



Stock Code: 002271

Stock Name: Oriental Yuhong

Announcement No. 2021-066

**BEIJING ORIENTAL YUHONG WATERPROOF TECHNOLOGY CO., LTD.**  
**ANNUAL REPORT 2020 (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”).

Independent auditor’s modified opinion:

Applicable  Not applicable

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

Applicable  Not applicable

Bonus issue from capital reserves:

Yes  No

The Board has approved a final dividend plan for the ordinary shareholders as follows: based on the total share capital at the record date when the dividend plan is implemented, a cash dividend of RMB3 (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 Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions 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	No. 4 Building, Kang Jiayuan, Gao Beidian North Road, Chaoyang District, Beijing, China		
Tel.	010-85762629		
E-mail address	stocks@yuhong.com.cn		

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

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

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 concentrates on waterproofing as the core business, as well as extends to civil construction materials, energy saving and heat preservation, non-woven fabric, specialized mortar, building coating materials, building repair, building powder, 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, the National Convention Centre, the Bird's Nest, the Water Cube, the CITIC Tower and the Beijing Daxing International Airport, as well as in the country's major infrastructure projects including 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 for 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, energy saving and heat

preservation, non-woven fabric, specialized mortar, building coating materials, building repair, building powder, etc. It owns many brands and business lines: Oriental Yuhong (engineering), Fasion (waterproofing), Yuhong Waterproof (civil construction materials), Lodi 1813 (diatom mud), Wonevsun (energy saving and heat preservation), Fudatec (energy saving and heat preservation), Yueda (energy saving and heat preservation), InfinShine (energy saving and heat preservation), Top (non-woven fabric), Vasa (specialized mortar), Caparol (building coating), Oriental Yuhong Building Repair (building repair), BiAn (putty powder), etc.

Based on different product uses and users, the Company has established 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 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 railway, municipal 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 the sustained and steady growth in its results. Under 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 reasonable layout and controllable risk and is economical, efficient and vibrant. By means of constantly reinforcing systematic training and services for dealers, the dealer network has gradually developed into one of the essential sales channels 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. Direct marketing and the channel of engineering dealers regard the companies of integrated operation in provinces under the jurisdictions of North China, Northeast China and Southeast China as the carriers. By extensively

incorporating integrated management, 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 and special operation of regions, they have fully integrated local customers and market channel resources and enhanced the market coverage in local regions, and all sales channels and business lines worked together to drive up 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, and developed into a platform-based company for chemical building materials. The retail channel dealers are managed by Oriental Yuhong Civil Construction Materials Co., Ltd., and formulate an all-in-one composite marketing network covering home decoration companies, construction material supermarkets, construction material dealers and e-commerce to serve the general consumer home decoration market.

## **(II) Overview of the Industry and the Company's Position in the Industry**

The Company 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 and prospects.

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 a 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 the recent years, with the rollout of regulating and industry policies with respect to 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 waterproofing 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. 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, production process and equipment, application technology, marketing model, professional system service capability, brand presence, etc., with strong competitiveness and growth. It attains a prominent position in the industry.

### 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

Unit: RMB

	2020	2019	2020-over-2019 change (%)	2018
Operating revenue	21,730,373,038.52	18,154,344,171.40	19.70%	14,045,708,250.74
Net profit attributable to the listed company's shareholders	3,388,870,065.01	2,065,944,687.98	64.03%	1,508,221,286.20
Net profit attributable to the listed company's shareholders before exceptional items	3,091,374,862.33	1,877,957,843.33	64.61%	1,323,057,092.18
Net cash generated from/used in operating activities	3,951,695,455.50	1,588,960,346.58	148.70%	1,013,946,629.91
Basic earnings per share (RMB/share)	1.510	0.930	62.37%	0.67
Diluted earnings per share (RMB/share)	1.460	0.910	60.44%	0.67
Weighted average return on equity (%)	27.37%	21.99%	5.38%	20.36%
	31 December 2020	31 December 2019	Change of 31 December 2020 over 31 December 2019 (%)	31 December 2018
Total assets	27,846,648,780.80	22,415,660,188.56	24.23%	19,651,708,389.43
Equity attributable to the listed company's shareholders	14,614,377,078.75	9,740,003,225.27	50.04%	7,900,749,970.23

