,426,774,803.89
Non-current liabilities		
Reserve fund for insurance contracts		
Long-term loans		
Bonds payable		
Including: Preferred stock		
Perpetual bond		
Lease liabilities	616,985,285.44	
Long-term payable		
Long-term payroll payable		
Estimated liabilities		

Deferred income	115,665,393.69	94,921,260.87
Deferred income tax liabilities	13,473,459.98	12,165,608.24
Other non-current liabilities		
Total non-current liabilities	746,124,139.11	107,086,869.11
Total liabilities	2,579,914,914.80	2,533,861,673.00
Owner's equity:		
Capital stock	426,492,308.00	426,492,308.00
Other equity instruments		
Including: Preferred stock		
Perpetual bond		
Additional paid-in capital	4,613,368,622.92	4,481,709,983.24
Less: treasury stock		
Other comprehensive income	(1,251,154.32)	(1,111,035.08)
Special reserve		
Surplus reserve	420,212,778.13	420,212,778.13
General risk reserve		
Undistributed profit	5,059,853,948.96	5,126,630,011.14
Total shareholders' equity attributable to the owners of parent company	10,518,676,503.69	10,453,934,045.43
Noncontrolling interest	14,384,829.42	14,456,046.01
Total shareholders' equity	10,533,061,333.11	10,468,390,091.44
Total liabilities and equity	13,112,976,247.91	13,002,251,764.44

Legal representative: Li Jianquan Chief Financial Officer: Fang Xiuyuan Head of accounting office : Wu Kezhen

2. Balance sheet of parent company

Unit: yuan

Item	June 30, 2021	December 31, 2020
Current assets:		
Cash and cash equivalents	3,860,008,726.73	3,669,286,043.43
Tradable financial assets	1,664,858,598.16	3,779,510,798.34
Derivative financial assets		
Notes receivable		
Accounts receivable	566,565,311.15	679,644,839.39
Accounts receivable financing	9,263,087.17	26,281,743.01

Advances to suppliers	1,994,666,629.63	1,141,185,179.88
Other receivables	224,254,705.29	361,160,139.37
Including: Interest receivable		
Dividends receivable		
Inventory	273,636,246.87	244,264,320.15
Contract assets		
Assets held for sales		
Non-current assets due within a year		
Other current assets	236,311,739.18	2,986,600.60
Total current assets	8,829,565,044.18	9,904,319,664.17
Non-current assets:		
Debt investment		
Other debt investments		
Long-term receivables		
Long-term equity investment	919,730,512.09	738,074,914.56
Other equity instrument investments		
Other non-current financial assets		
Investment in real estates		
Fixed assets	49,946,853.37	47,677,210.41
Construction in progress	5,509,692.70	625,889.08
Productive biological assets		
Oil and gas assets		
Right-of-use assets	69,456,113.49	
Intangible assets	11,576,658.89	11,093,821.43
Development expenditure		
Goodwill		
Long-term unamortized expenses	4,435,315.80	4,270,865.79
Deferred income tax assets	27,997,121.37	18,761,956.53
Other non-current assets	30,473,036.20	7,420,450.61
Total non-current assets	1,119,125,303.91	827,925,108.41
Total assets	9,948,690,348.09	10,732,244,772.58
Current liabilities		
Short-term loans		120,071,416.66

Tradable financial liabilities		
Derivative financial liabilities		
Notes payable		8,757,000.00
Accounts payable	399,264,345.80	734,959,933.53
Advance from customers		
Contract liabilities	278,286,169.30	483,370,540.77
Payroll payable	27,635,972.03	57,086,457.61
Taxes payable	53,338,428.78	332,551,933.15
Other payables	484,550,934.28	261,840,719.70
Including: Interest payable		
Dividends payable	200,000,000.00	
Liabilities held for sales		
Non-current liabilities due within one year		
Other current liabilities	5,383,827.69	14,855,171.12
Total current liabilities	1,248,459,677.88	2,013,493,172.54
Non-current liabilities		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual bond		
Lease liabilities	70,238,412.51	
Long-term payable		
Long-term payroll payable		
Estimated liabilities		
Deferred income	21,413,050.50	22,798,583.10
Deferred income tax liabilities	3,728,789.72	1,426,619.75
Other non-current liabilities		
Total non-current liabilities	95,380,252.73	24,225,202.85
Total liabilities	1,343,839,930.61	2,037,718,375.39
Owner's equity:		
Capital stock	426,492,308.00	426,492,308.00
Other equity instruments		
Including: preferred stock		

Perpetual bond		
Capital reserve	4,638,775,385.27	4,507,116,745.59
Less: treasury stock		
Other comprehensive income		
Special reserve		
Surplus reserve	411,397,111.21	411,397,111.21
Undistributed profit	3,128,185,613.00	3,349,520,232.39
Total owners' equities	8,604,850,417.48	8,694,526,397.19
Total liabilities and owners' equities	9,948,690,348.09	10,732,244,772.58

3. Consolidated Income Statement

Unit: yuan

Item	Six Months Ended June 30, 2021	Six Months Ended December 31, 2020
I. Total revenue	4,059,865,654.92	4,179,778,883.27
Including: Revenue	4,059,865,654.92	4,179,778,883.27
Interest revenue		
Premium earned		
Fee and commission revenue		
II. Total costs	3,268,705,562.33	2,916,563,382.74
Including: Costs of sales	1,921,789,702.47	1,900,091,985.00
Interest expense		
Fee and commission expense		
Surrender value		
Net payments for insurance claims		
Net withdrawal of insurance liability reserve		
Bond insurance expense		
Reinsurance costs		
Taxes and surcharges	33,156,678.98	33,476,875.35
Selling and marketing	825,805,820.57	655,948,904.24
General and administrative	310,652,551.64	158,666,340.89
Research and development	189,917,265.47	168,845,188.59

Financial expenses	(12,616,456.80)	(465,911.33)
Including: Interest expense	13,939,734.50	1,935,306.63
Interest revenue	35,424,028.29	2,586,023.70
Plus: Other incomes	86,754,859.99	19,765,789.73
Income from investment (loss expressed with “-”)	50,073,259.81	7,158,219.52
Including: Income from investment in joint venture and cooperative enterprise	1,655,597.53	2,288,557.50
Income from derecognition of financial assets measured at amortized cost		
Foreign exchange gain (loss expressed with “-”)		
Net exposure of hedging gain (loss expressed with “-”)		
Income from fair value changes (loss expressed with “-”)	31,408,220.30	
Credit impairment losses (loss expressed with “-”)	11,808,406.71	(787,646.99)
Assets impairment losses (loss expressed with “-”)	(60,597,532.59)	(72,609,085.32)
Gain on disposal of assets (loss expressed with “-”)	(37,621.25)	15,447.79
III. Operating profits (loss expressed with “-”)	910,569,685.56	1,216,758,225.26
Plus: Non-operating income =	2,339,463.94	13,659,135.49
Less: Non-operating expense	8,502,804.42	21,986,722.02
IV. Total profits (total loss expressed with “-”)	904,406,345.08	1,208,430,638.73
Less: Income tax expenses	143,286,407.76	173,749,962.63
V. Net profits (net loss expressed with “-”)	761,119,937.32	1,034,680,676.10
(I) Classified by business continuity		
1. Net profits from continuing operations (net loss expressed with	761,119,937.32	1,034,680,676.10

“-”)		
2. Net profits from discontinued operations (net loss expressed with “-”)		
(II) Classified by ownership		
1. Net profit (loss) attributable to common shareholders	761,038,730.24	1,032,218,689.91
2. * Net profits (loss) attributable to noncontrolling interest	81,207.08	2,461,986.19
VI. After-tax other comprehensive income	(292,542.91)	280,240.87
Net amount of after-tax other comprehensive income attributed to common shareholders	(140,119.24)(140,119.24)	194,140.97
(I) Other comprehensive income not reclassified as profit or loss		
1. Changes from defined benefit plans remeasurement		
2. Other comprehensive income not classified as profit or loss based on equity method		
3. Changes in fair value for other equity instruments investment		
4. Changes in fair value for the enterprise credit risks		
5. Others		
(II) Other comprehensive income reclassified as profit or loss	(140,119.24)(140,119.24)	194,140.97
1. Other comprehensive income reclassified as profit or loss based on equity method		
2. Changes in the fair value of other debt investment		
3. The amount of financial asset reclassified as other		

comprehensive income		
4. Provisions for other debt investment impairment		
5. Cash flow hedging instrument		
6. foreign currency reporting translation discrepancy	(140,119.24)(140,119.24)	194,140.97
7. Others		
Net amount of after-tax other comprehensive income attributed to noncontrolling interest	(152,423.67)	86,099.90
VII. Total comprehensive income	760,827,394.41	1,034,960,916.97
Total comprehensive income attributable to common shareholders	760,898,611.00	1,032,412,830.88
Total comprehensive income attributed to noncontrolling interest	(71,216.59)(71,216.59)	2,548,086.09
VIII. Earnings per share		
(I) Basic earnings per share	1.7844	2.7417
(II) Diluted earnings per share	1.7715	2.7417

In the case of merger and acquisition under the same control, the net profits of acquired entity prior to acquisition is 0 yuan during the current period. The net profits of the acquired entity prior to the acquisition is 0 yuan in the prior period.

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

4. Income statement of the parent company

Unit: yuan

Item	Six Months Ended June 30, 2021	Six Months Ended December 31, 2020
I. Revenue	2,152,770,959.97	2,664,223,582.83
Subtract: Costs	1,237,349,900.78	1,506,375,076.61
Taxes and surcharges	8,841,847.49	14,189,199.10
Selling and marketing	120,613,735.57	143,989,392.45
General and administrative	206,394,645.48	62,551,090.14
Research and development	82,054,298.04	87,372,077.51
Financial expenses	(22,564,403.10)	(1,185,532.96)

Including: Interest expense	1,399,298.44	1,352,621.03
Interest revenue	31,213,130.97	2,125,568.15
Plus: Other incomes	43,098,834.69	9,868,657.45
Income from investment (loss expressed with “-”)	45,603,797.04	6,637,748.79
Including: Income from investment in joint venture and cooperative enterprise	1,655,597.53	2,288,557.50
Income from derecognition of financial assets measured at amortized cost		
Net exposure of hedging gain (loss expressed with “-”)		
Income from fair value changes (loss expressed with “-”)	28,642,089.79	
Credit impairment losses (loss expressed with “-”)	17,063,895.54	3,179,193.78
Assets impairment losses (loss expressed with “-”)	(13,698,792.65)	(7,168,074.65)
Gain on from disposal of assets (loss expressed with “-”)		15,447.79
II. Operating profit (loss to be filled out with the minus sign “-”)	640,790,760.12	863,465,253.14
Plus: Non-operating income	810,681.71	20,698.49
Less: Non-operating expense	152,332.97	3,422,613.71
III. Total profit (total loss to be filled out with the minus sign “-”)	641,449,108.86	860,063,337.92
Less: Income tax expenses	95,097,573.86	135,279,734.35
IV. Net profit (net loss to be filled out with the minus sign “-”)	546,351,535.00	724,783,603.57
(I) Net profits from continuing operations (net loss expressed with “-”)	546,351,535.00	724,783,603.57
(II) Net profits from discontinued operations (net loss expressed with “-”)		

V. Net amount of after-tax other comprehensive income		
(I) Other comprehensive income not reclassified as profit or loss		
1. Changes from defined benefit plans remeasurement		
2. Other comprehensive income not classified as profit or loss based on equity method		
3. Changes in fair value for other equity instruments investment		
4. Changes in fair value for the enterprise credit risks		
5. Others		
(II) Other comprehensive income reclassified as profit or loss		
1. Other comprehensive income reclassified as profit or loss based on equity method		
2. Changes in the fair value of other debt investment		
3. The amount of financial asset reclassified as other comprehensive income		
4. Provisions for other debt investment impairment		
5. Cash flow hedging instrument		
6. foreign currency reporting translation discrepancy		
7. Others		
VI. Total comprehensive income	546,351,535.00	724,783,603.57
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated Cash Flow Statement

Unit: yuan

Item	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
I. Cash flow from financing activities:		
Cash collected from sales of goods or rendering of service	4,211,780,432.64	5,760,224,442.10
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	24,562,159.29	8,509,312.90
Other cash received related to operating activities	150,416,678.31	71,859,754.40
Subtotal of cash inflow from operating activities	4,386,759,270.24	5,840,593,509.40
Cash paid to buy products and accept labor services	2,731,814,025.31	2,415,280,745.46
Net increase of customer loans and advances		
Net increase of amount due from the 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 insurance policy dividend		
Cash paid to and for employees	596,881,901.63	436,533,307.90
Taxes and fees paid	573,374,688.67	170,689,857.22
Other cash paid related to operating activities	287,083,788.86	344,683,616.57
Subtotal of cash inflow from operating activities	4,189,154,404.47	3,367,187,527.15
Net cash flow from operating activities	197,604,865.77	2,473,405,982.25
II. Cash flow from investment activities:		
Cash from investment withdrawal	4,090,000,000.00	
Cash from investment income	63,620,238.79	4,869,662.02
Net cash from the disposal of fixed assets, intangible assets and other long-term assets	153,218,248.95	141,831,006.66
Net cash received from the disposal of subsidiaries and other business entities		
Other cash received related to investment activities		100,000,000.00
Subtotal of cash inflow from investment activities	4,306,838,487.74	246,700,668.68
Cash paid for the purchase and construction of fixed assets, intangible assets and other long term assets	327,515,662.56	153,731,218.78
Cash paid for investment	2,845,000,000.00	610,535,150.13
Net cash received from reinsurance business		
Net cash paid for obtaining subsidiaries and other business units		

Other cash paid related to investment activities		
Subtotal of cash inflow from investment activities	3,172,515,662.56	764,266,368.91
Net cash flow from investing activities	1,134,322,825.18	(517,565,700.23)(517,565,700.23)
III. Cash flow from financing activities:		
Receipts from equity securities		
Including: Cash received from subsidiaries' absorption of minority shareholders' investment		
Cash received from borrowings		150,000,000.00
Other cash received related to financing activities		
Subtotal of cash inflow from financial activities		150,000,000.00
Cash repayments of amounts borrowed	150,000,000.00	249,210,746.07
Cash paid for distribution of dividends or profits and for interest expenses	568,137,284.96	100,660,939.62
Including: Dividends and profits paid by subsidiaries to minority shareholders		
Other cash paid related to financing activities	103,492,521.01	1,802,115.63
Subtotal of cash inflow from financial activities	821,629,805.97	351,673,801.32
Net cash flow from financing activities	(821,629,805.97)(821,629,805.97)	(201,673,801.32)(201,673,801.32)
IV. Impact of exchange rate movements on cash and cash equivalents	301,182.50	261,849.00
V. Net increase of cash and cash equivalents	510,599,067.48	1,754,428,329.70
Plus: Cash and cash equivalents at the beginning of the period	4,149,734,694.38	459,169,719.65
Cash and cash equivalents at the end of the period	4,660,333,761.86	2,213,598,049.35

6. Cash flow statement of the parent company

Unit: yuan

Item	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
I. Cash flow from financing activities:		
Cash Received from Sales of Goods or Rendering of Service	2,095,126,701.06	4,300,448,536.45
Refund of tax and levies	15,568,316.68	5,633,329.18
Other cash received related to operating activities	320,575,959.00	122,048,510.32
Subtotal of cash inflow from operating activities	2,431,270,976.74	4,428,130,375.95
Cash paid to buy products and accept labor services	2,269,677,579.57	2,145,062,671.93
Cash paid to and for employees	144,426,888.77	83,100,928.44
Taxes and fees paid	418,581,781.00	87,300,152.40
Other cash paid related to operating activities	552,812,218.15	60,954,639.88
Subtotal of cash inflow from operating activities	3,385,498,467.49	2,376,418,392.65
Net cash flow from operating activities	(954,227,490.75)	2,051,711,983.30
II. Cash flow from investment activities:		
Cash from investment withdrawal	3,705,000,000.00	
Cash from investment income	43,683,535.21	4,349,191.29
Net cash from disposal of fixed assets, intangible assets and other long-term assets	54,520,000.00	50,000.00
Net cash received from the disposal of subsidiaries and other business entities		
Other cash received related to investment activities		100,000,000.00
Subtotal of cash inflow from investment activities	3,803,203,535.21	104,399,191.29
Cash paid for the purchase and construction of fixed assets, intangible assets and other long	30,867,495.67	65,432,616.94

term assets		
Cash paid for investment	1,949,823,493.17	349,986,884.33
Net cash paid for obtaining subsidiaries and other business units		
Other cash paid related to investment activities		
Subtotal of cash inflow from investment activities	1,980,690,988.84	415,419,501.27
Net cash flow from investing activities	1,822,512,546.37	(311,020,309.98)
III. Cash flow from financing activities:		
Receipts from equity securities		
Cash received from borrowings		120,000,000.00
Other cash received related to financing activities		
Subtotal of cash inflow from financial activities		120,000,000.00
Cash repayments of amounts borrowed	120,000,000.00	60,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses	566,402,956.84	99,026,262.05
Other cash paid related to financing activities		1,802,115.63
Subtotal of cash inflow from financial activities	686,402,956.84	160,828,377.68
Net cash flow from financing activities	(686,402,956.84)	(40,828,377.68)
IV. Impact of exchange rate movements on cash and cash equivalents	8,840,584.52	217,162.14
V. Net increase of cash and cash equivalents	190,722,683.30	1,700,080,457.78
Plus: Balance of cash and cash equivalents at the beginning of the period	3,669,286,043.43	183,064,001.14
Plus: Balance of cash and cash equivalents at the beginning of the period	3,860,008,726.73	1,883,144,458.92

7. Consolidated Statement on Changes in Owners' Equity

Current amount

Unit: yuan

Item	Six Months Ended June 30, 2021														
	Owners' equities attributable to the owners of parent company												Minority equity	Total owners' equities	
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surpluses	General risk provision	Undistributed profit	Others			Subtotal
	Preferred stock	Perpetual bond	Others												
I. Balance at the end of previous year	426,492,308.00				4,481,709.983.24		(1,111,035.08)		420,212,778.13		5,126,630.011.14		10,453,934.045.43	14,456,046.01	10,468,390.091.44
Plus: Changes in accounting policies											(60,128,638.03)		(60,128,638.03)		(60,128,638.03)
Prior period error correction															
Business combination under common control															
Others															
II. Beginning balance in current year	426,492,308.00				4,481,709.983.24		(1,111,035.08)		420,212,778.13		5,066,501.373.11		10,393,805.407.40	14,456,046.01	10,408,261.453.41
III. Increase/decrease in the current period (less to be filled out)					131,658,639.68		(140,119.24)				(6,647,424.15)		124,871,096.29	(71,216.59)	124,799,879.70

with the minus sign "-)																	
(I) Total comprehensive income							(140,119.24)(140,119.24)							761,038,730.24	760,898,611.00	(71,216.59)(71,216.59)	760,827,394.41
(II) Owner's invested and decreased capital															131,658,639.68	131,658,639.68	131,658,639.68
1. Common stock invested by the owner																	
2. Capital invested by other equity instrument holders																	
3. Amount of share-based payment included in the owner's equity															131,658,639.68	131,658,639.68	131,658,639.68
4. Others																	
(III) Profit distribution														(767,686,154.39)	(767,686,154.39)	(767,686,154.39)	(767,686,154.39)
1. Withdrawal of surplus reserves																	
2. Withdrawal of general risk preparation																	
3. Distribution of owners (or shareholders)														(767,686,154.39)	(767,686,154.39)	(767,686,154.39)	(767,686,154.39)
4. Others																	
(IV) Internal transfer of owner's equity																	

1. Capital surplus transfer to paid-in capital (or capital stock)															
2. Earned surplus transfer to paid-in capital (or capital stock)															
3. Earned surplus covering the deficit															
4. Carryforward retained earnings in variation of defined benefit plan															
5. Carryforward retained earnings of other comprehensive income															
6. Others															
(V) Special reserve															
1. Draw in this current															
2. Use in this current															
(VI) Others															
IV. Balance at the end of current period	426,492,308.00				4,613,368,622.92		(1,251,154.32)		420,212,778.13		5,059,853,948.96		10,518,676,503.69	14,384,829.42	10,533,061.33

Last term amount

Unit: yuan

Item	Six Months Ended June 30, 2020		
	Owners' equities attributable to the owners of parent company		Minorit Total

	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surpluses reserve	General risk provision	Undistributed profit	Others	Subtotal	Total equity	owners' equities
		Preferred stock	Perpetual bond	Others											
I. Balance at the end of previous year	376,492,308.00				948,913,284.10		44,623.87		116,855,107.20		1,718,075,177.67		3,160,380,500.84	3,167,502.50	3,163,548,003.34
Plus: Changes in accounting policies															
Prior period error correction															
Business combination under common control															
Others															
II. Beginning balance in current year	376,492,308.00				948,913,284.10		44,623.87		116,855,107.20		1,718,075,177.67		3,160,380,500.84	3,167,502.50	3,163,548,003.34
III. Increase/decrease in the current period (less to be filled out with the minus sign "-")							194,140.97				933,718,689.91		933,912,830.88	2,548,086.09	936,460,916.97
(I) Total comprehensive income							194,140.97				1,032,218,689.91		1,032,412,830.88	2,548,086.09	1,034,960,916.97
(II) Owner's															

invested and decreased capital															
1. Common stock invested by the owner															
2. Capital invested by other equity instrument holders															
3. Amount of share-based payment included in the owner's equity															
4. Others															
(III) Profit distribution										(98,500,000.00)	(98,500,000.00)			(98,500,000.00)	
1. Withdrawal of surplus reserves															
2. Withdrawal of general risk preparation															
3. Distribution of owners (or shareholders)										(98,500,000.00)	(98,500,000.00)			(98,500,000.00)	
4. Others															
(IV) Internal transfer of owner's equity															
1. Capital surplus transfer to paid-in capital (or capital stock)															
2. Earned surplus transfer to paid-in															

capital (or capital stock)																	
3. Earned surplus covering the deficit																	
4. Carryforward retained earnings in variation of defined benefit plan																	
5. Carryforward retained earnings of other comprehensive income																	
6. Others																	
(V) Special reserve																	
1. Draw in this current																	
2. Use in this current																	
(VI) Others																	
IV. Balance at the end of current period	376,492,308.00			948,913,284.10		238,764.84		116,855,107.20		2,651,793,867.58		4,094,293,331.72		5,715,588.59		4,100,008.920.31	

8. Statement on changes in owners' equity of the parent company

Current amount

Unit: yuan

Item	Six Months Ended June 30, 2021											Total owners' equities
	Capital stock	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	
		Preferr ed stock	Perpet ual bond	Others								

