Stock Code: 002271 Stock Name: Oriental Yuhong Announcement No. 2023-062

BEIJING ORIENTAL YUHONG WATERPROOF TECHNOLOGY CO., LTD.

INTERIM REPORT 2023 (SUMMARY)

Part I Important Notes

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

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position and future development plans, investors should carefully read the aforesaid full report, which has been disclosed together with this Summary on the media designated by the China

☑ Not applicable

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

☑ Not applicable

The Company has no interim dividend plan, either in the form of cash or stock.

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

☑ Not applicable

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

Part II Key Corporate Information

1. Stock Profile

Stock name	Oriental Yuhong	Stock code	002271
Stock exchange for stock listing	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Zhang Bei		
Office address	Courtyard 19, 9th Kechuang Street,		

	Beijing Economic-technological Development Area, Beijing	
Tel.	010-59031997	
E-mail address	stocks@yuhong.com.cn	

2. Key Financial Information

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

☑ No

	H1 2023	H1 2022	Change (%)
Operating revenue (RMB)	16,851,932,121.34	15,306,713,510.11	10.10%
Net profit attributable to shareholders of the Company (RMB)	1,334,270,475.95	966,397,039.25	38.07%
Net profit attributable to shareholders of the Company before exceptional gains and losses (RMB)	1,242,925,809.32	890,389,636.18	39.59%
Net cash generated from/used in operating activities (RMB)	-3,943,075,794.43	-6,980,368,375.70	43.51%
Basic earnings per share (RMB/share)	0.53	0.38	39.47%
Diluted earnings per share (RMB/share)	0.53	0.38	39.47%
Weighted average return on equity (%)	4.88%	3.55%	1.33%
	30 June 2023	31 December 2022	Change (%)
Total assets (RMB)	49,269,869,927.15	50,555,779,624.44	-2.54%
Equity attributable to shareholders of the Company (RMB)	27,908,705,630.64	26,807,182,612.69	4.11%

3. Shareholders and Their Holdings as at the End of the Reporting Period

Unit: share

Number of ordinary shareholders	152,118	Number of preferred shareholders with resumed voting rights (if any)	0

Top 10 shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares	Restricted shares	Shares in pledge, marked or frozen	
					Status	Shares
Li Weiguo	Domestic natural person	22.69%	571,332,887	428,499,665	In pledge	270,723,639
Hong Kong Securities Clearing Company Ltd.	Foreign legal person	11.09%	279,299,691	0		
Xu Limin	Domestic natural person	2.87%	72,269,250	54,201,937		
HFT Fortune Asset Management 2021 Employee Stock Ownership Plan of Beijing Oriental Yuhong	Other	1.96%	49,471,665	0		

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	1.63%	41,070,120	0		
UBS AG	Foreign legal person	1.59%	40,105,617	0		
Janchor Partners Janchor Partners Pan Asian Master Fund RQFII	Foreign legal person	1.39%	34,974,679	0		
Abu Dhabi Investment Authority	Foreign legal person	1.07%	26,911,630	0		
China Merchants Bank Co., Ltd. Ruiyuan Balanced Value Threeyear Mixed Securities Investment Fund	Other	1.01%	25,400,087	0		
Related or acting-in-concert parties among the shareholders above	It is unknown whether there is any related party or acting-in-concert party as defined in the Measures for the Administration of the Takeover of Listed Companies among the shareholders above.					
Shareholders involved in securities margin trading (if any)	Shareholder HFT Fortune Asset Management 2021 Employee Stock Ownership Plan of Beijing Oriental Yuhong Waterproof Technology Co., Ltd.-HFT Fortune Oriental Yuhong Employee Stock Ownership Single Asset Management Plan purchased 49,471,665 shares in the Company through securities margin trading.					

4. Change of the Controlling Shareholder or the Actual Controller in the Reporting Period

Change of the controlling shareholder in the Reporting Period:

☑ Not applicable

The controlling shareholder remained the same in the Reporting Period.

Change of the actual controller in the Reporting Period:

☑ Not applicable

The actual controller remained the same in the Reporting Period.

5. Number of Preferred Shareholders and Shareholdings of Top 10 of Them

☑ Not applicable

No preferred shareholders in the Reporting Period.

