



Stock Code: 002271

Stock Name: Oriental Yuhong

Announcement No. 2023-018

BEIJING ORIENTAL YUHONG WATERPROOF TECHNOLOGY CO., LTD.**ANNUAL REPORT 2022 (SUMMARY)****Part I Important Notes**

This Summary is based on the full Annual Report of Beijing Oriental Yuhong Waterproof Technology Co., Ltd.

financial position, future development plans, investors should read the foresaid financial



Bonus issue from capital reserve

☒ No

The company has no bonus issue from capital reserve in 2022.

is share repurchase, a cash dividend of 1.00 (tax included) per 10 shares.



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		



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 and the building coating retail (or "DAW coating retail") division, was well prepared, took solid steps, and maintained steady growth.

(1) Civil Construction Materials Group

During the Reporting Period, Civil Construction Materials Group focused on the dual main business strategy of "waterproofing and moisture-proofing systems + tile fitting and grouting systems" and worked hard to cultivate its product lines of wall auxiliary materials, adhesives and tube materials including waterproofing coatings, sheet materials and repair, tile fitting, grouting, putty powder, reinforcing agent, etc. It continued to lead the new development for the industry of waterproof coatings and waterproof sheet materials. While solidifying the core business of waterproofing, it stepped up efforts to increase the market share of the tile adhesives and grout products, and cultivated new product categories of wall auxiliary materials, adhesives and tube materials such as putty powder and reinforcing agent, with an aim to better satisfy consumers' pursuit of a peasant and healthy living environment and create a safe home for every consumer, thus improving the quality of living and protecting numerous families. Civil Construction Materials Group has become a household name for construction materials and home decoration. During 2022, Civil Construction Materials Group recorded operating revenue of RMB6.078 billion, up 58% year on year.

1) Brand development: Civil Construction Materials Group focused on enhancing its brand influence, radiating its coverage across the region and building its brand voice. With the strategy of crowd circle expansion to empower growth, while consolidating the communication of the circle of professionals and designers, offline efforts were focused on increasing the number of shops, optimising product displays, outdoor advertising and other pulling actions to increase end-consumption to continuously penetrate the offline market. The online platform is widely laid out, covering the official website, WeChat public platform, WeChat video account, Sina Weibo, Douyin, Zhihu, Xiaohongshu and other media platforms, continuing to increase the penetration of high-weight media at multiple points. The combination of online and offline platforms has built a three-



2) Channel development: Civil Construction Materials Group continued to cultivate channels with steady growth and quality focus. It focused on weak markets, increased the national city coverage, and supported professional customers to become bigger and stronger; it also continued to expand sales outlets while focusing on the quality of channel operations, and stabilised the traditional strong channels through the network grading, strengthening visits and other initiatives to ensure the continued healthy and rapid development of channels. It also strengthened channel information management and uses information technology platform to achieve online management of sales network of business personnel to create a real-time and efficient + convenient review of business work mode. By the end of the Reporting Period, it had made remarkable achievements through key initiatives such as eliminating gaps, expanding categories and strengthening distribution, developing over 4,000 distributors, with more than 160,000 distribution outlets and nearly 40,000 distribution shops. At the same time, it continued to strengthen its cooperation with decoration companies and industrial decoration companies to achieve strong brand association, and has now established cooperation with more than 10,000 decoration companies.

It values the operation of the shop channel. Its shops in China are upgraded around high-end, diversified and professional shop experience, including consumer experience shops opened in home furnishing stores such as Red Star Macalline for high-end consumer experience; its shops in China has a unified retail management platform, strict retail price verification mechanism, superior purchase guide training, and professional shop management; multi-category and multi-grade product system is built with supporting waterproofing, paving, grouting, and repair services, providing a variety of consumption options.