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

Unit: RMB

	Q1	Q2	Q3	Q4
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Operating revenue	2,465,220,177.90	6,317,848,524.95	6,194,479,919.41	6,752,824,416.26
Net profit attributable to the listed company's shareholders	138,054,901.80	958,793,280.58	1,033,483,699.40	1,258,538,183.23
Net profit attributable to the listed company's shareholders before exceptional items	113,580,139.48	924,092,148.22	995,854,311.51	1,228,399,480.89
Net cash generated from/used in operating activities	-2,092,541,321.07	1,733,212,284.28	-549,076,054.07	4,860,100,546.36

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	103,394	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	112,616	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							
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Restricted shares held	Shares in pledge or frozen		
					Status	Shares	
Li Weiguo	Domestic natural person	25.10%	589,652,837	473,739,627	In pledge	247,485,078	
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	13.24%	310,955,213	0			
Xu Limin	Domestic natural person	3.93%	92,269,250	90,486,937			
China Merchants Bank Co., Ltd.—Ruiyuan Growth Value Mixed Securities Investment Fund	Other	2.45%	57,585,349	0			
Central Huijin Asset Management	State-owned legal person	1.39%	32,561,026	0			



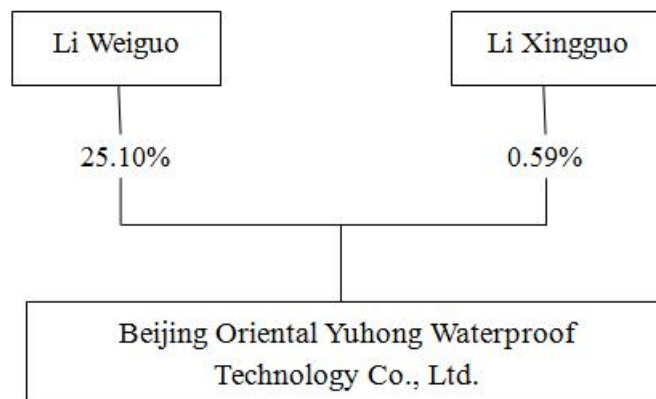
Co., Ltd.						
Xiang Jinming	Domestic natural person	0.99%	23,169,323	21,426,992		
China Merchants Bank Co., Ltd.—Bank of Communications Schroders New Growth Mixed Securities Investment Fund	Other	0.97%	22,821,845	0		
Agricultural Bank of China Co., Ltd.—Bank of Communications Schroders Selected Mixed Securities Investment Fund	Other	0.87%	20,539,756	0		
Norges Bank—owned funds	Foreign legal person	0.85%	20,061,703	0		
UBS AG	Foreign legal person	0.82%	19,352,654	0		
Related or acting-in-concert parties among the shareholders above	the	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)		None				

## (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. Corporate Bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

No.

## Part III Operating Performance Discussion and Analysis

### 1. Business Overview of the Reporting Period

#### (I) Overview

2020 marks the final year of the 13th Five-Year Plan, and is also an extraordinary year in the history of the People's Republic of China. In the face of grim and complicated domestic and foreign environment, particularly the severe impact of the COVID-19 pandemic, people across the country join hands to press ahead with all tasks in prevention and control of the pandemic as well as economic and social development. In the new development stages, China pursued the new development philosophy, built the new development paradigm, and stood firm in the direction of high-quality development. Meanwhile, it conscientiously accomplished the tasks of "stability on the six fronts", and comprehensively fulfilled the tasks of "security in the six areas". As a result, China's economic operation improved on a quarterly basis and went back to normal gradually, showcasing remarkable resilience and capability of resistance to impact. In the meantime, however, the pandemic is still spreading across the globe, and the unstable and uncertain factors in international situations are on the rise, so the foundation for recovery of domestic economy remains shaky.