6. 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 Notes) of Beijing Oriental Yuhong Waterproof	22 Oriental Yuhong ABN001 Subordinated	082282005	15 December 2022	18 September 2023	2,500	-

Technology Co., Ltd. in 2022 Subordinated						

(2) Financial Indicators as of the end of the Reporting Period

Item	30 June 2023	31 December 2022
Debt/asset ratio	42.57%	46.22%
Item	H1 2023	H1 2022
EBITDA-to-interest cover (times)	46.23	36.26

Part III Significant Events

I Principal Operations of the Company in the Reporting Period

(I) Overview

In the first half of 2023, China adhered to the general keynote of seeking progress in a stable manner, implemented the new development concept completely, accurately and comprehensively, accelerated the construction of a new development pattern, and focused on promoting high-quality development, with the national economy picking up as a result. Meanwhile, considering the various external instabilities and uncertainties, more efforts are needed to drive continuous economic recovery and growth. Given the complex, changeable macro environment and multiple risks and challenges, Oriental Yuhong forged ahead with confidence and determination. Guided by the Staying True, Maintaining Integrity, Sharing Common Ambitions, and Driving Innovation Pursuing Faster Growth Unremittingly, Evolving Fiercely, and Making the Impossible Come True principles of the Basic Rules of Oriental Yuhong, the Company rose to the uncertainties of the market, maintained strategic determination, enhanced confidence in development, and continued moving forward with practical efforts and commitment.

During the Reporting Period, the Company remained dedicated to its strategic positioning of high-quality and more solid development, gave top priority to risk control, and insisted on sound operation and putting risk control in the first place. It upgraded the credit management mechanism, practically improved business quality, further implemented channel reform and changed the direct selling mindset. Always giving priority to retail business and partners, the Company upgraded the

partnership policy to empower partner development and create the leading superiority of channels, and focused on implementing and refining various initiatives and implemented the business management model. By orderly mining and empowering all kinds of partners, the Company proactively expanded diversified application scenarios including the construction of transportation, water conservancy and other infrastructure facilities and urban emerging infrastructure, industrial and mining warehousing and logistics and affordable housing, gave full play to technical advantages to enrich product categories and upgrade the system, and increased its market share in the housing sector while exerting efforts in the existing construction market and developing old house renovation and urban renovation projects. The retail channel of the Company, represented by civil construction materials, continued to maintain rapid growth, and the above measures gradually released the Company from the impact of the fluctuations in the real estate industry. During the Reporting Period, always being customer oriented, the Company focused

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

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. It has more than 30 vocational training branches across the country and carried out the level certification, training and examinations of vocational skills. Additionally, it held enterprise vocational skill level certification qualifications for 19 related types of work in the building materials industry, including . It has National Construction Waterproofing Vocational Skills Competition for 10 consecutive years, it has held national second-class competitions, industry competitions and other vocational skill competitions for two consecutive years, such as the National Competition for the Vocational Skills of the Prefabricated Building Industry. By doing so, it cultivated and selected high-level technical

and skilled talent and provided an important impetus to the high-quality development of the industry. To deepen enterprise-education integration, the Company has cooperated with 12 vocational schools nationwide and

prefabricated installation method of interior decoration. Shanghai InfinShine New Material Technology Co., Ltd., a subsidiary of Wonewsun, continued to work hard on energy-saving and thermal insulation materials for industrial buildings and develop new products and new systems in H1 2023, and is committed to improving the thermal insulation, fire insulation and sound insulation performance needed by industrial buildings.

During the Reporting Period, Hongshi (Jiangsu) New Material Technology Co., Ltd. (Hongshi New Materia), a wholly-owned subsidiary of the Company, put into operation the phase I VAE emulsion and VAEP powder project in Yangzhou Chemical Industrial Park, and its products can be widely used in various specialized adhesives, waterproof coatings, and tile adhesives, putty powders, thermal insulation mortar, renovation mortar, floor and other specialized mortar and building powders. It marks the further improvement of the risk resistance of the Company's supply chain, soundly safeguards the stability and cost-efficiency of the supply of some core raw materials such as emulsion, and creates a new growth point for revenue.

The Company develops, produces and markets new waterproof materials for buildings, as well as provides waterproof engineering. It is a provider of integrated construction materials that concentrates on waterproofing as the core business, as well as extends to civil construction materials, mortar and powder, building coating materials, energy-saving and heat preservation materials, adhesives, tube materials, building renovation, woven fabric, specialized film, emulsion, etc.