Its e-commerce channel is developing



3) Membership operation: The group has long been committed to membership operation at the core, precisely targeting foremen and other professionals, and building a comprehensive operation -dealer-shop-

e rich, including hierarchical benefits, points benefits, member day benefits, etc. Members are deeply bound to the shops in China and enjoy exclusive membership services in these shops. As at the end of the Reporting Period, the number of members

4) Product development: the group focused on building construction products and sought a sustainable growth path from the perspective of both economies of scale and scope. During the Reporting Period, the group has always built its product power around health, environmental protection, energy saving and consumption reduction, and fueled the national carbon peak strategy by launching a series of products such as clean-smelling waterproof coating series, anti-bacterial full series of home decoration products, metal roofing waterproofing membrane, exposed asphalt coating, multi-fold anti-mould hemming adhesive and double protection tube. Environmental protection certification and the corresponding grades have been continuously increased, and many products have received green product certification and green building materials certification on top of successively obtained China Environmental Labelling Product Certification (10 Ring), French A+ certification, German EC1plus certification and CIAA anti-bacterial certification.

er specialised services to end-users, further enhancing the influence of the brand in the minds of end-consumers and effectively addressing the actual needs of end-consumers.

(2) Retail of building coatings

DAW has always adhered to the tonality and product quality and experiences that German brands aim to deliver to customers in the retail business of building coatings. It has carried out systematic marketing with a focus on products and combining the German coating process. By fully



leveraging the advantages of the color and functions of German products, DAW introduced the "Wall Care Is like Skin Care" product philosophy and the 2088 color system, making it a coating brand with both a century of coating experience and the capability to meet the needs of younger consumers.

1) Through product category expansion, blockbuster product creation, German coating empowerment, etc., DAW has successfully obtained more than 1,600 distributor partners and 18,000 sales outlets.

2) With blockbuster products as a breakthrough to drive overall sales, DAW has put in place a multi-tier system for product operation and sales, building competitive edges in scenario-based product sales.

3) Supported by the color system, DAW successfully cooperated with approximately 200 leading home decoration companies and over 4,000 regional home decoration companies. Addi



advantages ” of long-term development, product line advantages, technical service advantages and market advantages, while deeply integrating into the value chain, industry chain and supply chain of “ solving problems and meeting needs ” , actively exploring the “ intelligent, digital and process-oriented ” mobile Internet service model, helping shops achieve a breakthrough in “ service finds consumers ” , enhancing their active customer acquisition capabilities, promoting shop profit growth with lean management, and working with insurance companies to build a service model that covers the entire life cycle of a building. In particular, Yuhong Home Delivery Service built an operation and maintenance model that combined dual brands and strong channels and focused on one-stop house renovation services, including "waterproof renovation, wall renovation, air renovation, heating, ventilation and air conditioning renovation, door and window customization, space optimization, smart renovation, and bathroom prefabrication". Being one of the important strategies for the Company to make plans for the home decoration and home living segment, Yuhong Home Delivery Service carried out in-depth cooperation with JD Decoration and other business segments of JD. Com in offline stores, commodity supply chain, home services, and service commodification, to jointly build an "online and offline" omnichannel and an ecosystem that integrates "commodity, supply chain, and performance services" in 3pt8 home8ecorati,



(3) During the Reporting Period, based on the accrued R&D achievements, advanced technologies, product systems, system services and extensive practical experience in the field of distributed photovoltaics, Hong Sheng (Beijing) New Energy Technology Co., Ltd., a subsidiary of the Company, integrated the PV-related business and the supply chain-related products of the PV industry. It is committed to becoming a provider of new energy systems that are durable and safe. Its business covers EPC+F and operation and maintenance services for PV projects, wind power generation, energy storage systems, integrated services of PV power generation, power storage and power charging, as well as comprehensive energy support services. Its "Hong Sheng" distributed PV roofing system has formed a full-cycle multi-dimensional industrial chain that covers R&D, design, manufacturing, construction, operation and other processes, making it capable of responding efficiently to the needs of commercial and industrial plants for PV roofing. It has been applied to multiple projects, including automotive plants and data centers, as well as the Company's newly established and existing production, R&D, and logistics bases. During the Reporting Period, Hong Sheng New Energy's self-developed PV adhesive film was successfully trial produced, marking the company's further extension to the upstream of the photovoltaic industry chain. The company proactively cooperated with upstream and downstream PV enterprises, including the establishment of Yuhong JA New Energy Technology Co., Ltd. together with JA Solar Technology Co., Ltd. start a comprehensive layout of the "PV + waterproofing" market; it also had a strategic cooperation with China Electric Power to explore business cooperation in new energy development, building waterproofing PV and energy saving; and cooperated with GoodWe Technology Co., Ltd. in the field of PV by complementing each other's strengths and resources. In July 2022, Hong Sheng (Beijing) New Energy Technology Co., Ltd. was named the 2022 "Polaris Cup" Excellent Case Enterprise for Integrated Energy Services. In the future, Hong Sheng (Beijing) New Energy Technology Co., Ltd. will rapidly develop the comprehensive energy business including wind and PV power generation and storage by continuing to rely on the Company's customer resources, synergistic sales channels, good brand presence, and excellent system 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 quality real estate companies, enterprises and 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 increased the Company's visibility in the industry and provided an important guarantee for sustained and steady growth in its results. 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, and through concentrating on local markets, special operation of regions and continuing efforts in low-tier markets, they have fully integrated local customers and market channel resources and enhanced the market coverage and penetration in local regions, and 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 building coating materials, mortar and powder, heat preservation and energy saving, and other businesses, providing complete building material solution packages for customers.