During the Reporting Period, all the Yuhong people adhered to the development path of "eliminating the false and saving the true, keeping the body strong, sharing the ambitions between the upper and the lower, and self-innovating". They regarded the Basic Rules of Oriental Yuhong as the foundation, upheld the guiding principle of "serving the country by developing industry, benefiting the people with good services", and stood together through thick and thin. Beyond that, they devoted themselves to fighting the pandemic, and fought hard in the construction sites of more



than 20 medical care emergency projects for pandemic response. They fulfilled their mission of "building a durable and safe environment for human beings and the society" with resolute, courage and commitment, and built up a solid front to contain the pandemic. Meanwhile, the Company overcame the adverse impacts of the COVID-19 pandemic, and upheld the spirit of "tenacity for success, and continuously recording new heights". It seized the development opportunities in changes, had the nerve to fight tough battles and win the battles, satisfactorily completed the operation tasks for the year, and secured the two victories of pandemic containment and annual business objectives, which were hard-earned and far from easy.

During the Reporting Period, the Company adhered to its strategic positioning of high-quality and more solid development, gave top priority to risk control, insisted on sound operation, innovation and technological leader, remain committed to centering on customers, and upheld long-termism and ongoing hard work. On the basis of quality products and professional system services, it provided customers with high-quality, professional and complete system solutions, 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, the Company has always been oriented by customer demand. By focusing on advancing waterproofing business, it extended business to the upstream and downstream and related industry chains, and formed a system service system of building materials integrating such business sectors as building waterproofing, civil construction materials, energy saving and heat preservation, building coating materials, non-woven fabric, building repair, specialized mortar, and building powder. It brought together its development advantages, harnessed synergy, and built a deeper and wider moat for the Company. Additionally, the Company continued to improve its belief and cohesive force by fully implementing corporate culture and core values which is based on common striving, long-term striving and hard striving.

During the Reporting Period, the Company proactively explored innovation and improvements in business market and marketing model, and continued to push forward reforms in channels. Meanwhile, it completed the reforms in provincial organizations of integrated operation, assigned business and management functions to lower levels, fully integrated advantages in resources, and enhanced efficiency of human resources. The companies of integrated operation in all regions have

fully integrated local customers and market channel resources and enhanced the market coverage in local regions through concentrating on local markets and special operation of regions. Besides, the direct marketing and engineering channel were integrated deeply and worked together, and gave full play to the advantages of channel+direct marketing "1 + 1 > 2", so as to better serve the market and customers and increase market share. Additionally, it summarized and promoted the successful experience of "partner mechanism" in the field of engineering channel continuously. Relying on the advantages of brand 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 excellent real estate companies, and actively expanded and extended customer resources from depth and breadth. In non-real-estate fields such as infrastructure construction, urban emerging infrastructure and industrial warehousing and logistics, it increased sales and promotion efforts. 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, and developed into a platform-based company for chemical building materials. 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. Meanwhile, to boost the organizational and operational efficiency, the Company continued to promote organizational management measures such as the large department system, the shared service system, flat management and process optimization, while optimizing the organizational structure, optimizing procedures and reducing barriers between departments. Meanwhile, the Company continued to implement the standardized construction service system, and improved professional service ability through professional training and management, so that globally competitive industrial construction teams could be cultivated and expanded. To further boost its international strengths in technological R&D and innovation, during the Reporting Period, the Company continued to increase investment in R&D and to improve the performance of its products, application technologies and engineering equipment, and has built a range of professional and technical teams covering polyurethane, asphalt coatings, waterborne coatings, and putty. Therefore,

it has achieved continuous innovation in products and formulas. In the meantime, it achieved ongoing innovation in process and equipment by focusing on automatic production process, digital workshops and intelligent factories.

## **(II) Operating Performance of the Company**

1. Macro economy and industry indicators. In 2020, China's GDP exceeded RMB100 trillion and stood at RMB101,598.6 billion, up 2.3% over last year, so China became the only major economy in the world that achieved positive growth in the year. The final consumer spending for the year drove down GDP by 0.5 percentage points, whereas gross capital formation and net exports of goods and services drove up GDP by 2.2 percentage points and 0.7 percentage points, respectively. The final consumer spending represented up to 54.3% of GDP, 11.2 percentage points above the gross capital formation and a high level in recent years. Consumption remains the cornerstone for steady economic operation. By quarter, GDP declined by 6.8% in Q1, whereas it increased by 3.2%, 4.9% and 6.5%, respectively, in Q2, Q3 and Q4. Amid the drastic decrease in GDP in Q1, the growth in Q2 turned positive from negative and improved quarter by quarter, and economic operation showed a momentum of continuous recovery. All these showcased the strong resilience of China's economic development.

