



Stock Code: 002271

Stock Name: Oriental Yuhong

Announcement No. 2024-037

**BEIJING ORIENTAL YUHONG WATERPROOF TECHNOLOGY CO., LTD.****ANNUAL REPORT 2023 (SUMMARY)****Part I Important Notes**

This Summary is based on the full Annual Report of Beijing Oriental Yuhong Waterproof Technology Co., Ltd. (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires). In order for a full understanding of the Company’s operating results, financial position and future development plans, investors should carefully read the aforesaid full text, which has been disclosed together with this Summary on the media designated by the China Securities Regulatory Commission (the “CSRC”).

All the Company’s directors have attended the Board meeting for the review of this Report.

Independent auditor’s modified opinion:

Applicable  Not applicable

Board-approved final cash and/or stock dividend plan for the Reporting Period:

Applicable  Not applicable

Bonus issue from capital reserves:

Yes  No

The Board has approved a final dividend plan as follows: based on the total share capital at the record date when the dividend plan is implemented after deducting the repurchased shares in the share repurchase account, a cash dividend of RMB6.00 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

Board-approved final cash and/or stock dividend plan for preferred shareholders for the Reporting Period:

Applicable  Not applicable

This Summary has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.



## Part II Key Corporate Information

### 1. Stock Profile

Stock name	Oriental Yuhong	Stock code	002271
Stock exchange for stock listing	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Zhang Bei		
Office address	Courtyard 19, 9th Kechuang Street, Beijing Economic-technological Development Area, E-town, Beijing		
Fax	None		
Tel.	010-59031997		
E-mail address	stocks@yuhong.com.cn		

### 2. Principal Operations or Products in the Reporting Period

#### (I) The Company's Principal Operations

In pursuit of high-quality and solid development, the Company is a construction materials system service provider that concentrates on waterproofing as the core business, as well as extends to civil construction materials, mortar and powder, building coating materials, energy-saving and heat preservation materials, adhesives, tube materials, building renovation, new energy, non-woven fabric, specialized film, emulsion, etc.

The Company provides quality products and professional system services for buildings, high-speed railways, metro and urban railways, highways & urban roads and bridges, airports, water conservancy facilities, utility tunnels, etc. Its products have been used in landmarks such as the Chairman Mao Memorial Hall, the Great Hall of the People, the Bird's Nest, the CITIC Tower, the Beijing Daxing International Airport, the Hong Kong-Zhuhai-Macao Bridge, the Beijing-Shanghai high-speed railway, the Beijing sub-centre utility tunnels, Indonesia's Jakarta-Bandung High-Speed Railway, Indonesia's Nimanga Hydropower Station project, the Singapore Metro, Pakistan's Karachi Nuclear Power Plant project, and the Forest City project in Malaysia. It provides high-quality system solutions for tens of thousands of major infrastructure projects, as well as industrial, residential and commercial buildings and constructions worldwide. The Company sees "for the motherland, for the society, for customers, for employees and shareholders" as its corporate tenet, "serving the country by developing industry, benefiting the people with good services" as its guideline, and "building a durable and safe environment for human beings and the society" as its corporate vision. In addition to the core business of building waterproofing, the Company is also



engaged in civil construction materials, mortar and powder, building coating materials, energy-saving and heat preservation materials, adhesives, tube materials, building renovation, new energy, non-woven fabric, specialized film, emulsion, etc. It owns many brands and business lines: Oriental Yuhong (waterproofing), Fasion (waterproofing), Yuhong Waterproof (civil construction materials), Vasa (specialized mortar), BiAn (putty powder), DAW (building coating), Alpina (building coating), HAMGAR Coating (industrial coating), Lodi Technology (diatom mud), Wonewsun (energy saving and heat preservation materials), Fudatec (energy saving and heat preservation materials), InfinShine (energy saving and heat preservation materials), Yuhong Adhesives (adhesives), Yuhong Tubes (tube materials), Oriental Yuhong Building Renovation (building renovation), Yuhong Home Delivery Service (building renovation), Hong Sheng New Energy Technology Co., Ltd. (new energy), Top (non-woven fabric), Gold Machilus (specialized film), Hongshi (fine and specialty chemicals), Zhong Ke Jian Tong (formation improvement and engineering rehabilitation), vocational training, and Oriental Yuhong roofing tile system (construction roofing tile system).

1. The engineering business: During the Reporting Period, the Company deepened the integrated operation of provincial organizations. It upgraded its channel policy, empowered channel development, explored channels in lower-tier markets, and built channel leadership. The companies of integrated operation in all regions have fully integrated local customers and market channel resources, enhanced local market coverage and penetration by way of developing and empowering various partners, and continuously worked on those markets with no or weak presence through concentrating on local markets and special operations of regions. Besides, channels and direct marketing were optimized and all business lines worked together, so as to better serve the market and customers and increase market share. During the Reporting Period, the Company spared no effort in developing partners and continued to empower partners. Additionally, it summarized and promoted the successful experience of “partner mechanism” in the field of engineering channel continuously. The partner mechanism has been upgraded in an all-round manner. Relying on the comprehensive advantages of products, brands and resources, it developed partners who agree with the Company’s culture and operational philosophy. At the same time it increased the support for partners by improving market and credit management, as well as by cultivating partners’ capabilities of operation and management, business expansion, and engineering services. Through



the synergistic development of diversified businesses, as well as continuously enriching product categories, strengthening product quality, optimising the product structure, upgrading product strategies and other ways, the Company continuously improved the product power and system service capacity, and continued to expand the scope of application in the field of construction materials, so as to drive growth in the engineering business. It further consolidated and developed the strategic cooperation with large quality business groups, and actively expanded and extended customer resources from depth and breadth. In diverse application fields and business scopes such as infrastructure construction, urban emerging infrastructure, industrial and mine warehousing and logistics, affordable housing, urban village transformation and urban renewal, it increased sales and promotion efforts. Besides, it upgraded the means of market management and control, and constantly improved market order by reinforcing means of internal sales control and product tracing.

2. The retail business: During the Reporting Period, the C-end retail business, represented by Civil Construction Materials Group, the building coating retail division, and Building Renovation Group's Yuhong Home Delivery Service, took solid steps and input more efforts. During the Reporting Period, the Company continued to expand business in the field of civil construction materials, and vigorously developed its retail business. By strengthening its brand, upgrading its services, expanding its product categories, and developing more channels, the Company continuously improved its customer experience to increase core competitiveness. In 2023, the Company's retail business achieved operating revenue of RMB9,287 million, a year-on-year increase of 28.11%, which accounted for 28.29% of the Company's total operating revenue, representing a higher percentage.

#### (1) Civil Construction Materials Group

During the Reporting Period, Civil Construction Materials Group, upholding the dual main business strategy of waterproofing and moisture-proofing systems and the tile fitting and grouting systems, continued to increase its market share in waterproof, tile adhesive and grouting products. Meanwhile, it focused on dust-free, lightweight, plant-based, odourless and anti-bacterial product series, and expanded its C-end influence. Adopting a multi-category approach, it continued to cultivate putty powder and other wall auxiliary product lines, promoted the development of adhesive and tube product lines, and incubated new product categories such as kitchen and



bathroom hardware, tool consumables, and household electrical wiring. In line with the core service concept of centering on customers, the Company gradually formed a one-stop building materials purchase platform for consumers, in a bid to provide consumers with a safe and reassuring living environment. For 2023, Civil Construction Materials Group registered operating revenue of RMB8.18 billion, up 34.58% year on year.

