



Oriental Yuhong

2023

Sustainability Report



About this Report

This report is the 16th sustainability report issued by Beijing Oriental Yuhong Waterproof Technology Co., Ltd. (reports issued in 2021 and earlier were known as social responsibility reports). This report provides a panorama of the Company's efforts in fulfilling its social responsibility and advancing sustainable development.

Scope of the Report

This report focuses on Beijing Oriental Yuhong Waterproof Technology Co., Ltd. (hereinafter "Oriental Yuhong", "the Company" or "the Group"), including Oriental Yuhong and its majority-owned subsidiaries, except for organisations specified otherwise.

Reporting Period

This report is published annually covering the period from 1 January 2023 to 31 December 2023. To ensure the continuity and clarity of disclosure, some of the content may go beyond the scope listed above.

Reporting Reference

This report is compiled in accordance with relevant requirements of the *Self-regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange -- Standardised Operation of Companies Listed on the Main Board*, along with a wide array of references, such as the United Nations Sustainable Development Goals (UN SDGs), the *ISO 26000: 2010 - Guidance on Social Responsibility* released by the International Organisation for Standardisation, the Global Reporting Initiative (GRI) Standards for Sustainability Reporting (GRI-Standards).

Data Source and Currency Unit

The financial data presented herein are sourced from the *Company's annual reports*, while other data are obtained from the Company's internal statistics and relevant documents. Unless otherwise specified, all monetary figures mentioned herein are in RMB. In case of any inconsistency between the data for the Reporting Period and those in reports for previous years due to adjustments to the statistical scope and methods for certain content, data in this report shall prevail.

Reporting Commitment

The Company's Board of Directors undertakes that this report is free of any false or misleading information and is responsible for the authenticity, accuracy and integrity of its contents.

Report Availability

This report is published in both simplified Chinese and English. In case of any discrepancy between the two versions, the simplified Chinese version shall prevail. You can access and download this report from Oriental Yuhong's official website at <http://www.yuhong.com.cn>.

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Letter from the Chairman



Li Weiguo
Chairman of Oriental Yuhong

Oriental Yuhong began its journey in the realm of construction and building materials in Hunan Province, China. From the picturesque province to bustling Beijing, then onwards to the global stage, we have braved currents and storms, tackling daunting challenges with unwavering determination. Throughout our journey for over two decades, we have stayed true to our mission of "to create a sustainable and safe environment for human society".

Positioned as an enterprise dedicated to enhancing processes, we have been holding high the banner of craftsmanship in the commercial arena, refusing to produce anything below the standards. We uphold humility and simplicity, striving to create a safe living environment amidst grit and grime. Guided by the corporate values of "genuineness, excellence, elegance" and the ethos of innate goodness, we pursue operating management on the principle of business altruism. We foster partnerships based on humility, equality, and consultation, in a bid to share success and co-build a brighter future. We have been anchored in our "platform plus creator" operational and management model for years. Leveraging the strengths of our platform that integrates products, technologies, and services, we have offered an open platform to bold doers so that they can share resources, engage in joint ventures, and embrace diverse perspectives. Our ultimate goal is to ignite inner drive and foster collaboration to the utmost, thereby encouraging the pursuit of progress and goodness. This can empower doers with a sense of responsibility to chart their own path in both their career and future. Currently, our "platform plus creator" model is gaining momentum nationwide, thanks to its proven effectiveness and remarkable results.

In the face of an ever-changing and competitive market environment, we remain committed to innovation, continuously sharpening our capabilities to respond to changes. We spark internal innovation vitality, continuing to develop and introduce core technologies. We have formed a robust cycle between technological innovation and market demands to ensure thorough implementation of our innovations, thereby facilitating the achievement of the Company's sustainable development, along with its strategic goals. To deliver low-carbon and environmentally friendly solutions, enhance efficiency through innovation, and carry out digital and intelligent upgrading, we have vertically integrated new technologies, processes and materials by relying on our robust industrial foundation, talent strengths, and technological innovation resources. Horizontally, we are advancing intelligent manufacturing, energy conservation and emission reduction, and lean management, making every effort to promote the establishment of a research and production system and empower the Company's high-quality growth.