In 2020, the added value of industries above designated size nationwide increased by 2.8% over the previous year; operating revenue of industrial enterprises above designated size grew by 0.8%, and their profits reached RMB6,451.61 billion, up 4.1% from last year. To be specific, profits of the manufacturing industry increased by 7.6% over the previous year, and its growth rate was 3.5 percentage points higher than that of industries above designated size nationwide, driving up the profits of industrial enterprises above designated size by 6.4 percentage points. In the year, among the industries above designated size, the industry of non-metallic mineral products grew by 2.8%. Additionally, the national fixed asset investment (excluding farmers) grew by 2.9% to RMB51,890.7 billion, wherein private investment in fixed assets increased by 1.0% to RMB28,926.4 billion and investment in infrastructure rose by 0.9%. The annual investment in real estate development stood at RMB14,144.3 billion, up 7.0% from last year.

In 2020, as the economic activities of the waterproofing industry continued to recover, the overall development of the industry showed a trend of going from low to high. The overall output growth

of waterproof materials eased, but the growth in main economic indicators, including major business revenue of waterproofing industries above designated size (with major business revenue of more than RMB20 million) and total profits, met the expectations, and the industry benefits further improved. According to the statistics of China National Building Waterproof Association (CWA), in 2020, the output of waterproof building materials was expected to be 2,515 million square meters, and expected to grow by 3.6% year-on-year. From January to December, the major business revenue of 723 waterproofing enterprises above designated size totaled RMB108.7 billion, representing a year-on-year increase of 4.6%. The total profits of enterprises above designated size reached RMB7,397 million, representing a year-on-year increase of 12.07%. During the Reporting Period, the Company registered an operating revenue of RMB21.73 billion, up 19.70% from last year, and its total profits were RMB4,155 million, up 60.32% from last year. Its operation status was largely consistent with the industry development.

2. Changes in relevant industry policies and specific impacts on the Company. During the Reporting Period, the state introduced a series of policies, and regulated the waterproofing industry from various aspects, including the reform of "streamlining administration and delegating power, improving regulation, and upgrading services", product and engineering construction quality, resumption of production and work of enterprises, environmental governance system, green environmental protection, as well as scientific and technological innovation. Waterproof coating and waterproof building coils were included in the Directory of Quality Safety Supervision of National Key Industrial Products (Version 2020) issued by the State Administration for Market Regulation. The Ministry of Industry and Information Technology (MIIT) issued the Major Work Plan for Monitoring Industrial Energy Conservation for 2020. Under the plan, the MIIT would specially monitor the implementation result of the standards for energy consumption limit per unit product in key energy conservation enterprises of building materials such as asphalt-based waterproof coils and mineral wool. The Ministry of Housing and Urban-Rural Development (MOHURD) issued the Circular on Issuance of the Plan for Preparation of Engineering Construction Standards for 2020 and Relevant Work. Specifically, the two codes for acceptance, namely, the Code for Acceptance of Construction Quality of Roof (GB50207-2012) and the Code for Acceptance of Construction Quality of Underground Waterproof (GB50208-2011) were

partially revised. The aforesaid policies aimed to encourage waterproofing enterprises to enhance the quality of their products, construction and services. The state, provinces and cities rolled out related financial, fiscal, public service and employment policies, which offered powerful policy guarantee for the orderly resumption of production and work of the waterproofing enterprises during the pandemic. Meanwhile, the Ministry of Science and Technology (MOST) released the General Plan for Promoting the Building of National Technological Innovation Centers (Provisional), which stated that by 2025, a number of national technological innovation centers will be built in order to break the bottlenecks that hamper the key technologies related to China's industry safety and to nurture and develop a group of top-notch enterprises with core innovation capabilities. The four ministries including the MOST published the Notice on Continuously Taking Special Actions to Alleviate the Burdens and Stimulate Innovation Vitality of Scientific Researchers, where by further alleviating burdens, the vitality of technological innovation was stimulated fully and innovation performance enhanced, to give a better play to the role of technology in supporting high-quality development. Driven by the said policy, waterproofing enterprises attached greater importance to investment in technological innovation and R&D. Additionally, the MOHURD published the Standard Framework for Qualifications of Construction Engineering Enterprises (Exposure Draft), and intended to substantially reduce the qualification category and grade of enterprises, where the professional contracting qualification of waterproofing, anti-corrosion and heat preservation engineering and the professional contracting of building, decoration and renovation engineering were combined into the professional contracting qualification of building, renovation and decoration, without grade. This measure would offer greater business potential for waterproofing enterprises, and also force them to improve their core competitiveness. The General Office of the State Council published the Implementation Opinions of the General Office of the State Council on Further Optimizing the Business Environment and Better Serving Market Participants, which would offer policy support for leading waterproofing enterprises to expand and strengthen the waterproofing market. The Certification and Accreditation Administration of the People's Republic of China published the Qualifications of Certification Institutions of Green Products and First Implementation Rules for Certification: The implementation rules for certification of green products classified green products into 12 categories

including waterproof sealing materials. Currently, China's construction waterproofing industry is in a crucial period of developing from qualitative change to quantitative change. The production and application of green products are the only way to implement supply-side structural reform in the industry and will facilitate the sound development of the waterproofing industry. The Ministry of Ecology and Environment (MEE) revised and formulated the Guidance for Contingency Emission Reduction Technology for Key Industries Causing Heavily-polluting Weather Conditions (Rev. 2020): The scope of industries subject to performance grading will be expanded, relevant indicators and emission reduction measures improved, and performance grading of key industries implemented. This guidance is primarily applicable to industrial enterprises that manufacture waterproof materials by using asphalt or similar materials as the raw materials. The aim of this action is to prompt waterproofing enterprises to pay more attention to environmental protection and improve the overall level of environmental protection in the waterproofing industry by "stringently managing" the waterproofing industry via environmental measures.

Following the formulation and publication of a series of waterproofing-related national and local policies, the Company conscientiously organized employees to study these policies, dived into and made continuous improvements in all procedures and fields such as policy research, product R&D, process improvement, production and sales, standardized construction and training for construction workers, and environmental measures. It fully leveraged and expanded its advantages in brand, product R&D, costs, multi-layer marketing network, product category, application technology, etc., and applied its superior products and professional services to more scenarios to benefit numerous families.

3. Market competition. The Company 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 and prospects.

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 a 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 the recent years, with the rollout of regulating and industry policies with respect to 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 waterproofing market is witnessing increasing concentration towards leading companies.

The Company is a leader in terms of R&D, 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, polyether, polyester asphalt, chain extender, emulsion, MDI and SBS modifiers, 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 of some raw materials represented by asphalt dropped, thus driving up the overall gross profit margin of the Company.

## 2. Significant Change to Principal Activities in the Reporting Period

Yes  No

## 3. Product Category Contributing over 10% of Principal Business Revenue or Profit

Applicable  Not applicable

Unit: RMB

Product category	Operating revenue	Operating profit	Gross profit margin	YoY change in operating revenue (%)	YoY change in operating profit (%)	YoY change in gross profit margin (%)
Waterproof sheet materials	11,233,150,470.49	4,397,895,407.99	39.15%	12.56%	17.94%	1.79%
Waterproof coating	6,013,805,058.74	2,477,125,924.68	41.19%	23.35%	23.36%	0.01%
Waterproof engineering	3,303,727,678.75	940,918,927.83	28.48%	40.70%	44.37%	0.72%

## 4. Business Seasonality that Calls for Special Attention

Yes  No

## 5. Significant YoY Changes in Operating Revenue, Cost of Sales and Net Profit Attributable to the Listed Company's Ordinary Shareholders or Their Compositions

Applicable  Not applicable

## 6. Possibility of Delisting

Applicable  Not applicable



## 7. Matters Related to Financial Reporting

### (1) YoY Changes to Accounting Policies, Accounting Estimates or Measurement Methods

Applicable    Not applicable

#### (1) Change to significant accounting policy

##### ① The New Revenue Standard

As required by the Ministry of Finance regarding the Accounting Standard No. 14 for Business Enterprises—Revenue (Revised) (hereinafter referred to as the “New Revenue Standard”) issued by the Ministry of Finance in 2017, the Group has adopted the New Revenue Standard since 1 January 2020 as resolved at the 11<sup>th</sup> Meeting of the Seventh Board of Directors and has adjusted its accounting policies accordingly.

The Group recognizes revenue when it has satisfied the performance obligation under the contract, that is, when the customer has obtained the right to control the relevant goods or services. Where certain conditions are met, a performance obligation is deemed to be satisfied over time; otherwise, it is deemed to be satisfied at a certain point in time. Where the contract comprises two or more performance obligations, the Group distributes, on the commencement date of the contract, the transaction price to each single performance obligation in proportion to the standalone selling prices of promised goods or services under each single performance obligation, and measures revenue according to the transaction price distributed to each single performance obligation.

The Group has adjusted its relevant accounting policies in respect of contract assets, advances from customers, etc. according to the specific requirements in the New Revenue Standard.

The right that the Group has to collect consideration from the customer for having transferred goods to the customer and depends on other factors than time is recorded as a contract asset, while the obligation that the Group has to transfer goods to the customer for the received or receivable consideration from the customer is recorded as a contract liability.

The Group adjusted its retained earnings and other relevant financial statement items as at the beginning of 2020 according to the cumulative effects arising from the first adoption of the New Revenue Standard, and did not adjust the comparative financial statement data. The retained earnings and other relevant financial statement line items as at the beginning of 2020 were only

adjusted to the extent of the cumulative effects of outstanding contracts at 1 January 2020.

Contents of and reason for change in accounting policy	Affected financial statement items	Amount of effect (1 January 2020)
The Group records completed but unsettled waterproof engineering services without an unconditional right of collection in contract assets; reclassifies settled but uncompleted waterproof engineering services, as well as advances from customers for selling goods such as waterproof sheet materials and coating to contract liabilities; records quality guarantee deposits in respect of selling goods such as waterproof sheet materials and coating and providing waterproof engineering services in contract assets; and records losses on onerous contracts to be executed in provisions and cost of sales.	Accounts receivable	-134,002,787.46
	Contract assets	897,529,672.45
	Inventories	-789,674,139.43
	Deferred income tax assets	6,195,292.41
	Contract liabilities	1,352,612,834.95
	Advances from customers	-1,513,867,627.95
	Other current liabilities	161,254,793.00
	Retained earnings	-33,567,549.05
	Provisions	13,615,587.02

The effects on the relevant financial statement items for 2020 arising from the adoption of the New Revenue Standard compared to the previous revenue standard are as follows:

Affected balance sheet items	Amount of effect 31 December 2020
Accounts receivable	-91,040,999.75
Contract assets	1,903,218,399.07
Inventories	-1,889,651,738.80
Deferred income tax assets	11,739,433.85
Contract liabilities	2,077,737,096.59
Advances from customers	-2,278,095,565.51
Other current liabilities	200,358,468.92
Provisions	16,899,970.10
Retained earnings	-82,634,875.73

(Continued)

Affected income statement items	Amount of effect 2020
Cost of sales	649,889,677.26
Selling expense	-646,605,294.18
Credit impairment loss	-54,611,468.12
Asset impairment loss	-3,284,383.08
Income tax expense	-5,544,141.44
Net profit	-49,067,326.68
Of which: net profit attributable to the Company as the parent	-49,067,326.68

② Interpretation No. 13 of the Accounting Standards for Business Enterprises

The Ministry of Finance issued the Interpretation No. 13 of the Accounting Standards for Enterprises (CK [2019] No. 21) (hereinafter referred to as "Interpretation No. 13") in December 2019.

Interpretation No. 13 revises the three elements that constitute a business, refines the conditions for determining a business, and introduces a "concentration test" for the purchaser of a business combination that is not under common control to determine whether the acquired combination of operating activities or assets constitutes a business.

Interpretation No. 13 clarifies that related parties of an enterprise include joint ventures or associates of other common members of the enterprise group to which the enterprise belongs (including parent companies and subsidiaries), as well as joint ventures or associates of investors who exercise common control over the enterprise.

Interpretation No. 13 takes effect as of 1 January 2020, and the Group adopts the prospective approach to account for the above changes in accounting policy.

The adoption of Interpretation No. 13 did not exert a significant impact on the Group's financial position, operating results and disclosure of related parties.

③ The Ministry of Finance issued the Provisions on Accounting Treatment of Rent Concessions Associated with the COVID-19 Pandemic (CK [2020] No. 10) in June 2020. Under the Provisions on Accounting Treatment, a simplified approach can be adopted to account for the rent concessions associated with the COVID-19 pandemic.

The Group adopted the simplified approach stipulated in the said Provisions on Accounting Treatment for the rent concessions related to lease and incurred from 1 January 2020 (see Note III, 29, (3)). The related rent concessions are recognized in profit and loss during the period of rent concessions or when relevant rights and obligations are released and waived upon the conclusion of agreement on concessions. The amount of profit for the current period affected by the aforesaid simplified approach is RMB532,549.48.

The Group does not apply the said simplified approach to rent concessions incurred prior to 1 January 2020.

(2) Change to significant accounting estimate

Not applicable.

(3) Adjustments to the relevant financial statement items at the beginning of the year when the New Revenue Standard was first adopted

Consolidated Balance Sheet

Item	31 December 2019	1 January 2020	Adjustment
Accounts receivable	5,636,056,135.06	5,502,053,347.60	-134,002,787.46
Inventories	2,016,452,159.26	1,226,778,019.83	-789,674,139.43
Contract assets	-	897,529,672.45	897,529,672.45
Deferred income tax assets	266,364,031.92	272,559,324.33	6,195,292.41
Advances from customers	1,513,867,627.95	-	-1,513,867,627.95
Contract liabilities	-	1,352,612,834.95	1,352,612,834.95
Other current liabilities	-	161,254,793.00	161,254,793.00
Provisions	-	13,615,587.02	13,615,587.02
Retained earnings	6,724,405,683.30	6,690,838,134.25	-33,567,549.05

Balance Sheet of the Company as the Parent

Item	31 December 2019	1 January 2020	Adjustment
Accounts receivable	2,599,230,817.44	2,599,193,052.62	-37,764.82
Contract assets	-	37,764.82	37,764.82
Advances from customers	548,146,605.78	-	-548,146,605.78
Contract liabilities	-	485,085,491.84	485,085,491.84
Other current liabilities	-	63,061,113.94	63,061,113.94

**(2) Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period**

Applicable  Not applicable

No such cases.

**(3) YoY Changes to the Scope of Consolidated Financial Statements**

Applicable  Not applicable

The Company incorporated the following subsidiaries during the Reporting Period, namely, Zhanjiang Oriental Yuhong Construction Materials Co., Ltd., Beijing Oriental Yuhong Anticorrosion Technology Co., Ltd., Fuda Energy Saving Technology Co., Ltd., Wuhu Oriental Yuhong New Material Technology Co., Ltd., Hainan Oriental Yuhong Construction Technology Co., Ltd., Guangdong Oriental Yuhong Construction Materials and Technology Co., Ltd., Hong Yun



Supply Chain Management Co., Ltd., Nantong Silkwood Film Materials Co., Ltd., Oriental Yuhong Construction Materials Co., Ltd., Jiangxi Oriental Yuhong Construction Technology Co., Ltd., Liaoning Oriental Yuhong Construction Technology Co., Ltd., and Chongqing Oriental Yuhong Construction Technology Co., Ltd., which were included in the consolidated financial statements for the Reporting Period.

Seven subsidiaries were de-registered during the Reporting Period, namely, Changzhou Oriental Yuhong Waterproof Materials Co., Ltd., Luzhou Oriental Yuhong Construction Materials Co., Ltd., Hubei Oriental Yuhong Construction Materials Co., Ltd., Zhejiang Hongyun New Material Technology Co., Ltd., Hai'an Hongde Real Estate Co., Ltd., Jiangsu Oriental Yuhong Construction Materials Co., Ltd., and Hai'an Hairun Real Estate Co., Ltd., which were excluded from the consolidated financial statements for the Reporting Period.