1) Brand development: Civil Construction Materials Group has enhanced its brand and product line influence across a broad demographic through a combination of online media matrix broadcasting, offline advertising placements, and expansion into the service industry. By focusing on actual customer needs as the core directive, the Group has achieved simultaneous quality and efficiency improvements in both brick-and-mortar stores and online e-commerce channels. The company has increased its outdoor advertising efforts, utilizing high-speed train ads, naked-eye 3D ads in high-speed train stations, and LED ads on landmark buildings, thereby improving ad reach through content quality. By establishing a multi-dimensional communication matrix, Civil Construction Materials Group has captured both online and offline public domain traffic, continuously expanding its brand influence and shaping brand recognition.

2) Channel development: Civil Construction Materials Group has perfected its channel development, strengthened channel penetration, and improved the quality of channel management to ensure rapid and healthy growth. This strategy has further expanded city coverage across various product categories. The company places high importance on distributor training and hierarchy development, fostering company-level operations among distributors to enhance service quality and operational efficiency. It has optimized the channel structure, standardized the procedures for visits and other operations, and reinforced traditional advantageous channels. Furthermore, the Company optimized the sales organizational structure, adapted to the needs of multi-product-category and multi-channel development, used the digital platform for online management of sales staffers, and created a convenient and efficient management model. As of the end of the Reporting Period, Civil Construction Materials Group had nearly 5,000 distributors and over 220,000 distribution outlets. Furthermore, the company continues to strengthen collaboration with decoration companies to achieve a powerful alliance of brands.

In terms of the exclusive store channel, centered around its stores, Civil Construction Materials



Group has empowered its exclusive store retail strength in every aspect including products, systems, sales guidance, and membership. Centering on product upgrading, the group launched the Premium-series and other new products, so that products on sale in exclusive stores were more environmental and complete. Centering on experience upgrading, the group provided premium shopping guide service and online order and local delivery service, so that consumers would have more professional and convenient experience. Centering on digital upgrading, the group built a unified retail management system and developed a strict price check mechanism, so that consumers would shop trustingly.

The quality of operations within Civil Construction Materials Group's e-commerce channel has improved significantly, successfully making waterproofing and grouting products leading sales items on e-commerce platforms. By linking offline channels, the company has created effective closed-loop solutions in services such as double waterproofing, waterproofing maintenance, grouting application, and coating application, enhancing the service conversion rate. For products like tile adhesives that focus on delivery experience, the company actively promotes an online customer acquisition and offline delivery model, providing consumers with efficient and high-quality service experiences. The company has opened stores and accounts on e-commerce platforms such as Douyin, Kuaishou, and Xiaohongshu, with live-streaming sales gradually becoming a significant part of its e-commerce channel operations.

3) Membership operation: The group accelerated the building of the membership operation system with "Honggehui" as the core, and constructed the "company-dealer-exclusive store-member" comprehensive operation system. Foreman members can buy products, get training and certification and exchange reward points for benefits on "Honggehui". Meanwhile, the group continuously organized skill contests and certification courses for foreman members, and deeply bound members to the shops in China so that they could enjoy exclusive membership services at such stores. As at the end of the Reporting Period, the number of members of "Honggehui" had exceeded 2.7 million.

4) Product development: The group is committed to providing consumers with environmental, efficient, energy-saving, low-carbon, safe and high-quality products. In 2023, it launched naturally-derived renewable bio-based waterproof coating products, odorless environmentally-friendly



waterproof coating products, light and low-carbon soundproof tile adhesive products, dust-free anti-mould tile adhesive products, >99% anti-bacterial hemming adhesive products, exposable roof coating series, yellowing resistant polyurea grout, anti-bacterial pipes and other innovative products. And its products obtained China Environmental Labelling Product Certification (10 Ring), French VOC Label A+ (the highest environmental protection grade), German EC1plus certification, CIAA Anti-bacterial Mark, green product certification, green construction material certification and British WRAS drinking water safety certification.

5) Service layout: Civil Construction Materials Group has upgraded its service system, launching the “Reliable Yuhong Service” full-link service system, creating a one-stop home service platform integrating products, services, and assurance. This encompasses five major service systems: Yuhong Butler Service, Yuhong Waterproofing Delivery Service, Yuhong Paving Delivery Service, Yuhong Grouting Service, and Yuhong Maintenance Service. By establishing product application, standardized construction, standardized service processes, and after-sales warranty mechanisms, and leveraging a digital management platform, the company not only precisely addresses the concrete needs of consumers but also strengthens collaboration and loyalty with distributors.

## (2) Retail of building coatings

During the Reporting Period, the building coating retail business implemented organizational structure adjustments centered on significantly enhancing operational quality. Managed by Civil Construction Materials Group, this business leverages the Group’s accumulated management expertise, customer resources, sales channel coordination, and strong brand influence in the retail sector to achieve resource integration and efficient synergy. This approach fosters high-quality and sustainable development of the building coating retail business. Business units benchmark against Civil Construction Materials Group, overseeing regional management tasks by geographic segments, aligning personnel management, and continuously enhancing productivity.

In the Reporting Period, the building coating retail business further refined and improved aspects such as brand positioning, market expansion, and channel management. Using dual-brand positioning with “Caparol” – “Functional Coatings from Germany” and “Alpina” – “Wall Care Is like Skin Care” as entry points, the business relied on Caparol’s century-long tradition of quality



coatings and meticulous German craftsmanship, sustainable and innovative German formulas, tangible results, and worry-free German techniques. Similarly, Alpina's commitment to protecting what you love, see, dare, and imagine epitomizes German quality, redefining brand perception. This repositioning spans four core areas: artistic coatings, interior wall coatings, exterior wall coatings, and basic auxiliary materials, exploring new ecosystems and profit growth opportunities in product development, production, sales, and technical services of the coating retail business.

During the Reporting Period, the building coating retail business focused on its main coating products, continuously exploring a reasonable product line layout, optimizing product structure, and achieving upgrades in product performance, environmental standards, product categories, and services. From a consumer perspective, the business crafted a differentiated product line; it reconstructed front-end differentiation and back-end synergy for the "Caparol" and "Alpina" dual brands, extending brand reach and depth, emphasizing brand coverage, and improving the coverage rate of both brands. It strengthened channel control policies, expanded channel dimensions, continuously deepened channel penetration, and empowered channel development. At the same time, it explored deep partnerships and fully utilized the synergies of channel resources from Civil Construction Materials Group and other business units like the Building Renovation Group. On one hand, it drew on channel development experiences and strengths to nurture and enhance its own channel quality and construction breadth. On the other hand, it tapped into potential customer groups, effectively boosting product categories and sales volumes. In member operations, the business established member customer profiles targeting professionals, combined various marketing methods to increase member loyalty, drove repeat purchases, improved the linkage mechanisms between members and offline exclusive stores among other channels, and built a high-quality customer network aimed at enhancing quality and profitability.

### (3) Building Renovation Group's Yuhong Home Delivery Service

Building Renovation Group's Yuhong Home Delivery Service focused on the existing market, continued to improve the service system and refine business segments, focused on primary-level communities, and is committed to opening up the "last mile" of Yuhong Home Delivery Service. With home renovation as the start point of business flow, Yuhong Home Delivery Service provided diversified home renovation, home decoration, and home living services and one-stop solutions,



including leakage repair, door and window repair, air treatment, refreshing, HVAC repair, local and overall renovation, smart leakage check and entire-house water purification. The aim is to build a reliable brand in the home space improvement market well-known for “Yuhong Home Delivery, Your Only Choice”, as well as to establish a standard, professional, systematic and connected platform for home delivery services. As of the date of disclosure of the Report, Building Renovation Group’s Yuhong Home Delivery Service has built more than 1,200 operation centres and community service stations across 153 cities in 29 provinces (or municipalities) of China, materializing the planning of “one thousand stores in one hundred cities”. Additionally, Yuhong Home Delivery Service Operation Centre was opened in Ho Chi Minh City (Vietnam), Kuala Lumpur (Malaysia), and Manila (the Philippines), among other countries and regions.

As of the disclosure date of this report, Yuhong Home Delivery Service has established comprehensive cooperation with Beijing Building Materials Testing Academy Co., Ltd. in the field of indoor leakage intelligent detection systems. It has also collaborated with Zhonghong Tianxin Group on home space upgrading solutions, engaged in deep cooperation with 58.com in business expansion, resource sharing, and market development, and formed strategic partnerships with Shimao Tiancheng Property Service Group Ltd. and China Railway Construction Property Management Co., Ltd. Wuhan Branch to continuously empower Yuhong Home Delivery Service’s quality offerings. Moreover, Yuhong Home Delivery Service has been featured on BTV’s Life Channel, where it has profoundly showcased its professionalism, quality, and reliability in addressing residential pain points caused by leakage, thus further expanding its brand influence.

3. New businesses. During the Reporting Period, the business segments operated by Mortar and Powder Technology and Hong Sheng New Energy, among others, made successful efforts to gather momentum.

(1) Mortar and Powder Technology Group has always adhered to the business philosophy of “providing reliable products for customers” and been committed to becoming a service provider of one-stop mortar and powder supply. With major brands like Vasa and BiAn, relying on Oriental Yuhong’s advanced management concepts, lean production systems, and an exceptional R&D and application technology team, the group has diversified its channel layout as its foundation. It engages in various product domains such as specialized mortar, building powder, grouting materials,



ALC aerated blocks, fine sands, and their products, continually increasing its market share in the mortar and powder market and enhancing its brand influence. During the Reporting Period, while continuously and steadily developing the five major product systems, including “tile paving systems, wall coating systems, thermal insulation bonding systems, floor levelling systems and basic construction systems”, the group actively strategized to expand product categories, extend channels, strengthen services, and share profits. It vigorously promoted the R&D and supply of new products like waterproof mortar, decorative mortar, and flooring system components, as well as the exploration and application of new technologies such as lightweight tile adhesive, low-carbon cementitious materials, and gypsum retarding technology, so as to meet the needs of customers for different application scenarios. In view of the sensitivity of construction mortar powder products to haul distance, the group further optimized the layout of national production bases, laying a solid foundation for shortening the transportation distance and achieving a nationwide supply radius of 200 km and 24-hour delivery.

By virtue of the Company’s retail channels and outlets, the group rapidly expanded the coverage of mortar and powder products. On the engineering side, the group established a company integrating sales, technical, supply, manufacturing and service business based on factories, improving both response speed and service quality in all directions. By the end of the Reporting Period, it has developed and cooperated with nearly a thousand professional mortar and powder channel dealers nationwide. The central laboratory of Mortar and Powder Technology Group was accredited by CNAS during the Reporting Period, signifying that the laboratory has reached internationally recognized standards in terms of hardware facilities, testing capabilities, and management level.

(2) Based on the accrued R&D achievements, advanced technologies, product systems, system services and extensive practical experience in the field of distributed photovoltaics (“PV”), Hong Sheng (Beijing) New Energy Technology Co., Ltd. (Hong Sheng New Energy), a subsidiary of the Company, integrates the PV-related business and the supply chain-related products of the PV industry. It is committed to becoming a provider of new energy roofing systems that are durable and safe. Hong Sheng New Energy has achieved a brand upgrade, enhancing brand communication and recognition; it has also upgraded its business systems to cover four major segments: commercial and industrial distributed PV, high-end residential green electricity, commercial and industrial



energy storage, and PV product trade. Its business covers engineering, procurement and construction (EPC) services for industrial and commercial distributed PV projects, energy management contracting (EMC), investment, operation and maintenance, energy storage systems, integrated services of PV power generation, power storage and power charging, as well as comprehensive energy support services. Its “Yuhong Roofing” industrial and commercial distributed PV roofing systems have formed a full-cycle multi-dimensional service chain that covers R&D, design, manufacturing, construction, operation and other processes, making it capable of meeting the needs of distributed PV engineering on various types of roofs. The launch of the Hong+ Villa Green Electricity System includes proprietary development of high-end residential energy storage inverters, energy storage, and charging piles, advancing into the C-end villa PV-storage-charging track. While establishing a domestic channel system and continuously expanding the domestic market, Hong Sheng New Energy explores layouts in North America and Southeast Asia. During the Reporting Period, it has established strategic cooperation with China Power to seize opportunities in fields such as new energy development, building waterproofing and PV integration, and energy storage. Hong Sheng New Energy also signed a strategic cooperation with Huaneng Beijing Thermal Power Co., Ltd., promoting collaboration in energy saving, PV construction, and green buildings. Furthermore, it partnered with JA Solar Technology Co., Ltd. to create Yuhong JA New Energy Technology Co., Ltd., and has cooperated with LONGi and PCG Power among other upstream and downstream PV enterprises to seek market opportunities and promote the development of the PV industry. Moving forward, Hong Sheng New Energy will strive to drive faster growth in the comprehensive energy business including wind and PV power generation and storage by continuing to rely on an extensive marketing system across the country, innovative complete solutions of new energy roofing, a strong brand presence, and excellent integrated service capabilities, thereby empowering green and sustainable development with technologies.

## **(II) Sales Models**

Based on different product uses and users, the Company has established, taking into account the characteristics of the existing markets and future market expansion directions in particular, a multi-layer marketing channel network integrating direct marketing and channel of dealers for product marketing and provision of system services:

Under direct marketing, the Company directly develops, sells products to and serves the final product users and customers. It has entered into strategic cooperation agreements or long-term supply agreements with many large quality business groups. Meanwhile, it has enhanced customers' confidence by coming into direct contact with them in professional market segments such as industrial constructions, energy construction, railway, highway, rail transit, tunnels and underground projects, projects that concern people's livelihood, among other things. Additionally, it has established a long-term and stable partnership in terms of material supply and system services. Direct marketing has provided substantial assurance for increasing the Company's visibility in the industry. Under the channel of dealers, the Company directly develops, sells products to and serves the final product users and customers via channel partners such as dealers. There are engineering dealers and retail dealers. The Company has signed contracts with large numbers of dealers, and created a dealer network system that has a reasonable layout and controllable risk and is economical, efficient and vibrant. Through constantly reinforcing systematic training and services for dealers, the dealer network has gradually developed into an essential sales channel for the Company to tap into the nationwide market.

Presently, the Company has formed a multi-dimensional engineering marketing network combining direct marketing and channel of engineering dealers, as well as a marketing network for civil building materials centered on the channel of retail dealers.

1. The engineering market consists of North China, East China and South China, focusing on the sales of the specialized companies and business divisions of professional market segments, such as railway, highway, rail transit, industrial construction, energy construction, and underground projects. Specifically, the companies of integrated operation and centralized procurement divisions are set up in provinces under the jurisdictions of North China, East China, and South China as the carriers. The centralized procurement divisions focus on serving large strategic cooperation customers nationwide by entering into strategic cooperation agreements or long-term supply agreements to conduct in-depth cooperation with such customers in more business areas. The companies of integrated operation in each region are responsible for sales and services of the Company's products in the local engineering markets. Through concentrating on local markets, special operation of regions, as well as developing and empowering various partners, they have enhanced local market coverage and penetration. Meanwhile, all sales channels and business lines



worked together to drive up local market share. In the meantime, by actively leveraging the synergy between customer resources and sales channels accumulated based on the main business of waterproofing, the Company developed mortar and powder, building coating materials, energy saving and heat preservation materials, and other businesses, providing complete building material solution packages for customers.

2. The retail channel dealers are managed by the Company's subsidiary Civil Construction Materials Group, the building coating materials retail division, and Building Renovation Group's Yuhong Home Delivery Service division. An all-in-one composite marketing network covering dealers of home decoration companies, construction material supermarkets, construction material markets, operation centres, and community service stations as well as e-commerce platforms has been put in place to serve the general consumer home decoration and renovation markets.