2. The retail channel dealers are managed by Civil Construction Materials Group, the building coating materials retail division, and Building Renovation Group s Yuhong Home Delivery Service division. An all-in

**(2) Key Financial Information by Quarter**

Unit: RMB

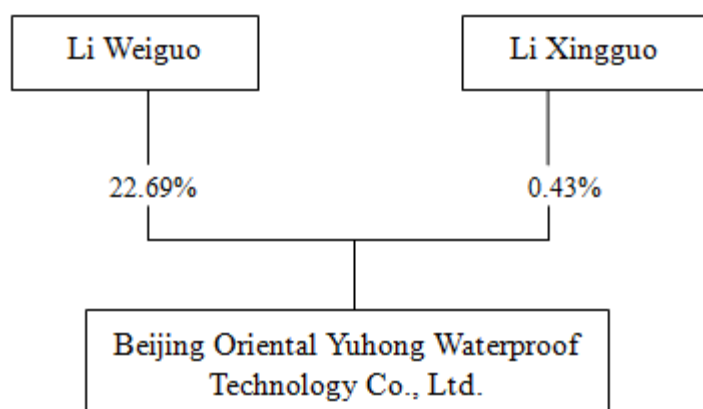
	Q1	Q2	Q3	Q4
Operating revenue	6,308,586,697.46			



Ownership Plan of Beijing Oriental Yuhong Waterproof Technology Co., Ltd. HFT Fortune-Oriental Yuhong Employee Stock Ownership Single Asset Management Plan						
DCP Management, Ltd. DCP USD Fund II	Foreign legal person	1.83%	45,969,375	0		
China Merchants Bank Co., Ltd. Ruiyuan Growth Value Mixed Securities Investment Fund	Other	1.58%	39,713,020	0		
Janchor Partners Janchor Partners Pan Asian Master Fund RQFII	Foreign legal person	1.39%	34,974,679	0		
Kuwait Investment Authority	Foreign legal person	0.99%	24,826,563	0		
Abu Dhabi Investment Authority	Foreign legal person	0.94%	23,682,220	0		

**(2) Number of Preferred Shareholders and Shareholdings of Top 10 of Them**☒ 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 -in-concert party.

5. Outstanding Bonds at the Date when this Report Was Authorized for Issue☒**(1) Bond Profile**

Bond name	Abbr.	Bond code	Issue date	Maturity	Outstanding balance	Interest rate
The First Phase of Green Asset-Backed Notes of Accounts Receivable (Technology Innovation Notes) of Beijing Oriental Yuhong Waterproof Technology Co., Ltd. in 2022 Senior	22 Oriental Yuhong ABN001 Senior	082282001	15 December 2022	18 September 2023	47,500	4.30%
The First Phase of Green Asset-Backed Notes of Accounts Receivable (Technology Innovation	22 Oriental Yuhong ABN001 Subordinated	082282005	15 December 2022	18 September 2023	2,500	



Notes) of Beijing Oriental Yuhong Waterproof Technology Co., Ltd. in 2022 Subordinated						
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 2022 on Beijing Oriental Yuhong Waterproof Technology Co., Ltd. on 12 July 2022, which determined the long-term credit rating of the Company to be AAA with a stable outlook; and the Credit Rating Report on The First Phase of Green Asset-Backed Notes of Accounts Receivable (Technology Innovation Notes) of Beijing Oriental Yuhong Waterproof Technology Co., Ltd. in 2022 on 11 October 2022, which determined the credit rating of the senior asset-backed notes to be AAAsf.