Amid the global tackle climate change, we have redoubled our efforts to deepen the low-carbon feature of our products, in addition to maintaining their existing environmentally friendly and health-oriented features. We have developed a wide array of low-carbon products, service systems, and construction equipment, such as biobased waterproof coating product, the Hong Sheng PV Roofing System and the EDEE Industrial Prefabricated Roofing System. They have not only provided buildings with fundamental protection but have also met customer demands for low-carbon and healthy building materials. This demonstrates our commitment to supporting the low-carbon cause of the construction industry using our professional strengths.

Throughout our winding journey, we have always held profound reverence for nature and deep appreciation for the resources it has endowed. We have also championed the responsible use of these gifts. We emphasise resource sustainability and the protection of biodiversity and nature and have proactively promoted green lifestyles, objecting to any concept or practice that may endanger the environment or go against humanity and the law. We have acted in an eco-friendly manner in both production and life, thereby fostering a harmonious relationship and sustainability regarding humanity, buildings and nature.

As business organisations, enterprises exist to meet social and environmental needs. Anchoring "sustainable operations", Oriental Yuhong has tirelessly refined our corporate values over the long term to reinforce our cornerstone. More than simply meeting customer and market demands, we aspire to create better-than-expected long-term value for customers, the market, and society in economic, social and environmental domains.

Throughout human history, social evolution has been marked by a tapestry of intertwined dynamics and conflicts. From the "agrarian society" to the "industrial civilisation", and then onwards to the "modern civilisation", seismic shifts and leaps have grown out of the crucible of adversity. The building waterproofing industry is in the throes of transformation, presenting both challenges and opportunities. It is also an opportune moment for upgrading and restructuring. In this context, we are poised to seize the change for growth with courage and resilience.

We will continue to uphold the philosophy of craftsmanship and stay true to our original aspiration. We will act on diligence and humility, delivering our commitments through thick and thin. The obstacles to achieving advancements in core technologies, sustainable development, and societal transformation, as well as striving for an improved quality of life for all, are more formidable than ever. This necessitates us to have the courage to ride the waves and confront adversity with bravery, exhibiting the perseverance of "withstanding a thousand tests and hardships, yet remaining unyielding," to accomplish noteworthy accomplishments befitting our era and carry out our duties with honour. With unwavering dedication, we march boldly towards our vision of "to be the most valuable global enterprise in the construction materials industry".

A handwritten signature in black ink, appearing to be the name 'Li Weiguo' in Chinese characters.