I. Balance at the end of previous year	426,492,308.00				4,507,116,745.59				411,397,111.21	3,349,520,232.39		8,694,526,397.19
Plus: Changes in accounting policies												
Prior period error correction												
Others												
II. Beginning balance in current year	426,492,308.00				4,507,116,745.59				411,397,111.21	3,349,520,232.39		8,694,526,397.19
III. Increase/decrease in the current period (less to be filled out with the minus sign "-")					131,658,639.68					(221,334,619.39)		(89,675,979.71)
(I) Total comprehensive income										546,351,535.00		546,351,535.00
(II) Owner's invested and decreased capital					131,658,639.68							131,658,639.68
1. Common stock invested by the owner												
2. Capital invested by other equity instrument holders												
3. Amount of share-based payment included in the					131,658,639.68							131,658,639.68

owner's equity												
4. Others												
(III) Profit distribution									(767,686,154.39)		(767,686,154.39)	
1. Withdrawal of surplus reserves												
2. Distribution of owners (or shareholders)									(767,686,154.39)		(767,686,154.39)	
3. Others												
(IV) Internal transfer of owner's equity												
1. Capital surplus transfer to paid-in capital (or capital stock)												
2. Earned surplus transfer to paid-in capital (or capital stock)												
3. Earned surplus covering the deficit												
4. Carryforward retained earnings in variation of defined benefit plan												
5. Carryforward retained earnings of other comprehensive income												
6. Others												
(V) Special reserve												
1. Draw in this current												

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

Last term amount

Unit: yuan

Item	Six Months Ended June 30, 2020											
	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. Balance at the end of previous year	376,492,308.00				974,320,046.45				108,039,440.28	717,801,193.98		2,176,652,988.71
Plus: Changes in accounting policies												
Prior period error correction												
Others												
II. Beginning balance in current year	376,492,308.00				974,320,046.45				108,039,440.28	717,801,193.98		2,176,652,988.71
III. Increase/decrease in the current period (less to be filled out with the minus sign "-")										626,283,603.57		626,283,603.57
(I) Total comprehensive income										724,783,603.57		724,783,603.57

(II) Owner's invested and decreased capital												
1. Common stock invested by the owner												
2. Capital invested by other equity instrument holders												
3. Amount of share-based payment included in the owner's equity												
4. Others												
(III) Profit distribution										(98,500,000.00)		(98,500,000.00)
1. Withdrawal of surplus reserves												
2. Distribution of owners (or shareholders)										(98,500,000.00)		(98,500,000.00)
3. Others												
(IV) Internal transfer of owner's equity												
1. Capital surplus transfer to paid-in capital (or capital stock)												
2. Earned surplus transfer to paid-in capital (or capital stock)												

3. Earned surplus covering the deficit												
4. Carryforward retained earnings in variation of defined benefit plan												
5. Carryforward retained earnings of other comprehensive income												
6. Others												
(V) Special reserve												
1. Draw in this current												
2. Use in this current												
(VI) Others												
IV. Balance at the end of current period	376,492,308.00				974,320,046.45				108,039,440.28	1,344,084,797.55		2,802,936,592.28

III. Basic status of Company

Winner Medical Co., Ltd. (hereinafter referred to as the “the Company” or “our company”), formerly known as Winner Industries (Shenzhen) Co., Ltd. (hereinafter referred to as “Winner Industries”), is a wholly foreign-owned enterprise established on August 24, 2000 with the approval of Shenzhen Municipal Administration for Industry and Commerce. The original business license number of the Company is: Q.D.Y.S.Z.Zi No. 307199. The original registered capital is HKD 30 million, and the total investment is HKD 60 million. The Company is wholly owned by Winner International Trading Corporation. The registered capital was invested in three phases. 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 was invested within half a year after the registration of the change. On June 30, 2006, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Municipal Bureau for Industry and Commerce and amended the Articles of Association accordingly.

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

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

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

accordingly. The registration number was changed from Q.D.Y.S.Z. Zi No. 307199 to 440306503230896.

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

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

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

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

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)*Converted 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 380.00 million. The new investment was subscribed by Shenzhen Kangsheng Investment Partnership (limited partnership) (hereinafter referred to as the “Kangsheng Investment”), Shenzhen Kangxin Investment Partnership (limited partnership) (hereinafter referred to as the “Kangxin Investment”), Shenzhen Kanglong Investment Partnership (limited partnership) (hereinafter referred to as the “Kanglong Investment”) with HKD 10,322,400, HKD 4,414,500 and HKD 3,331,300 respectively. After the completion of the capital increase, the Company's ownership structure was changed as follows:

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

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

On October 26, 2013, the Board of Directors of the Company decided to change its residence from Winner Industrial Park beside Bulong Road, Longhua Street, Bao'an District, Shenzhen City to Winner Industrial Park, No. 660 Bulong Road, Longhua New District, Shenzhen City. 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 217,986,100, and the total investment was still HKD 380.00 million. The capital increase was made by the original shareholder, Kangsheng Investment, which subscribed HKD 3,646,600 with RMB 13.585 million, and the increased registered capital was paid in two

installments. After the completion of the capital increase, the Company's ownership structure was changed as follows:

Investor	Capital contribution amount (HKD ten thousand)	Proportion (%)
Winner Group Limited	19,627.13	90.0385
Kangsheng Investment	1,396.90	6.4082
Kangxin Investment	441.45	2.0251
Kanglong 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 Kangxin Investment, Kanglong Investment, and the newly introduced shareholder, Shenzhen Kangli Investment Partnership (limited partnership) (hereinafter referred to as "Kangli Investment"). After the completion of the equity transfer, the Company's ownership structure was changed as follows:

Investor	Capital contribution amount (HKD ten thousand)	Proportion (%)
Winner Group Limited	18,984.01	87.0882
Kangsheng Investment	1,396.90	6.4082
Kangxin Investment	740.83	3.3985
Kanglong Investment	447.37	2.0523
Kangli 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 Xin yuan") with 300.00 million yuan. After the completion of the capital increase, the Company's ownership structure was changed as follows:

Investor	Capital contribution amount (HKD ten thousand)	Proportion (%)
Winner Group Limited	18,984.01	78.9236

Kangsheng Investment	1,396.90	5.8074
Kangxin Investment	740.83	3.0800
Kanglong Investment	447.37	1.8599
Kangli 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 300.00 million yuan from Sequoia Xinyuan in monetary funds. On November 06, 2014, the Company obtained the changed business license of the enterprise legal person issued by Shenzhen Administration for Market Regulation and amended the Articles of Association accordingly. This capital increase was verified by the Shenzhen Branch of Zhonglian Certified Public Accountants Co., Ltd. (Z.L.S.S.Y. Zi [2014] No.087 capital verification report).

On April 30, 2015, through the resolution of the Board of Directors of the Company, with February 28, 2015 as the base date, Winner Industries was wholly changed into a limited liability Company, with a registered capital of 368 million yuan. 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 1,058,194,956.32 yuan into 368 million shares at a ratio of 1:0.3478, par value of each share was 1 yuan, and the total share capital was 368 million yuan and held separately by the original shareholders in accordance with their original proportions; the remaining 690,194,956.32 yuan 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 1,050,812,354.45 yuan, and the corresponding share conversion ratio was adjusted to 1: 0.3502). June 4, 2015, with the approval of Economy, Trade and Information Commission of Shenzhen Municipality, Winner Industries was wholly changed into a limited liability company, renamed as "Winner Medical Co., Ltd.", and obtained the business license of enterprise legal person with the registration number of 440306503230896.

On May 28, 2018, after voted through and approved by the extraordinary general meeting of shareholders, the Company agreed to increase the registered capital by 8,492,308 yuan, with the registered capital after the change of 376,492,308 yuan. The new registered capital was subscribed by Shenzhen Capital Group Co., Ltd. (hereinafter referred to as "SCGC") with 300.00 million yuan. 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
Kangsheng Investment	2,137.1232	5.6764
Kangxin Investment	1,133.4400	3.0105
Kanglong Investment	684.4432	1.8179
Kangli Investment	351.1088	0.9326
Sequoia Xinyuan	3,450.0000	9.1635
SCGC	849.2308	2.2556

Total	37,649.2308	100.0000
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As of June 13, 2018, it has received 300.00 million yuan from SCGC in monetary funds. On June 15, 2018, Shenzhen Administration for Market Regulation issued the Notice of Change (Filing) (No.: 21801665051) on this change and approved the capital increase. The Company amended the Articles of Association in respect of the above matters. The Company amended the Articles of Association in respect of the above matters. This capital increase was verified by BDO China Shu Lun Pan Certified Public Accountants LLP (X.K.S.B.Zi [2018] No.ZI10525 capital verification report).

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

On August, 18, 2020, after the reply of China Securities Regulatory Commission on Approval of the Registration of the Initial Public Offering of Winner Medical Co., Ltd. (Z.J.X.K. [2020] No.1822), the Company issued 50 million RMB ordinary 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 426,492,308 yuan.

The Company belongs to textile industry.

Business term: sustainable operation.

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

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

The financial statements were approved by the Board of Directors of the Company on XXXX, 2021.

As of June 30, 2021, the subsidiaries in the consolidated financial statements of the Company are as follows:

Subsidiary name
Winner Medical (Jingmen) Co., Ltd. (hereinafter referred to as “Winner Medical (Jingmen)”)
Yichang Winner Medical Textile Co., Ltd. (hereinafter referred to as “Winner Medical (Yichang)”)
Winner Medical (Tianmen) Co., Ltd. (hereinafter referred to as “Winner Medical (Tianmen)”)
Winner Medical (Chongyang) Co., Ltd. (hereinafter referred to as “Winner Medical (Chongyang)”)
Winner Medical (Jiayu) Co., Ltd. (hereinafter referred to as “Winner Medical (Jiayu)”)
Winner Medical (Hong Kong) Ltd. (hereinafter referred to as “Hong Kong Winner”)
Winner (Huanggang) Cotton Processing & Trading Co., Ltd. (hereinafter referred to as “Winner (Huanggang) Cotton”)
Winner Medical (Huanggang) Co., Ltd. (hereinafter referred to as “Winner Medical (Huanggang)”)
Shenzhen Purcotton Technology Co., Ltd. (hereinafter referred to as “Shenzhen Purcotton”)
Guangzhou Purcotton Medical Technology Co., Ltd. (hereinafter referred to as “Guangzhou Purcotton”)
Beijing Purcotton Technology Co., Ltd. (hereinafter referred to as “Beijing Purcotton”)
Shanghai Purcotton Technology Co., Ltd. (hereinafter referred to as “Shanghai Purcotton”)
Shenzhen Qianhai Purcotton E-Commerce Co., Ltd. (hereinafter referred to as “Qianhai Purcotton”)
Winner Medical Malaysia Sdn. Bhd. (hereinafter referred to as “Winner Medical Malaysia”)
Winner Medical (Heyuan) Co., Ltd. (hereinafter referred to as “Winner Medical (Heyuan)”)
Winner Medical (Wuhan) Co., Ltd. 2* (hereinafter referred to as “Winner Medical (Wuhan)” (former name: Hubei Winner Medical Co., Ltd.))
Shenzhen PureH2B Technology Co., Ltd. 3* (hereinafter referred to as “PureH2B”)
Pure HB (Shanghai) Co., Ltd. 4* (hereinafter referred to as “Pure HB (Shanghai)”)
Shenzhen Purunderwear Sci-Tech Innovation Co., Ltd. 5* (hereinafter referred to as “Purunderwear”)
Huanggang Purcotton Ltd. 6* (hereinafter referred to as “Huanggang Purcotton”)

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

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

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

4*: Pure HB (Shanghai) was established on March 16, 2018.

5*: Purunderwear was established on July 9, 2019.

6*: Huanggang Quanmian was established on September 27, 2020.

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 policy and accounting estimate

Specific accounting policy and accounting estimate:

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

1. Statement of compliance with Accounting Standards for Business Enterprises

These financial statements comply with the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the consolidated and parent company financial position of the Company on June 30, 2021 and the business performance and cash flows of the Company in the first half of 2021.

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 reporting currency of the Company is RMB.

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

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

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

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

6. Methods for preparing consolidated financial statements

(1) Consolidation scope

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

(2) Consolidation procedures

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

made in accordance with the accounting policies and the accounting periods of the Company when preparing the consolidated financial statements.

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

1) Increase of subsidiaries or business

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

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

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

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

2) Disposal of subsidiary

① General disposal method

When the Company loses the control right over the invested entity due to disposal of part of the equity investment or other reasons, the residual equity investment after the disposal shall be re-measured at its fair value on the date of losing the control right. The difference between the sum of the consideration acquired by disposal of the equity and the fair value of the residual equity, minus the sum of the share of the net assets of the original subsidiary continuously calculated from the acquisition date or the merging date and the goodwill according to the original shareholding ratio, shall be included in the investment income in the period of lose 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 lose 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. See 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 reporting.

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

(2) Conversion of financial statements denominated in foreign currencies

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

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

10. Financial instruments

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

(1) Classification of financial instruments

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

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

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

amount.

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

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

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

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

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

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

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

(2) Recognition basis and measurement method of financial instruments

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

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

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

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

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

instrument)

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

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

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

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

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

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

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

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

Financial liabilities measured at fair value of which changes are recorded in current profit and loss, including tradable 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 loans, 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 is 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

(1) Impairment of notes receivable and accounts receivable

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

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

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

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

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

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

12. Accounts receivable

Please refer to this Note 5-11: Notes receivable.

13. Amounts receivable financing

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

14. Other receivables

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

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

15. Inventory

(1) Classification and cost of inventories

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

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

(2) Valuation method of delivered inventory

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

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

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

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

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

(4) Inventory system

The perpetual inventory system is adopted.

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

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

16. Contract assets

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

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

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

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

17. Contract cost

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

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

- The cost is directly related to a current or anticipated contract.
- The cost increases the Company's future resources to meet its performance obligations.
- The cost is expected to be recoverable.

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

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

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

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

If the factors of impairment in the previous period change so that the difference above is higher than the book value of the asset, the Company shall reverse the withdrawn impairment provision and include it into the current profit and loss, but the book value of the reversed asset shall not exceed the book value of such asset on the reversal date if the impairment provision is not withdrawn.

18. Assets held for sales

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

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

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

Where it is classified as non-current assets (not including financial assets and deferred income tax assets, 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. The provision for impairment of available for sale assets is withdrawn.

19. Debt investment

20. Other debt investments

21. Long-term receivables

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 the joint venture of the

Company.

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

(2) Recognition of initial investment cost

① Long-term equity investment formed by business combination

For the long-term equity investment in a subsidiary formed by business combination under common control, the share of the book value of the owner's equity of the combining party in the consolidated financial statements of the final controlling party, on the combination date, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the book value of paid consideration shall adjust the capital stock premium in capital reserve. If the capital stock premium in capital reserve is insufficient to offset, the retained earnings shall be adjusted. Where it implements the control upon the invested entity under the same control due to additional investment or other reasons, the difference between the initial investment cost of the long-term equity investment recognized according to the above principle and the sum of the book value of the long-term equity investment before the combination plus the book value of the new consideration for the acquisition of further shares on the merging date shall adjust the capital stock premium. If the capital stock premium is insufficient to offset, the retained earnings shall be offset.

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

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

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

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

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

① Long-term equity investment checked by cost method

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

② Long-term equity investment checked by equity method

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

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

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

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

The net loss incurred by the Company to the cooperative enterprise or joint venture, except for the liability for additional loss, shall be written down to zero by the book value of long-term equity investment and other long-term equity substantially constituting the net investment in the cooperative enterprise or joint venture. If the cooperative enterprise or joint venture achieves the net profits in the later periods, the Company recovers to recognize the gain sharing amount after making up for the unrecognized loss sharing amount with the gain sharing amount.

③ Disposal of long-term equity investment

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

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

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

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

other comprehensive income and other changes in owner's equity recognized before obtaining the control right of the invested entity shall be carried forward.

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

23. Investment real estates

Measurement mode of investment real estate

N/A

24. Fixed assets

(1) Recognition conditions

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

(1) The expected economic benefits related to the fixed assets are likely to flow to the enterprise; and (2) The cost of the fixed assets can be reliably measured. The fixed assets are initially measured according to the cost (and the influence of the expected disposal cost factors).

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

(2) Depreciation method

Class	Depreciation method	Depreciation life	Residual rate	Yearly depreciation
Houses and building	Straight-line depreciation	10-35	10.00	2.57-9.00
Machinery equipment	Straight-line depreciation	2-15	10.00	6.00-45.00
Transportation equipment	Straight-line depreciation	3-10	10.00	9.00-30.00
Electronic equipment and office equipment, etc.	Straight-line depreciation	2-10	10.00	9.00-45.00

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. The fixed assets leased by financial leasing shall adopt the depreciation policy consistent with the own fixed assets. 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 within the service life of the leased assets; where it is impossible to reasonably determine that the ownership of the leased assets can be acquired upon the expiration of the lease term, the depreciation shall be calculated and withdrawn within a shorter period of the lease term and the service life of the leased assets.

The depreciation method, expected service life, ratio of remaining value and yearly depreciation of various fixed assets are as follows:

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

If one of the following conditions is stipulated in the lease agreement between the Company and the lessor, it shall be recognized as the assets acquired under finance leases: (1) The ownership of the leased assets will belong to the Company upon the expiration of the lease term; (2) The Company has the option to purchase the asset, and the purchase price is much lower than the fair value of the asset when exercising the option; (3) The lease period accounts for most of the service life of the leased asset; (4) There is no significant difference between the present value of the minimum lease payment on the beginning date of the lease and the fair value of the asset; and (5) The property of the leased asset is special. If no major transformation is made, only the lessee can use it.

Upon commencement of the lease term, the Company takes the lower of the fair value of the leased asset on the lease commencement date and the present value of the minimum lease payment as the entry value of the leased asset, and the minimum lease payment as the entry value of the long-term payables, and their balance as the unrecognized finance fees.

25. Construction in progress

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

26. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

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

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

(2) Capitalization period of borrowing costs

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

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

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

(3) Capitalization suspension period

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

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

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

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

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

27. Biological assets**28. Oil and gas assets****29. Right-of-use assets**

The right-of-use asset is initially measured at cost, which includes:

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

After the commencement date of the lease term, the Company adopts the cost model for subsequent measurement of the right-of-use assets.

If it can be reasonably determined that the ownership of the leased asset can be obtained at the end of the lease term, the depreciation shall be accrued within the remaining service life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the end of the lease term, the depreciation shall be accrued within the shorter of the lease term and the remaining service life of the leased asset. For right-of-use 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 with reference to the above principles.

30. Intangible assets**(1) Valuation method, service life and impairment test****① Pricing methods for intangible assets**

1) The intangible assets are initially measured according to the cost;
The costs of purchased intangible assets include the purchase price, related taxes as well as other expenses incurred to make the assets reach the intended serviceable conditions and attributable to the assets.

2) Subsequent measurement

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

② Estimation of useful life of intangible assets with limited life

Item	Expected useful life	Basis
Land use right	50	Term of use specified in the land-use right certificate
Software use right	2-8 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

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

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

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

① Specific criteria for dividing research stage and development stage

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

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

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

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

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

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

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

Companies are required to comply with the disclosure requirements of "Guidelines of Shenzhen Stock Exchange on Information Disclosure by Growth Enterprises Market No. 10: Listed Companies Engaged in Medical Device Business"

31. Long-term assets impairment

Long-term assets such as long-term equity investment, fixed assets, construction in progress, intangible assets with limited service life, and oil and gas assets, which show signs of impairment on the balance sheet date, shall be subject to impairment tests. If the impairment test results show that recoverable amount of the asset is below its book value, the provision for impairment is withdrawn according to the balance and charged to the impairment loss. The recoverable amount is determined according to the higher of the net amount of the assets fair value

subtracted by the disposal costs and the present value of the expected future cash flow of the assets. The provision for impairment of assets is calculated and recognized on the basis of single asset. The Company recognizes the recoverable amount of the asset group based on the asset group to which the asset belongs if the recoverable amount of the single asset is difficult to estimate. An asset group is the smallest group of assets that can generate cash inflows independently.

The goodwill formed due to business combination, intangible assets with uncertain service life and intangible assets that have not yet reached the usable state shall be subject to impairment test at least at the end of each year regardless of whether there are signs of impairment.

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

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

32. Long-term unamortized expenses

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

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

33. Contract liabilities

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

34. Employee compensation

(1) Short-term compensation accounting method

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

For the social insurance premiums and housing funds paid by the Company for the employees as wells as the

labor union expenditure and personnel education fund withdrawn according to the provisions, the corresponding employee compensation amount is recognized according to the stipulated accruing basis and accruing proportion during the accounting period when the employees provide services for the Company.

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

(2) Post-employment benefits accounting method

① Defined contribution plan

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

② Defined benefit plan

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

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

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

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

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

(3) Termination benefits accounting method

When providing dismissal welfare, the Company shall recognize the employee compensation liabilities arising from the dismissal welfare and record it in the current profit and loss whenever is earlier below: when the

Company fails to unilaterally withdraw the dismissal welfare due to termination of labor relation plan or downsizing suggestions; when the Company recognizes the costs or expenses related to restructuring involving payment of dismissal welfare.

(4) Other long-term employee benefits accounting method

35. Lease liabilities

The Company initially measures the lease liabilities at the present value of the lease payments outstanding at the commencement date of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate is used. Lease payments include:

- 1) Fixed payment and actual fixed payment after deducting the relevant amount of lease incentives;
- 2) Variable lease payments that depend on an index or rate;
- 3) If the Company reasonably determines that the option will be exercised, the lease payment includes the exercise price of the purchase option;
- 4) If the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment includes the amount required to be made at the time of exercising the option to terminate the lease;
- 5) The amount to be paid shall be estimated based on the residual value of the guarantee provided by the Company.

The Company calculates the interest expense of the lease liability during each period of the lease term according to a fixed discount 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 should be included in current profit or loss or the cost of the related asset when they are actually incurred.

36. Estimated liabilities

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

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

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

In recognizing the best estimate, factors such as risk, uncertainty and time value of money related to contingencies are taken into account. If the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows.

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

- When a contingency involves a single item, the best estimate is recognized by the most possible amount.

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

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

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

37. Share-based payment

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

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

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

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

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

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

The share-based payment settled by cash will be measured according to the fair value of the liability confirmed basing on the shares borne by the company and other equity instruments. For share-based payment transactions with exercisable rights immediately after the grant, the Company shall include it in the relevant costs or expenses in accordance with the fair value of the equity instrument on the grant date, and the liabilities shall be increased accordingly. If the rights can only be exercised after the situation that service within the waiting period is completed and set performance is achieved, the service obtained in the current period, according to the fair value

of the liabilities borne by the Company, and basing on the best estimate for the condition of exercising rights, will be recorded into relevant costs or expenses on each and every balance sheet date during the waiting period, and correspondingly recorded into the liabilities. Each and every balance sheet date and settlement before relevant liability settlement, the fair value of liability will be remeasured, of which changes occurred will be counted into the current period.