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

Item	2022	2021	Change
Debt/asset ratio	46.22%	46.35%	-0.13%
Net profit before exceptional gains and losses	180,276.33	386,742.72	-53.39%
EBITDA/debt ratio	15.47%	25.35%	-9.88%
Interest cover (times)	14.15	36.38	-61.11%

Part III Significant Events

(I) Overview

In 2022, in the face of a complex and severe international environment and challenges from factors beyond expectations, China adhered to the general keynote of seeking progress in a stable manner, implemented the new development concept completely, accurately and comprehensively, and accelerated the conl4 164.9 4(ce3(on)-209(N)-78106(a)-305-89(stab7810)-107(de)(on)de(e)4(rmsivel)(e)-



as well as a down-to-earth and practical spirit. It actively responded to changes, seized new opportunities, and drove new growth. Guided by the overall

saving the true, keeping the body strong, sharing the ambitions between the upper and the lower, and self-

Oriental Yuhong, it rose to the uncertainties of the market, and forged ahead with a united mind and strength.

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, innovation and technological leadership. It also remained committed to centering on customers and upheld long-termism and ongoing hard work. Based on quality products and professional system services, it provided customers with through-life, one-stop building material system services, built a one-stop system service platform, made sustained efforts to become an extraordinary system service provider of building materials, and dedicated itself to becoming the most valuable firm in the industry of building materials across the world. During the Reporting Period, always being customer-oriented, the Company focused on building waterproofing and at the same time extended its business to the sectors such as civil construction materials, building coating materials, specialized mortar, building powder, energy-saving and heat preservation, and building renovation. 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. Centering on customer demand, the Company provided more refined construction material and system solutions to customers. 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.

During the Reporting Period, the Company adhered to the strategy of prioritizing the C-end. Civil Construction Materials Group continued to lead the new development for the industry of waterproof coatings and waterproof sheet materials by focusing on the dual main business strategy of waterproofing and moisture-proofing systems and the tile fitting and grouting systems. While solidifying the core business of waterproofing, it stepped up efforts to increase the market share of the tile adhesives and grout products, and cultivated new product categories of wall auxiliary



materials, adhesives and tube materials such as putty powder and reinforcing agent, with an aim to better satisfy consumers' pursuit of a peasant and healthy living environment and create a safe home for every consumer. During 2022, Civil Construction Materials Group recorded operating revenue of RMB6.078 billion, up 58% year on year. DAW has always adhered to the tonality and product quality and experiences that German brands aim to deliver to customers in the retail business of building coatings. It has carried out systematic marketing with a focus on products and combining the German coating process. By fully leveraging the advantages of the color and functions of German products, DAW introduced the "Wall Care Is like Skin Care" product philosophy and the 2088 color system, making it a coating brand with both a century of coating experience and the capability to meet the needs of younger consumers.

Delivery Service, based on the home repair market, formed a leak repair, HVAC repair, air repair, wall repair, space optimisation, intelligent transformation and other diversified service model and one-stop solutions, started with the view of solving customer pain points, and brought the whole-house, whole-repair, new, wholehearted experience through process specialisation, service standardisation for consumers to live in a better home.



-saving segment under the Company

adhered to the concept of green, low-carbon and environmental sustainability, continued to explore ways to reduce building energy consumption, improve building safety performance and promote the development of the green building industry, actively participated in carbon emission reduction and carbon neutrality, enriched and improved the application of systems in the low-carbon field, and made every effort to build a corporate positioning of carbon emission management for the whole

