

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. (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").

The Company's shareholders have attended the Board meeting for the review of this Report.

Indicates "Yes" or "No" applicable:

□Applicable Not applicable

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

□Applicable Not applicable

Board's vote from capital reserves:

□Yes Not applicable

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 RMB1.00 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

□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 Kechuan 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

The Company develops, produces and markets new waterproof materials for buildings, as well as provides waterproof engineering. It is a provider of construction materials and systems that concentrate on waterproofing as the core business, as well as extends to civil construction materials, building coating materials, specialized mortar, building powder, energy-saving and heat preservation, building renovation, non-woven fabric, specialized film, 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. The Company's products have been used in China's iconic buildings such as the Chairman Mao Memorial Hall, the Great Hall of the People, National Convention Center, the 798 Art, the Nest, the Water Cube, the National Stadium, the National Aquatics Center, the Beijing National Stadium, the Beijing National Center for the Performing Arts, the Hong Kong-Zhuhai-Macao Bridge, the Beijing-Zhangjiakou railway, the Beijing-Shanghai high-speed railway, the Beijing-Tianjin inter-city high-speed railway and Beijing Metro. 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 by good services" as its guideline, and "building a durable, safe, comfortable, green and intelligent building" as its mission. The Company has been committed to the construction of building renovation, waterproofing, energy-saving and heat preservation, building renovation, non-woven fabric, specialized mortar, building powder, energy-saving and heat preservation, building renovation, non-woven fabric, specialized film, etc. It owns many brands and business lines: Oriental Yuhong (engineering), Fasion (waterproofing), Yuhong (Waterproof (civil construction materials)), DAW (building coating), Vasa (specialized mortar), Lodi 1813 (tinted mud), BiA (pure powder), Wovenwin (energy saving and heat preservation), Fuduan (energy saving and heat preservation), Gold Machines (specialized film), Oriental Yuhong Technology and special chemical, Zhong Kai Jia Tong (renovation 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. By "weakening the headquarters, enhancing the middle-level, and strengthening the primary level", the Company advanced its organizational structure reform. It tapped on the needs of partners to provide a variety of partners with more opportunities to expand products. Additionally, it optimized the company's experience of "partner mechanism", the field of engineering and construction, and the partner mechanism has been improved 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 development concept, at the same time it increased the support for partners by improving market management, credit management, technical support and services. It further consolidated and developed the strategic cooperation with large business groups, and expanded and exchanged resources from depth and breadth. In non-real estate fields such as infrastructure construction, urban engineering infrastructure, industrial and mining, warehousing and logistics, as well as affordable housing and urban renewal, it increased sales and promotion efforts. Additionally, it upgraded the user experience of market management and control, and constantly improved market order by reinforcing the 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 materials retail business, was well prepared, took solid steps, and maintained steady growth.

(i) Civil Construction Materials Group: During the Reporting Period, Civil Construction Materials Group focused on the dual main business strategy of "waterproofing and moisture-proofing system" & fitting and grouting system, and worked hard to cultivate its product lines of wall auxiliary materials, adhesives and tube materials including waterproofing coatings, sheet materials and repair, the fitting, grouting, putty powder, reinforcing agent, etc. It continued to lead the new development of waterproofing and moisture-proofing system. While holding the market share of waterproofing system, the Company stepped up efforts to increase the market share of the adhesives in a green products, 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 pleasant and healthy living environment and create a safe home for every consumer, thus improving the quality of living and protecting people's health.

During 2022, Civil Construction Materials Group has become a household name for construction materials and home decoration. During 2022, Civil Construction Materials Group focused on the market of RMBS78.00, up 58% year-over-year.

(ii) Building Materials Retail Business: Civil Construction Materials Group focused on improving its brand image, and the market share in low-end market, including channel policies and market channel leadership. The company's integrated operation in all regions have fully integrated local customers and market channel resources, enhanced the market coverage and penetration in local regions, and continuously worked on those markets with no or weak presence through concentrating local markets and special operations of regions. Besides, the direct marketing and engineering channels were integrated deeply and worked together, so as to better serve the market and customers and increase market share.

During the Reporting Period, the Company's needs of partners to expand products, brands and resources to expand products. Additionally, it optimized the company's experience of "partner mechanism", the field of engineering and construction, and the partner mechanism has been improved 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 development concept, at the same time it increased the support for partners by improving market management, credit management, technical support and services. It further consolidated and developed the strategic cooperation with large business groups, and expanded and exchanged resources from depth and breadth. In non-real estate fields such as infrastructure construction, urban engineering infrastructure, industrial and mining, warehousing and logistics, as well as affordable housing and urban renewal, it increased sales and promotion efforts. Additionally, it upgraded the user experience of market management and control, and constantly improved market order by reinforcing the means of internal sales control and product tracing.

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5) Membership operation: The group has been committed to membership operation at the professional end, perfecting the membership operation system with "Yuhong Brotherhood" as the core, precisely targeting foremen and other professionals, and building a comprehensive membership system. Through the "Yuhong Brotherhood" membership platform, the members' 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 of "Yuhong Brotherhood" had exceeded 2 million.

4) Product development: The group focused on developing products and market segmentation, and sought a sustainable growth path from the perspective of business economy, market segmentation and product development. 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 4000 distributions, 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 in the future, it will continue to strengthen its cooperation with decoration companies, and its new products will be more than 10,000 decoration companies.

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

Its e-commerce channel is developing rapidly, serving the C-end and empowering the channels. It continued to improve its product categories and expand its e-commerce platform such as Tmall, JD, Pinduoduo and Douyin, and made joint efforts with shops to create a perfect online and offline shop sales rate. It fully utilized the advantages of efficient online information dissemination to provide clearer product display and more efficient delivery of quality products to consumers. In addition, it has opened a number of services such as waterproofing, grouting and interior refreshments on its online platform, continuously optimising the state of interplay between online and offline, deeply implementing the new retail model and fully empowering the channels.

3) Channel development: Civil Construction Materials Group continued to cultivate channels with steady growth and quality focus. It focused on weak markets, increased the number of cities, and supported professional customers to become bigger and stronger; it also continued to expand retail outlets with a variety of qualities of products, and strengthened the coverage of the shop channel through the channel management, marketing and sales information platform, and its new products will be more than 10,000 decoration companies.

2) Channel development: Civil Construction Materials Group continued to cultivate channels with steady growth and quality focus. It focused on weak markets, increased the number of cities, and supported professional customers to become bigger and stronger; it also continued to expand retail outlets with a variety of qualities of products, and strengthened the coverage of the shop channel through the channel management, marketing and sales information platform, and its new products will be more than 10,000 decoration companies.

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