38. Preferred shares, perpetual bonds and other financial instruments

At the time of initial recognition, the Company classifies the financial instrument or its components as a financial asset, financial liability or equity instrument based on the terms of the contract and the economic substance reflected in the issued preferred stock / perpetual bond, and not solely in legal form.

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

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

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

39. Income

Accounting policies for income recognition and measurement

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

If the contract contains two or more performance obligations, the Company shall, on the commencement date of the contract, apportion the transaction price to each individual performance obligation according to the relative proportion of the individual selling price of the goods or services committed by each individual performance obligation. The Company's income shall be measured according to the transaction price apportioned to each individual performance obligation.

The transaction price means the amount of consideration that the Company is expected to be entitled to collect for the transfer of goods or services to the customer, excluding payments collected on behalf of third parties and amounts expected to be returned to the customer. The Company determines the transaction price in accordance

with the terms of the contract and in combination with its past practices, and in determining the transaction price, it takes into account the impact of variable consideration, material financing elements in the contract, non-cash consideration, consideration payable to customers and other factors. The Company determines the transaction price including the variable consideration by an amount not exceeding the amount of accumulated recognized income which is highly unlikely to be materially reversed when the relevant uncertainty is eliminated. If there is a material financing component in the contract, the Company shall determine the transaction price based on the amount payable in cash when the customer acquires control of the goods or services, and shall amortize the difference between the transaction price and the contract consideration by the effective interest method during the contract period.

If one of the following conditions is satisfied, it shall be deemed to have performed its performance obligation within a certain period of time; otherwise, it shall be deemed to have performed its performance obligation at a certain time point:

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

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

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

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

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-revenue);

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-revenue) 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-revenue or write down relevant costs, expenses or losses.

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

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

41. Deferred income tax assets and deferred income tax liabilities

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

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

For the deferred income tax assets recognized through deductible temporary difference, it is limited to the amount of taxable income which is likely to be obtained to offset the deductible temporary difference in the future period.

For the deductible loss and tax deduction that can be carried forward to the subsequent year, the corresponding deferred income tax assets are recognized within the limit of the future taxable income amount that is possibly obtained to deduct the deductible loss and tax deduction.

For taxable temporary differences, except in special circumstances, the deferred income tax liability is recognized. Special circumstances in which deferred income tax assets or deferred income tax liabilities are not recognized include:

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

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

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

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

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

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

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

42. Leased

(1) Accounting treatment method of operating lease

Accounting policy effective on January 1, 2021.

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

① Split of lease contracts

When a contract contains several separate leases, the Company will split the contract and conduct accounting treatments for each of the separate leases.

When a contract contains both lease and non-lease components, the Company splits the lease and non-lease components, and the lease component is accounted for in accordance with the lease standard, while the non-lease component should be accounted for in accordance with other applicable corporate accounting standards.

② Consolidation of lease contracts

If two or more contracts containing leases entered into by the Company and the same counterparty or its related parties at the same or at a similar time, the contracts shall be combined into one contract for accounting purposes in any of the following conditions:

- (1) If the two or more contracts are entered into for a general business purpose and constitute a package deal, the general business purpose of the contracts cannot be identified unless considered as a whole.
- (2) The amount of consideration for one of the two or more contracts depends on the pricing or performance of the other contract(s).
- (3) The rights to use assets assigned by the two or more contracts together constitute a single lease.

③ Accounting treatment for the Company as a lessee

At the beginning of the lease term, in addition to short-term leases and low-value asset leases that apply simplified processing, the Company recognizes the right-of-use assets and lease liabilities for leases.

(1) Short-term leases and low-value asset leases

Short-term leases are leases that do not include purchase options and the lease term does not exceed 12 months. A low-value asset lease is a lease with a lower value when the single leased asset is a new asset.

- (2) See this Note V. 29/ V. 35 for accounting policies for right-of-use assets and lease liabilities.

④ Accounting treatment for the Company as a lessor

(1) Classification of lease

The Company classifies leases as finance leases and operating leases at the lease commencement date. Finance lease refers to a lease that has substantially transferred almost all the risks and rewards related to the ownership of the leased asset, and its ownership may or may not be transferred in the end. Operating leases refer to leases other than financial leases.

The Company usually classifies a lease as a finance lease if it is in any one or more of the following circumstances:

- 1) The ownership of the leased asset is transferred to the lessee when the term of lease expires;
- 2) The lessee has the option to buy the leased asset at a price which is expected to be lower enough than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the option will be exercised by the lessee;
- 3) Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of

the leased asset;

- 4) The present value of the lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset;
- 5) The leased assets are of a specialized nature that only the lessee can use them without making major modifications.

The Company may also classify a lease as a finance lease if it has any one or more of the following signs:

- 1) If the lessee cancels the lease, the loss caused by the cancellation to the lessor shall be borne by the lessee.
- 2) Gains or losses arising from fluctuations in the fair value of the residual value of assets shall be borne by the lessee.
- 3) The lessee has the ability to continue the lease to the next period at a rent much lower than the market level.

(2) Accounting treatment method of finance lease

On the commencement date of the lease term, the Company recognizes finance lease receivables for finance leases and derecognizes the finance lease assets.

When the finance lease receivable is initially measured, 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, is used as the entry value of the finance lease receivables. Lease receipts include:

- 1) Fixed payment and actual fixed payment after deducting the relevant amount of lease incentives;
- 2) Variable lease payments that depend on an index or rate;
- 3) When it is reasonably determined that the lessee will exercise the purchase option, the lease payment includes the exercise price of the purchase option;
- 4) If the lease term reflects that the lessee will exercise the option to terminate the lease, the lease receivable includes the amount required to be made by the lessee at the time of exercising the option to terminate the lease;
- 5) The residual value of the guarantee provided to the lessor by the lessee, a party related to the lessee, and an independent third party that has the financial ability to perform the guarantee obligation.

The Company calculates and recognizes interest income for each period of the lease term based on the fixed interest rate implicit in the lease. Variable lease payments obtained that are not included in the net lease investment measurement are included in profit or loss when they are actually incurred.

(3) Accounting treatment method of operating lease

During each period of the lease term, the Company adopts the straight-line method or other systematic and reasonable methods to recognize the lease receipts from operating leases as rental income; the initial direct costs incurred related to operating leases are capitalized and amortized over the lease term on the same basis as rental income, and is included in the current profit and loss in installments; variable lease payments related to operating leases that are not included in the lease receipts are included in the current profit and loss when they actually occur.

⑤ **Sale-leaseback**

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 this 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. See this 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 "4. 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. See this Note "V. 10 Financial instruments" for the accounting treatment of financial assets.

Accounting policy before January 1, 2021

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

1. Accounting treatment method of operating lease

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

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

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

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

2. Accounting treatment method of finance lease

- (1) Assets acquired under finance leases: upon commencement of the lease term, the Company takes the lower of the fair value of the leased asset on the lease commencement date and the present value of the minimum lease payment as the entry value of the leased asset, and the minimum lease payment as the entry value of the long-term payables, and their balance as the unrecognized finance fees. The Company adopts the effective interest rate method to amortize the unrecognized financing costs within the period of the asset lease and record them into financial expenses. The initial direct expenses incurred by the Company shall be included in the value of the leased assets.
- (2) Assets rent out under finance leases: upon commencement of the lease, the Company recognizes the difference between the sum of the receivable finance lease amount and the unguaranteed residual value and its present value as unrealized financing income, and recognizes it as rental income in each period in which the rent is received in the future. The initial direct expenses incurred by the Company in connection with the

leasing transaction shall be included in the initial measurement of the finance lease receivable, and the amount of income recognized during the lease term shall be reduced.

(2) Accounting treatment method of finance lease

43. Other significant accounting policy and accounting estimate

(1) Discontinued operation

Discontinued 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

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.

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.

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.

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
Since January 1, 2021, the Company has implemented the Accounting Standards for Business Enterprises No. 21 - Leases (revised 2018) developed by Ministry of Finance.		

1. Impacts the new lease standards on the Company

Since January 1, 2021, the Company has implemented the Accounting Standards for Business Enterprises No. 21 - Leases (revised 2018) developed by Ministry of Finance. See this Note V. 42. for details of the revised accounting policy.

The cumulative effect amount of the first execution adjusts the amounts of the relevant items in the financial statements at the beginning of the period in which the first execution occurs (January 1, 2021) and does not adjust the information for comparable periods.

Impacts of the new lease standards on the relevant items in the balance sheet at the beginning of the current period are listed as follows:

Item	December 31, 2020	Cumulative effect amount			January 01, 2021
		Reclassifications	Remeasurement	Subtotal	
Right-of-use assets			504,205,737.73	504,205,737.73	504,205,737.73
Total assets			504,205,737.73	504,205,737.73	504,205,737.73
Lease liabilities			564,334,375.76	564,334,375.76	564,334,375.76
Total liabilities			564,334,375.76	564,334,375.76	564,334,375.76

Undistributed profit	5,126,630,011.14	(60,128,638.03)	(60,128,638.03)	5,066,501,373.11
Total owners' equities	5,126,630,011.14	(60,128,638.03)	(60,128,638.03)	5,066,501,373.11

Note: The above table presents only the affected items in the financial statement and does not include the unaffected ones; therefore, the subtotals and totals disclosed cannot be recalculated from the figures presented in the above table.

(2) Changes in major accounting estimates

Applicable Not applicable

(3) The adjustment of the financial statements at the beginning of the year for the first implementation of the new lease standards from 2021

Applicable

Whether to adjust the balance sheet accounts at the beginning of the year

Yes No

Consolidated Balance Sheet

Unit: yuan

Item	December 31, 2020	January 1, 2021	Adjusted figure
Current assets:			
Cash and cash equivalents	4,162,539,245.78	4,162,539,245.78	
Deposit reservation for balance			
Lending funds			
Tradable financial assets	4,131,178,589.44	4,131,178,589.44	
Derivative financial assets			
Notes receivable			
Accounts receivable	844,317,708.12	844,317,708.12	
Accounts receivable financing	18,182,662.70	18,182,662.70	
Advances to suppliers	124,031,239.05	124,031,239.05	
Insurance premiums receivables			
Reinsurance premium receivable			

Receivable reserve for reinsurance contract			
Other receivables	458,174,652.72	458,174,652.72	
Including: Interest receivable			
Dividends receivable			
Monetary assets purchased under resale agreements			
Inventory	1,216,486,940.21	1,216,486,940.21	
Contract assets			
Assets held for sales			
Non-current assets due within a year			
Other current assets	35,184,227.09	35,184,227.09	
Total current assets	10,990,095,265.11	10,990,095,265.11	
Non-current assets:			
Loans and advances			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investment	13,424,230.41	13,424,230.41	
Other equity instrument investments			
Other non-current financial assets			
Investment in real estates			
Fixed assets	1,400,749,050.00	1,400,749,050.00	
Construction in progress	61,383,340.97	61,383,340.97	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		504,205,737.73	504,205,737.73

Intangible assets	208,325,103.79	208,325,103.79	
Development expenditure			
Goodwill			
Long-term unamortized expenses	121,335,007.33	121,335,007.33	
Deferred income tax assets	143,132,351.08	143,132,351.08	
Other non-current assets	63,807,415.75	63,807,415.75	
Total non-current assets	2,012,156,499.33	2,516,362,237.06	504,205,737.73
Total assets	13,002,251,764.44	13,506,457,502.17	504,205,737.73
Current liabilities			
Short-term loans	150,071,416.66	150,071,416.66	
Borrowings from the Central Bank			
Borrowing funds			
Tradable financial liabilities			
Derivative financial liabilities			
Notes payable	29,418,100.00	29,418,100.00	
Accounts payable	726,577,306.94	726,577,306.94	
Advance from customers			
Contract liabilities	530,188,257.63	530,188,257.63	
Monetary assets sold for repurchase			
Deposits from customers and interbank			
Acting trading securities			
Acting underwriting securities			
Payroll payable	169,957,077.81	169,957,077.81	
Taxes payable	444,381,369.49	444,381,369.49	

Other payables	352,543,008.89	352,543,008.89	
Including: Interest payable			
Dividends payable			
Fees and commissions payable			
Dividend payable for reinsurance			
Liabilities held for sales			
Non-current liabilities due within one year			
Other current liabilities	23,638,266.47	23,638,266.47	
Total current liabilities	2,426,774,803.89	2,426,774,803.89	
Non-current liabilities			
Reserve fund for insurance contracts			
Long-term loans			
Bonds payable			
Including: preferred stock			
Perpetual bond			
Lease liabilities		564,334,375.76	564,334,375.76
Long-term payable			
Long-term payroll payable			
Estimated liabilities			
Deferred income	94,921,260.87	94,921,260.87	
Deferred income tax liabilities	12,165,608.24	12,165,608.24	
Other non-current liabilities			
Total non-current liabilities	107,086,869.11	671,421,244.87	564,334,375.76
Total liabilities	2,533,861,673.00	3,098,196,048.76	564,334,375.76
Owner's equity:			

Capital stock	426,492,308.00	426,492,308.00	
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserve	4,481,709,983.24	4,481,709,983.24	
Less: treasury stock			
Other comprehensive income	(1,111,035.08)	(1,111,035.08)	
Special reserve			
Surplus reserve	420,212,778.13	420,212,778.13	
General risk reserve			
Undistributed profit	5,126,630,011.14	5,066,501,373.11	(60,128,638.03)
Total shareholders' equity attributable to the owners of parent company	10,453,934,045.43	10,393,805,407.40	(60,128,638.03)
Noncontrolling interest	14,456,046.01	14,456,046.01	0.00
Total shareholders' equity	10,468,390,091.44	10,408,261,453.41	(60,128,638.03)
Total liabilities and equity	13,002,251,764.44	13,506,457,502.17	504,205,737.73

Adjustment description

Balance sheet of parent company

Unit: yuan

Item	December 31, 2020	January 1, 2021	Adjusted figure
Current assets:			
Cash and cash equivalents	3,669,286,043.43	3,669,286,043.43	
Tradable financial assets	3,779,510,798.34	3,779,510,798.34	
Derivative financial assets			
Notes receivable			
Accounts receivable	679,644,839.39	679,644,839.39	
Amounts receivable financing	26,281,743.01	26,281,743.01	
Advances to suppliers	1,141,185,179.88	1,141,185,179.88	

Other receivables	361,160,139.37	361,160,139.37	
Including: Interest receivable			
Dividends receivable			
Inventory	244,264,320.15	244,264,320.15	
Contract assets			
Assets held for sales			
Non-current assets due within a year			
Other current assets	2,986,600.60	2,986,600.60	
Total current assets	9,904,319,664.17	9,904,319,664.17	
Non-current assets:			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investment	738,074,914.56	738,074,914.56	
Other equity instrument investments			
Other non-current financial assets			
Investment real estates			
Fixed assets	47,677,210.41	47,677,210.41	
Construction in progress	625,889.08	625,889.08	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	11,093,821.43	11,093,821.43	
Development expenditure			
Goodwill			
Long-term unamortized expenses	4,270,865.79	4,270,865.79	

Deferred income tax assets	18,761,956.53	18,761,956.53	
Other non-current assets	7,420,450.61	7,420,450.61	
Total non-current assets	827,925,108.41	827,925,108.41	
Total assets	10,732,244,772.58	10,732,244,772.58	
Current liabilities			
Short-term loans	120,071,416.66	120,071,416.66	
Tradable financial liabilities			
Derivative financial liabilities			
Notes payable	8,757,000.00	8,757,000.00	
Accounts payable	734,959,933.53	734,959,933.53	
Advance from customers			
Contract liabilities	483,370,540.77	483,370,540.77	
Payroll payable	57,086,457.61	57,086,457.61	
Taxes payable	332,551,933.15	332,551,933.15	
Other payables	261,840,719.70	261,840,719.70	
Including: Interest payable			
Dividends payable			
Liabilities held for sales			
Non-current liabilities due within one year			
Other current liabilities	14,855,171.12	14,855,171.12	
Total current liabilities	2,013,493,172.54	2,013,493,172.54	
Non-current liabilities			
Long-term loans			
Bonds payable			
Including: preferred stock			
Perpetual bond			

Lease liabilities			
Long-term payable			
Long-term payroll payable			
Estimated liabilities			
Deferred income	22,798,583.10	22,798,583.10	
Deferred income tax liabilities	1,426,619.75	1,426,619.75	
Other non-current liabilities			
Total non-current liabilities	24,225,202.85	24,225,202.85	
Total liabilities	2,037,718,375.39	2,037,718,375.39	
Owner's equity:			
Capital stock	426,492,308.00	426,492,308.00	
Other equity instruments			
Including: preferred stock			
Perpetual bond			
Capital reserve	4,507,116,745.59	4,507,116,745.59	
Less: treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	411,397,111.21	411,397,111.21	
Undistributed profit	3,349,520,232.39	3,349,520,232.39	
Total owners' equities	8,694,526,397.19	8,694,526,397.19	
Total liabilities and owners' equities	10,732,244,772.58	10,732,244,772.58	

Adjustment description

(4) Description of retrospective adjustment of the previous comparative data for the first implementation of the new lease standard from 2021

Applicable Not applicable

45. Others

VI. Taxes

1. Main tax categories and tax rates

Tax category	Taxation basis	Tax rate
Added value tax	Calculate the substituted money on VAT on the basis of the income from selling goods and taxable services according to the tax law. After deduction of the withholdings on VAT allowed to deduct in current period, the balance is the VAT payable	13%, 9%, 6%, 3%
Consumption tax	N/A	N/A
Urban maintenance and construction tax	Actual paid value added tax (including the exemption part) and consumption tax	7%, 5%
Corporate income tax	Levied by income tax payable	25%, 20%, 16.5%, 15%
Education surcharge	Actual paid value added tax (including the exemption part) and consumption tax	3%

If there are taxpayers with different enterprise income tax rates, the disclosure statement shall present

Name of taxpayer	Income tax rate
The Company, Winner Medical (Huanggang)	15%
Winner Medical (Tianmen)	15%
Winner Medical (Jingmen), Winner Medical (Chongyang), Winner Medical (Jiayu)	15%
Winner Medical Malaysia	25%
Qianhai Purcotton	15%
Winner Medical (Hong Kong)	16.5%
Pure HB (Shanghai)	20%
Other subsidiaries within the scope of consolidation	25%

2. Tax preference

- On October 16, 2018, according to the Notice on Publicizing the List of First Batch of High-tech Enterprises to be Identified in Shenzhen in 2018 issued by the Leading Group Office of National High-tech Enterprise Accreditation Administration, the Company passed the High-tech Enterprise Qualification Reexamination (Certificate No. GR201844200237). The prepayment of corporate income tax shall be at a rate of 15% in 2021.
- According to the Notice on Publicizing the List of the Second Batch of High-tech Enterprises to be Identified in Hubei Province in 2019, Winner Medical (Huanggang) was identified as the second batch of high-tech

enterprises with the certificate number GR201942002414. In 2021, it can pay corporate income tax at the preferential tax rate of 15.00%. The prepayment of corporate income tax shall be at a rate of 15% in 2021.

- (3) Qianhai Purcotton was established on July 21, 2015, with its domicile located in Shenzhen Qianhai Shenzhen-Hong Kong Cooperation Zone. According to the Notice of Enterprise Income Tax Preferential Policies and Preferential Directory in Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Hengqin New Fujian Pingtan Comprehensive Experimental Area (C.S. [2014] No. 26) issued by the Ministry of Finance and State Taxation Administration, Qianhai Purcotton pays its enterprise income tax at the tax rate of 15.00%.
- (4) According to the Notice on Publicizing the List of First Batch of High-tech Enterprises to be Identified in Hubei Province in 2018 issued by the Leading Group Office of National High-tech Enterprise Accreditation Administration on November 15, 2018, Winner Medical (Jingmen) obtained the High-tech Enterprise Certificate (Certificate No. GR201842001123) on November 15, 2018. The prepayment of corporate income tax shall be at a rate of 15% in 2021.
- (5) According to the Notice on Publicizing the List of Second Batch of High-tech Enterprises to be Identified in Hubei Province in 2018 issued by the Leading Group Office of National High-tech Enterprise Accreditation Administration on November 30, 2018, Winner Medical (Tianmen) obtained the High-tech Enterprise Certificate (Certificate No. GR201842001959) on November 30, 2018. The prepayment of corporate income tax shall be at a rate of 15% in 2021. According to the Notice on Publicizing the List of Second Batch of High-tech Enterprises to be Identified in Hubei Province in 2018 on November 30, 2018, Winner Medical (Chongyang) and Winner Medical (Jiayu) obtained the High-tech Enterprise Certificates (Certificate No. GR201842001585, GR201842002393) on November 30, 2018. The prepayment of corporate income tax shall be at a rate of 15% in 2021.
- (6) Pure HB (Shanghai) was established on March 16, 2018 and registered in Pudong New Area, Shanghai City. According to the Notice on Implementing the Preferential Tax Reduction Policy for Small and Micro-sized Enterprises (C.S. [2019] No. 13) issued by the Ministry of Finance and State Taxation Administration, the taxable income of Pure HB (Shanghai) in 2021 shall not exceed 1 million yuan, which shall be reduced by 25% and included into the taxable income, and the corporate income tax shall be paid at the tax rate of 20%.

3. Others

VII. Notes to Items in Consolidated Financial Statements

1. Cash and cash equivalents

Unit: yuan

Item	Closing Balance	Beginning balance
Cash on hand	77,810.79	49,287.18
Bank deposit	4,663,700,220.18	4,149,685,407.20
Other cash and cash equivalents	36,751,496.88	12,804,551.40
Total	4,700,529,527.85	4,162,539,245.78
Where: total amount deposited abroad	14,925,419.89	95,608,086.45
Total amount of funds with	40,195,765.99	12,804,551.40

restrictions on use due to mortgage, pledge or freeze		
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Other description

The breakdown of monetary funds with restrictions on use due to mortgages, pledges or freezes, as well as those placed outside China with restrictions on repatriation of funds, is as follows:

Item	Ending book value	Causes for restriction
L/C deposit	34,512,382.24	It is mainly the deposit made for domestic Letters of Credit
Performance bond	2,200,068.49	It is mainly the deposit made for transactions with customers
Other restricted monetary fund balances	3,483,315.26	It refers to the balance of special deposit accounts for restricted non-budget units opened by Shenzhen Purcotton in accordance with the regulations of prepaid card issuance formulated by the Ministry of Commerce.
Total	40,195,765.99	

2. Tradable financial assets

Unit: yuan

Item	Closing Balance	Beginning balance
Financial assets measured with fair value and with the changes included in current profit and loss	2,707,384,233.24	4,131,178,589.44
Including:		
Others	2,207,384,233.24	3,931,178,589.44
Trust products	500,000,000.00	200,000,000.00
Including:		
Total	2,707,384,233.24	4,131,178,589.44

Other description: Other components of tradable financial assets include: the invested principal of structural deposit is 2,180,000,000.00 yuan and its fair value change income is 9,852,767.52 yuan, and the fair value change income from future foreign exchange settlement is 17,531,465.72 yuan.