-zero energy EPC service system has been

formed, with six patents applied for special materials for the near-zero energy system in 2022 and two papers published, laying a solid foundation for further enriching the product line, expanding the applicable fields of products and reducing carbon emissions. In the context of the national policy of promoting green construction methods, accelerating the industrialisation of new buildings and vigorously developing assembled buildings, a series of products and systems represented by Wonewsun integrated insulation and decorative panels and Wonewsun assembled interior decoration systems have been launched into the market, providing customers with one-stop, full-cycle services from design to construction in the form of application scenario solutions, which enhance the degree of assembling of project construction while providing customers with more colourful decorative effects. At the same time, Shanghai InfinShine New Material Technology Co., Ltd., a subsidiary of Wonewsun, with its industry-leading rock wool and glass wool production technology, actively participated in the construction of various types of buildings such as industrial and commercial energy-saving construction by providing high-quality energy-saving insulation materials, energy-saving insulation for industrial buildings and system solutions for sound environment improvement.

During the Reporting Period, to sharpen standardized construction service skills and cultivate globally competitive industry technical workers so as to create a resource pool of highly skilled inter-disciplinary talent with craftsmanship for the industry and promote high-quality development of the industry, the Company continued to improve professional and systematic training and built a talent incubation base relying on the system of curriculum-competition-certificate integration. For example, Oriental Yuhong Vocational Training School actively responded to the appeal in the Guidelines on Promoting the High-quality Development of Modern Vocational Education issued by the General Office of the CPC Central Committee and the State Council, which "encouraged listed



production lines and factory logistics, digitalisation of production execution, leaning of processes, interconnection and intelligent analysis of equipment, and safety and environmental protection; the Company has also developed a benchmark factory construction plan; MES was successfully

digitalisation and cost refinement in the entire manufacturing process; the four service sharing platforms of finance, human resources, risk control and IT were applied across the Company, further enhancing management efficiency; the Yuhong Craftsman platform was fully promoted, with over 7,000 existing labour teams and over 280,000 labourers; the Yuhong Home Delivery Service platform was further optimised to achieve digitalisation of the entire process, and was connected to some internet platforms and property service platforms to form a multi-networked one-stop service platform, effectively connecting over 500 community service stations with end-users (owners) across the country and upgrading the user experience across the board.

(II) Operating Performance of the Company

1. Macroeconomic a

levels continued to improve, elevating overall national strength and providing a more solid foundation for development, with the overall economic performance remaining stable. The annual GDP reached RMB 121,020.7 billion, an increase of 3.0% over the previous year, while the annual per capita GDP reached RMB 85,698, also increasing by 3.0% compared to the previous year. The year 2022 showcased the effective demonstration of the industr

year-end added value of RMB 40,164.4 billion for all industries, indicating a 3.4% increase from the previous year. Moreover, the added value of industrial enterprises above the designated size experienced a stable recovery trend, with a 3.6% increase, and manufacturing growing by 3.0%. Industrial enterprises above the designated size witnessed a decline of 1.5% in the non-metallic mineral products industry over the year. Additionally, manufacturing profits dropped by 13.4%, reaching RMB 6,415 billion. The annual added value of the construction industry reached RMB 8,338.3 billion, an increase of 5.5% over the previous year.

Investment scales continued to broaden, with RMB 57,213.8 billion invested in fixed assets (excluding rural households) throughout the year, an increase of 5.1% over the previous year. Private fixed asset investment totaled RMB 31,014.5 billion, indicating a 0.9% increase from the



National and regional policies have been successively issued to promote green building

province must reach 100% of new civil construction and that the completed area must account for over 70% of newly completed civil construction. The newly started area of prefabricated buildings should account for more than 25% of new construction, and the completed area should account for

regulations for urban agglomeration green development, green low-carbon cities, green energy

Year Plan for Green Buildings in Chongqing (2021-

for 100% of new urban construction by the end of 2025, with the application proportion of green

Opinions on Promoting the High-Quality Development of the Construction Industry in Our City which includes regulations for promoting green low-carbon development in the industry and proposes that by 2025, newly built green buildings should total no less than 200 million square meters, with high-star green buildings accounting for no less than 65%. The policies mentioned

green development concept. Companies continuously explore transformation and upgrade towards green and sustainable development through scientific research, innovation, process improvement, intelligent production, and green construction.