The Company provides quality products and professional system services for buildings, high-speed railways, metro and urban railways, highways & urban roads and bridges, airports, water

iconic buildings such as the Chairman Mao Memorial Hall, the Great Hall of the People, 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

partners by improving market and credit management, 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 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. Diverse application fields and business scopes, such as infrastructure construction, urban emerging infrastructure, industrial and mine warehousing and logistics, as well as affordable housing and urban renewal, it increased sales and promotion efforts. Besides, it upgraded the means of market management and control, and constantly improved market order by reinforcing means of internal sales control and product tracing.

2. The retail business: During the Reporting Period, the retail business, represented by Civil Construction Materials Group, the building coating retail (or "DAW coating retail") division, and Building Renovation Group Yuhong Home Delivery Service, took solid steps and input more efforts. During the Reporting Period, the Company continued to expand business in the field of civil construction materials, vigorously developed its retail business, strengthened its brand, upgraded its services, expanded its product categories, and continuously improved customer experience to increase core competitiveness.

operating revenue of RMB3,051,288,500 million, a year-on-year increase of 32.21%, which accounted for 29.98%

(1) Civil Construction Materials Group

During the Reporting Period, Civil Construction Materials Group, upholding the dual main business strategy of waterproofing and moisture-proofing systems and the tile fitting and grouting systems, continued to increase its market share in waterproof coating and membrane repair products, focused on the development of tile fitting and grouting product lines, expanded its end-C influence, and continued to enrich product categories by cultivating reinforcement, putty powder and other wall auxiliary product lines, promoting the development of adhesive products and incubating new

hardware and tube product types. In line with the core service concept of centering on customers, the Company gradually formed a one-stop building materials purchase platform for consumers, in a bid to provide consumers with a safe and reassuring living environment. For the first half of 2023, Civil Construction Materials Group registered operating revenue of RMB3,884 million, up 34.69% 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, the group focused on improving the service quality and quantity of offline outlets, made outdoor advertisements more visible, deepened brand influence while actively exploring the ways to enhance brand influence, and carried out multi-dimensional publicity based on the Internet media matrix. Through the official website, WeChat public account, WeChat video account, Sina Weibo, Douyin, Zhihu, Xiaohongshu and other media platforms, the group intensified brand influence in all directions, captured online and offline domain traffic, and continued to build brand influence and shape brand awareness among end users.

2) Channel development: Civil Construction Materials Group continued to cultivate lower-tier channels and improve channel operation quality to guarantee continuous, rapid and healthy channel development. It focused on weak markets, further broadened city coverage of keyt produc categories, and strongly supported the channel expansion of new products. It highlighted dealer training and team building, helped dealers get bigger and stronger, optimized the channel structure, implemented the outlet grading system, standardized the procedures for visits and other operations, and reinforced traditional advantageous channels. Furthermore, the Company optimized the sales organizational structure, adapted to the needs of multi-product-category and multi-channel development, used the information platform for online management of sales staffers, and created a convenient and efficient management model. By the end of the Reporting Period, it had made remarkable achievements through key initiatives such as eliminating gaps, strengthening and improving distribution and expanding categories, developing nearly 700 new dealers with an annual turnover of over RMB1 million, with nearly 200,000 distribution outlets and nearly 50,000 shops. At the same time, it continued to strengthen its cooperation with decoration companies and industrial decoration companies to achieve win-win results.

The group also upgraded the operation of the exclusive store channel. Centering on product upgrading, the group launched the Premium series new products, so that products on sale in exclusive stores were more environmental and complete. Centering on experience upgrading, the group provided premium shopping guide service and online order and local delivery service, so that consumers would have more professional and convenient experience. Centering on digital upgrading, the group built a unified retail management system and developed a strict price check mechanism, so that consumers would shop trustingly.

Through continuous expansion of the e-commerce channel, the group further met consumer demands and empowered the channel more effectively. In terms of key categories, the group developed more applicable products in light of consumer demands, and launched more DIY products mainly under the Tujiajia brand to improve consumers' DIY experience. It made available waterproofing, grouting, refresh service and hemming service on the online platform, and deepened system building, so as to provide customers with better service experience and thoroughly empower channels. In addition to mainstream e-commerce platforms such as Tmall, JD and Pinduoduo, the group opened stores and accounts in more e-commerce platforms such as Douyin for live selling, and also fully utilised the advantages of efficient online information dissemination to provide clearer product display and more efficient delivery of quality products to consumers.

3) Membership operation: The group accelerated the building of the membership operation as the core, and constructed the company-dealer-exclusive store-foreman comprehensive operation system. Foreman members can buy products, get training and certification and exchange . Meanwhile, the group continuously organized skill contests and certification courses for foreman members, and deeply

free anti-mould tile adhesive products, 99% anti-bacterial hemming adhesive products, anti-bacterial pipes and other innovative products, and its products 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, CIAA anti-bacterial certification, green product certification, green construction material certification and British WRAS drinking water safety certification.

-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 coating retail has always adhered to the tonality and product quality and experience as a German brand in the retail business of building coatings. It has carried out systematic marketing with a focus on products and combining the German coating process. It also gives full play to the colour and function advantages of German products. In terms of environmental protection, it lthy, green and environment and -based content of up to 30%. With respect to colours, it owns a huge colour formula system of eight million colours. With product philosophy and the 2088 color system, DAW has now become 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, mass coating empowerment, etc., DAW has successfully obtained more than 2,200 distributor partners and 25,000 sales outlets.

3) Supported by the color system, DAW successfully cooperated with approximately 200 leading home decoration companies and over 4,600 regional home decoration companies. Additionally, it built more than 1,700 exclusive shops in major markets nationwide. Through the aforementioned cooperation, it achieved brand publicity and promotion and attracted customers for its products.

4) In terms of brand promotion for members, DAW deeply explored new ways of Internet interaction to empower new retail. It took the lead in launching the "Rise of Members" campaign in the industry, a new brand promotion program for members, and creating profiles of member customers. Targeting professionals, the campaign helped DAW gradually secure over one million professional members. Additionally, multiple marketing methods were adopted to enhance customer stickiness and drive them to make repurchases.

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

During the Reporting Pe s Yuhong Home Delivery Service focused on the existing market, continued to improve the service system and refine business segments, focused on primary-level communities, and is committed to opening up last mi of Yuhong Home Delivery Service. With leakage repair as the start point of business flow, Yuhong Home Delivery Service provided diversified services, including leakage repair, refresh, door and window repair, air treatment, HVAC repair, ad and overall renovation, relocation decoration, smart leakage check and smart renovation, as well as one-stop solutions centering on home repair, and built a reliable brand in the home renovation market well Yuhong Home Delivery, Your Only Cho . Guided solvi , Yuhong Home Delivery developed business in depth in home repair, home decoration and home renovation sectors, as well as established a standard, professional and systematic service platform. 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. Co offline stores, commodity supply chain, home services, and service commod omnichannel an commodity, supply in the home decoration materials and building renovation industry. By doing so, it will achieve brand and

channel empowerment in the field of building renovation. As of the date of disclosure of this Report, Yuhong Home Delivery Service has built more than 600 stores across the country, including operation centers and community service stations.

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) During the Reporting Period, Mortar and Powder Technology Group has always adhered to and been committed to becoming a service provider of one-stop mortar and powder supply. While continuously and steadily developing the five mainstream tile fitting systems, wall coating systems, thermal insulation bonding systems, roof leveling systems and basic construction systems, it actively responded to the increasing product categories and needs, and vigorously promoted the R&D and supply of gypsum mortar, waterproof facade mortar and decorative mortar products, so as to meet the needs of customers for different application scenarios. In view of the sensitivity of construction mortar and powder products to haul distance, the group further optimized the layout of national production bases, laying a solid foundation for achieving a nationwide supply radius of 300 km and 24-hour delivery.

In terms of retail channels and outlets, the group rapidly expanded the coverage of mortar and powder products. On the engineering side, the group established a company integrating sales, technical, supply, manufacturing and service business based on factories, improving both response speed and service quality in all directions. In H1 2023, it has had more than 700 professional mortar and powder dealers in the engineering channel across the country, and further advanced brand promotion, and proactively facilitated the inclusion of the brand into the centralized procurement database for enterprises, so as to facilitate project implementation in H2.