### 3. Key Financial Information

#### (1) Key Financial Information of the Past Three Years

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes  No

Reasons for retrospective restatements:

Changes in accounting policies

Unit: RMB

	31 December 2023	31 December 2022		Change of 31 December 2023 over 31 December 2022 (%)	31 December 2021	
		Before	Restated		Restated	Before
Total assets	51,173,993,594 .77	50,555,779,624 .44	50,590,772,907 .13	1.15%	49,733,226,928 .38	49,733,226,928 .38
Equity attributable to the listed company's shareholders	28,374,014,507 .51	26,807,182,612 .69	26,808,836,431 .15	5.84%	26,294,395,090 .54	26,294,395,090 .54
	2023	2022		2023-over-2022 change (%)	2021	
		Before	Restated		Restated	Before
Operating revenue	32,822,528,108 .42	31,213,835,246 .24	31,213,835,246 .24	5.15%	31,934,201,004 .74	31,934,201,004 .74
Net profit attributable to the listed company's	2,273,331,266. 86	2,120,297,575. 39	2,121,353,829. 27	7.16%	4,204,699,487. 90	4,204,699,487. 90



shareholders						
Net profit attributable to the listed company's shareholders before exceptional gains and losses	1,840,724,194.02	1,802,763,332.92	1,803,819,586.80	2.05%	3,867,427,213.50	3,867,427,213.50
Net cash generated from/used in operating activities	2,103,197,639.61	654,012,763.96	654,012,763.96	221.58%	4,114,675,325.17	4,114,675,325.17
Basic earnings per share (RMB/share)	0.91	0.85	0.85	7.06%	1.74	1.74
Diluted earnings per share (RMB/share)	0.90	0.84	0.84	7.14%	1.70	1.70
Weighted average return on equity (%)	8.24%	7.97%	7.97%	0.27%	19.92%	19.92%

Reasons for changes in accounting policies and corrections of accounting errors:

In November 2022, the Ministry of Finance issued Interpretation No. 16 of the Accounting Standards for Business Enterprises (C.K. [2022] No. 31) (hereinafter referred to as “Interpretation No. 16”).

Interpretation No. 16 stipulates that for single transactions that are not business combinations, that affect neither accounting profit nor taxable income (or deductible losses) at the time the transaction occurs, and where the initial recognition of assets and liabilities results in taxable temporary differences and deductible temporary differences of equal amounts should, in accordance with the No. 18 of the Accounting Standards for Business Enterprises - Income Taxes and other relevant regulations, be recognized as deferred income tax liabilities and deferred income tax assets, respectively, at the time of the transaction. For transactions effected between the beginning of the earliest period presented in the financial statements that adhered to the said regulations for the first time and the date of implementation of the aforementioned regulations, enterprises should, in accordance with the said regulations, adjust the cumulative effect to the opening retained earnings of the earliest period presented in the financial statements and other related financial statement items. The aforementioned accounting treatment regulations shall come into force as of 1 January 2023.

For the lease liabilities and right-of-use assets recognised by the Company in its leasing operations, as well as the recognised provisions for obligations to dismantle and the



corresponding assets, which generate taxable temporary differences and deductible temporary differences, adjustments are made in accordance with the provisions of Interpretation No. 16.

## (2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	7,494,548,302.46	9,357,383,818.88	8,508,318,204.12	7,462,277,782.96
Net profit attributable to the listed company's shareholders	385,537,995.41	948,732,480.54	1,019,229,036.10	-80,168,245.19
Net profit attributable to the listed company's shareholders before exceptional items	324,322,182.50	918,603,626.82	928,675,060.81	-330,876,676.11
Net cash generated from/used in operating activities	-3,806,105,070.84	-136,970,723.59	-816,916,433.45	6,863,189,867.49

Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes  No

## 4. Share Capital and Shareholder Information at the Period-End

### (1) Numbers of Ordinary Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

Number of ordinary shareholders at the period-end	186,526	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	197,759	Number of preferred shareholders with resumed voting rights at the period-end	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report	0
Top 10 shareholders (exclusive of shares lent in refinancing)							
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Restricted shares held	Shares in pledge, marked or frozen		
					Status	Shares	
Li Weiguo	Domestic natural person	22.69%	571,332,887	428,499,665	In pledge	283,583,639	
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	9.82%	247,235,037	0	N/A	0	
Xu Limin	Domestic natural person	2.87%	72,269,250	54,201,937	N/A	0	
DCP	Foreign	1.83%	45,969,375	0	N/A	0	



Management, Ltd. — DCP USD Fund II	legal person					
China Merchants Bank Co., Ltd. — Ruiyuan Growth Value Mixed Securities Investment Fund	Other	1.61%	40,627,620	0	N/A	0
Janchor Partners — Janchor Partners Pan — Asian Master Fund — RQFII	Foreign legal person	1.39%	34,974,679	0	N/A	0
Industrial and Commercial Bank of China Limited-Fullgoal Tianhui Selected Growth Mixed Securities Investment Fund (LOF)	Other	0.99%	25,007,131	0	N/A	0
Xiang Jinming	Domestic natural person	0.88%	22,169,323	16,626,992	In pledge	3,000,000
Abu Dhabi Investment Authority	Foreign legal person	0.79%	20,014,056	0	N/A	0
China Merchants Bank Co., Ltd. — Ruiyuan Balanced Value Three-year Mixed Securities Investment Fund	Other	0.79%	20,000,000	0	N/A	0
Related or acting-in-concert parties among the shareholders above	It is unknown whether there is any related party or acting-in-concert party as defined in the Measures for the Administration of the Takeover of Listed Companies among the shareholders above.					
Shareholders involved in securities margin trading (if any)	N/A					

Top 10 shareholders involved in refinancing shares lending:



Applicable  Not applicable

Changes in top 10 shareholders compared with the prior period:

Applicable  Not applicable

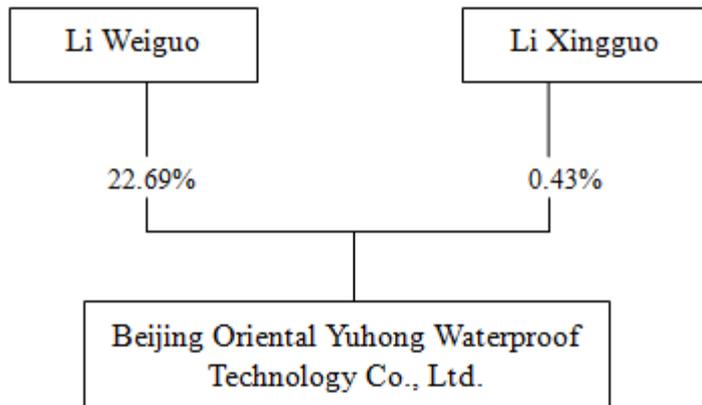
Unit: share

Changes in top 10 shareholders compared with the end of the prior period					
Full name of shareholder	Newly added to or exiting from top 10 shareholders in the Reporting Period	Shares lent in refinancing and not yet returned at the period-end		Shares in the common account and credit account plus shares lent in refinancing and not yet returned at the period-end	
		Shares	As % of total share capital	Shares	As % of total share capital
Industrial and Commercial Bank of China Limited-Fullgoal Tianhui Selected Growth Mixed Securities Investment Fund (LOF)	Newly added	0	0.00%	25,007,131	0.99%
Xiang Jinming	Newly added	0	0.00%	22,169,323	0.88%
China Merchants Bank Co., Ltd. — Ruiyuan Balanced Value Three-year Mixed Securities Investment Fund	Newly added	0	0.00%	20,000,000	0.79%
UBS AG	Exiting	0	0.00%	17,841,601	0.71%
Kuwait Investment Authority	Exiting	0	0.00%	8,317,476	0.33%
HFT Fortune Asset Management — 2021 Employee Stock Ownership Plan of Beijing Oriental Yuhong Waterproof Technology Co., Ltd. — HFT Fortune-Oriental Yuhong Employee Stock Ownership Single Asset Management Plan	Exiting	0	0.00%	2,000,000	0.08%

## (2) Number of Preferred Shareholders and Shareholdings of Top 10 of Them

Applicable  Not applicable

No preferred shareholders in the Reporting Period.

**(3) Ownership and Control Relations between the Actual Controller and the Company**

Note: Mr. Li Weiguo is the actual controller of the Company. And Mr. Li Xingguo is Mr. Li Weiguo's brother and acting-in-concert party.

**5. Outstanding Bonds at the Date when this Report Was Authorized for Issue**

Applicable  Not applicable

**(1) Bond Profile**

Bond name	Abbr.	Bond code	Issue date	Maturity	Outstanding balance (RMB'0,000)	Interest rate
The Oriental Yuhong Phase 1 Accounts Receivable Green Assets-backed Special Plan (Technology Innovation) Senior Assets-backed Securities	Oriental Yuhong 2023-1 Senior	143904.SZ	27 December 2023	18 November 2024	53,100	4.20%
The Oriental Yuhong Phase 1 Accounts Receivable Green Assets-backed Special Plan (Technology Innovation) Subordinated Assets-backed Securities	Oriental Yuhong 2023-1 Subordinated	143905.SZ	27 December 2023	18 November 2024	2,900	0.00%
Interest payment during the Reporting Period	None					



## (2) Latest Rating and Rating Change

During the Reporting Period, Dagong Global Credit Rating Co., Ltd. issued the Credit Rating Report 2023 on Beijing Oriental Yuhong Waterproof Technology Co., Ltd. on 10 July 2023, which determined the long-term credit rating of the Company to be AAA with a stable outlook; and the Credit Rating Report on The Oriental Yuhong Phase 1 Accounts Receivable Green Assets-backed Special Plan (Technology Innovation) Assets-backed Securities on 17 November 2023, which determined the credit rating of the senior asset-backed securities to be AAAsf.

## (3) The Major Accounting Data and the Financial Indicators of the Recent 2 Years of the Company up the Period-end

Unit: RMB'0,000

Item	2023	2022	Change
Debt/asset ratio	43.90%	46.22%	-2.32%
Net profit before exceptional gains and losses	184,072.42	180,276.33	2.11%
EBITDA/debt ratio	51.15%	15.47%	35.68%
Interest cover (times)	24.31	14.15	275.26%

## Part III Significant Events

### (I) Overview

1. Focusing on the core business while promoting diversification to become a leading construction materials system service provider

Always being customer-oriented, the Company aims to accommodate various application scenarios and market changes. It has become a construction materials system service provider that focuses on building waterproofing and extends to diversified fields including civil construction materials, mortar and powder, building coatings, energy-saving and thermal insulation materials, adhesives, tubes, building renovation, new energy, non-woven fabrics, specialized films, and emulsions. During the Reporting Period, taking “Pursuing Faster Growth Unremittingly, Evolving Fiercely, and Making the Impossible Come True” as the operational focus, as well as following the core philosophy and principles of the Basic Rules of Oriental Yuhong, the Company rose to the uncertainties of the market, maintained strategic determination, and enhanced confidence in development.

During the Reporting Period, the Company remained dedicated to its strategic positioning of high-quality and more solid development, gave top priority to risk control, and insisted on sound operation and putting risk control in the first place to significantly enhance operational quality. On one hand, we have deeply implemented the “platform + creators” business management model, prioritizing partnerships. By initiating channel transformations and empowering partners, the Company proactively expanded diversified application scenarios including the construction of transportation, water conservancy and other infrastructure facilities and urban emerging infrastructure, industrial and mining warehousing and logistics and affordable housing, gave full play to technical advantages to enrich product categories and upgrade the produce system, and increased its market share in the non-housing sector while exerting efforts in the existing construction market, developing old house renovation, urban village transformation, and urban renovation projects. Furthermore, by prioritizing retail with civil construction materials as the representative for the consumer-end retail channels, we have maintained steady and robust growth. Through strengthening our brand, upgrading services, expanding product categories, and broadening channels, we continuously enhance user experiences and increase our core competitiveness. Leveraging the customer resources accumulated based on the main business of waterproofing, the synergy of sales channels and a strong brand presence, the Company developed non-waterproofing businesses at a faster pace. Based on quality products and professional system services, the Company provided more refined one-stop construction material and system solutions to customers. With the synergistic advantage of the main waterproofing business’s national channel network, the non-waterproofing businesses, such as mortar and powder, achieved faster growth, providing a second growth curve for the Company’s sustainable development in the future, and helping the Company to build itself into a construction materials system service provider. Moreover, by prioritizing overseas expansion, we actively push forward our “going global” strategy, developing international markets and advancing our global layout in international research, overseas warehousing, overseas M&As, overseas factory building, overseas talent development, and overseas channel development, thus operating diversified business models including overseas engineering, trade, and retail. Meanwhile, the Company actively made plans for upstream industries, such as non-woven fabric, specialized film, VAE emulsion and VAEP powder, so as to strengthen the anti-risk capability of the Company’s supply chain and build a deeper and wider moat for the



Company.

## 2. Prioritising partners and implementing swift channel reform

During the Reporting Period, the Company continued to optimize and reform channels, changed the direct marketing mindset, and attempted to win partners at full strength, with the channel sales of partners becoming one of its main selling bodies. During the Reporting Period, the Company always gave priority to partners and empowered partner development. It kept cultivating the operational management capabilities, business expansion capabilities, and engineering service capabilities of partners, and focused on implementing and refining various “partnership” initiatives, realizing co-creation, co-sharing, and mutual success. The Company formulated the hierarchical policies for partners by product, by sector and by region, cultivated partnerships meticulously, beefed up leading superiority, established the unified financial settlement center and the Chief Engineer Office technical support platform that serve partners, and improved partners' ability to serve customers. It also empowered the corporate operation and professional and standard construction competence of partners, enhanced partners' overall delivery capability of serving end customers, and supported the continuous development of partners. By adhering to a results-oriented approach, the Company strengthened market presence, standardized market order, and built a marketing team capable of facing challenges head-on for the benefit of business and partners.

## 3. Prioritising retail to strengthen the foundation of consumer construction materials

In 2023, the Company's retail business recorded operating revenue of RMB9.287 billion, an increase of 28.11% year on year, accounting for 28.29% of the Company's total operating revenue. The proportion of retail business has been progressively increasing. Civil Construction Materials Group, upholding the dual main business strategy of waterproofing and moisture-proofing systems and the tile fitting and grouting systems, continued to increase its market share in waterproof, tile adhesive and grouting products. Meanwhile, it focused on dust-free, lightweight, plant-based, odourless and anti-bacterial product series, and expanded its C-end influence. Adopting a multi-category approach, it continued to cultivate putty powder and other wall auxiliary product lines, promoted the development of adhesive and tube product lines, and incubated new product categories such as kitchen and bathroom hardware, tool consumables, and household electrical wiring. In line with the core service concept of centering on customers, the Company gradually



formed a one-stop building materials purchase platform for consumers, in a bid to provide consumers with a safe and reassuring living environment. For 2023, Civil Construction Materials Group registered operating revenue of RMB8.18 billion, up 34.58% year on year. The building coating retail business implemented organizational structure adjustments centered on significantly enhancing operational quality. It further refined and improved aspects such as brand positioning, market expansion, and channel management. Using dual-brand positioning with “Caparol” and “Alpina” as entry points, the business relied on the German philosophy, technology, production process and quality and focused on four core areas: artistic coatings, interior wall coatings, exterior wall coatings, and basic auxiliary materials, exploring new ecosystems and profit growth opportunities in product development, production, sales, and technical services of the coating retail business. Building Renovation Group’s Yuhong Home Delivery Service focused on the existing market, focused on primary-level communities, and is committed to opening up the “last mile” of Yuhong Home Delivery Service. With home renovation as the start point of business flow, Yuhong Home Delivery Service provided diversified home renovation, home decoration, and home living services and one-stop solutions, including leakage repair, door and window repair, air treatment, refreshing, HVAC repair, local and overall renovation, smart leakage check and entire-house water purification. The aim is to build a reliable brand in the home space improvement market well-known for “Yuhong Home Delivery, Your Only Choice”, as well as to establish a standard, professional, systematic and connected platform for home delivery services.

#### 4. Prioritising overseas expansion to proactively develop overseas business

As the Company continues to deepen and advance its globalization strategy, it has actively deployed efforts around international exchange and cooperation, overseas intellectual property rights, and projects under the “Belt and Road” initiative, continually pushing its high-quality products and high-standard services to overseas markets.

During the Reporting Period, the Company participated in numerous prestigious forums and exhibitions such as the 14th International Infrastructure Investment and Construction Forum in Macau and the SNEC 16th International Photovoltaic Power Generation and Smart Energy Conference & Exhibition. The Company’s subsidiary, Caparol (China) Ltd., in collaboration with a German design brand, held the “German Day” Design Forum - DAW 2024 Sustainable Design



“The Power of Green” Color and New Product Launch at the Shanghai World Expo Exhibition and Convention Center. Additionally, the Company hosted and participated in the 2023 (Shanghai) International Waterproofing Forum, and showcased at the 2023 China Roofing & Waterproofing Expo. Its subsidiary Mortar and Powder Technology Group Co., Ltd. appeared at the third Guangzhou International Construction Industry and Planning and Design Industry Expo 2023 & Guangdong-Hong Kong Construction Industry New Era Development Joint Exhibition (Engineering Trade Fair). The Company also attended the 134th China Import and Export Fair, the Shanghai International City and Architecture Expo 2023, hosted the Conference on Sustainable Development of Green Building Materials and International Cooperation, and participated in the Indonesia Jakarta International Building Materials Exhibition and the Dubai the Big 5 International Building & Construction Show in the United Arab Emirates. In February 2024, the Company will reappear at the World of Concrete in Las Vegas, USA, under the theme “Set Sail to Go Global, Open a New Cross-Border Chapter, Unite as One, and Strengthen Our Global Presence”.

The Company has established subsidiaries or offices in multiple countries including Vietnam, Malaysia, Singapore, Indonesia, Canada, and the USA, laying a solid foundation for strengthening overseas business development and expanding international market reach. During the Reporting Period, the Company signed a strategic cooperation agreement with Arkaz, a subsidiary of Alturki Holdings in Saudi Arabia, making Arkaz the exclusive distributor in Saudi Arabia for the Company’s thermoplastic polyolefin (TPO) roofing systems.

Moreover, the Company has accelerated the deployment of its overseas intellectual property. During the Reporting Period, the Company’s key technologies and flagship products received patent grants in Australia, the USA, and others. Multiple products have also obtained international certifications such as the European Union’s CE marking, the CRRC (Cool Roof Rating Council) certification from the USA, the USDA BioPreferred label, the UKCA mark from the United Kingdom, the WRAS (Water Regulations Advisory Scheme) certification for drinking water safety in the UK, EC1plus environmental certification in Germany, TÜV certification in Germany, Blue Angel environmental certification in Germany, and have passed the German E.L.F. testing, U.S. Food and Drug Administration (FDA) standard tests, and the French VOC A+ label for highest environmental standards. These achievements further strengthen the Company’s global technological edge, fully leveraging its R&D advantages to enhance global competitiveness.

The Company actively participates in construction projects overseas, such as the “Belt and Road” initiative. During the Reporting Period, the first high-speed railway in Indonesia and Southeast Asia, the Jakarta–Bandung High-Speed Railway, was officially inaugurated. The Company provided materials and technical support for this project, including SPU-361 high-strength polyurethane waterproof coating, polypropylene long-filament geotextile, and cement-based crystalline waterproof coating. The Company also participated in the handover ceremony for the 2023 Pacific Games stadium project in the Solomon Islands, providing waterproofing solutions for the main stadium’s stands, infield surface, and basement areas using polyurea and polymer cement-based waterproof coatings, and APP waterproofing membranes. This contribution to the project was recognized as part of the “Belt and Road” green supply chain case by the All-China Environment Federation. Additionally, the Company supported the operational commencement of the Tel Aviv Red Line light rail project in Israel by supplying HDPE pre-applied self-adhesive polymer waterproof membranes. The Company is also involved in projects like the San Pedro Stadium in Côte d’Ivoire and the Dhaka to Bonga segment of the Padma Bridge railway connection in Bangladesh.

5. Leading the way in the industry to drive sustainable development through innovation, and cultivating a new ecosystem for intelligent manufacturing

The Company embeds the development philosophy of “Quality First, Innovation-enabled Empowerment” throughout its high-quality development process. During the Reporting Period, the Company steadfastly used scientific and research innovation to drive green, low-carbon sustainable development, continuously stimulating technological innovation and accelerating the tackling of key core technologies and industrial upgrading. Leveraging platforms such as the National Key Laboratory of Special Waterproof Materials, the Nationally Recognized Enterprise Technology Center, postdoctoral research stations, and the North American R&D Center, the Company focuses on current industry needs and trends. Integrating customer demands, low-carbon environmental protection, quality and efficiency improvement, lean management, and smart manufacturing, the Company applies new materials, technologies, and processes to enhance product and service quality and efficiency, reduce energy consumption, and decrease carbon emissions. Furthermore, the Company implements lean production management and innovates in R&D technology and the conversion of scientific and technological achievements, striving to build a high-quality scientific



research and innovation system. This forms a full lifecycle innovation ecological chain that integrated "fundamental research, technological breakthrough, commercialization of research findings and industrial integration". The innovation-driven development strategy is integrated into system construction, scientific and technological research and development, product quality, manufacturing, system services, talent development, and cooperative exchanges, continually shaping new drivers and advantages for development and cultivating a new ecosystem for smart manufacturing. As of the end of the Reporting Period, the Company held a total of 1,735 valid patents, including 443 invention patents (17 of which are valid overseas patents), 1,026 utility models, and 266 design patents.

## (II) Industry Overview

### 1. Macroeconomic and industry indicators

According to data from the Statistical Communiqué of The People's Republic Of China on the 2023 National Economic And Social Development, the annual GDP was RMB126,058.2 billion, representing a 5.2% increase over the previous year. The annual value-added of industrial enterprises above a designated size grew by 4.6%, with manufacturing growing by 5.0%. In contrast, the non-metallic mineral products industry within these industries declined by 0.5%. Profits among these industrial enterprises in manufacturing totalled RMB5,764.4 billion, a decrease of 2.0%. The added value for construction was RMB8569.1 billion, which was an increase of 7.1% over last year. Fixed asset investment (excluding rural households) totalled RMB50,303.6 billion, marking a 3.0% increase. Infrastructure investment increased by 5.9%, investment in the social sector grew by 0.5%, and private fixed asset investment totalled RMB25,354.4 billion, a decrease of 0.4%. Within this, private investment in the manufacturing sector grew by 9.4%, and private investment in infrastructure rose by 14.2%. Nationwide, the renovation of various shanty towns initiated the refurbishment of 1.59 million housing units, of which 1.93 million units were primarily completed throughout the year. Additionally, 2.13 million government-subsidized rental housing units' construction and organization began across the country. New projects for renovating 53,700 old urban residential communities were initiated, affecting 8.97 million households.

According to the China Building Materials Federation, the building materials industry prosperity index stood at 100.9 points in December 2023, a decrease of 1.0 point from the previous



month, yet remaining above the critical point. This indicates that the production and operation of building materials fluctuated stably within the prosperous range throughout the year. The annual average of the building materials industry prosperity index was 101.9 points, also above the critical point, indicating stable operation within a prosperous range. In 2023, the building materials industry generally showed a downward trend; however, the decline in major economic indicators slowed in the fourth quarter. Signs of stabilization at the bottom were observed, with industries such as green building materials and other new types of building materials maintaining a good development momentum. These sectors have played a significant role in driving growth and promoting the optimization and upgrading of industrial structures.

## 2. Overview of the Industry and the Company's Presence in the Industry

The Company principally competes in the waterproof construction material industry, a segment of the construction material industry. Waterproof materials are functional materials indispensable for modern architecture. As cities keep growing, waterproof construction materials will be applied to more and more areas with great growth potential.

Currently, with low concentration, market fragmentation and unhealthy competition, the domestic construction waterproofing industry features “many small firms in a large industry”. Among the many waterproofing firms, only a few can provide good services, while the many others are of small size with outdated technology and production technique. The market is flooded with counterfeit and shoddy products. And the industry is trapped in excessive lagged output capacity, unhealthy competition and environmental issues. In recent years, with the rollout of regulating and industry policies and standards concerning quality inspection, anti-counterfeit, environment inspection, safe production and green and energy conservation, etc., in addition to a product structure upgrade, higher quality requirements of downstream customers, and increasing competitiveness of large waterproofing companies, the market is witnessing increasing concentration towards leading companies.

Since its establishment, the Company has been providing high-quality, integrated construction material and system solutions for major infrastructure constructions, as well as industrial, civil and commercial constructions at home and abroad. It is dedicated to solving construction safety problems caused by low-quality waterproofing and the high leakage rate. Upon more than two

decades of experience in the construction material industry, the Company has transformed and upgraded to be a domestic leader in terms of R&D, comprehensive product competitiveness, production process and equipment, application technology, marketing model, professional system service capability, brand presence, etc., with strong competitiveness and growth. It is considered a prominent presence in the industry.

The waterproofing industry encountered both opportunities and challenges in 2023. On one hand, the industry encountered some challenges, such as weak downstream demand and high bulk raw material prices. On the other hand, the industry saw an increase in concentration. The General Code for Waterproofing of Building and Municipal Engineering (GB55030-2022) came into effect on 1 April, 2023, which is expected to improve the quality and increase the volume of the industry. Additionally, with the push from policies on high-quality green and low-carbon development, urban renewal, urban village transformation, and infrastructure investment, along with the rapid expansion of overseas business, the waterproofing industry is poised to embrace numerous opportunities.

### 3. Changes in relevant industry policies and specific impacts on the Company

The Central Committee of the Communist Party of China and the State Council issued the Outline for Building a Quality Strong Nation, which calls for enhancing the innovative drive for quality development, establishing a green orientation for quality development, accelerating the upgrading of product quality, improving the quality level of construction materials, and enhancing the quality of construction projects. The Ministry of Industry and Information Technology, along with nine other ministries, issued the High-Quality Development Implementation Plan for the Green Building Materials Industry. This plan focuses on enhancing the vitality, influence, growth, and support within the green building materials industry's entire supply chain, outlining key tasks and protective measures for promoting high-quality development of the green building materials industry. The Standardization Administration and 10 other departments released the Guide for Building the Standard System for Carbon Peak and Carbon Neutrality, which focuses on basic general standards and the developmental needs of carbon reduction, carbon removal, and carbon markets, fundamentally establishing a carbon peak and carbon neutrality standard system. The National Development and Reform Commission and another department issued the Plan to Accelerate Energy Conservation and Carbon Reduction in the Construction Field, which requires



continuous improvement in energy efficiency in the construction sector, reduction of carbon emissions, and acceleration in enhancing the quality of green and low-carbon development in the construction field. These policies positively encourage construction material companies to fully implement the principles of quality development, green development, and low-carbon development. They foster a transformation towards green and sustainable development through their own scientific and technological innovation, process improvements, smart manufacturing, and green construction practices. With the issuance of policies related to peak carbon emissions and carbon neutrality, high-energy-output and environmentally friendly benchmark enterprises in the construction materials industry will benefit, while outdated, non-energy-saving, and non-environmentally friendly enterprises will be phased out more quickly. On the other hand, this may also expand the market space for related industrial chain products and system services.

The General Code for Waterproofing of Building and Municipal Engineering (GB55030-2022) coming into force during the Reporting Period enhances the working life of engineering waterproof design by clarifying and redefining the waterproof grade from two dimensions: engineering waterproof category and usage environment category. By strengthening the design, construction, quality inspection, and operation and maintenance throughout the whole life cycle, the standard improves the durability requirements of waterproof materials, increases the number of waterproof layers and material thickness, and meets the working life requirements of engineering waterproof design. This enhances the quality of waterproofing projects, laying a solid foundation for reducing building leakage rates comprehensively. Furthermore, the demand for high-quality waterproof materials will increase, leading to an overall improvement and growth in the industry. Various provinces and cities have also issued supporting documents and measures for the General Code for Waterproofing of Building and Municipal Engineering. The Company plans to capitalize on the implementation of the General Code for Waterproofing of Building and Municipal Engineering to fully explore opportunities brought by markets in old house renovations, urban renewal, home retail, commercial and industrial buildings, and international business, continuing to intensify efforts in technological innovation, optimize product structures, and expand application scenarios.

The Government Work Report states that efforts will be intensified to transform old urban residential areas and increase the supply of affordable housing; steadily advance rural reforms and development, deeply implement actions for rural construction; actively promote new urbanization,

steadily carry out urban renewal actions, advance the construction of “dual-use” public infrastructure and transform urban villages, and accelerate the improvement of underground pipelines among other elements. The Report also emphasizes the need to enhance regional coordinated development, strengthen post-disaster recovery and reconstruction, and push forward the construction of flood control, drainage, and disaster-resistance infrastructure. Furthermore, a series of policies have been issued such as the Guidelines for Actively and Steadily Promoting the Transformation of Urban Villages in Mega and Large Cities, the Opinions of the CPC Central Committee and the State Council on Comprehensive Advancement of Key Tasks for Rural Revitalization in 2023, the Guidelines for Planning and Building Affordable Housing, and the Opinions of the CPC Central Committee and the State Council on Comprehensive Advancement of Building a Beautiful China. These policies offer market opportunities for the Company to achieve diversified high-quality and robust growth.

The General Office of the CPC Central Committee and the State Council Office issued the Opinions on Deepening the Construction and Reform of the Modern Vocational Education System, which mandate the enhancement of the quality, adaptability, and attractiveness of vocational education, training more high-quality technical and skilled talent, proficient artisans, and national craftsmen; aligning with the forefront of industrial development, and constructing open regional centres for industry-education integration that combine practical teaching, social training, real production, and technical service functions. The National Development and Reform Commission along with seven other departments jointly issued the Vocational Education Industry-Education Integration Empowerment and Enhancement Action Implementation Plan (2023-2025). By 2025, approximately 50 national industry-education integration pilot cities will be established, constructing and nurturing over 10,000 industry-education integrated enterprises nationwide, with a well-developed institutional and composite incentive policy system for industry-education integration, steadily increasing various types of funding for vocational education, better integrating industry demands throughout the talent training process, and gradually forming a development pattern of coordinated and mutually beneficial integration between education and industry.

According to data from the China National Building Waterproof Association and estimates by the World Green Building Council, the construction industry accounts for approximately 40% of global carbon emissions. Promoting green buildings can save 50% of energy, 60% of water

resources, reduce 80% of waste production, and cut 45% of carbon dioxide emissions. In recent years, several countries have actively promoted green building by creating green communities, enhancing building energy efficiency, and enforcing strict certification standards, thereby pushing for more buildings to achieve energy conservation and carbon reduction, such as the UAE's green harmonious communities, Spain's support for housing energy-saving renovations, and Mexico's regulation of green building certification standards.

In response to domestic and international policies related to the construction materials industry, the Company has organized serious studies from policy research, product development, process improvement, production and sales, standardized construction and training of construction workers, environmental protection measures, and other comprehensive areas. It explores paths for green and sustainable development, seizing opportunities, and fully leveraging and expanding the Company's comprehensive competitive advantages in branding, product research and development, product quality, product categories, cost benefits, marketing networks, and application technology. The Company applies its high-quality products and professional system services to more global scenarios, driving industry sustainable development through innovation, creating a quality human living environment, and enhancing the quality of life.

#### 4. Periodicity, seasonality and regionality of the industry

(1) Periodicity. Waterproof construction material industry is a fundamental industry in the field of building materials, without clear periodicity. (2) Seasonality. Waterproof construction material industry has seasonality to a certain extent. In North China, the first quarter of each year is generally the slack season for the sales of waterproof building materials and engineering construction because of cold weather. In South China, the seasonality of waterproof building materials is mainly reflected in the reduction in construction in rainy seasons. (3) Regionality. The economic transportation radius of waterproof building materials is approximately 500 kilometers, so this industry has certain regional characteristics. The enterprises in the industry are generally of small scale, and many of them limit the sales of waterproof materials to the regions where the materials are produced, further reinforcing the regional characteristics of the industry. Therefore, in order to grow bigger and stronger in the industry and increase market shares, it is all the more necessary for enterprises of this industry to build production bases at home and abroad and actively



conduct cross-regional business.

The Company has built R&D centers for production and logistics in regions such as North China, East China, Northeast China, Central China, South China, Northwest China, and Southwest China. Additionally, it intends to build factories in Southeast Asia, the Middle East, North America, etc. to cater to customers worldwide. Its production capacity is arranged extensively and rationally to ensure that its products can be sold to markets nationwide at lower warehousing and logistics costs, and that coordinated production and shipment are realized all over the country. Therefore, the Company enjoys competitive advantages unmatched by its competitors in respect of satisfying customers' diverse product demands and the supply requirements nationwide.

#### 5. Main raw materials of products and their supply

Main raw materials required by the Company's production include asphalt, SBS modifiers, polyester asphalt, emulsion, polyether, TDI, MDI and TOP resin, among others. The supply is sufficient and stable. Among them, asphalt is one of the main raw materials of the Company. During the Reporting Period, the prices for some raw materials represented by asphalt were generally lower than those in last year but remained at high levels, which imposed a certain impact on the overall gross margin of the Company. With the mature and complete raw material procurement system, in order to cope with the volatility risks of price fluctuation for raw materials, the Company leveraged the advantages of scale operation and set up strategic cooperation relationships with main upstream raw material suppliers, ensuring that the Company can steadily procure main raw materials at a relatively low price in a long term to reduce the production cost of products. In addition, the purchasing department made reasonable purchasing plans for major materials by accurately grasping the market tendency. All departments efficiently worked together to control costs through advanced technologies, advantages of centralized procurement of main raw materials, improvement of ability for price negotiation, and scale benefits. Furthermore, based on the demand for production and management and the industry market, the Company also reduced procurement costs by purchasing in slack seasons or making proper purchasing plans. In addition, in order to ensure the stability of the supply of some key raw materials and further optimise raw material costs, the Company's industrial chain has been extended to some upstream raw materials such as non-woven fabrics, functional films, VAE emulsions and VAEP adhesive powders, so as to

enhance the Company's anti-risk ability in the procurement process and expand its cost advantages.

### **(III) Business Plan for the Coming Year**

Based on the analysis of the macro-economy and the Company's core competitive edges, as well as its development strategy, in 2024, the Company will embrace the work theme of "Work Hard, Take on More Responsibility, Stay Committed, Pursue a Better Future, and Move forward Swiftly, Resolutely, and Fiercely". The business plan for the coming year is summarised as follows:

1. Fully committing to developing partners and deeply advancing the "platform + creators" model

The Company will deeply advance the "platform + creators" business management model. With a fearless spirit of pioneering and striving, we aim to build a platform-based enterprise, returning to the commercial essence of diligent workmanship. Prioritizing partners, we will upgrade the partnership system and fully commit to developing various types of partners. Sales through partner channels will become the Company's primary sales model. We will strengthen the promotion of new fields and products, enhance development in untapped, weak, and non-housing markets, thereby further increasing our market share.

2. Persisting in technological innovation, enhancing product and service capabilities, and expanding core competitive advantages

The Company will continuously inspire innovation in technology, increase R&D investments, and improve development models through international cooperation, academia-industry partnerships, and vertical collaborations. By deeply integrating R&D with market needs, we will rapidly respond to market demands, enhance our core materials, product systems, application technology, and smart construction. We will accelerate breakthroughs in key technologies and industry upgrading to improve quality. Focusing on our core business while promoting diversification, we maintain technology-led product upgrades and service enhancements, optimize product structure, and insight into customer needs and product trends to further expand our advantages in product quality and service.

3. Prioritising risk control and effectively improving operational quality

The Company will upgrade credit policies and project penetration management, firmly enforce



zero-tolerance control of due accounts receivable, total accounts receivable control and non-performing asset ratio control, monitor project performance in real-time, continuously improve cash flow, and ensure financial security. The Company will enhance contract management, reinforce process control, upgrade collection efforts, and comprehensively establish a professional and persistent collections team.

#### 4. Prioritising retail to achieve comprehensive market leadership

The Company will seize strategic opportunities in the retail market. We will continue to deepen our strengths in key areas, expand product categories, strengthen channels, broaden services, develop collectively, promote industry synergy, solidify our market foundation, strengthen core product categories, enrich product tiers, and gather collaborative development efforts. This will drive the Company's transformation and implementation in the global consumer building materials sector, moving forward swiftly, resolutely and fiercely. Civil Construction Materials Group will continue to maintain the spirit of "Keep Moving towards No. 1" with unwavering morale. Yuhong Home Delivery Service will continue to focus on the post-construction market, fostering new business nodes to support Company growth. The building coating retail business will seize transformation opportunities to continue pushing the century-old German brand, DAW, to domestic customers.

#### 5. Continuing to implement and upgrade the business model to foster the growth of Mortar and Powder Technology Group

Mortar and Powder Technology Group will upgrade the integrated operation of the mortar and powder factory, focusing on R&D, production, supply, marketing, and service. This will further strengthen and optimize localized integrated operations, optimize production layout, and expand cost leadership advantages. We will further reinforce supply chain management, extend our core supply chain advantages, enhance the promotion of new products, and increase the market share of various product categories.

#### 6. Fully advancing globalization and developing overseas markets

The Company will concentrate on the Southeast Asia and Middle East markets, actively explore pathways for overseas market development, increase exports, and increase the input of overseas resources. We will establish overseas offices and subsidiaries in select countries to enable



localized operations, and improve localized, differentiated, and customized product strategies in key countries and regions. Furthermore, we will further implement the strategies such as international research, overseas warehousing, overseas M&As, overseas factory building, overseas talent development, and overseas channel development. Last but not least, we will continuously pursue the international, professional, and local talent strategy, and achieve diversified business models, such as overseas engineering, trading, and retail.