3. Derivative financial assets

Unit: yuan

Item	Closing Balance	Beginning balance
Derivative financial assets		

Other description:

4. Notes receivable**(1) Classified presentation of notes receivable**

Unit: yuan

Item	Closing Balance	Beginning balance
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Unit: yuan

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

Provision for bad debt by single item:

Unit: yuan

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

Provision for bad debt by combination:

Unit: yuan

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion

Description of the basis for determining the combination:

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

 Applicable Not applicable
(2) Provision, recovery or reversal of bad debt reserves in the current period

Provision for bad debts in current period:

Unit: yuan

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

Item	Pledged amount at the end of the period
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(4) Notes receivable endorsed or discounted by the Company at the end of the period and not expired yet on the balance sheet date

Unit: yuan

Item	Amount with recognition terminated at the end of the period	Amount with recognition not terminated at the end of the period
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(5) Notes transferred to accounts receivable by the Company at the end of the period due to failure of the drawer to perform

Unit: yuan

Item	Amount transferred to accounts receivable at the end of the period
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Other description

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

Unit: yuan

Item	Amount written off
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Write-off of important notes receivable:

Unit: yuan

Unit name	Nature of notes receivable	Amount written off	Reasons for write-off	Write-off procedures performed	Whether the payments arise from connected transactions
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Description of write-off notes receivable:

5. Accounts receivable**(1) Classified disclosure of accounts receivable**

Unit: yuan

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

		n		proportio n			n		proportio n	
Including:										
Accounts receivable of provision for bad debt by combination	909,715, 973.83	100.00%	46,048,1 56.89	5.06%	863,667,8 16.94	888,816,0 11.14	100.00%	44,498,30 3.02	5.01%	844,317,70 8.12
Including:										
Total	909,715, 973.83	100.00%	46,048,1 56.89	5.06%	863,667,8 16.94	888,816,0 11.14	100.00%	44,498,30 3.02	5.01%	844,317,70 8.12

Provision for bad debt by single item: There is no accounts receivable of provision for bad debt by single item at the end of this reporting period.

Unit: yuan

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

Provision for bad debt by single item:

Unit: yuan

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

Provision for bad debt by combination: aging analysis method

Unit: yuan

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion
Within 1 year (including 1 year)	900,638,842.88	45,031,942.14	5.00%
1~2 years (including 2 years)	8,780,214.88	878,021.49	10.00%
2~3 years (including 3 years)	226,746.87	68,024.06	30.00%
More than 5 years	70,169.20	70,169.20	100.00%
Total	909,715,973.83	46,048,156.89	--

Description of the basis for determining the combination:

Recognition criteria and description of bad debts by combination: On June 30, 2021, 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, 2021 is estimated based on the aging of accounts and estimated at the original loss ratio.

Provision for bad debt by combination:

Unit: yuan

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion

Description of the basis for determining the combination:

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

Applicable Not applicable

Disclosure by aging

Unit: yuan

Aging	Closing Balance
Within 1 year (including 1 year)	900,638,842.88
1~2 years	8,780,214.88
2~3 years	226,746.87
More than 3 years	70,169.20
More than 5 years	70,169.20
Total	909,715,973.83

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

Provision for bad debts in current period:

Unit: yuan

Class	Beginning balance	Amount of change in current period				Closing Balance
		Accrual	Recovered or reversed	Write-off	Others	
Provision for bad debt of accounts receivable	44,498,303.02	10,631,457.77	9,081,603.90			46,048,156.89
Total	44,498,303.02	10,631,457.77	9,081,603.90			46,048,156.89

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

Unit: yuan

Unit name	Amount recovered or reversed	Recovery way

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

Unit: yuan

Item	Amount written off

Write-off of important accounts receivable:

Unit: yuan

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

					transactions
--	--	--	--	--	--------------

Description of write-off accounts receivable:

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

Unit: yuan

Unit name	Ending balance of accounts receivable	Proportion in total other ending balance of accounts receivable	Ending balance of bad debt provision
First	192,013,204.61	21.11%	9,600,660.23
Second	31,273,460.19	3.44%	1,563,673.01
Third	29,435,075.96	3.24%	1,471,753.80
Fourth	26,500,414.91	2.91%	1,350,096.92
Fifth	25,904,708.42	2.85%	1,295,235.42
Total	305,126,864.09	33.55%	

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

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

Other description:

6. Amounts receivable financing

Unit: yuan

Item	Closing Balance	Beginning balance
Notes receivable - banker's acceptance bill	9,263,087.17	18,182,662.70
Total	9,263,087.17	18,182,662.70

Changes in the increase and decrease of receivables financing and changes in the fair value in the current period

Applicable Not applicable

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

Applicable Not applicable

Other description:

7. Advances to suppliers

(1) Presentation of advances to suppliers by aging

Unit: yuan

Aging	Closing Balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	173,005,830.85	96.59%	124,030,319.05	100.00%
1~2 years	6,101,780.22	3.41%	920.00	
Total	179,107,611.07	--	124,031,239.05	--

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

There is no important advances aged for more than one year during this reporting period.

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

The amount of advances to suppliers with Top 5 ending balances by prepayment object was 114,979,693.79 yuan, accounting for 64.20% of the total balance of prepayments at the end of the period.

Other description:

8. Other receivables

Unit: yuan

Item	Closing Balance	Beginning balance
Other receivables	343,344,829.42	458,174,652.72
Total	343,344,829.42	458,174,652.72

(1) Interest receivable

1) Classification of interest receivable

Unit: yuan

Item	Closing Balance	Beginning balance
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2) Important overdue interest

Unit: yuan

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

3) Provision for bad debt

Applicable Not applicable

(2) Dividends receivable**1) Classification of dividends receivable**

Unit: yuan

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

Unit: yuan

Project (or invested unit)	Closing Balance	Aging	Reason for non-recovery	Whether there is impairment and its judgment basis
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3) Provision for bad debt Applicable Not applicable

Other description:

(3) Other receivables**1) Other receivables classified by nature**

Unit: yuan

Nature of payment	Ending book balance	Beginning book balance
Compensation for investment and construction project of Winner Medical (Heyuan)	238,655,320.00	387,655,320.00
Margin and deposit	106,164,775.32	98,537,244.23
Export drawback		7,809,612.57
Employee pretty cash	3,635,864.16	2,496,966.71
Others	25,865,681.87	6,013,308.92
Total	374,321,641.35	502,512,452.43

2) Provision for bad debt

Unit: yuan

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment occurred)	Expected credit losses over the entire duration (credit impairment has occurred)	

Balance on January 1, 2021	44,123,702.07		214,097.64	44,337,799.71
Balance on January 1, 2021 in the current period	—	—	—	—
Accrual in current period	1,678,265.15			1,678,265.15
Reversal in current period	15,039,252.93			15,039,252.93
Balance on June 30, 2021	30,762,714.29		214,097.64	30,976,811.93

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

Applicable Not applicable

Disclosure by aging

Unit: yuan

Aging	Closing Balance
Within 1 year (including 1 year)	135,043,390.01
1~2 years	238,744,293.11
2~3 years	136,679.80
More than 3 years	397,278.43
3~4 years	171,378.43
4~5 years	11,900.00
More than 5 years	214,000.00
Total	374,321,641.35

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

Provision for bad debts in current period:

Unit: yuan

Class	Beginning balance	Amount of change in current period				Closing Balance
		Accrual	Recovered or reversed	Write-off	Others	
Provision for bad debts of other receivables	44,337,799.71	1,678,265.15	15,039,252.93			30,976,811.93
Total	44,337,799.71	1,678,265.15	15,039,252.93			30,976,811.93

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

Unit: yuan

Unit name	Amount reversed or recovered	Recovery way
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4) Other receivable actually written off at the current period

Unit: yuan

Item	Amount written off
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Write-off of important other receivables:

Unit: yuan

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

5) Other receivables with Top 5 ending balances by debtor

Unit: yuan

Unit name	Nature of payment	Closing Balance	Aging	Proportion in total other ending balance receivable	Ending balance of bad debt provision
First	Compensation for investment and construction project of Winner Medical (Heyuan)	238,655,320.00	1~2 years	63.76%	23,865,532.00
Second	Margin and deposit	7,669,567.22	Within 1 year	2.05%	383,478.36
Third	Margin and deposit	2,746,332.73	Within 1 year	0.73%	137,316.64
Fourth	Margin and deposit	1,285,230.90	Within 1 year	0.34%	64,261.55
Fifth	Margin and deposit	1,075,384.10	Within 1 year	0.29%	53,769.21
Total	--	251,431,834.95	--	67.17%	24,504,357.76

6) Accounts receivable involving government subsidies

Unit: yuan

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

9. Inventory

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

No

(1) Inventory classification

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Inventory falling price reserves or provision for impairment of contract performance costs	Book value	Book balance	Inventory falling price reserves or provision for impairment of contract performance costs	Book value
Raw materials	283,521,540.55	16,713,937.46	266,807,603.09	376,925,094.86	8,304,812.08	368,620,282.78
Work in process	162,384,699.45	3,520,744.28	158,863,955.17	131,194,111.13	4,032,195.26	127,161,915.87
Merchandise inventory	941,129,937.55	124,391,922.47	816,738,015.08	772,693,263.07	136,714,538.94	635,978,724.13
Semi-finished products shipped in transit	13,768,628.69		13,768,628.69	76,790,690.31		76,790,690.31
Low priced and easily worn articles	8,549,248.10	261,894.88	8,287,353.22	8,170,543.67	235,216.55	7,935,327.12
Total	1,409,354,054.34	144,888,499.09	1,264,465,555.25	1,365,773,703.04	149,286,762.83	1,216,486,940.21

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

Unit: yuan

Item	Beginning balance	Amount increased in current period		Amount decreased in current period		Closing Balance
		Accrual	Others	Reversal or write-back	Others	
Raw materials	8,304,812.08	10,666,869.50		2,257,744.12		16,713,937.46
Work in process	4,032,195.26	2,773,130.67		3,284,581.65		3,520,744.28
Merchandise inventory	136,714,538.94	39,806,770.85		52,129,387.32		124,391,922.47
Low priced and easily worn	235,216.55	26,678.33				261,894.88

articles						
Total	149,286,762.83	53,273,449.35		57,671,713.09		144,888,499.09

Note: The Company's provision and reversal of provision for inventory depreciation are mainly calculated based on the principle that the net realizable value is lower than the cost. The inventory depreciation provisions for write-offs in the current period are mainly due to the cost of acquisition or sales carry-over.

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

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

10. Contract assets

Unit: yuan

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

Amount and reason of significant change in the book value of contract assets in current period:

Unit: yuan

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

Applicable Not applicable

Provision for impairment of contract assets in current period

Unit: yuan

Item	Accrual in current period	Reversal in current period	Write off/verification in current period	Reasons
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Other description:

11. Assets held for sales

Unit: yuan

Item	Ending book balance	Provision for impairment	Ending book value	Fair value	Estimated disposal cost	Estimated disposal time
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Other description:

12. Non-current assets due within a year

Unit: yuan

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

Unit: yuan

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

Other description:

13. Other current assets

Unit: yuan

Item	Closing Balance	Beginning balance
Return cost receivable	2,188,464.68	1,449,440.77
VAT input tax to be deducted / uncertified input tax	70,168,411.24	31,138,563.62
Prepaid corporate income tax	4,539,423.46	
Unamortized expenses	7,097,277.96	2,595,244.40
Others	233,286,872.17	978.30
Total	317,280,449.51	35,184,227.09

Other description:

14. Debt investment

Unit: yuan

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

Important debt investments

Unit: yuan

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

Provision for impairment

Unit: yuan

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment occurred)	Expected credit losses over the entire duration (credit impairment has occurred)	
Balance on January 1, 2021 in the current	—	—	—	—

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

Applicable Not applicable

Other description:

NA

15. Other debt investments

Unit: yuan

Item	Beginning balance	Accrued interest	Fair value change in current period	Closing Balance	Cost	Accumulated fair value change	Accumulated provision for loss recognized in other comprehensive income	Remark

Important other debt investments

Unit: yuan

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

Provision for impairment

Unit: yuan

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment occurred)	Expected credit losses over the entire duration (credit impairment has occurred)	
Balance on January 1, 2021 in the current period	—	—	—	—

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

Applicable Not applicable

Other description:

16. Long-term receivables

(1) Long-term receivables

Unit: yuan

Item	Closing Balance	Beginning balance	Discount rate

	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value	range
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Impairment of provision for bad debt

Unit: yuan

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment occurred)	Expected credit losses over the entire duration (credit impairment has occurred)	
Balance on January 1, 2021 in the current period	—	—	—	—

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

□ Applicable √ Not applicable

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

Other description

17. Long-term equity investment

Unit: yuan

Invested unit	Beginning balance (book value)	Increase or decrease in current period								Ending balance (book value)	Balance of impairment provision at the end of period
		Further investment	Capital reduction	Investment gains and losses recognized by the equity method	Adjustment of other comprehensive income	Changes in other equity	Declared payment of cash dividends or profits	Provision for impairment	Others		
I. Cooperative enterprise											
II. Joint venture											
Chengdu Winner	13,424,230.41			1,655,597.53						15,079,827.94	
Subtotal	13,424,230.41			1,655,597.53						15,079,827.94	
Total	13,424,230.41			1,655,597.53						15,079,827.94	

Other description

18. Other equity instrument investments

Unit: yuan

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

Unit: yuan

Project name	Recognized dividend income	Accumulated gains	Accumulated losses	Amount of other comprehensive income transferred into retained income	Reasons for designating to be measured at fair value and its changes are recorded into other comprehensive income	Reasons for other comprehensive income transferring into retained income
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Other description:

19. Other non-current financial assets

Unit: yuan

Item	Closing Balance	Beginning balance
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Other description:

20. Investment real estates**(1) Investment real estates using cost measurement mode** Applicable Not applicable**(2) Investment real estates using fair value measurement mode** Applicable Not applicable**(3) Investment real estates without certificate of title**

Unit: yuan

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

NA

21. Fixed assets

Unit: yuan

Item	Closing Balance	Beginning balance
Fixed assets	1,437,854,645.76	1,400,749,050.00
Total	1,437,854,645.76	1,400,749,050.00

(1) Fixed assets

Unit: yuan

Item	Houses and building	Machinery equipment	Transportation equipment	Electronic equipment and office equipment, etc.	Total
I. Original book value					
1. Beginning balance	926,386,555.07	1,064,281,471.00	20,440,318.74	92,956,202.87	2,104,064,547.68
2. Amount increased in current period	55,719,324.57	63,799,256.91	941,251.89	14,660,241.10	135,120,074.47
(1) Purchase	35,542,887.44	29,678,393.33	941,251.89	14,044,175.05	80,206,707.71
(2) Transfer from construction in progress	20,176,437.13	34,120,863.58		616,066.05	54,913,366.76
(3) Increase by business combination					
3. Amount decreased in current period	1,111,741.08	16,033,323.67	47,744.07	334,692.26	17,527,501.08
(1) Disposal or scrap	1,111,741.08	16,033,323.67	47,744.07	334,692.26	17,527,501.08
4. Closing Balance	980,994,138.56	1,112,047,404.24	21,333,826.56	107,281,751.71	2,221,657,121.07
II. Accumulated depreciation					

1. Beginning balance	196,666,419.77	343,952,942.83	10,785,778.37	45,364,340.26	596,769,481.23
2. Amount increased in current period	20,322,693.11	52,018,814.79	895,993.41	6,660,442.11	79,897,943.42
(1) Accrual	20,322,693.11	52,018,814.79	895,993.41	6,660,442.11	79,897,943.42
3. Amount decreased in current period	143,063.51	7,024,914.81	12,028.50	254,151.63	7,434,158.45
(1) Disposal or scrap	143,063.51	7,024,914.81	12,028.50	254,151.63	7,434,158.45
4. Closing Balance	216,846,049.37	388,946,842.81	11,669,743.28	51,770,630.74	669,233,266.20
III. Provision for impairment					
1. Beginning balance	47,897,289.81	58,276,333.59		372,393.05	106,546,016.45
2. Amount increased in current period		8,368,601.00		42,487.88	8,411,088.88
(1) Accrual		8,368,601.00		42,487.88	8,411,088.88
3. Amount decreased in current period		150,809.70		237,086.52	387,896.22
(1) Disposal or scrap		150,809.70		237,086.52	387,896.22
4. Closing Balance	47,897,289.81	66,494,124.89		177,794.41	114,569,209.11
IV. Book value					
1. Ending book value	716,250,799.38	656,606,436.54	9,664,083.28	55,333,326.56	1,437,854,645.76
2. Beginning book value	681,822,845.49	662,052,194.58	9,654,540.37	47,219,469.56	1,400,749,050.00

(2) Fixed assets that are temporarily idle

Unit: yuan

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Machinery equipment	5,497,962.48	3,327,964.75	390,044.34	1,779,953.39	

(3) Fixed assets leased out by operating lease

Unit: yuan

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

Unit: yuan

Item	Book value	Reasons for not obtaining the certificate of title
Winner Medical (Tianmen) Building	15,448,162.59	The formalities have not yet been completed
Winner Medical (Tianmen) Main plant of Phase II	16,519,946.51	The formalities have not yet been completed
Winner Medical (Tianmen) grey cloth warehouse	961,131.76	The formalities have not yet been completed
Winner Medical (Jingmen) Office Building	5,887,225.60	The formalities have not yet been completed
Winner Medical (Jingmen) Dormitory Building	10,911,991.40	The formalities have not yet been completed
Winner Medical (Jingmen) New Canteen	1,499,930.10	The formalities have not yet been completed
Others	830,689.34	The formalities have not yet been completed
Total	52,059,077.30	

Other description

(5) Liquidation of fixed assets

Unit: yuan

Item	Closing Balance	Beginning balance
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Other description

22. Construction in progress

Unit: yuan

Item	Closing Balance	Beginning balance
Construction in progress	104,425,911.11	61,383,340.97
Total	104,425,911.11	61,383,340.97

(1) Construction in progress

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Winner Medical (Tianmen) Infrastructure Construction	7,034,138.03		7,034,138.03	3,103,139.22		3,103,139.22
Winner Medical (Chongyang) engineering project	4,759,315.92		4,759,315.92	3,920,741.93		3,920,741.93
Winner Medical (Jiayu) engineering project	0.00		0.00	206,839.83		206,839.83
Winner Medical (Yichang) Infrastructure Construction	1,289,415.85		1,289,415.85	829,816.92		829,816.92
Winner Medical (Jingmen) Infrastructure Construction	3,171,222.24		3,171,222.24	11,748,247.37		11,748,247.37
Wuhan Winner engineering project	41,951,961.01		41,951,961.01	25,508,709.25		25,508,709.25
Winner Medical (Huanggang) Engineering Project	576,758.94		576,758.94			

Other equipment to be installed and sporadic projects	47,103,506.96	1,460,407.84	45,643,099.12	17,526,254.29	1,460,407.84	16,065,846.45
Total	105,886,318.95	1,460,407.84	104,425,911.11	62,843,748.81	1,460,407.84	61,383,340.97

(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
Winner Medical (Jingmen) office dormitory building	21,000,000.00	11,654,612.45	7,094,513.67	18,749,126.12		0.00	89.28%	100.00%				Others
High-yield carding machine, equipment in de-dusting shop - Winner Medical (Wuhan)	17,000,000.00		15,044,247.76			15,044,247.76	88.50%	90.00%				Others
Total	38,000,000.00	11,654,612.45	22,138,761.43	18,749,126.12		15,044,247.76	--	--				--

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

Unit: yuan

Item	Current accrued amount	Reason for accrual
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Other description

(4) Engineering materials

Unit: yuan

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

Other description:

23. Productive biological assets**(1) Productive biological assets using cost measurement mode** Applicable Not applicable**(2) Productive biological assets using fair value measurement mode** Applicable Not applicable**24. Oil and gas assets** Applicable Not applicable**25. Right-of-use assets**

Unit: yuan

Item	House building	Total
I. Original book value		
1. Beginning balance	836,548,177.77	836,548,177.77
2. Amount increased in current period	151,011,360.09	151,011,360.09
Leased	151,011,360.09	151,011,360.09
3. Amount decreased in current period	8,427,950.01	8,427,950.01
Withdrawal of stores	8,427,950.01	8,427,950.01
4. Closing Balance	979,131,587.85	979,131,587.85
II. Accumulated depreciation		
1. Beginning balance	332,342,440.04	332,342,440.04
2. Amount increased in current period	99,318,820.49	99,318,820.49
(1) Accrual	99,318,820.49	99,318,820.49

3. Amount decreased in current period	3,808,440.97	3,808,440.97
Withdrawal of stores	3,808,440.97	3,808,440.97
4. Closing Balance	427,852,819.56	427,852,819.56
III. Book Value		
1. Ending book value	551,278,768.29	551,278,768.29
2. Beginning book value	504,205,737.73	504,205,737.73

Other description:

26. Intangible assets

(1) Intangible assets

Unit: yuan

Item	Land use right	Patent right	Nonpatented technology	Trademark right	Software use right	Franchised use right	Total
I. Original book value							
1. Beginning balance	215,498,508.06	1,573,637.86		1,710,590.99	44,776,668.88	10,228,226.53	273,787,632.32
2. Amount increased in current period					2,250,672.57		2,250,672.57
(1) Purchase					2,250,672.57		2,250,672.57
(2) Internal R&D							
(3) Increase by business combination							
3. Amount decreased in current period							
(1) Disposal							

4. Closing Balance	215,498,508.06	1,573,637.86		1,710,590.99	47,027,341.45	10,228,226.53	276,038,304.89
II. Accumulated amortization							
1. Beginning balance	23,228,466.51	1,126,804.28		1,661,457.66	29,217,573.55	10,228,226.53	65,462,528.53
2. Amount increased in current period	2,183,816.53	60,508.54		6,700.00	2,437,430.34		4,688,455.41
(1) Accrual	2,183,816.53	60,508.54		6,700.00	2,437,430.34		4,688,455.41
3. Amount decreased in current period							
(1) Disposal							
4. Closing Balance	25,412,283.04	1,187,312.82		1,668,157.66	31,655,003.89	10,228,226.53	70,150,983.94
III. Provision for impairment							
1. Beginning balance							
2. Amount increased in current period							
(1) Accrual							
3. Amount decreased in current period							
(1) Disposal							