(2) 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 PV building materials, Hong Sheng New Energy Technology Co., Ltd., a wholly-owned subsidiary of the Company, integrated the PV-related business and the supply chain related to PV products of the PV industry. It is committed to becoming a provider of new energy roofing systems

that are durable and safe. Its business covers engineering, procurement and construction (EPC) services for industrial and commercial distributed PV projects, energy management contracting (EMC), investment, operation and maintenance, energy storage systems, integrated services of PV power generation, power storage and power charging, as well as comprehensive energy support services. Its industrial and commercial distributed PV roofing systems have formed a full-cycle multi-dimensional service chain that covers R&D, design, manufacturing, construction, operation and other processes, making it capable of meeting the needs of distributed PV engineering on various types of roofs. They have been applied to multiple projects, including automotive plants and data centers, as well as the Company's newly established and existing self-developed PV adhesive film was successfully put into mass production, further extension to the upstream of the photovoltaic industry chain. Meanwhile, it has established strategic cooperation with China Power to seize opportunities in fields such as new energy development, building waterproofing and PV integration, and energy storage. 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., which has started to market. Also, it signed a comprehensive strategic cooperation agreement with LONGi to jointly promote cooperation in the field of BIPV through complementary advantageous resources. In addition, it joined hands with PCG Power to work on new energy engineering projects. Moving forward, Hong Sheng (Beijing) New Energy Technology Co., Ltd. will strive to drive faster growth in the comprehensive energy business including wind and PV power generation and storage by continuing to advance its extensive marketing system across the country, innovative complete solutions of new energy, a strong brand presence, and excellent integrated service capabilities, thereby empowering green and sustainable development with technologies.

(III) Sales Models

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

product marketing and provision of system services:

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

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

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

special operation of regions, as well as developing and empowering various partners, they have enhanced local market coverage and penetration. Meanwhile, all sales channels and business lines worked together to drive up local market share. In the meantime, by actively leveraging the synergy between customer resources and sales channels accumulated based on the main business of waterproofing, the Company developed mortar and powder building coating materials, energy saving and heat preservation materials and other businesses, providing complete building material solution packages for customers.

2. The retail channel dealer

Yuhong Home Delivery Service division. An all-in-one composite marketing network covering dealers of home decoration companies, construction material supermarkets, construction material markets, operation centres and community service stations as well as e-commerce platforms has been put in place to serve the general consumer home decoration and renovation markets.

(IV

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.

Currently, with low concentration, market fragmentation and unhealthy competition,

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

II Analysis of Principal Operations

(I) Breakdown of Operating Revenue

Unit: RMB

	H1 2023		H1 2022		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	16,851,932,121.34	100%	15,306,713,510.11	100%	10.10%
By business division					
Waterproof materials	12,368,748,419.15	73.40%	11,337,288,784.97	74.07%	9.10%
Mortar and powder	1,904,521,468.66	11.30%	1,331,922,122.22	8.70%	42.99%
Engineering services	1,367,495,530.45	8.12%	1,439,346,541.54	9.40%	-4.99%
Other principal operations	790,714,537.46	4.69%	598,321,677.98	3.91%	32.16%
Other businesses	420,452,165.62	2.49%	599,834,383.40	3.92%	-29.91%
By product category					
Waterproof sheet materials	7,183,889,078.91	42.63%	7,103,447,974.54	46.41%	1.13%
Coatings	5,184,859,340.24	30.77%	4,233,840,810.43	27.66%	22.46%
Mortar and powder	1,904,521,468.66	11.30%	1,331,922,122.22	8.70%	42.99%
Engineering services	1,367,495,530.45	8.12%	1,439,346,541.54	9.40%	-4.99%
Other principal operations	790,714,537.46	4.69%	[redacted]		
Other businesses	420,452,165.62	2.49%	599,834,383.40	3.92%	-29.91%
By geographic segment					
Mainland China	16,471,269,027.21	97.74%	14,957,302,164.44	97.72%	10.12%

Engineering	6,142,050,842.49	36.45%	4,848,293,435.59	31.67%	26.68%
Direct marketing	5,238,140,660.71	31.08%	6,037,984,063.19	39.45%	-13.25%
Other channels	420,452,165.62	2.49%	599,834,383.40	3.92%	-29.91%

(II) Business Divisions, Product Categories and Geographic Segments Contributing over 10% of Operating Revenue or Operating Profit

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)