(2) Energy Conservation and Environmental Protection

The National Development and Reform Commission and other departments jointly issued the on Improving the System and Mechanism and Policy Measures for Energy Green and Low- -Year Plan period, a basic system framework for promoting green and low-carbon development of energy should be

fossil fuel energy target system. The Ministry of Housing and Urban-Rural Development issued the -Year Plan for Housing and Urban-Rural Construction Science and Technology -rural construction during the



14th Five-Year Plan period. It addresses major requirements for building livable, innovative, smart, green, humane, resilient cities and beautiful livable villages, with regulations in nine areas, including green and low-carbon technology research in urban and rural construction. The State

-Year Plan for Comprehensive Energy Conservation and Emission

Reduction

be reduced by 13.5% compared to 2020, and total energy consumption should be reasonably controlled. The Ministry of Housing and Urban-

e of the 14th

Five-

by 2025, more than 350 million square meters of existing buildings should undergo energy-saving renovations, over 50 million square meters of ultra-low energy consumption and near-zero energy consumption buildings should be constructed, the proportion of prefabricated buildings in new urban construction should reach 30%, and the newly installed solar photovoltaic capacity for buildings nationwide should be over 50 million kilowatts. The Ministry of Industry and Information

Innovation and Development Action Plan (2021-

development level, supporting the new power system, and contributing to the peak carbon emission and carbon neutrality of various intelligent photovoltaic sectors. These include intelligent photovoltaic industries, transportation, construction, agriculture, villages, power stations, communication, and innovative applications, as well as optimizing the development environment of



of waterproof materials that match the durability of photovoltaics.

(3) Urban Construction

or

and Urban-Rural



beautiful countryside to comprehensively promote rural revitalization. Additionally, six departments, including the Ministry of Industry and Information Technology, have jointly released g Materials Going to the

product quality, establishment of green building material brand influence, promotion of new construction methods, and application of green building materials to support the construction of beautiful countryside and promote rural industrial revitalization.

(5) Vocational Education



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



The Company is a leader in terms of R&D, comprehensive product competitiveness, production process and equipment, application technology, marketing model, professional system service capability, brand presence, etc., and attains a prominent position in the industry.

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 across the country 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. 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 price for some raw materials represented by asphalt rose substantially, 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 2023

Based on the analysis of the macro-s, as
well as itspursue faster growth
unremittingly, evolving fiercely, and making the impossible come true in its operation. To be
specific, the business plan for 2023 is as follows:

(1) Going All Out to Develop Partnerships for Mutual Creation, Mutual Sharing, and Mutual Benefit

upgrade the partnership system, and fully develop various types of partners. Partner channel sales
nal management capabilities,
business expansion capabilities, and construction service capabilities. It will focus on implementing
-creation, co-sharing, and mutual success.

(2) Enhancing Business Quality through Prioritized Risk Control and Improved Credit



Management

The Company will implement a list-based control system, creating a connected and closed-loop management process for credit control, contracts, accounts receivable, collections, and litigation. It will upgrade credit policies and project penetration management, firmly enforce zero-tolerance control of due accounts receivable and total accounts receivable 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.

(3) Embracing Technological Innovation Leadership and Fostering Core Competitive Advantages

The Company will increase R&D investment, improve R&D collaboration models, such as cross-company cooperation, industry-university collaboration, and cooperation with suppliers. It will strengthen the development of core raw materials, product systems, application technologies, continue to improve the durability research of waterproof materials and systems; enhance R&D C-end and overseas businesses; leverage the national key laboratory platform, and expand core technology and upstream materials research through independent innovation and external cooperation.

(4) Attaining Comprehensive Market Leadership through Prioritizing Civil Construction Materials

The Company will seize the strategic opportunities for the development of civil building materials, focusing on waterproofing and moisture-proofing systems, tile fitting and grouting systems, and new categories (wall auxiliary materials, adhesives, tube materials, etc.) as core elements. The Company will strengthen channel cultivation and support, enhance channel construction quality and efficiency, foster high-quality development, and increase brand coverage. Meanwhile, it will build specialty store retail strength through products, systems, shopping guides, membership, and services.

(5) Strengthening the Leading Advantage in Construction Waterproofing



collaborating with suppliers, broadening benchmark dimensions, strategically planning forward warehouses, promoting in-house logistics, improving information management, and strengthening lean control. We will carry out the following actions: