Part I Important Notes

This Summary is based on the full Annual Report of

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

corporate vision. In addition to the core business of building waterproofing, the Company is also engaged in civil construction materials, mortar and powder, building coating materials, energy-saving and heat preservation materials, adhesives, tube materials, building renovation, new energy, non-woven fabric, specialized film, emulsion, etc. It owns many brands and business lines: Oriental Yuhong (waterproofing), Fasion (waterproofing), Yuhong Waterproof (civil construction materials), Vasa (specialized mortar), BiAn (putty powder), DAW (building coating), Alpina (building coating), HAMGAR Coating (industrial coating), Wonewsun (energy saving and heat preservation materials), Fudatec (energy saving and heat preservation materials), InfinShine (energy saving and heat preservation materials), Yuhong Adhesives (adhesives), Yuhong Tubes (tube materials), Yuhong Home Delivery Service, Yuhong Villa (building renovation), Hong Sheng New Energy Technology Co., Ltd. (new energy), Top (non-woven fabric), Gold Machilus (specialized film), Hongshi (fine and specialty chemicals), Zhong Ke Jian Tong (formation improvement and engin

tubing. It can fully meet the diversified needs of various construction scenarios in the process of home decoration and escort a beautiful home. In 2024, Civil Construction Materials Group registered operating revenue of RMB9,373 million, an increase of 14.58% year on year.

-

-

-

-

-

-

-

- - - -

-

-

-

3) Membership operation: The group accelerated the building of the membership operation -dealer-exclusive store- -stop solution platform for foreman members, encompassing training certification, product purchasing, benefits acquisition, and activity empowerment. Concurrently, it deeply bound regional exclusive stores nationwide, continuously organising skill competitions and training certification activities for foreman members.

- -

- - -

- -

- - - -

-

-

During the Reporting Period, the architectural coating retail business continued to improve in terms of branding and market expansion. By

showcasing its century-

with the concep

and imagine, epitomising German quality, redefining brand perception, and conveying meticulous care for the home environment. Together, the two brands have built a comprehensive product line covering interior wall coatings, artistic coatings, exterior wall coatings, and basic auxiliary materials, achieving product performance upgrades and enhanced environmental standards, while offering differentiated choices through category expansion and service optimisation.

During the Reporting Period, the architectural coating retail business concentrated on the primary products of coatings, closely aligning with market demands, continuously optimising product structure, and strengthening the rational layout of product lines to ensure precise alignment with consumer needs. By deepening the front-end differentiation and back-end synergy of the

influence. In channel development, the business team not only strengthened channel control but also actively explored channel penetration in lower-tier markets and diversified development paths, fully utilising internal resources from Civil Construction Materials Group to achieve resource sharing and complementarity, effectively expanding sales channels and increasing market penetration. In membership operations, the Company built member customer profiles to precisely target key customer groups and adopted diverse marketing strategies to enhance member loyalty. Additionally, it strengthened interaction with offline exclusive stores, creating a highly interactive, quality-enhancing, and profit-boosting customer ecosystem, injecting strong momentum into the long-term development of the business.

2. Engineering business: During the Reporting Period, the Company deepened the channel transformation. It upgraded its channel policy, empowered channel development, explored channels in lower-tier markets, and built channel leadership. The integrated operation companies in all regions have deeply focused on local markets and specialized regional operations, fully integrated local customer and market channel resources, enhanced market coverage and penetration by developing and empowering various partners, and continuously eliminated blank and weak markets

to increase market share. During the Reporting Period, the Company spared no effort in developing partners and continued to empower partners. Additionally, it summarized and promoted the partner mechanism has been upgraded in an all-round manner. Relying on the comprehensive advantages of products, service, brands and resources, it developed partners who agree with the Company s culture and operational philosophy. At the same time, it increased the support for partners by improving market and credit management, as well as by cultivating partners capabilities of operation and management, business expansion, and engineering services. Through the synergistic development of diversified businesses, as well as continuously enriching product categories, strengthening product quality, optimising the product structure, upgrading product strategies and other ways, the Company continuously improved the product power and system service capacity, and continued to expand the scope of application in the field of construction materials, so as to drive growth in the engineering business. It further consolidated and developed the strategic cooperation with large quality business groups, and actively expanded and extended customer resources from depth and breadth. In diverse application fields and business scopes such as infrastructure construction, urban emerging infrastructure, industrial and mine warehousing and logistics, affordable housing, urban village transformation and urban renewal, it increased sales and promotion efforts. Besides, it upgraded the means of market management and control, and constantly improved market order by reinforcing means of internal sales control and product tracing.

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

(1) In 2024, Mortar and Powder Technology Group adhered to the business philosophy of of one-stop mortar and powder supply. The group has integrated a professional and lean production system for mortar and powder, promoted the implementation of industry category value chains With an R&D and application technology team based in Beijing, Shanghai and Guangzhou, as well as based on a diversified channel layout, consolidated special mortar system products, vigorously expanded various product domains such as calcium-based powder new materials, general mortar, sand and gravel aggregates and their products, continually increasing its market share in the mortar

and powder market and enhancing its brand influence. During the Reporting Period, while continuing to be engaged in primary product systems such as tile paving systems and wall coating systems, the group swiftly strategized to expand product categories, extend channels, strengthen services, and share profits. It launched to the market new products such as lightweight tile adhesive, waterproof mortar series, flooring system and its ancillary products. Meanwhile, the group steadily explored and applied new technologies such as soil curing technology and stability studies on tile paving systems to meet the needs of customers for different application scenarios.

(2) Based on the accrued R&D achievements, advanced technologies, product systems, system

Sheng (Beijing) New Energy Technology Co., Ltd. (Hong Sheng New Energy), a subsidiary of the Company, integrates the PV-related business and the supply chain-related products of the PV industry. It is committed to becoming a provider of new energy roofing systems that are durable and safe. Hong Sheng New Energy has achieved a brand upgrade, enhancing brand communication and recognition; it has also upgraded its business systems to cover four major segments: commercial and industrial distributed PV, high-end residential green electricity, commercial and industrial energy storage, and PV product trade. Its business covers engineering, procurement and construction (EPC) services for industrial and commercial distributed PV projects, energy management contracting (EMC), investment, operation and maintenance, energy storage systems, integrated services of PV power generation, power storage and power charging, as well as comprehensive energy support services. The distributed PV roofing system launched by Hong Sheng New Energy can meet the needs of distributed PV engineering on various types of roofs, and has been successfully applied in numerous projects such as automobile plants, data centres, and the Company s own newly built and existing production, R&D and logistics bases. It has launched the

Hong+ Villa Green Electricity System, entering the C-end villa PV-storage-charging track. While establishing a domestic channel system and continuously expanding the domestic market, Hong Sheng New Energy explores layouts in North America and Southeast Asia. Moving forward, Hong Sheng New Energy will strive to drive faster growth in the comprehensive energy business including wind and PV power generation and storage by continuing to rely on an extensive marketing system across the country, innovative complete solutions of new energy roofing, a strong brand presence, and excellent integrated service capabilities to accelerate the development of comprehensive energy business including wind, PV power and storage, thereby empowering green and sustainable development with technologies.

-

-

-

-

-

(II) Sales Models

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

Under direct marketing, the Company directly develops, sells products to and serves the final product users and customers. It has entered into strategic cooperation agreements or long-term supply agreements with many large quality business groups. Meanwhile, it has enhanced customers confidence by coming into direct contact with them in professional market segments such as industrial constructions, energy construction, railway, highway, rail transit, tunnels and underground projects, projects that concern people s livelihood, among other things. Additionally, it

(2) Key Financial Information by Quarter

-						
- -			- -			

☑ applicable

-								

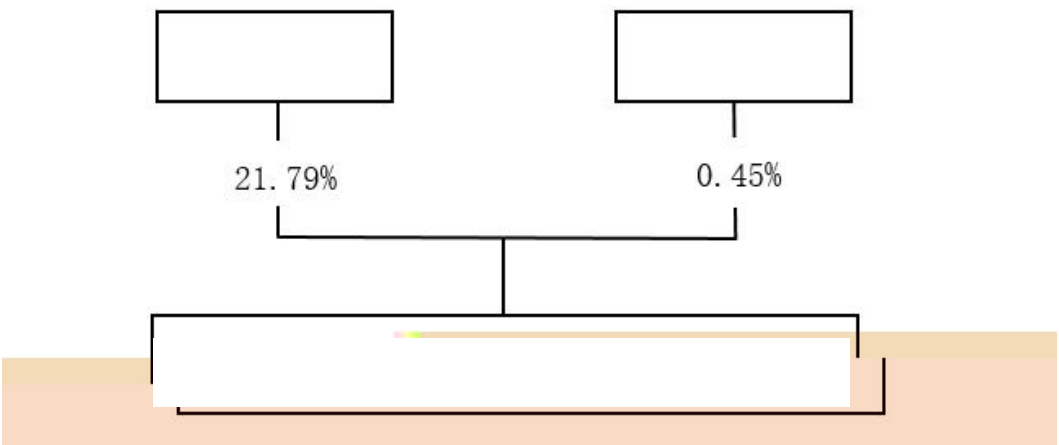
☑ Not applicable

(2) Number of Preferred Shareholders and Shareholdings of Top Ten 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 -in-concert party.

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

☑ Not applicable

Part III Significant Events

(I) Overview

The Company remained dedicated to its strategic positioning of high-quality and more solid development, gave top priority to risk control, and insisted on sound operation and putting risk control in the first place to significantly enhance operational quality. During the Reporting Period,

philosophy and principles of the *Basic Rules of Oriental Yuhong*, the Company actively promoted business structure transformation and upgrading. Always being customer-oriented, the Company aims to accommodate various application scenarios and market changes. It has become a construction materials system service provider that focuses on building waterproofing and extends to diversified fields including civil construction materials, mortar and powder, architectural coatings, energy-saving and thermal insulation materials, adhesives, tubes, building renovation, new energy, non-woven fabrics, specialized films, and emulsions.

-

-

Leveraging the customer resources accumulated based on the main business of waterproofing,

the synergy of sales channels and a strong brand presence, the Company developed non-waterproofing businesses at a faster pace. Based on quality products and professional system services, the Company provided more refined one-stop construction material and system solutions to customers. With the synergistic advantage of the main waterproofing business s national channel network, the non-waterproofing businesses, such as mortar and powder, achieved faster growth, providing a second growth curve for the Company s sustainable development in the future, and taking a solid step toward realizing the dual main businesses of waterproofing and mortar/powder.

- -

3. Retail

V

The Company s retail business includes the Civil Construction Materials Group and C-end service platform, as well as the building coatings retail business segment. In 2024, the Company s retail business achieved operating revenue of RMB10,209 million, a year-on-year increase of 9.92%, accounting for 36.39% of total revenue, further increasing the share of retail business. Among them, the Civil Construction Materials Group, centred on users, combined industry development status with actual consumer needs to make technological breakthroughs, continuously providing consumers with innovative products with high technical content, environmental safety, and system solutions specially designed for various types of residential buildings. These solutions cover six key areas: waterproofing and moisture-proofing, wall coating, tile laying, joint beautification, sealants, and pipeline laying, meeting the diversified needs across various application scenarios. In 2024, the Civil Construction Materials Group achieved operating revenue of RMB9,373 million, a year-on-year increase of 14.58%. At the end of the Reporting Period, in order to integrate and enhance retail service capabilities and serve the C-end heavy renovation and maintenance markets more professionally and efficiently, the original retail business segment under the Building Renovation Group was integrated with the "Reliable Yuhong Service" of the Civil Construction Materials Group, forming a unified C-end service platform managed by the Civil Construction Materials Group. The building coatings retail business, focusing on the core requirement of improving business quality, systematically reviewed its organizational structure, brand operations, channel management, and service systems. By positioning the "DWA" and "Alpina" brands, it built a comprehensive product line covering interior wall coatings, artistic coatings, exterior wall coatings, and base materials, while exploring new ecosystems and profit growth points for the research and development, production, sales, and technical services of coatings retail business.

4. **Overseas first, accelerating global expansion**

-

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

During the Reporting Period, the Company actively focused on key research and development -carbon, and cutting- effectively promoting the organic integration of industrial chain, innovation chain, and value chain through continuously strengthening basic and core technology breakthrough capabilities, innovating scientific research mechanisms throughout the entire chain, and establishing a comprehensive technology transformation system. Leveraging platforms such as the National Key Laboratory of Special Waterproof Materials, the Nationally Recognized Enterprise Technology Centre, postdoctoral research stations, and the North American R&D centre, the Company focuses on current industry needs and trends. Through the application of new materials, new technologies, and new processes, it improved product and service quality, reduced energy consumption, and decreased carbon emissions. Furthermore, the Company implemented lean production management and innovates in R&D technology and the conversion of scientific and technological achievements, striving to build a high-quality scientific research and innovation system. This forms a full lifecycle innovation ecological chain that integrated "fundamental research, technological breakthrough, commercialization of research findings and industrial integration". The innovation-driven development strategy is integrated into system construction, scientific and technological research and development, product quality, manufacturing, system services, talent development, and cooperative exchanges, continually shaping new drivers and advantages for development and cultivating a new ecosystem for smart manufacturing. As of the end of the Reporting Period, the Company held a total of 1,916 valid patents, including 1,897 valid domestic patents (comprising

420 invention patents, 1,187 utility models, and 290 design patents) and 19 valid oversea patents. During the Reporting Period, the Company focused on industry development, market demands, and achievement transformation for multiple innovation projects. At the same time, th

-

-

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

4. Periodicity, seasonality and regionality of the industry

(1) Periodicity. Waterproof construction material industry is a fundamental industry in the field of building materials, without clear periodicity.

(2) Seasonality. Waterproof construction material industry has seasonality to a certain extent. In North China, the first quarter of each year is generally the slack season for the sales of waterproof building materials and engineering construction because of cold weather. In South China, the seasonality of waterproof building materials is mainly reflected in the reduction in construction in rainy seasons.

(3) Regionality. The economic transportation radius of waterproof building materials is approximately 500 kilometres, so this industry has certain regional characteristics. The enterprises in the industry are generally of small scale, and many of them limit the sales of waterproof materials to the regions where the materials are produced, further reinforcing the regional characteristics of the industry. Therefore, in order to grow bigger and stronger in the industry and increase market shares, it is all the more necessary for enterprises of this industry to build production bases at home and abroad and actively conduct cross-regional and international business.

The Company has built R&D centres for production and logistics in regions such as North China, East China, Northeast China, Central China, South China, Northwest China, and Southwest

China. Additionally, it intends to build factories in Southeast Asia, the Middle East, North America progressively to cater to customers worldwide. Its production capacity is arranged extensively and rationally to ensure that its products can be sold to markets 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

The main raw materials required for the Company s production include asphalt, SBS modifiers, polyester base fabric, emulsion, polyether, TDI, MDI, and TPO resin, among others. The supply remains sufficient and stable. Among these, asphalt is one of the Company s primary raw materials. During the Reporting Period, the prices of some raw materials, represented by asphalt, remained at high levels, exerting a certain impact on the Company s overall gross profit margin. With a mature and comprehensive raw material procurement system, the Company has leveraged its economies of scale to establish strategic partnerships with major upstream raw material suppliers, ensuring a stable and long-term supply of key raw materials at relatively low prices to reduce production costs. The procurement department closely monitors market trends and strategically schedules the purchasing of critical materials. Various departments work efficiently together to control costs through technological advancements, centralized procurement of key raw materials, enhanced bargaining power, and economies of scale. Additionally, based on production and operational needs as well as industry market conditions, the Company adopts strategies such as off-season purchasing and opportunistic procurement to further lower procurement costs. To ensure the stable supply of certain critical raw materials and further optimize material costs, the Company has extended its industrial chain upstream to cover non-woven fabrics, specialty films, VAE emulsions, and VAEP adhesive powders. These initiatives strengthen the Company s resilience in procurement and enhance its cost advantages.

(III) Business Plan for the Coming Year

-

-

-