4. Closing Balance							
IV. Book value							
1. Ending book value	190,086,225.02	386,325.04		42,433.33	15,372,337.56		205,887,320.95
2. Beginning book value	192,270,041.55	446,833.58		49,133.33	15,559,095.33		208,325,103.79

The proportion of intangible assets formed through internal R & D of the Company in the balance of intangible assets at the end of current period: 0.00%

(2) Land use right without certificate of title

Unit: yuan

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

27. Development expenditure

Unit: yuan

Item	Beginning balance	Amount increased in current period			Amount decreased in current period			Closing Balance
		Internal development expenditure	Others		Recognized as intangible assets	Transfer to current profit and loss		
Total								

Other description

28. Goodwill

(1) Original book value of goodwill

Unit: yuan

invested entity name or goodwill forming matter	Beginning balance	Increase in current period		Decrease in current period		Closing Balance
		Formed by business combination		Disposal		
Original book value						

Business combination not under common control - Acquisition of Winner Medical Malaysia	2,681,232.09					2,681,232.09
Total	2,681,232.09					2,681,232.09

(2) Provision for impairment of goodwill

Unit: yuan

invested entity name or goodwill forming matter	Beginning balance	Increase in current period		Decrease in current period		Closing Balance
		Accrual		Disposal		
Provision for impairment						
Business combination not under common control - Acquisition of Winner Medical Malaysia	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 combination of goodwill

Explain the goodwill impairment test process, key parameters (such as forecast period growth rate at the present value of expected future cash flow, steady period growth rate, profit margin, discount rate, forecast period, etc.) and recognition method of goodwill impairment loss:

Impact of goodwill impairment tests

Other description

29. Long-term unamortized expenses

Unit: yuan

Item	Beginning balance	Amount increased in current period	Amortization amount in current period	Other decreases	Closing Balance
Decoration cost	121,335,007.33	36,338,974.42	25,521,431.94	2,070,775.86	130,081,773.95
Total	121,335,007.33	36,338,974.42	25,521,431.94	2,070,775.86	130,081,773.95

Other description

30. Deferred income tax assets and deferred income tax liabilities**(1) Unoffset deferred income tax assets**

Unit: yuan

Item	Closing Balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	339,347,756.10	62,401,248.11	342,367,005.23	65,132,073.97
Unrealized profit of internal transaction	218,425,773.62	33,265,658.66	218,425,773.62	33,265,658.66
Deductible loss	56,309,177.73	14,077,294.43	91,373,086.80	20,778,878.65
Deferred income	115,665,393.69	24,027,330.37	94,921,260.87	15,374,283.41
Member points			16,282,017.02	4,070,504.26
Expected return	4,452,940.23	1,113,235.06	1,316,336.08	329,084.02
Advertising expenses in excess of the tax deductible limit			256,467.28	64,116.82
Equity incentive fee	95,756,549.42	14,363,482.41	25,132,771.81	3,769,915.77
Dismission welfare	2,318,903.48	347,265.52	2,318,903.48	347,835.52
Total	832,276,494.27	149,595,514.56	792,393,622.19	143,132,351.08

(2) Unoffset deferred income tax liabilities

Unit: yuan

Item	Closing Balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value of tradable financial assets	27,384,233.24	4,187,879.82	11,178,589.44	1,754,263.42
Depreciation of fixed assets	52,680,554.61	9,285,580.16	59,458,724.22	10,411,344.82
Total	80,064,787.85	13,473,459.98	70,637,313.66	12,165,608.24

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

Unit: yuan

Item	Ending offset amount of	Ending balance of	Beginning offset amount	Beginning balance of
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	deferred income tax assets and liabilities	deferred income tax assets and liabilities after offset	of deferred income tax assets and liabilities	deferred income tax assets and liabilities after offset
Deferred income tax assets		149,595,514.56		143,132,351.08
Deferred income tax liabilities		13,473,459.98		12,165,608.24

(4) Details of unrecognized deferred income tax assets

Unit: yuan

Item	Closing Balance	Beginning balance
Deductible loss	160,202,701.39	100,460,644.28
Provision for impairment of assets and amortization of depreciation	4,067,851.22	5,508,170.07
Total	164,270,552.61	105,968,814.35

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

Unit: yuan

Year	Closing balance	Beginning amount	Remark
2021	9,235,145.64		
2022	14,402,997.46	305,751.35	
2023	28,934,144.08	23,804,062.08	
2024	40,569,090.20	31,489,882.74	
2025	46,594,868.27	38,128,355.56	
No maturity date	20,466,455.74	6,732,592.55	
Total	160,202,701.39	100,460,644.28	--

Other description:

31. Other non-current assets

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advance project payment / equipment purchase payment / advance store engineering and decoration payment	133,729,374.90		133,729,374.90	63,807,415.75		63,807,415.75

Total	133,729,374. 90		133,729,374. 90	63,807,415.7 5		63,807,415.7 5
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Other description:

32. Short-term loans

(1) Classification of short-term loans

Unit: yuan

Item	Closing Balance	Beginning balance
Guaranteed borrowing		150,000,000.00
Borrowing interest		71,416.66
Total		150,071,416.66

Description of classification of short-term loans:

(2) short-term loans unpaid overdue

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

Unit: yuan

Borrower	Closing Balance	Borrowing interest rate	Overdue time	Overdue interest rate

Other description:

33. Tradable financial liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
Including:		
Including:		

Other description:

34. Derivative financial liabilities

Unit: yuan

Item	Closing Balance	Beginning balance

Other description:

35. Notes payable

Unit: yuan

Type	Closing Balance	Beginning balance
Banker's acceptance bill	69,765,505.06	29,418,100.00
Total	69,765,505.06	29,418,100.00

The total amount of notes payable due and have not been paid at the end of current period is 0.00 yuan.

36. Accounts payable

(1) Presentation of accounts payable

Unit: yuan

Item	Closing Balance	Beginning balance
Within 1 year (including 1 year)	553,114,018.53	711,659,249.43
1~2 years (including 2 years)	5,901,343.59	10,837,529.41
2~3 years (including 3 years)	5,530,949.79	977,275.13
More than 3 years	4,068,943.38	3,103,252.97
Total	568,615,255.29	726,577,306.94

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

Unit: yuan

Item	Closing Balance	Reasons for failure of payment or carryover

As of June 30, 2021, there is no important accounts payable with the aging more than 1 year.

37. Advance from customers

(1) Presentation of advance from customers

Unit: yuan

Item	Closing Balance	Beginning balance

(2) Important advances from customers with the aging more than 1 year

Unit: yuan

Item	Closing Balance	Reasons for failure of payment or carryover

38. Contract liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
Customer consideration received	309,372,350.35	513,906,240.61
Member points	19,502,693.09	16,282,017.02
Total	328,875,043.44	530,188,257.63

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

Unit: yuan

Item	Amount of change	Reason for change
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39. Payroll payable

(1) Presentation of payroll payable

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
I. Short-term compensation	159,456,636.87	538,498,543.58	582,654,360.12	115,300,820.33
II. Welfare after dismissal - defined contribution plan	8,181,537.46	20,901,161.37	21,526,955.79	7,555,743.04
III. Dismissal welfare	2,318,903.48	51,781.64	55,581.64	2,315,103.48
IV. Other welfare due within 1 year		16,320.00	16,320.00	
Total	169,957,077.81	559,467,806.59	604,253,217.55	125,171,666.85

(2) Presentation of short-term compensation

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
1. Salary, bonus, allowance and subsidy	158,773,217.39	513,790,916.09	558,193,150.14	114,370,983.34
2. Welfare expenses for employees	136,421.00	7,953,130.88	7,823,840.60	265,711.28
3. Social security	392,645.68	12,242,509.55	12,251,727.96	383,427.27
Including: medical insurance premium	234,119.50	11,014,087.89	11,013,271.89	234,935.50
Industrial injury	105,246.18	627,532.24	637,566.65	95,211.77

insurance premium				
Birth insurance premium	53,280.00	600,889.42	600,889.42	53,280.00
4. Housing accumulation fund	6,792.00	4,345,604.02	4,345,604.02	6,792.00
5. Union dues and staff education fund	147,560.80	166,383.04	40,037.40	273,906.44
Total	159,456,636.87	538,498,543.58	582,654,360.12	115,300,820.33

(3) Presentation of defined contribution plans

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
1. Basic endowment insurance	8,064,367.91	20,078,691.89	20,694,722.66	7,448,337.14
2. Unemployment insurance premium	117,169.55	822,469.48	832,233.13	107,405.90
Total	8,181,537.46	20,901,161.37	21,526,955.79	7,555,743.04

Other description:

40. Taxes payable

Unit: yuan

Item	Closing Balance	Beginning balance
Added value tax	25,562,061.80	18,181,804.05
Corporate income tax	74,123,941.01	415,529,360.40
Individual income tax	1,652,734.14	2,036,312.66
Urban maintenance and construction tax	2,080,194.45	2,884,475.60
Housing property tax	2,063,511.69	2,317,520.34
Education surcharge and local education surcharge	1,694,904.72	2,193,371.26
Land use tax	1,757,490.00	721,674.83
Environmental protection tax	11,849.82	27,808.56
Stamp duty	257,855.00	489,041.79
Total	109,204,542.63	444,381,369.49

Other description:

41. Other payables

Unit: yuan

Item	Closing Balance	Beginning balance
Dividends payable	200,000,000.00	
Other payables	415,888,545.12	352,543,008.89
Total	615,888,545.12	352,543,008.89

(1) Interest payable

Unit: yuan

Item	Closing Balance	Beginning balance

Important overdue and unpaid interest:

Unit: yuan

Borrower	Overdue amount	Overdue reason

Other description:

(2) Dividends payable

Unit: yuan

Item	Closing Balance	Beginning balance
Common stock dividends	200,000,000.00	
Total	200,000,000.00	

Other explanations, including important dividends payable that have not been paid for more than 1 year, shall disclose the reasons for non-payment: There are no dividends payable outstanding for more than 1 year during the period.

(3) Other payables**1) Other payables listed by nature**

Unit: yuan

Item	Closing Balance	Beginning balance
Freight and other accrued expenses	56,640,695.61	94,068,852.36
Provision of commission	104,148,018.24	68,139,060.51
Margin and deposit	159,311,016.09	154,311,464.02
Intercourse	2,269,784.84	14,357,347.93
Others	93,519,030.34	21,666,284.07

Total	415,888,545.12	352,543,008.89
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2) Important other payable with the aging more than 1 year

Unit: yuan

Item	Closing Balance	Reasons for failure of payment or carryover
Shenzhen Galaxy Real Estate Development Co., Ltd.	150,000,000.00	Margin for industrial park renewal project
Total	150,000,000.00	--

Other description

42. Liabilities held for sales

Unit: yuan

Item	Closing Balance	Beginning balance
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Other description:

43. Non-current liabilities due within one year

Unit: yuan

Item	Closing Balance	Beginning balance
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Other description:

44. Other current liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
Refund payable	4,452,940.23	2,765,776.85
Output tax to be transferred	11,817,277.07	20,872,489.62
Total	16,270,217.30	23,638,266.47

Increase/decrease of short-term bonds payable:

Unit: yuan

Name of bond	Book value	Issue date	Maturity of bond	Issue amount	Beginning balance	Current issue	Accrued interest at book value	Amortization of premium and discount	Current repayment	Closing Balance
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Other description:

45. Long-term loans**(1) Classification of long-term borrowing**

Unit: yuan

Item	Closing Balance	Beginning balance
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Description of classification of long-term borrowing:

Other descriptions, including interest rate range:

46. Bonds payable**(1) Bonds payable**

Unit: yuan

Item	Closing Balance	Beginning balance
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(2) Increase and decrease of bonds payable (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)

Unit: yuan

Name of bond	Book value	Issue date	Maturity of bond	Issue amount	Beginning balance	Current issue	Accrued interest at book value	Amortization of premium and discount	Current repayment		Closing Balance
Total	--	--	--								

(3) Description of conditions and time of conversion of convertible corporate bonds**(4) Description of other financial instruments classified as financial liabilities**

Basic information of the outstanding preferred shares, perpetual bonds and other financial instruments at the end of the period

Table of changes in outstanding financial instruments, such as preferred shares, perpetual bonds at the end of the period

Unit: yuan

Outstanding financial instruments	The beginning of the period		Increase in current period		Decrease in current period		The end of the period	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value

Description of the basis for the classification of other financial instruments into financial liabilities

Other description

47. Lease liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
House leasing - lease payments	670,653,903.07	616,144,901.16
House leasing - unrecognized financing expenses	(53,668,617.63)	(51,810,525.40)
Total	616,985,285.44	564,334,375.76

Other description

48. Long-term payable

Unit: yuan

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

Unit: yuan

Item	Closing Balance	Beginning balance
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Other description:

(2) Special accounts payable

Unit: yuan

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

49. Long-term payroll payable**(1) Table of long-term payroll payable**

Unit: yuan

Item	Closing Balance	Beginning balance
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(2) Changes in defined benefit plan

Present value of defined benefit plan obligations:

Unit: yuan

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

Unit: yuan

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

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
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Description of the content of defined benefit plan and its related risks, impact on the Company's future cash flow, time and uncertainty:

Description of significant actuarial assumptions and sensitivity analysis results of defined benefit plan:

Other description:

50. Estimated liabilities

Unit: yuan

Item	Closing Balance	Beginning balance	Causes
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Other descriptions, including relevant important assumptions and estimation descriptions of important estimated liabilities:

51. Deferred income

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance	Causes
Government subsidies	94,921,260.87	36,191,317.92	15,447,185.10	115,665,393.69	Government subsidies related to assets
Total	94,921,260.87	36,191,317.92	15,447,185.10	115,665,393.69	--

Projects involving government subsidies:

Unit: yuan

Liability item	Beginning balance	Amount of additional subsidy in current period	Amount included in current non-revenue	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 2012 Provincial high-tech industry development special project -	277,085.67			29,166.68			247,918.99	Asset related

Winner Medical (Huanggang)								
Subsidy of 2014 Hubei provincial science and technology support plan project (the second batch) - Winner Medical (Huanggang)	712,500.00			75,000.00			637,500.00	Asset related
Subsidy for Huanggang Chibi Avenue demolition company planning change - Winner Medical (Huanggang)	2,482,664.69			52,822.64			2,429,842.05	Asset related
Technology Center R & D project subsidy - Shenzhen Winner	1,055,170.73			171,683.60			883,487.13	Asset related
new medical bandage factory land acquisition land use right grant fee remission of Winner company in Pailou Town,	629,970.00			10,160.00			619,810.00	Asset related

Jingmen - Winner Medical (Jingmen)								
Subsidy funds for municipal government project infrastructure construction - Winner Medical (Chongyang)	9,270,412.50			206,775.00			9,063,637.50	Asset related
Park construction and sewage treatment project in Yuyue Town - Winner Medical (Jiayu)	10,209,500.01			203,416.65			10,006,083.36	Asset related
2015 Huanggang provincial budget investment plan, Huanggang Winner's cotton spunlaced non-woven (Line 8) extension project subsidy - Winner Medical (Huanggang)	285,000.00			30,000.00			255,000.00	Asset related
2014	118,750.00			12,500.00			106,250.00	Asset related

Huanggang urban industrial development special fund subsidy - Winner Medical (Huanggang)								
2014 Hubei provincial budget industrial fixed assets investment plan, 10 billion gauze pad expansion project subsidy - Winner Medical (Tianmen)	34,615.30			34,615.30				Asset related
2015 Tianmen industrial enterprise key technical transformation and expansion project subsidy - Winner Medical (Tianmen)	262,481.00			25,002.00			237,479.00	Asset related
2015 urban industrial development special fund	210,000.00			20,000.00			190,000.00	Asset related
Automatic transformati	1,209,000.00			93,000.00			1,116,000.00	Asset related

on of surgical consumables production line - Shenzhen Winner								
2016 Tianmen industrial key technical transformation and expansion project reward - Winner Medical (Tianmen)	312,485.00			25,002.00			287,483.00	Asset related
2017 increase production and expansion equipment subsidy for Tianmen processing & trade - Winner Medical (Tianmen)	100,000.00			7,500.00			92,500.00	Asset related
Yichang gas boiler subsidy - Winner Medical (Yichang)	100,000.09			7,999.98			92,000.11	Asset related
Second batch of traditional industry transformation	1,307,339.54			104,587.14			1,202,752.40	Asset related

on subsidy in 2017 - Winner Medical (Huanggang)								
2017 cotton spunlaced non-woven fabric project with the production of 15,000 tons - Winner Medical (Tianmen)	475,471.79			39,622.62			435,849.17	Asset related
Key technical transformation and expansion projects	702,703.00			54,054.00			648,649.00	Asset related
Production line project with an annual output of 120 million bales of cotton fabric in 2017 - Winner Medical (Tianmen)	706,442.28			53,653.86			652,788.42	Asset related
Second batch of special funds for the transformation and upgrading of traditional	181,250.08			12,499.98			168,750.10	Asset related

industries - Winner Medical (Yichang)								
Technical innovation subsidy for the Purcotton Phase II Expansion Project - Winner Medical (Jingmen)	4,491,886.85			83,183.10			4,408,703.75	Asset related
Key technical transformati on and expansion projects	841,666.71			49,999.98			791,666.73	Asset related
20180311 Subsidies for research, science and innovation on the technology of thermo-resp onsive self-curing wound regeneration and repair materials - Shenzhen Winner	1,034,412.37			120,849.00			913,563.37	Asset related
2018 provinc ial traditio nal industry transformati	1,391,904.76			26,428.57			1,365,476.19	Asset related

on and upgrading special funds for the second batch of liquidation block fund subsidies - Winner Medical (Jiyu)								
Subsidies for first batch of technological transformation award of industrial enterprises in 2018 - Winner Medical (Chongyang)	796,532.20			53,078.56			743,453.64	Asset related
Provincial traditional industry transformation and upgrading special funds for the first batch of block funds allocation plan in Tianmen City in 2019 - Winner Medical (Tianmen)	1,160,689.66			68,275.86			1,092,413.80	Asset related
2018 urban technical	416,666.70			27,777.76			388,888.94	Asset related

transformation fund of Huanggang City - Winner Medical (Huanggang)								
First batch of traditional subsidies in 2019 - Winner Medical (Huanggang)	1,089,000.00			60,500.00			1,028,500.00	Asset related
2019 district technical improvement subsidy - Winner Medical (Jingmen)	378,461.60			14,556.18			363,905.42	Asset related
2020 technical transformation project of Shenzhen COVID-19 epidemic prevention and control key material production enterprises - Shenzhen Winner (1*)	19,500,000.00			1,000,000.00			18,500,000.00	Asset related
Municipal Economic and Information Bureau on the issuance of emergency	1,189,565.22			375,648.00			813,917.22	Asset related

material support system construction technical transformation special subsidy - Winner Medical (Huanggang)								
Central government's budget special fund for municipal financial mask extension energy - Winner Medical (Huanggang)	282,352.94			112,941.18			169,411.76	Asset related
Production subsidy for COVID-19 epidemic prevention materials in 2020 - Winner Medical (Huanggang) (2*)	10,260,000.00			3,420,000.00			6,840,000.00	Asset related
2019 district technical improvement subsidy - Winner Medical (Jingmen)	387,636.35			14,909.10			372,727.25	Asset related
2019 special	723,214.29			13,392.85			709,821.44	Asset related

fund project of the transformation and upgrading of traditional industries - Winner Medical (Jiayu)								
Surgical gown production line project subsidy - Winner Medical (Chongyang) (3*)	3,711,711.71			216,216.22			3,495,495.49	Asset related
Funds subsidy for purchasing epidemic prevention equipment in key enterprises of "Three Batches" - Winner Medical (Chongyang) (4*)	5,543,025.21			281,848.74			5,261,176.47	Asset related
Project on implementing the technical reformation policy of "Zero Land" in Wuhan and the municipal	7,708,855.65			291,144.36			7,417,711.29	Asset related

industrial investment and technical transformation special fund project of Bureau for Science, Technology and Economic Information Technology of Xinzhou District - Hubei Winner (5*)								
Subsidy of COVID-19 epidemic prevention and control materials production enterprise for capacity expansion & technical upgrading project - Hubei Winner (6*)	3,370,836.97			295,860.18			3,074,976.79	Asset related
Special funds for the high-quality development of manufacturing granted by Municipal Economic and Information		3,000,000.00		140,186.92			2,859,813.08	Asset related

Bureau - Winner Medical (Huanggang)								
Equipment purchase subsidy funds for key enterprise "Three Batches" at provincial levels granted by Municipal Economic and Information Bureau - Winner Medical (Huanggang)		9,370,000.00		5,726,111.11			3,643,888.89	Asset related
Equipment subsidies during the COVID-19 pandemic - Winner Medical (Jingmen)		6,800,000.00		1,700,000.00			5,100,000.00	Asset related
Equipment investment subsidies - Winner Medical (Tianmen)		15,000,000.00					15,000,000.00	Asset related
2020 Provincial special funds for the high-quality development		1,000,000.00		43,859.65			956,140.35	Asset related

of manufacturing - Winner Medical (Jiayu)								
2020 Provincial special funds for the high-quality development of manufacturing granted by Economic and Information Bureau - Winner Medical (Wuhan)		1,000,000.00		41,356.33			958,643.67	Asset related
Others		21,317.92		0.00			21,317.92	Asset related
Total	94,921,260.87	36,191,317.92		15,447,185.10			115,665,393.69	

Other description:

52. Other non-current liabilities

Unit: yuan

Item	Closing Balance	Beginning balance
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Other description:

53. Capital stock

Unit: yuan

	Beginning balance	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						426,492,308.00

Other description:

54. Other equity instruments**(1) Basic information of the outstanding preferred shares, perpetual bonds and other financial instruments at the end of the period****(2) Table of changes in outstanding financial instruments, such as preferred shares, perpetual bonds at the end of the period**

Unit: yuan

Outstanding financial instruments	The beginning of the period		Increase in current period		Decrease in current period		The end of the period	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value

The increase and decrease of other equity instruments in current period, the reasons for the change, and the basis of relevant accounting treatment:

Other description:

55. Capital reserve

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
Capital premium (capital stock premium)	4,457,762,555.30			4,457,762,555.30
Other capital surplus	23,947,427.94	142,429,497.69	10,770,858.01	155,606,067.62
Total	4,481,709,983.24	142,429,497.69	10,770,858.01	4,613,368,622.92

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

56. Treasury stock

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
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Other description, including current increase/decrease and change reasons:

57. Other comprehensive income

Unit: yuan

Item	Beginning balance	Amount incurred in current period						Closing Balance
		Amount before current	Less: amount included in other	Less: amount included	Less: Income tax	Attributable to the parent	Attributable to minority	

		income tax	comprehensive income in previous period transferred into profit and loss in current period	in other comprehensive income in previous period transferred into retained income in current period	expenses	company after tax	shareholders after tax	
II. Other comprehensive income that will be reclassified into profit and loss	(1,111,035.08)	(292,542.91)				(140,119.24)(140,119.24)	(152,423.67)	(1,251,154.32)
Balance arising from the translation of foreign currency financial statements	(1,111,035.08)	(292,542.91)				(140,119.24)(140,119.24)	(152,423.67)	(1,251,154.32)
Total other comprehensive income	(1,111,035.08)	(292,542.91)				(140,119.24)(140,119.24)	(152,423.67)	(1,251,154.32)

Other explanations, including the adjustment of the effective part of the cash flow hedging gains and losses transferred to the initial recognized amount of the hedged item:

58. Special reserve

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance

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

59. Surplus reserve

Unit: yuan

Item	Beginning balance	Increase in current period	Decrease in current period	Closing Balance
Statutory surplus reserves	420,212,778.13			420,212,778.13
Total	420,212,778.13			420,212,778.13

Description of surplus reserves, including current increase/decrease and change reasons:

60. Undistributed profit

Unit: yuan

Item	Current period	Prior period
Undistributed profit at the end of previous period before adjustment	5,126,630,011.14	1,718,075,177.67
Total undistributed profits at the beginning of the adjustment period (+ for increase and - for decrease)	(60,128,638.03)	
Undistributed profits at the beginning of the period after adjustment	5,066,501,373.11	1,718,075,177.67
Plus: Net profits attributable to the owners of parent company in the current period	761,038,730.24	3,810,412,504.40
Less: withdrawal legal surplus		303,357,670.93
Common stock dividends payable	767,686,154.39	98,500,000.00
Undistributed profits at the end of the period	5,059,853,948.96	5,126,630,011.14

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, 0.00 yuan of the undistributed profit at the beginning of the period was affected.
- 2). Due to the change of accounting policy, (60,128,638.03) yuan of the undistributed profit at the beginning of the period was affected.
- 3). Due to the correction of major accounting errors, 0.00 yuan 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, 0.00 yuan of the undistributed profit at the beginning of the period was affected.
- 5). 0.00 yuan of the undistributed profit at the beginning of the period was affected by the total amount of other adjustments

61. Revenue and cost

Unit: yuan

Item	Amount incurred in current period		Amount incurred in previous period	
	Income	Cost	Income	Cost
Main business	4,015,254,836.74	1,899,194,820.44	4,146,476,965.99	1,878,803,687.95
Other businesses	44,610,818.18	22,594,882.03	33,301,917.28	21,288,297.05
Total	4,059,865,654.92	1,921,789,702.47	4,179,778,883.27	1,900,091,985.00

Income related information:

Unit: yuan

Contract classification	Segment 1 (medical)	Segment 2 (healthy)	Segment 3 (pure cotton)	Total

	consumables)	consumer goods)	non-woven coil)	
Type of goods	2,171,174,605.39	1,790,338,558.90	98,352,490.63	4,059,865,654.92
Including:				
Main business	2,126,563,787.21	1,790,338,558.90	98,352,490.63	4,015,254,836.74
Other businesses	44,610,818.18			44,610,818.18
Classified by operating area	2,171,174,605.39	1,790,338,558.90	98,352,490.63	4,059,865,654.92
Including:				
Domestic sales	1,119,409,514.73	1,790,338,558.90	40,800,388.40	2,950,548,462.03
Overseas sales	1,051,765,090.66		57,552,102.23	1,109,317,192.89
Including:				
Including:				
Including:				
Including:				
Including:				

Information related to performance obligations:

NA

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

The amount of income corresponding to the performance obligations signed but not yet performed or completed at the end of this reporting period is 0.00 yuan.

Other description

62. Taxes and surcharges

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Urban maintenance and construction tax	13,351,264.31	16,497,725.24
Education surcharge	6,083,856.56	7,371,553.72
Housing property tax	4,009,111.81	2,028,629.48
Land use tax	3,601,190.09	710,896.16
Vehicle and vessel use tax	5,699.53	5,446.26
Stamp duty	1,751,155.99	2,185,782.68
Surcharge for local education	4,282,630.01	4,537,550.33
Environmental protection tax	71,770.68	95,680.48
Embankment construction cost		43,611.00
Total	33,156,678.98	33,476,875.35

Other description:

63. Selling expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	229,922,405.33	218,246,955.67
Travel expenses	5,786,992.03	2,213,199.29
Office communication costs	3,075,901.11	7,111,983.72
Sales commission	98,622,807.60	97,068,184.37
Insurance premiums	2,574,426.91	2,271,675.17
Depreciation and amortization	113,209,102.14	29,276,701.85
Advertising and promotion expenses	233,984,397.50	115,342,907.94
Rent	85,737,804.97	139,580,079.91
Others	52,891,982.98	44,837,216.32
Total	825,805,820.57	655,948,904.24

Other description: (1) According to Accounting Standards for Business Enterprises No.14 -- Revenue (revised 2017), transportation expenses shall be recognized as an asset and amortized on the same basis as commodity income recognition related to the asset, and shall be included in current profit and loss, carried forward to cost, and shall not be directly included in selling expenses when incurred. The transportation expenses in the Semi-annual Report of 2020 therefore are adjusted to costs.

(2) The other fees are mainly maintenance fee, sample fee, credit card large gateway service fee, credit card quick payment service fee, transaction service fee, etc.

64. Administrative expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	102,543,267.30	94,254,490.88
Equity incentive fee	142,429,497.69	
Depreciation and amortization charge	17,278,124.21	19,591,733.89
Office allowance	1,678,360.24	2,109,267.17
Consultant and intermediary service fees	5,420,967.74	2,503,028.59
Water/electricity fee	2,270,363.17	2,389,584.46
Communication and network services, cloud service fees, etc.	27,088,830.21	20,593,671.66
Maintenance cost	7,113,384.60	4,600,385.17
Material consumption	2,792,481.93	611,189.62

Others	2,037,274.55	12,012,989.45
Total	310,652,551.64	158,666,340.89

Other description:

65. R&D expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Employee compensation	60,924,410.97	40,799,524.38
Depreciation and amortization	8,456,760.23	9,438,888.51
Material	81,191,111.26	96,722,100.92
Other miscellaneous expenses	39,344,983.01	21,884,674.78
Total	189,917,265.47	168,845,188.59

Other description:

66. Financial expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Interest expenditure	13,939,734.50	1,935,306.63
Less: Interest revenue	35,424,028.29	2,586,023.70
Exchange gain or loss	8,101,623.57	(864,201.47)
Others	766,213.42	1,049,007.21
Total	(12,616,456.80)	(465,911.33)

67. Other incomes

Unit: yuan

Other sources of income	Amount incurred in current period	Amount incurred in previous period
Government subsidies	86,754,859.99	19,765,789.73

68. Investment income

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Long-term equity investment gains measured by employing the equity method	1,655,597.53	2,288,557.50
Investment income from purchasing financial	48,417,662.28	4,869,662.02

products		
Total	50,073,259.81	7,158,219.52

Other description:

69. Net exposure hedging

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
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Other description:

70. Income from changes in fair value

Unit: yuan

Sources of gains from fair value change	Amount incurred in current period	Amount incurred in previous period
Tradable financial assets	14,346,000.00	
Structured deposit	17,062,220.30	
Total	31,408,220.30	

Other description:

71. Credit impairment Loss

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Loss on bad debts of other receivables	13,360,426.19	5,788,420.86
Loss on bad debts of accounts receivable	(1,552,019.48)	(6,576,067.85)
Total	11,808,406.71	(787,646.99)

Other description:

72. Assets impairment losses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
II. Inventory falling price loss and impairment loss of contract performance costs	(52,186,443.71)	(67,352,614.01)
V. Impairment loss of fixed assets	(8,411,088.88)	(3,796,063.47)
VII. Impairment loss of construction in progress		(1,460,407.84)
Total	(60,597,532.59)	(72,609,085.32)

Other description:

73. Gains from asset disposal

Unit: yuan

Source of income from disposal of assets	Amount incurred in current period	Amount incurred in previous period
Gains from disposal of non-current assets		15,447.79
Including: Gains on disposal of fixed assets		15,447.79
Loss on disposal of non-current assets	(37,621.25)	
Including: Loss on disposal of fixed assets	(37,621.25)	

74. Non-revenue

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period	Amounts recorded in the non-recurring gains and losses of the current period
Government subsidies	36,262.29	11,587,864.12	36,262.29
Non-current assets scrap gains	14,489.12	170,491.38	14,489.12
Income from compensation or fines	498,130.83	188,497.40	498,130.83
Others	1,790,581.70	1,712,282.59	1,790,581.70
Total	2,339,463.94	13,659,135.49	2,339,463.94

Government subsidies recorded in current profit and loss

Unit: yuan

Subsidized project	Granting subject	Granting reason	Type of nature	Whether the subsidy affects the profit and loss of current year	Special subsidy or not	Amount incurred in current period	Amount incurred in previous period	Asset/income related
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Other description:

75. Non-operating expenses

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period	Amounts recorded in the non-recurring gains and losses of the current period
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External donations	208,387.94	1,360,772.16	208,387.94
Loss on damage and scrap of non-current assets	7,968,231.63	17,105,877.65	7,968,231.63
Including: Loss on scrap of fixed assets	7,968,231.63	17,105,877.65	7,968,231.63
Others	326,184.85	3,520,072.21	326,184.85
Total	8,502,804.42	21,986,722.02	8,502,804.42

Other description:

76. Income tax expenses

(1) Income tax expense table

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Current income tax expenses	152,217,622.09	203,104,000.70
Deferred income tax expenses	(15,926,486.89)	(29,354,038.07)
Adjustment of the previous annual income tax amount in the current period	6,995,272.56	
Total	143,286,407.76	173,749,962.63

(2) Accounting profit and income tax expense adjustment process

Unit: yuan

Item	Amount incurred in current period
Total profit	904,406,345.08
Income tax expenses calculated at the appropriate/applicable tax rate	135,660,951.76
Impact of different tax rates applied on subsidiaries	2,759,402.34
Impact of income tax before adjustment	6,995,272.56
Impact of non-deductible costs, expenses and losses	331,176.23
Impact of temporary difference or deductible losses on unrecognized deferred income tax assets in the current period	16,525,962.98
Impact of weighted deduction of R&D costs	(18,939,560.94)
The impact of weighted deduction of disability payroll	(46,797.17)
Income tax expenses	143,286,407.76

Other description

77. Other comprehensive income

See Note VII. 57 Other comprehensive income for details.

78. Cash flow statement items**(1) Other cash received related to operating activities**

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Deposit, margin and quality guarantee deposit received	5,168,682.39	22,023,613.71
Interest income received	35,424,028.29	2,375,610.63
Government subsidies received	107,535,255.10	34,521,331.79
Others	2,288,712.53	12,939,198.27
Total	150,416,678.31	71,859,754.40

Explanation on other cash received related to operating activities:

(2) Other cash paid related to operating activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Management costs paid in cash	40,188,212.76	64,294,374.94
Selling expenses paid in cash	146,432,180.23	203,939,320.24
Deposit, margin and quality guarantee deposit paid	36,326,773.36	66,617,571.64
Bank handling charge	766,213.42	1,049,007.21
Others	63,370,409.09	8,783,342.54
Total	287,083,788.86	344,683,616.57

Description of other cash paid related to operating activities

(3) Other cash received related to investment activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Received compensation for relocation		100,000,000.00
Total		100,000,000.00

Description of other cash received related to investment activities:

(4) Other cash paid related to investment activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
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Description of other cash paid related to investment activities:

(5) Other cash received related to financing activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
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Description of other cash received related to financing activities:

(6) Other cash paid related to financing activities

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Listing fees paid		1,802,115.63
Lease payments made	103,492,521.01	
Total	103,492,521.01	1,802,115.63

Description of other cash paid related to financing activities:

79. Further information on cash flow statement**(1) Further information on cash flow statement**

Unit: yuan

Further information	Current amount	Last term amount
1. Reconciliation from net profits to cash flows from operating activities	--	--
Net profit	761,119,937.32	1,034,680,676.10
Plus: Provision for impairment of assets	48,789,125.89	73,396,732.31
Depreciation of fixed assets, oil and gas assets and productive biological assets	79,903,000.47	103,513,593.92
Depreciation of Right-of-use assets	99,318,820.49	
Amortization of intangible assets	4,688,455.41	4,459,420.64
Amortization of long-term deferred expenses	25,521,431.94	33,482,757.15

Losses on disposal of fixed assets, intangible assets and other long-term assets (gains expressed with “-”)	37,621.25	(15,447.79)
Loss on retirement of fixed assets (gains expressed with “-”)	7,968,231.63	16,935,386.27
Loss from fair value change (gains expressed with “-”)	(31,408,220.30)	
Financial expenses (gains expressed with “-”)	13,939,734.50	1,935,306.63
Investment losses (gains expressed with “-”)	(50,073,259.81)	(7,158,219.52)
Decreased in deferred income tax assets (increase expressed with “-”)	(6,463,163.49)	(39,807,965.92)
Increase in deferred income tax liabilities (decrease expressed with “-”)	1,307,851.74	10,453,927.85
Decrease in inventories (increase expressed with “-”)	(100,165,058.76)	(369,878,953.78)
Decrease in operating receivables (increase expressed with “-”)	(202,353,385.01)	(340,509,861.01)
Increase in operating payables (decrease expressed with “-”)	(606,929,030.07)	1,951,918,629.40
Others	152,402,772.57	
Net cash flow from operating activities	197,604,865.77	2,473,405,982.25
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	4,660,333,761.86	2,213,598,049.35
Less: Beginning balance of cash	4,149,734,694.38	459,169,719.65
Plus: Ending balance of cash equivalents		
Less: Ending balance of cash		

equivalents		
Net increase in cash and cash equivalents	510,599,067.48	1,754,428,329.70

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

Unit: yuan

	Amount
Including:	--
Including:	--
Including:	--

Other description:

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

Unit: yuan

	Amount
Including:	--
Including:	--
Including:	--

Other description:

(4) Composition of cash and cash equivalents

Unit: yuan

Item	Closing Balance	Beginning balance
I. Cash	4,660,333,761.86	4,149,734,694.38
Including: cash on hand	77,810.79	49,287.18
Bank deposit readily available for payment	4,660,255,951.07	4,149,685,407.20
III. Balance of cash and cash equivalents at end of period	4,660,333,761.86	4,149,734,694.38

Other description:

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

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

81. Assets with ownership or use rights restricted

Unit: yuan

Item	Ending book value	Causes for restriction
Cash and cash equivalents	40,195,765.99	Balance of the margin and performance deposit deposited for handling international and domestic letters of credit, and the special deposit accounts opened for restricted non-budget units by issuing prepaid cards
Total	40,195,765.99	--

Other description:

82. Foreign currency monetary items**(1) Foreign currency monetary items**

Unit: yuan

Item	Ending balance in foreign currency	Conversion exchange rate	Ending balance converted to RMB
Cash and cash equivalents	--	--	136,580,107.23
Including: USD	17,699,067.65	6.4601	114,337,746.93
EUR	481,524.53	7.6862	3,701,093.84
HKD	21,861,406.89	0.83208	18,190,439.45
Yen	3,847,134.00	0.058428	224,780.35
Ringgit	81,006.85	1.5560	126,046.66
Accounts receivable	--	--	175,306,471.03
Including: USD	25,452,596.79	6.4601	164,426,320.52
EUR	297,037.23	7.6862	2,283,087.56
HKD	8,488,333.25	0.83208	7,062,972.33
Ringgit	985,919.42	1.5560	1,534,090.62
Long-term loans	--	--	
Including: USD			
EUR			
HKD			
Other receivables			386,886.30
HKD	462,832.00	0.83208	385,113.25
Ringgit	1,139.49	1.5560	1,773.05

Accounts payable			550,596.74
EUR	45,616.00	7.6862	350,613.70
HKD	5,500.00	0.83208	4,576.44
Yen	3,344,400.00	0.058428	195,406.60
Other payables			103,175,622.45
US dollar	14,618,601.79	6.4601	94,437,629.42
EUR	11,475.00	7.6862	88,199.15
HKD	10,392,263.70	0.83208	8,647,194.78
Yen	23,179.00	0.058428	1,354.30
Ringgit	800.00	1.5560	1,244.80

Other description:

(2) Description of overseas operating entities, including for important overseas operating entities, the main overseas business place, recording currency and selection basis shall be disclosed, and the reasons for changes in recording currency shall also be disclosed.

Applicable Not applicable

83. Hedge

Disclose the qualitative and quantitative information of hedging items, related hedging instruments and hedged risks according to the hedging category:

84. Government subsidies

(1) Basic information of government subsidies

Unit: yuan

Type	Amount	Presented item	Amount recorded in current profit and loss
1. Government subsidies related to assets			
Subsidy of 2012 Provincial high-tech industry development special project - Winner Medical (Huanggang)	700,000.00	Deferred income	29,166.68
Subsidy of 2014 Hubei provincial science and technology support plan project (the second batch) - Winner	1,500,000.00	Deferred income	75,000.00

Medical (Huanggang)			
Subsidy for Huanggang Chibi Avenue demolition company planning change - Winner Medical (Huanggang)	3,169,400.00	Deferred income	52,822.64
Technology Center R & D project subsidy - Shenzhen Winner	12,420,000.00	Deferred income	171,683.60
New medical bandage factory land acquisition land use right grant fee remission of Winner company in Pailou Town, Jingmen - Winner Medical (Jingmen)	812,850.00	Deferred income	10,160.00
Subsidy funds for municipal government project infrastructure construction - Winner Medical (Chongyang)	12,406,500.00	Deferred income	206,775.00
Park construction and sewage treatment project in Yuyue Town - Winner Medical (Jiayu)	11,430,000.00	Deferred income	203,416.67
2015 Huanggang provincial budget investment plan, Huanggang Winner's cotton spunlaced non-woven (Line 8) extension project subsidy - Winner Medical (Huanggang)	600,000.00	Deferred income	30,000.00
2014 Huanggang urban industrial development special fund subsidy - Winner Medical (Huanggang)	250,000.00	Deferred income	12,500.00
2014 Hubei provincial budget industrial fixed assets investment plan, 10 billion gauze pad expansion project subsidy - Winner Medical (Tianmen)	100,000.00	Deferred income	34,615.28
2015 Tianmen industrial enterprise key technical transformation and expansion project subsidy - Winner	500,000.00	Deferred income	25,002.00

Medical (Tianmen)			
2015 urban industrial development special fund	400,000.00	Deferred income	20,000.00
Automatic transformation of surgical consumables production line - Shenzhen Winner	1,860,000.00	Deferred income	93,000.00
2016 Tianmen industrial key technical transformation and expansion project reward - Winner Medical (Tianmen)	500,000.00	Deferred income	25,002.00
2017 increase production and expansion equipment subsidy for Tianmen processing & trade - Winner Medical (Tianmen)	150,000.00	Deferred income	7,500.00
Yichang gas boiler subsidy - Winner Medical (Yichang)	160,000.00	Deferred income	7,999.98
Second batch of traditional industry transformation subsidy in 2017 - Winner Medical (Huanggang)	1,900,000.00	Deferred income	104,587.14
2017 cotton spunlaced non-woven fabric project with the production of 15,000 tons - Winner Medical (Tianmen)	700,000.00	Deferred income	39,622.62
Key technical transformation and expansion projects	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 - Winner Medical (Tianmen)	930,000.00	Deferred income	53,653.86
Second batch of special funds for the transformation and upgrading of traditional industries - Winner Medical (Yichang)	250,000.00	Deferred income	12,499.98
Technical innovation subsidy for the Purcotton Phase II Expansion Project - Winner Medical (Jingmen)	4,755,300.00	Deferred income	83,183.10
Key technical transformation	1,000,000.00	Deferred income	49,999.98

and expansion projects			
20180311 Subsidies for research, science and innovation on the technology of thermo-responsive self-curing wound regeneration and repair materials - Shenzhen Winner	2,000,000.00	Deferred income	120,849.00
2018 provincial traditional industry transformation and upgrading special funds for the second batch of liquidation block fund subsidies - Winner Medical (Jiayu)	1,480,000.00	Deferred income	26,428.57
Subsidies for first batch of technological transformation award of industrial enterprises in 2018 - Winner Medical (Chongyang)	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 - Winner Medical (Tianmen)	1,320,000.00	Deferred income	68,275.86
2018 urban technical transformation fund of Huanggang City - Winner Medical (Huanggang)	500,000.00	Deferred income	27,777.76
First batch of traditional subsidies in 2019 - Winner Medical (Huanggang)	1,210,000.00	Deferred income	60,500.00
2019 district technical improvement subsidy - Winner Medical (Jingmen)	410,000.00	Deferred income	14,556.18
2020 technical transformation project of Shenzhen COVID-19 epidemic prevention and control key material production enterprises - Shenzhen Winner (1*)	20,000,000.00	Deferred income	1,000,000.00
Municipal Economic and Information Bureau on the	1,440,000.00	Deferred income	375,648.00

issuance of emergency material support system construction technical transformation special subsidy - Winner Medical (Huanggang)			
Central government's budget special fund for municipal financial mask extension energy - Winner Medical (Huanggang)	320,000.00	Deferred income	112,941.18
Production subsidy for COVID-19 epidemic prevention materials in 2020 - Winner Medical (Huanggang) (2*)	11,400,000.00	Deferred income	3,420,000.00
2019 district technical improvement subsidy - Winner Medical (Jingmen)	410,000.00	Deferred income	14,909.10
2019 special fund project of the transformation and upgrading of traditional industries - Winner Medical (Jiayu)	750,000.00	Deferred income	13,392.85
Surgical gown production line project subsidy - Winner Medical (Chongyang) (3*)	4,000,000.00	Deferred income	216,216.22
Funds subsidy for purchasing epidemic prevention equipment in key enterprises of "Three Batches" - Winner Medical (Chongyang) (4*)	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 - Hubei Winner (5*)	8,000,000.00	Deferred income	291,144.36
Subsidy of COVID-19 epidemic prevention and control materials production enterprise for capacity expansion & technical	3,645,000.00	Deferred income	295,860.18

upgrading project - Hubei Winner (6*)			
Special funds for the high-quality development of manufacturing granted by Municipal Economic and Information Bureau - Winner Medical (Huanggang)	3,000,000.00	Deferred income	140,186.92
Equipment purchase subsidy funds for key enterprise "Three Batches" at provincial levels granted by Municipal Economic and Information Bureau - Winner Medical (Huanggang)	9,370,000.00	Deferred income	5,726,111.11
Equipment subsidies during the COVID-19 pandemic - Winner Medical (Jingmen)	6,800,000.00	Deferred income	1,700,000.00
Equipment investment subsidies - Winner Medical (Tianmen)	15,000,000.00	Deferred income	
2020 Provincial special funds for the high-quality development of manufacturing - Winner Medical (Jiayu)	1,000,000.00	Deferred income	43,859.65
2020 Provincial special funds for the high-quality development of manufacturing granted by Economic and Information Bureau - Winner Medical (Wuhan)	1,000,000.00	Deferred income	41,356.33
Others	21,317.91	Deferred income	
2. Government subsidies related to income			
Incentives for capacity expansion	28,524,000.00	Other incomes	28,524,000.00
2020 special funds for stable industrial growth granted by Finance Bureau to ICBC	20,000,000.00	Other incomes	20,000,000.00
Subsidies for shipping cotton out of Xinjiang	5,254,900.00	Other incomes	5,254,900.00
Domestic listing and listing subsidies for enterprises	3,500,000.00	Other incomes	3,500,000.00

Special funds for economic development of remittance headquarters of the finance bureau	1,400,300.00	Other incomes	1,400,300.00
Post-recognition subsidy for financial high-tech enterprises, post-innovation platform subsidy	1,050,000.00	Other incomes	1,050,000.00
International market access certification project	1,032,300.00	Other incomes	1,032,300.00
Special subsidy for structural adjustment of enterprises in Xinzhou District	1,027,029.92	Other incomes	1,027,029.92
Foreign trade premium growth fund of Coomerce Bureau of Shenzhen Municipality	1,001,618.00	Other incomes	1,001,618.00
Mayor Quality Award 2020 of Longhua District	1,000,000.00	Other incomes	1,000,000.00
Enterprise-university innovation platform subsidy	1,000,000.00	Other incomes	1,000,000.00
Electricity subsidies for COVID-19 pandemic prevention and control	955,649.75	Other incomes	955,649.75
Incentives for corporate R&D investment in 2020	816,000.00	Other incomes	816,000.00
2020 research and development grants for enterprises provided by Hi-tech Office of Shenzhen Science and Technology Innovation Committee	776,000.00	Other incomes	776,000.00
Export credit insurance premium grants from June to December 2019	572,169.00	Other incomes	572,169.00
Consumption promotion support funds in 2021	500,000.00	Other incomes	500,000.00
Electricity subsidy	426,008.80	Other incomes	426,008.80
Post stabilization subsidy	408,945.37	Other incomes	408,945.37
Central foreign trade and economic development funds in Fiscal 2020	121,000.00	Other incomes	121,000.00

Others	1,941,754.05	Other incomes	1,941,754.05
Others	36,262.29	Non-revenue	36,262.29
Total	228,504,305.09		86,791,122.28

(2) Return of government subsidies

Applicable Not applicable

Other description:

85. Others

VIII. Consolidation scope changes

1. Business combination not under common control

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

Unit: yuan

Name of the acquiree	Time of equity acquisition	Cost of equity acquisition	Equity acquisition ratio	Method of equity acquisition	Acquisition date	Basis for determination of acquisition date	Income of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period

Other description:

(2) Combination cost and goodwill

Unit: yuan

Combination cost	
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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: yuan

	Fair value on the acquisition date	Book value on the acquisition date

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: yuan

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

Other description:

(2) Combination cost

Unit: yuan

Combination cost	
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Contingent consideration and explanation of its changes:

Other description:

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

Unit: yuan

	Merger date
	End of previous period

Contingent liabilities of the combined party incurred in business combination

Other description:

3. Reverse purchase

Basic information of transaction, basis of transaction forming reverse purchase, whether the assets and liabilities retained by the listed company constitute business and their basis, determination of combination cost, amount and calculation of adjusted equity in accordance with equity transaction:

4. Disposal of subsidiary

Whether there is a single disposal of investment in subsidiaries, i.e. loss of control right

Yes No

Whether there is a situation that the investment in subsidiaries is disposed step by step through multiple transactions and the control right is lost in current period

Yes No

5. Change of merger scope for other reasons

Explain the changes in the scope of combination caused by other reasons (such as the establishment of new subsidiaries, liquidation of subsidiaries, etc.) and relevant information:

6. Others

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 pure cotton spunlace non-woven fabrics, medical consumables, and Purcotton's 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's 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's products		100.00%	Business combination under common control
Winner Medical (Yichang)	Zhijiang City, Hubei Province	Zhijiang City, Hubei Province	Production and sales of medical gray cloth		100.00%	Business combination under common control
Winner Medical (Tianmen)	Tianmen City, Hubei Province	Tianmen City, Hubei Province	Production and sales of cotton spun laced non-woven fabric and Purcotton products		100.00%	Business combination under common control
Winner Medical (Hong Kong)	Hong Kong	Hong Kong	Sales of medical consumables and consumer products		60.00%	Business combination under common control
Winner (Huanggang) Cotton	Huanggang City, Hubei Province	Huanggang City, Hubei Province	Cotton trade		100.00%	Business combination under common control

						control
Winner Medical Malaysia	Malaysia	Malaysia	There is no actual business operation	100.00%		Business combination not under common control
Winner Medical (Heyuan)	Heyuan City, Guangdong Province	Heyuan City, Guangdong Province	There is no actual business operation at present	100.00%		Establishment
Winner Medical (Wuhan)	Wuhan City, Hubei Province	Wuhan City, Hubei Province	Production and sterilization of cotton spun laced non-woven fabric and Purcotton products	100.00%		Establishment
PureH2B	Shenzhen City, Guangdong Province	Shenzhen City, Guangdong Province	Sales of personal care and other products	100.00%		Establishment
Pure HB (Shanghai)	Shanghai	Shanghai	Import and domestic sales of cosmetics	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

Difference between the shareholding ratio and the voting right ratio in the subsidiary:

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:

Basis for determining whether the company is an agent or a principal:

Other description:

(2) Important non-wholly owned subsidiary

Unit: yuan

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

Other description:

(3) Main financial information of important non-wholly owned subsidiaries

Unit: yuan

Subsidiary name	Closing Balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities

Unit: yuan

Subsidiary name	Amount incurred in current period				Amount incurred in previous period			
	Revenue	Net profit	Total comprehensive income	Cash flow from financing activities	Revenue	Net profit	Total comprehensive income	Cash flow from financing activities

Other description:

(4) Major restrictions on the use of enterprise group assets and the settlement of enterprise group debts**(5) Financial or other support provided to structured entity included in the consolidated financial statements**

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

Unit: yuan

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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
				Direct	Indirect	

						enterprises or joint ventures
--	--	--	--	--	--	-------------------------------

Difference between the shareholding ratio and the voting right ratio in the cooperative enterprise or joint venture:

Basis for holding less than 20% of the voting rights but having a significant impact, or holding 20% or more of the voting rights but not having a significant impact:

(2) Major Financial Information about Important Cooperative Enterprises

Unit: yuan

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in previous period

Other description

(3) Major Financial Information About Important Jointly Operated Enterprises

Unit: yuan

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in previous period

Other description

(4) Summary of financial information of unimportant cooperative enterprises and joint ventures

Unit: yuan

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in previous period
Cooperative enterprise:	--	--
Total number of following items by shareholding ratio	--	--
- Joint venture:	--	--
Total book value of investment	15,079,827.94	13,424,230.41
Total number of following items by shareholding ratio	--	--
- Net profit	1,655,597.53	4,565,754.26
- Total comprehensive income	1,655,597.53	4,565,754.26

Other description

(5) Significant restrictions on the ability of cooperative enterprises and joint ventures to transfer funds to the Company**(6) Excess losses of cooperative enterprise or joint venture**

Unit: yuan

Name of cooperative enterprise or joint venture	Accumulated unrecognized losses in the previous period	Unrecognized loss in current period (or net profit shared in current period)	Accumulated unrecognized losses at the end of current period
---	--	--	--

Other description

(7) Unconfirmed commitments related to investment in cooperative enterprise**(8) Contingent liabilities related to investment in cooperative enterprise or joint venture****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:

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

Other description

5. Equity in the structured entity that is not included in the consolidated financial statements

Description of structured entity not included in the consolidated financial statements

6. Others**X. Risks associated with financial instruments**

The Company faces various financial risks in the process of operation: credit risk, market risk and liquidity risk. The Board of Directors of the Company is fully responsible for the determination of risk management objectives and policies and ultimately responsible for the risk management objectives and policies, provided that the Board of Directors has authorized the Company's internal audit department to design and implement procedures to ensure the effective implementation of risk management objectives and policies. The board reviews the effectiveness of the procedures implemented and the reasonableness of risk management objectives and policies through monthly reports submitted by the internal audit supervisor.

The overall objective of the Company's risk management is to develop risk management policies to minimize risk without overly affecting the Company's competitiveness and strain capacity.

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 is mainly faced with the customer credit risk caused by credit sales. Prior to signing a new contract, the Company will assess the credit risk of a new customer, including external credit ratings and, in some cases, bank reference letter (when such information is available). The Company sets a credit sales limit for each customer, which is the maximum amount that does not require additional approval.

The Company ensures that the overall credit risk of the Company is under control by quarterly monitoring of the credit rating of existing customers and monthly review of the aging analysis of accounts receivable. When monitoring the credit risk of customers, they are grouped according to their credit characteristics. Customers rated as “high risk” are placed on the Restricted Customer List and can only be sold on credit for a future period with additional approval, or they must be required to pay in advance.

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.

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

Item	Closing Balance					
	Immediate repayment	Within 1 year	1-2 years	2-5 years	More than 5 years	Total
Notes payable		69,765,505.06				69,765,505.06
Accounts payable		568,615,255.29				568,615,255.29
Other payables		615,888,545.12				615,888,545.12
Total		1,254,269,305.47				1,254,269,305.47

Item	Beginning balance					
	Immediate repayment	Within 1 year	1-2 years	2-5 years	More than 5 years	Total
Short-term loans		150,071,416.66				150,071,416.66
Notes payable		29,418,100.00				29,418,100.00
Accounts payable		726,577,306.94				726,577,306.94
Other payables		352,543,008.89				352,543,008.89
Total		1,258,609,832.49				1,258,609,832.49

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 rate risk that the Company faces mainly comes from the bank's long-term borrowing. The Company has no long-term borrowings for the current period.

(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 matches foreign currency income with foreign currency expenditure as far as possible to reduce exchange rate risk. 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 exchange rate risk faced by the Company mainly come from financial assets and financial liabilities denominated in USD / EUR / HKD / Yen / Ringgit, etc. The amounts of foreign currency financial assets and foreign currency financial liabilities converted into RMB are listed as follows:

Item	2021.6.30					
	US dollar	EUR	HKD	Yen	Ringgit	Total
Foreign currency financial assets						
Cash and cash equivalents	114,337,746.93	3,701,093.84	18,190,439.45	224,780.35	126,046.66	136,580,107.23
Accounts receivable	164,426,320.52	2,283,087.56	7,062,972.33	-	1,534,090.62	175,306,471.03
Other receivables	-	-	385,113.25	-	1,773.05	386,886.30
Subtotal	278,764,067.45	5,984,181.40	25,638,525.03	224,780.35	1,661,910.33	312,273,464.56
Foreign currency financial liabilities						
Accounts payable	-	350,613.70	4,576.44	195,406.60	-	550,596.74
Other payables	94,437,629.42	88,199.15	8,647,194.78	1,354.30	1,244.80	103,175,622.45
Subtotal	94,437,629.42	438,812.85	8,651,771.22	196,760.90	1,244.80	103,726,219.19
Net amount	184,326,438.03	5,545,368.55	16,986,753.81	28,019.45	1,660,665.53	208,547,245.37

If the RMB appreciates or depreciates by 5% against USD / EUR / HKD / Yen / Ringgit, all other variables being held constant, the total comprehensive income of the Company will be reduced or increased by 8,775,340.15 yuan. Management considers that 5% is a reasonable reflection of the reasonable range of possible changes in RMB against foreign currencies.

4. Other price risks

The Company does not hold equity investments in other listed companies.

XI. Fair value disclosure**1. Ending fair value of assets and liabilities measured with fair value**

Unit: yuan

Item	Closing fair value			
	Measurement of fair value at first level	Measurement of fair value at second level	Measurement of fair value at third level	Total
I. Continuous fair value measurement	--	--	--	--
1. Financial assets measured with fair value and with the changes included in current profit and loss		2,207,384,233.24	500,000,000.00	2,707,384,233.24
(1) Debt instruments investment		2,207,384,233.24	500,000,000.00	2,707,384,233.24
(VI) Others				
1. Amounts receivable financing		9,263,087.17		9,263,087.17
Total assets continuously measured at fair value		2,216,647,320.41	500,000,000.00	2,716,647,320.41
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 Group Limited	Cayman Islands	Equity investment and management business	HKD 1,143,000.00	68.10%	68.10%

Parent company of the Company

Winner Group Limited was incorporated in the Cayman Islands on April 8, 2003 with registration number 124887 and an authorized share capital of 360,000,000.00 shares with a nominal value of HKD 1 per share. 1,143,000 shares have been issued. The registered address is Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands.

The ultimate controlling party of the Company is Li Jianquan.

Other description:

NA

2. Subsidiaries of the Company

See Note “IX. Interests in other entities” for information on the subsidiaries of the Company

3. Cooperative enterprises and joint ventures

See the note “IX. Interests in other entities” for important cooperative enterprises or joint ventures of the Company.

Other cooperative enterprises or joint ventures that made related party transactions with the Company in the current period, or formed the balance of related party transactions with the Company in the previous periods are as follows:

Name of cooperative enterprise or joint venture	Relationship with the Company
Chengdu Winner	Joint venture

Other description

Summary of financial information of unimportant cooperative enterprises and joint ventures:

	Ending balance/amount incurred in current period	Beginning balance/amount incurred in previous period
- Joint venture:	--	--
Chengdu Winner		
Total book value of investment	15,079,827.94	13,424,230.41
Total number of following items by shareholding ratio	--	--
- Net profit	1,655,597.53	4,565,754.26
- Other comprehensive income		
- Total comprehensive income	1,655,597.53	4,565,754.26

4. Situation of other related parties

Name of other related parties	Relationship of other related parties with the Company
Sequoia Xinyuan	Shareholder of the Company, holding 9.16% of the Company's shares
Kangsheng Investment	Shareholder of the Company, holding 5.68% of the Company's shares
Kangxin Investment	Shareholder of the Company, holding 2.66% of the Company's shares
SCGC	Shareholder of the Company, holding 1.99% of the Company's shares
Kanglong Investment	Shareholder of the Company, holding 1.60% of the Company's shares

Kangli Investment	Shareholder of the Company, holding 0.82% of the Company's shares
Wuhan Zhuoling Packaging Co., Ltd. ((hereinafter referred to as "Wuhan Zhuoling"))	A company controlled by close family members of the Company's key managers
Glory Ray Holdings Limited	A company controlled by the actual controller
Shenzhen Breo Technology Co., Ltd. (hereinafter referred to as "Breo")	A company with the Company's independent director Liang Wenzhao as an independent director
Shenzhen Ellassay Fashion Co., Ltd. (hereinafter referred to as "Ellassay")	A company with the Company's independent director Zhou Xiaoxiong as an independent director
Li Jianquan	Actual controller of the company
Xie Ping	Shareholder of the Company, holding 13.94% of the Company's shares
Li Xiaoyuan	Shareholder of the Company, holding 6.32% of the Company's shares
Fang Xiuyuan	Director, deputy general manager, chief financial officer
Xu Xiaodan	Director
Guo Zhenwei	Director
Liang Wenzhao	Independent director
Zhou Xiaoxiong	Independent director
Bi Qun	Independent director
Liu Weiwei	Chairman of the Board of Supervisors
Ye Yangjing	Supervisor
Wang Ying	Supervisor
Yin Wenling	Deputy general manager
Chen Huixuan	Deputy general manager, secretary to the Board of Directors
Song Haibo	Key technical personnel
Wang Huan	Key technical personnel

Other description

5. Connected transaction

(1) Connected transaction of purchases and sales of goods, provision and acceptance of services

Purchase of goods/acceptance of services

Unit: yuan

Related party	Connected transaction content	Amount incurred in current period	Approved transaction quota	Whether the transaction quota is exceeded	Amount incurred in previous period

Wuhan Zhuoling Packaging Co., Ltd.	Purchasing goods or services	10,406,270.74		No	2,721,060.41
Chengdu Winner	Purchasing goods or services	88,633.66		No	166,451.37
Breo	Purchasing goods or services	124,234.00		No	31,424.78

Selling commodities/offering labor

Unit: yuan

Related party	Connected transaction content	Amount incurred in current period	Amount incurred in previous period
Chengdu Winner	Selling goods or services	2,362,509.36	1,940,885.50
SCGC	Selling goods or services	28,238.94	

Connected transaction of purchases and sales of goods, provision and acceptance of services

(2) Associated fiduciary management/contracting and entrusted management/subcontracting

Entrusted management / contracting of the Company:

Unit: yuan

Name of entrusting party / subcontractor	Name of entrusting party / contractor	Entrusted / contracting asset type	Fiduciary / contracting start date	Fiduciary / contracting termination date	Pricing basis of fiduciary income / contracting income	Fiduciary income / contracting income recognized in current period

Associated fiduciary / contracting

Entrustment management / subcontracting of the Company:

Unit: yuan

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

Associated management / subcontracting

(3) Related-party lease

The Company as the lessor:

Unit: yuan

Name of lessee	Type of leased assets	Lease income recognized in the current period	Lease income recognized in the previous period

The Company as the lessee:

Unit: yuan

Name of lessor	Type of leased assets	Lease fee recognized in the current period	Lease fee recognized in the previous period
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Related-party lease description

(4) Related-party guarantee

The Company as the guarantor

Unit: yuan

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

Unit: yuan

Guarantor	Amount guaranteed	Guarantee start date	Guarantee maturity date	Whether the guarantee has been fulfilled
Qianhai Purcotton, Shenzhen Purcotton, Li Jianquan	50,000,000.00	February 5, 2020	February 5, 2021	Yes
Shenzhen Purcotton	200,000,000.00	February 14, 2020	February 14, 2021	Yes
Li Jianquan	20,000,000.00	February 17, 2020	February 17, 2021	Yes

Related-party guarantee

(5) Related party loan at call

Unit: yuan

Related party	Borrowing amount	Start date	Maturity date	Description
Borrowing				
Lending				

(6) Asset transfer and debt restructuring of related party

Unit: yuan

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

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Key management personnel remuneration	4,653,199.81	5,627,380.27

Note: The key management personnel include directors, supervisors, senior managers and core personnel.

(8) Other connected transactions**6. Accounts receivable and payable by related parties****(1) Receivables**

Unit: yuan

Project name	Related party	Closing Balance		Beginning balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Accounts receivable	Chengdu Winner	61,942.50	3,097.13	39,800.00	1,990.00
Accounts receivable	Ellassay			746,070.00	37,303.50
Advance to supplier	Breo			59,198.00	

(2) Payables

Unit: yuan

Project name	Related party	Ending book balance	Beginning book balance
Accounts payable	Chengdu Winner	55,322.00	67,630.00
Accounts payable	Wuhan Zhuoling	1,313,480.16	4,705,258.45
Accounts payable	Breo		51,511.50
Contract liabilities	Chengdu Winner		1,193,017.20
Contract liabilities	SCGC	13,500.00	29,486.73

7. Related party commitment**8. Others****XIII. Share-based payment****1. Overall status of share-based payment**√Applicable Not applicable

Unit: yuan

Total amount of equity instruments granted by the company during the current period	508,824,220.00
Total amount of equity instruments exercised by the company during the current period	0.00
Total amount of equity instruments invalidated by the company during the current period	0.00

Range of the exercise price of the Company's stock options outstanding at the end of the period and the remaining term of the contract	In case of the audited revenue in 2021 \geq 12 billion yuan, the ownership proportion at the Company level is 100%; in case of 10 billion yuan \leq the audited revenue in 2021 < 12 billion yuan, the ownership proportion at the Company level is 80%; in case of the audited business income in 2021 < 10 billion yuan, the restricted stock planned to be vested by the incentive object shall not be vested and become invalid. In case of the audited revenue in 2022 \geq the audited revenue in 2021 * (1+30%), the ownership proportion at the Company level is 100%; in case of the audited revenue in 2021 * (1+20%) \leq the audited revenue in 2022 < the audited revenue in 2021 * (1+30%), the ownership proportion at the Company level is 80%; in case of the audited business income in 2022 < the audited revenue in 2021 * (1+20%), the restricted stock planned to be vested by the incentive object shall not be vested and become invalid.
Range of the exercise price of the Company's other equity instruments outstanding at the end of the period and the remaining term of the contract	None

Other description

2020 Restricted Stock Incentive Plan

1. Number of restricted stock granted

On November 27, 2020, the Company held the 15th meeting of the second Board of Directors and the 9th meeting of the second Board of Supervisors, deliberated and passed the Proposal on the Company's 2020 Restricted Stock Incentive Plan (Draft) and Its Abstract. On December 15, 2020, the Company held the sixth extraordinary general meeting of shareholders in 2020 to deliberate and pass the Proposal on the Company's 2020 Restricted Stock Incentive Plan (Draft) and Its Abstract. According to the above proposal, the number of restricted stock (Class II restricted stock) to be granted in this incentive plan is 6.5 million, and the underlying stock involved is A-share common stock, accounting for about 1.52% of the total capital stock of the Company at the time of announcement of the draft incentive plan. Among them, 5.9 million shares were granted for the first time, accounting for about 1.38% of the total capital stock of the Company at the time of announcement of the draft incentive plan, and 90.77% of the total equity to be granted. 0.6 million shares were reserved to be granted, accounting for about 0.14% of the total capital stock of the Company at the time of announcement of the draft incentive plan, and 9.23% of the total equity to be granted. No more than 1,053 incentive objects will be granted at the first time, including directors, senior managers, and other persons deemed to need incentives by the Board of Directors.

On December 18, 2020, the Company's 17th meeting of the second Board of Directors and the 11th meeting of the second Board of Supervisors deliberated and adopted the Proposal on First Granting Restricted Stocks to Incentive Objects. In view of the fact that 17 incentive objects gave up the restricted stock to be granted by the Company due to resignation or personal reasons, they no longer qualified for the incentive conditions. According to the 2020 Restricted Stock Incentive Plan (Draft), the Company adjusted the incentive objects and the number of grants. The number of incentive objects granted for the first time was adjusted from 1,053 to 1,036, and the total number of restricted stock granted for the first time was adjusted from 5.90 million to 5.833 million.

2. Validity, grant date, vesting arrangement and lock-up period of this incentive plan

① The incentive plan shall be valid for no more than 48 months from the date of the first grant of restricted stock to the date when all the restricted stock granted to the incentive object is vested or invalidated.

② After the incentive plan is approved by the general meeting of shareholders of the Company, the Board of Directors shall determine the grant date, and the grant date must be the trading day. The Company shall grant the restricted stock and complete the announcement within 60 days after the approval of the general meeting of shareholders. If the Company fails to complete the above work within 60 days, the implementation of this incentive plan will be terminated, and the restricted stock not granted will become invalid.

The Company shall, within 12 months after the deliberation and approval of the incentive plan by the general meeting of shareholders, specify the incentive objects reserved for award. If the incentive objects are not specified for more than 12 months, the restricted stock corresponding to the reserved part shall become invalid.

③ The vesting arrangement for the first grant of restricted stock in this incentive plan is shown in the following table:

Vesting arrangement	Vesting period	Vesting ratio
First vesting period	From the first trading day of 17 months from the date of the first grant to the last trading day within 29 months from the date of the first grant	50%
Second vesting period	From the first trading day of 29 months from the date of the first grant to the last trading day within 41 months from the date of the first grant	50%

If the restricted stock corresponding to the reserved part is granted within 2020, the vesting arrangement for granting restricted stocks reserved in this incentive plan is consistent with the vesting arrangement for the first grant of restricted stock.

If the restricted stock corresponding to the reserved part is granted within 2021, the vesting arrangement for granting restricted stocks reserved in this incentive plan is shown in the following table:

Vesting arrangement	Vesting period	Vesting ratio
First vesting period	From the first trading day of 12 months from the date of reserved granting to the last trading day within 24 months from the date of reserved granting	50%
Second vesting period	From the first trading day of 24 months from the date of reserved granting to the last trading day within 36 months from the date of reserved granting	50%

If the incentive objects are directors and senior management of the Company, the shares transferred each year during their term of office shall not exceed 25% of the total number of the Company's shares they hold; they shall not transfer the shares they hold within half a year after leaving the Company

2. Equity-settled share-based payments

Applicable Not applicable

Unit: yuan

Method for determining the fair value of equity instruments on the grant date	The fair value of the restricted stocks of directors and senior management is calculated using the Black-Scholes model option pricing formula; the fair value of other employee restricted stocks is determined by reference to the stock closing price on the grant date without taking into account the liquidity discount.
Basis for the determination of the number of viable equity instruments	None
Reasons for significant differences between the current and previous estimates	None
Accumulated amount of equity-settled share-based payments	166,167,747.30

recorded in capital reserves	
Total amount of expenses recognized by equity-settled share-based payments in current period	142,429,497.69

Other description

NA

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

As of June 30, 2021, the outstanding contracts among the large-value contracts signed by the Company and its subsidiaries that are being or are about to be performed are as follows:

Project name	Amount
Winner Medical (Tianmen) - Intelligent 3D e-commerce warehouse for pure cotton business	43,200,000.00
Winner Medical (Tianmen) - Spunlace Line 7 - De-dusting and carding machines	11,200,000.00
Winner Medical (Tianmen) - Non-woven carding machine and spunlace machine	26,440,528.00
Winner Medical (Tianmen) - Automated storage equipment project	16,065,000.00
Winner Medical (Tianmen) - Winner Medical (Tianmen) Spunlace Phase III Finishing Plant Project	5,320,000.00
Purcotton - Software development	20,780,000.00
Winner Medical (Jiayu) - The supporting de-dusting and carding machines for raw cotton spunlace production lines	3,144,000.00
Winner Medical (Chongyang) - Full-servo special (crinkle) non-woven machines	2,800,000.00

Winner Medical (Wuhan) - Engineering project	4,772,448.19
Winner Medical (Wuhan) - Equipment procurement	5,863,358.52
Winner Medical (Huanggang) - Full-servo straight pack sanitary pads production equipment	31,500,000.00
Winner Medical (Jingmen) - North warehouse	4,400,000.00
Total	175,485,334.71

2. Contingencies

(1) Important contingencies on balance sheet date

NA

(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

NA

XV. Post-balance sheet events

1. Important non-adjustment items

Unit: yuan

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

2. Profit distribution

Unit: yuan

3. Sales return

4. Other post-balance sheet events

XVI. Other important issues

1. Correction of previous accounting errors

(1) Retrospective restatement

Unit: yuan

Content of accounting error correction	Processing procedures	Report item name of each affected comparison period	Cumulative influence number
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(2) Prospective application

Content of accounting error correction	Approval procedures	Reason for adopting prospective application
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2. Debt restructuring**3. Assets replacement****(1) Exchange of non-monetary assets****(2) Other asset replacement****4. Pension plan****5. Discontinued operation**

Unit: yuan

Item	Income	Cost	Total profit	Income tax expenses	Net profit	Profit from discontinued operations attributable to the owners of parent company
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Other description

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, three reporting segments have been determined, respectively: medical consumables, health consumer goods, pure cotton spunlace non-woven fabrics. Reporting segments of the Company offers different products or services or operates in different regions. Since each segment requires different technologies or marketing strategies, the management of the Company manages the operating activities of each reporting segment separately and regularly evaluates the operating results of these reporting segments to determine the allocation of resources to them and evaluate their performance.

The inter-segment transfer price is determined on the basis of the actual transaction price, and the expenses indirectly attributable to the segments are distributed among the segments in proportion to the income (as determined by the Company). Assets are allocated according to the operations of a segment and the location of the assets. Liabilities of a segment include liabilities attributable to that segment arising from the operations of a segment. If expenses related to liabilities shared by multiple operating segments are allocated to those operating segments, such shared liabilities are also allocated to those operating segments.

(2) Financial information of the reporting segment

Unit: yuan

Item	Medical consumables (segment 1)	Healthy consumer goods (segment 2)	Cotton non-woven coil (segment 3)	Unallocated	Offset between segments	Total
Revenue	2,171,174,605.39	1,790,338,558.90	98,352,490.63			4,059,865,654.92
Costs	1,037,003,764.37	820,820,906.36	63,965,031.74			1,921,789,702.47
Assets impairment losses	27,617,878.12	20,941,502.91	229,744.86			48,789,125.89
Depreciation expense and amortization expense	25,221,906.19	111,264,949.28	2,457,131.11			138,943,986.58
Operating profit / loss	556,176,964.77	227,140,101.71	9,127,160.04	118,125,459.04		910,569,685.56
Non-revenue and expense				(6,163,340.48)		(6,163,340.48)
Assets and liabilities						
Total assets	2,437,871,731.14	2,842,022,338.63	275,572,902.50	7,557,509,275.64		13,112,976,247.91
Total liabilities	792,002,649.35	1,221,566,227.25	21,636,806.96	544,709,231.24		2,579,914,914.80

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

(4) Other description**7. Other important transactions and matters affecting the decision-making of investors****(1) Urban Renewal Project of Winner Industrial Park**

① Project Overview

On April 6, 2017, the Company and Shenzhen Galaxy Real Estate Development Co., Ltd. (hereinafter referred to as “Galaxy Real Estate”) signed the Cooperation Agreement on Urban Renewal Project of Winner Industrial Park to apply for and implement the demolition and reconstruction of urban renewal and reconstruction of Winner Industrial Park in Longhua District, Shenzhen City (hereinafter referred to as “the Project”). The scope of land to be demolished for the Project is a state-owned land that has been transferred. The land parcel number is A819-0123. The land area is 29,064.49 m², and the current use is industrial land. According to the statutory plan of [Pinus tabulaeformis area] of No.402-19&20&21, Bao’an District, Shenzhen City, the planned use of this land parcel is a second-class residential land. The land has been registered for title with a construction area of 36,625.89 m², used for office, plant and dormitory. The Company shall be the sole subject of rights to the said parcel and all the buildings (structures) and appendages thereon. At present, the above target land and part of the building are not mortgaged.

② Cooperation mode

The Company agrees to entrust the target land and building to Galaxy Real Estate for application for approval of the urban renewal unit plan, and accepts the relocation compensation of Galaxy Real Estate according to the conditions agreed in this agreement. Galaxy Real Estate is responsible for all the work related to the declaration of renewal unit plan of the target land and building and implementation of urban renewal, responsible for the relocation compensation and demolition and reconstruction funds, and enjoys the interest in the renewal project as the single market implementer.

After the renewal and reconstruction of the target land and buildings is approved by the urban renewal unit plan, the specific transformation and development intensity, planned purpose and indicators, etc. shall be discussed by Galaxy Real Estate with the Company in advance before the formal application for construction, but the final approval shall be subject to the relevant government departments.

Galaxy Real Estate shall pay the cooperation consideration to the Company by paying the relocation compensation consideration to the Company. The Company voluntarily chooses the relocation compensation method that combines monetary compensation and property right exchange (relocation), including: 1) monetary compensation: 400 million yuan; 2) Property right exchange (relocation): the area of property right exchange (relocation) obtained by Party B shall be determined at 40% of the gross floor area for sale based on the gross floor area for sale determined in the final approval of the special planning of the renewal unit of this Project.

③ Current progress

Up to now, Galaxy Real Estate has paid the first margin of 50 million yuan and the second advance compensation of 100 million yuan for demolition to the Company according to the agreement. The project was announced in September 2019 and approved in December 2019. Subsequent progress will be made in accordance with the procedures stipulated by the government, and the specific progress will be subject to the government's approval.

According to the agreement, if the project fails to obtain the approval of the renewal unit plan due to government policy or force majeure, either party has the right to terminate the contract, and the amount collected by the Company will be returned to Galaxy Real Estate without interest within 30 days after the termination of the contract.

(2) Heyuan investment and construction project

① Problem background

In 2016, under the guidance and promotion of Shenzhen Longhua District Committee and District Government, the Company plans to transfer part of the production and logistics functions to Heyuan Zijin Linjiang Industrial Park in response to the policy of supporting Heyuan City as a counterpart of Shenzhen City. In May 2016, the Company and the People's Government of Zijin County of Heyuan City signed the Agreement on Investment and Construction of Medical Package and Cotton Household Goods Production Project (hereinafter referred to as the "Investment Agreement"), with the construction land of the project covering 200,000 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 30 million yuan 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 2,655,320.00 yuan. The land transfer deposit of 3 million yuan shall be returned to the Company and compensate for the economic loss of 550 million yuan. 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, 2021, the Company has received the land transfer deposit of 3 million yuan returned by the People's Government of Zijin County and paid the compensation of 314 million yuan. 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

Winner Medical (Heyuan)'s business positioning is mainly the production, logistics and warehousing functions of medical package and cotton daily necessities. At present, the Company has transferred the production, logistics and warehousing functions of Purcotton daily necessities to the Company's subsidiary Hubei Winner, and the production of medical package has been transferred to the Company's subsidiary Winner Medical (Chongyang).

Hubei Winner 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

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

1. Accounts receivable

(1) Classified disclosure of accounts receivable

Unit: yuan

Class	Closing Balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion	Amount	Accruing proportion		Amount	Proportion	Amount	Accruing proportion	
Including:										
Accounts receivable of provision for bad	596,374,175.88	100.00%	29,808,864.73	5.00%	566,565,311.15	711,959,379.83	100.00%	32,314,540.44	4.54%	679,644,839.39

debt by combination										
Including:										
Including: Aging analysis	589,169,364.38	98.79%	29,808,864.73	5.06%	559,360,499.65	644,741,680.92	90.56%	32,314,540.44	5.01%	612,427,140.48
Other combination	7,204,811.50	1.21%			7,204,811.50	67,217,698.91	9.44%			67,217,698.91
Total	596,374,175.88	100.00%	29,808,864.73		566,565,311.15	711,959,379.83	100.00%	32,314,540.44	4.54%	679,644,839.39

Provision for bad debt by single item:

Unit: yuan

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

Provision for bad debt by combination: aging analysis combination

Unit: yuan

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion
Within 1 year (including 1 year)	584,331,467.44	29,216,573.38	5.00%
1~2 years (including 2 years)	4,540,980.86	454,098.09	10.00%
2~3 years (including 3 years)	226,746.88	68,024.06	30.00%
More than 5 years	70,169.20	70,169.20	100.00%
Total	589,169,364.38	29,808,864.73	--

Description of the basis for determining the combination:

On June 30, 2021, 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, 2021 is estimated based on the aging of accounts and estimated at the original loss ratio.

Provision for bad debt by combination: other combination - related parties within the group

Unit: yuan

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion
Other combination - related parties within the group	7,204,811.50		0.00%
Total	7,204,811.50		--

Description of the basis for determining the combination:

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

Provision for bad debt by combination:

Unit: yuan

Name	Closing Balance		
	Book balance	Provision for bad debt	Accruing proportion

Description of the basis for determining the combination:

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

Applicable Not applicable

Disclosure by aging

Unit: yuan

Aging	Closing Balance
Within 1 year (including 1 year)	591,536,278.94
1~2 years	4,540,980.86
2~3 years	226,746.88
More than 3 years	70,169.20
More than 5 years	70,169.20
Total	596,374,175.88

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

Provision for bad debts in current period:

Unit: yuan

Class	Beginning balance	Amount of change in current period				Closing Balance
		Accrual	Recovered or reversed	Write-off	Others	
Provision for bad debt of accounts receivable	32,314,540.44	5,861,926.64	8,367,602.35			29,808,864.73
Total	32,314,540.44	5,861,926.64	8,367,602.35			29,808,864.73

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

Unit: yuan

Unit name	Amount recovered or reversed	Recovery way
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(3) Accounts receivable actually written off at the current period

Unit: yuan

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 connected transactions
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Description of write-off accounts receivable:

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

Unit: yuan

Unit name	Ending balance of accounts receivable	Proportion in total other ending balance of accounts receivable	Ending balance of bad debt provision
First	192,013,204.61	32.20%	9,600,660.23
Second	31,273,460.19	5.24%	1,563,673.01
Third	29,435,075.96	4.94%	1,471,753.80
Fourth	21,579,058.19	3.62%	1,078,952.91
Fifth	17,402,885.15	2.92%	870,144.26
Total	291,703,684.10	48.92%	

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

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

Other description:

2. Other receivables

Unit: yuan

Item	Closing Balance	Beginning balance
Other receivables	224,254,705.29	361,160,139.37
Total	224,254,705.29	361,160,139.37

(1) Interest receivable

1) Classification of interest receivable

Unit: yuan

Item	Closing Balance	Beginning balance
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2) Important overdue interest

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

3) Provision for bad debt Applicable Not applicable**(2) Dividends receivable****1) Classification of dividends receivable**

Unit: yuan

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

Unit: yuan

Project (or invested unit)	Closing Balance	Aging	Reason for non-recovery	Whether there is impairment and its judgment basis
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3) Provision for bad debt Applicable Not applicable

Other description:

(3) Other receivables**1) Other receivables classified by nature**

Unit: yuan

Nature of payment	Ending book balance	Beginning book balance
Compensation for investment and construction project of Winner Medical (Heyuan)	238,655,320.00	387,655,320.00
Export drawback		7,190,798.48
Margin and deposit	7,023,624.55	3,650,806.01
Employee pretty cash	506,583.24	175,183.18

Others	2,551,682.43	1,528,756.45
Total	248,737,210.22	400,200,864.12

2) Provision for bad debt

Unit: yuan

Provision for bad debt	Stage 1	Stage 2	Stage 3	Total
	Expected credit losses over the next 12 months	Expected credit losses over the entire duration (no credit impairment occurred)	Expected credit losses over the entire duration (credit impairment has occurred)	
Balance on January 1, 2021	39,040,724.75			39,040,724.75
Balance on January 1, 2021 in the current period	—	—	—	—
Accrual in current period	167,011.59			167,011.59
Reversal in current period	14,725,231.41			14,725,231.41
Balance on June 30, 2021	24,482,504.93			24,482,504.93

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

□ Applicable √ Not applicable

Disclosure by aging

Unit: yuan

Aging	Closing Balance
Within 1 year (including 1 year)	9,696,700.82
1~2 years	238,743,793.11
2~3 years	125,337.86
More than 3 years	171,378.43
3~4 years	171,378.43
Total	248,737,210.22

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

Provision for bad debts in current period:

Unit: yuan

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

Provision for bad debts of other receivables	39,040,724.75	167,011.59	14,725,231.41			24,482,504.93
Total	39,040,724.75	167,011.59	14,725,231.41			24,482,504.93

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

Unit: yuan

Unit name	Amount reversed or recovered	Recovery way
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4) Other receivable actually written off at the current period

Unit: yuan

Item	Amount written off
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Write-off of important other receivables:

Unit: yuan

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

5) Other receivables with Top 5 ending balances by debtor

Unit: yuan

Unit name	Nature of payment	Closing Balance	Aging	Proportion in total other ending balance receivable	Ending balance of bad debt provision
First	Receivables related to Heyuan project	238,655,320.00	1~2 years	95.95%	23,865,532.00
Second	Margin and deposit	5,125,432.01	Within 1 year	2.06%	256,271.60
Third	Margin and deposit	506,269.75	Within 1 year	0.20%	25,313.49
Fourth	Others	489,228.01	Within 1 year	0.20%	24,461.40
Fifth	Margin and deposit	190,000.00	Within 1 year	0.08%	9,500.00
Total	--	244,966,249.77	--	98.49%	24,181,078.49

6) Accounts receivable involving government subsidies

Unit: yuan

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

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

Other description:

3. Long-term equity investment

Unit: yuan

Item	Closing Balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	908,737,678.63	4,086,994.48	904,650,684.15	728,737,678.63	4,086,994.48	724,650,684.15
Investment in associated enterprises and joint enterprises	15,079,827.94		15,079,827.94	13,424,230.41		13,424,230.41
Total	923,817,506.57	4,086,994.48	919,730,512.09	742,161,909.04	4,086,994.48	738,074,914.56

(1) Investment in subsidiaries

Unit: yuan

Invested unit	Beginning balance (book value)	Increase or decrease in current period				Ending balance (book value)	Balance of impairment provision at the end of period
		Further investment	Capital reduction	Provision for impairment	Others		
Winner Medical (Huanggang) Co., Ltd.	267,491,627.79					267,491,627.79	
Winner Medical (Jingmen) Co., Ltd.	27,242,761.31					27,242,761.31	
Winner Medical (Tianmen) Co., Ltd.	39,697,276.28					39,697,276.28	
Winner Medical (Chongyang) Co., Ltd.	33,629,806.08					33,629,806.08	

Winner Medical (Jiayu) Co., Ltd.	36,436,595.28								36,436,595.28	
Yichang Winner Medical Textile Co., Ltd.	18,595,897.41								18,595,897.41	
Winner Medical (Heyuan) Co., Ltd.	100,000,000.00								100,000,000.00	
Winner Medical (Wuhan) Co., Ltd.	100,000,000.00								100,000,000.00	
Winner Medical (Hong Kong) Ltd. (HK)	1,456,720.00								1,456,720.00	
Winner Medical Malaysia Sdn. Bhd. (MY)									0.00	4,086,994.48
Shenzhen Purcotton Technology Co., Ltd.	50,000,000.00	80,000,000.00							130,000,000.00	
Pure HB (Shanghai) Co., Ltd.	100,000.00								100,000.00	
Shenzhen PureH2B Technology Co., Ltd.	50,000,000.00	100,000,000.00							150,000,000.00	
Total	724,650,684.15	180,000,000.00							904,650,684.15	4,086,994.48

(2) Investment in associated enterprises and joint enterprises

Unit: yuan

Invested entity	Beginning balance (book value)	Increase or decrease in current period								Ending balance (book value)	Balance of impairment provision at the end of period
		Further investment	Capital reduction	Investment gains and losses recognized by the equity	Adjustment of other comprehensive income	Changes in other equity	Declared payment of cash dividends or profits	Provision for impairment	Others		

				method							
I. Cooperative enterprise											
II. Joint venture											
Chengdu Winner	13,424,23			1,655,597						15,079,82	
	0.41			.53						7.94	
Subtotal	13,424,23			1,655,597						15,079,82	
	0.41			.53						7.94	
Total	13,424,23			1,655,597						15,079,82	
	0.41			.53						7.94	

(3) Other description

4. Revenue and cost

Unit: yuan

Item	Amount incurred in current period		Amount incurred in previous period	
	Income	Cost	Income	Cost
Main business	2,129,805,774.91	1,233,799,517.75	2,639,684,107.75	1,503,030,276.12
Other businesses	22,965,185.06	3,550,383.03	24,539,475.08	3,344,800.49
Total	2,152,770,959.97	1,237,349,900.78	2,664,223,582.83	1,506,375,076.61

Income related information:

Unit: yuan

Contract classification	Segment 1	Segment 2		Total
Including:				
Including:				
Including:				
Including:				
Including:				
Including:				
Including:				

Information related to performance obligations:

None

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

The amount of income corresponding to the performance obligations signed but not yet performed or completed at the end of this reporting period is 0.00 yuan.

Other description:

5. Investment income

Unit: yuan

Item	Amount incurred in current period	Amount incurred in previous period
Long-term equity investment gains measured by employing the equity method	1,655,597.53	2,288,557.50
Investment income from purchasing financial products	43,948,199.51	4,349,191.29
Total	45,603,797.04	6,637,748.79

6. Others**XVIII. Further information****1. Current non-recurring gain and loss statement**√Applicable Not applicable

Unit: yuan

Item	Amount	Description
Profit and loss on disposal of non-current assets	(7,991,363.76)	
Government subsidies included into the current profits and losses, except those government subsidies, which are closely related to the business of a company and enjoyed in accordance with a certain standard quota or quantity of the state	86,791,122.28	
In addition to the effective hedging business related to the company's normal business operations, the profit and loss from fair value changes arising from holding tradable financial assets, derivative financial assets, tradable financial liabilities, and derivative financial liabilities, as well as the investment income from disposal of tradable financial assets and derivative financial assets, tradable financial liabilities, derivative financial liabilities, and other debt investments	79,825,882.59	
Income and expenditure other than those mentioned above	1,756,948.93	

Less: Amount affected by income tax	26,599,643.40	
Amount of minority shareholders' equity affected	(174.41)	
Total	133,783,121.05	--

Explain the non-recurrent profit and loss items defined by the Company according to the Interpretative Announcement No. 1 on Information Disclosure of Public Securities Issuing Companies - Non-recurrent Profits and Losses and defined from the 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.

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	7.06%	1.7844	1.7715
Net profit attributable to common shareholders of the Company after deduction of non-recurring profits and losses	5.82%	1.4707	1.4601

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

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

Applicable Not applicable

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

Applicable Not applicable

(3) Causes for differences in accounting data under domestic and foreign accounting standards. If the difference adjustment has been made to the data audited by the overseas audit institution, the name of the overseas audit institution shall be indicated

4. Others

In case of a divergence of the interpretation the Chinese version of the annual report shall prevail.

Winner Medical Co., Ltd.

September 29, 2021