About Us

The Company Profile

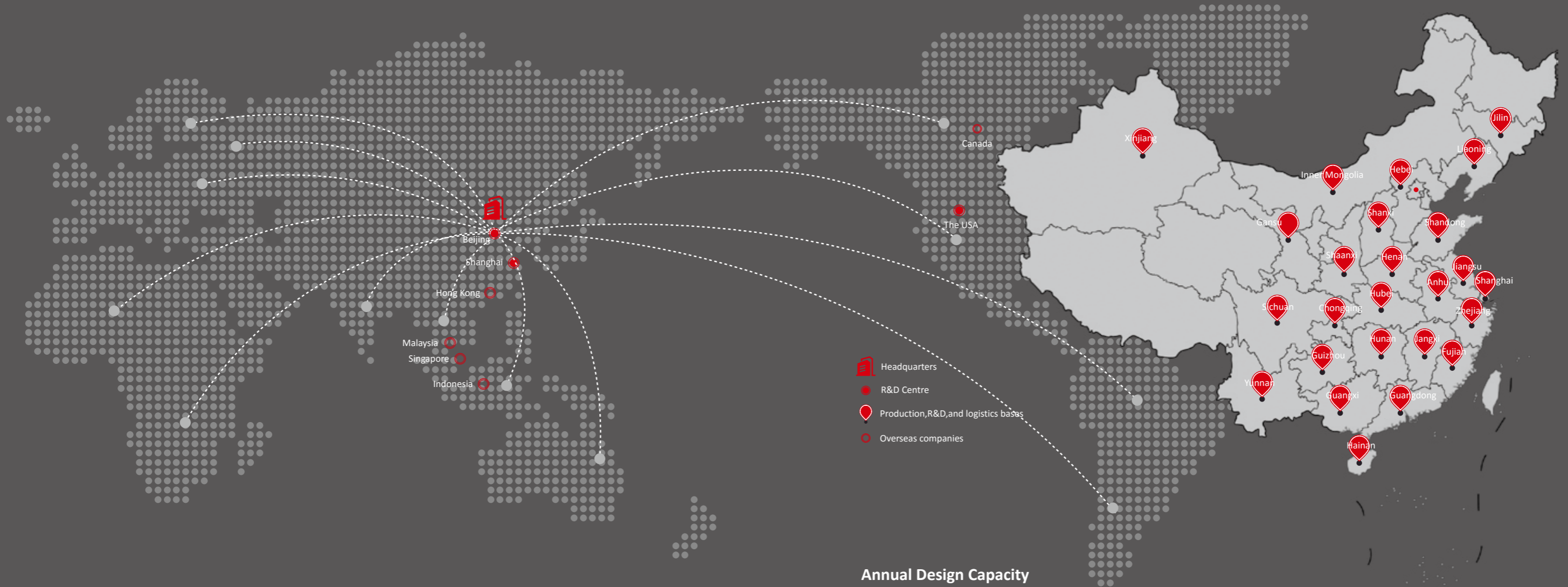
Beijing Oriental Yuhong Waterproof Technology Co., Ltd., established in 1995 and headquartered in Beijing, China, was publicly listed on the Shenzhen Stock Exchange in 2008 (stock code: 002271). The Company primarily engages in the research and development, production, sale, and construction of modern waterproofing building materials. It continually extends its reach across both upstream and downstream sectors and related industries, gradually evolving into a diversified provider of building materials system services, encompassing building waterproofing, civil construction materials, mortar and powder, building coatings, energy-saving insulation, adhesives, pipe industry, building renovation, new energy, nonwoven fabrics, specialty films, and emulsions.

The Company operates over 60 production, research and development, and logistics bases nationwide and has more than ten major sub-brands, covering insulation and energy-saving product systems, Tiandingfeng nonwoven fabrics product systems, DAW building coatings product systems, Vasa product systems, and BiAn construction powder material product systems. Its high-quality products and professional system services are extensively applied in various domains such as residential construction, high-speed railways, subways and urban rail, highways and urban roads and bridges, airports, and water conservancy facilities. The Company provides comprehensive, high-quality system solutions to tens of thousands of significant infrastructure, industrial, and civil and commercial construction projects. These include iconic Chinese constructions like the Great Hall of the People and the Bird's Nest, Beijing Olympic venues, as well as major national infrastructure projects such as the Beijing-Shanghai High-Speed Railway and Beijing Subway, and internationally renowned projects under the "Belt and Road" initiative, thereby crafting a "professional calling card" for China's building materials system services industry with its high-quality and efficient products and services.

In 2023, the Company was ranked among the Fortune China Top 500 Listed Companies, the Top 100 Global Building Materials Listed Companies in Comprehensive Strength, and the Top 100 Listed Companies in China by ESG standards.



Business Distribution



For over two decades, Oriental Yuhong has provided high-quality system solutions for tens of thousands of significant infrastructure, industrial buildings, and civil and commercial construction projects.

The Company pursues high-quality, robust development and has established over 60 production, research and development, and logistics bases globally. Its products are exported to more than 130 countries and regions including Germany, Brazil, Australia, the United States, Canada, Russia, Japan, Singapore, and South Korea.

Annual Design Capacity

About 1.3 billion square meters

waterproof sheet materials

Approximately 4.1 million tonnes

waterproof coatings

About over 11 million tons

mortar and powder

60+

production, R&D, and logistics bases

200+

advanced production lines

130+

countries/regions where products are distributed

Over 8.5 million cubic meters

heat preservation materials

Nearly 0.7 million tonnes

building coatings

About 0.25 million tons

nonwoven fabrics

Corporate Culture

The survival and growth of the Company are not only due to the opportunities presented by societal changes but are also a testament to the entire workforce's commitment to the corporate culture, respect for market principles, and reverence for customer value. Building on the lessons learned from past development, in 2016 the Company published the Basic Rules of Oriental Yuhong, which outlines the fundamental principles of operation and establishes a cultural value system. These rules serve as a guide for the Company's future development and represent a fundamental commitment to stakeholders such as society, customers, employees, shareholders, suppliers, and partners.

- Company Purpose** / Create value for nation, society, customers, employees and shareholders
- Mission** / To create sustainable and safe environment for human society
- Vision** / To be the most valuable global enterprise in the construction materials industry
- Value** / Genuineness, excellence, elegance
- Company Belief** / Development keeps us company and one favorable turn deserves another
- Company Spirit** / Where there is a will, there is a way; strive for excellence, keep moving forward
- Guiding Ideology** / Return for nation, service to people

“Company is a form of organisation in human commercial activity. Oriental Yuhong consistently maintains humility in serving humanity and a profound respect for the environment. The Company pursues commercial civilisation and embraces human civilisation; thus, it rejects all environmentally harmful, inhumane, and unlawful ideas and practices.

- From Article 2, Chapter 1 General Rules of the Basic Rules of Oriental Yuhong



Awards and Honours

Ranked 399th in the "Fortune China 500"

Fortune (Chinese Edition) and China International Capital Corporation Limited

Recognised in the "Top 100 Building Material Enterprises Management" and "Top 500 Building Material Enterprises Strength" rankings

China Building Materials Enterprise Management Association

Top 100 Global Building Materials Listed Companies in Comprehensive Strength (46th)

China Building Materials Federation (CBMF)

Leading Enterprise in Annual Services for a Better Life

The Economic Observer

Ranked 2nd in the 2023 China Brand Evaluation Press Conference in the construction materials sector

Xinhua News Agency, China Council for Brand Development, China Appraisal Society, etc.

Selected for the "Brand Value Leaders" list and recognised as an "Outstanding Contribution Brand Unit"

The China Council for Brand Development

Received the "Quanjing Investor Relations Gold Award" as an "Outstanding IR Company" in the 2022 national awards

Shenzhen panorama Network Co., Ltd.

Awarded the "20th People's Artisan Award for Artisan Brand"

People's Daily online

Named the "2023 IDC China Future Digital Industry Leader"

International Data Corporation (IDC)

Topped the list as the "2023 Preferred Supplier of Real Estate Development Enterprises (National Brand) - Waterproofing Materials Category"

2023 Real Estate Enterprise Brand Value Evaluation Results Announcement and China Real Estate Brand Development Summit

Selected for the "Top 500 Private Enterprises in China in 2023" list
Selected for the "Top 500 Private Manufacturing Enterprises in China in 2023" list

All-China Federation of Industry and Commerce

Brands like Oriental Yuhong, Wonewsun, Yuhong Xingfa, Vasa, and Building Renovation were among the top ten in the lists for waterproofing materials, insulation materials, building sealants, tile adhesives, and engineering services

8th State-owned and State-controlled Real Estate Supply Chain Summit

Selected among the "Top Ten Chinese Building Waterproofing Technology Innovation Enterprises" list

4th Building Waterproofing Technology Innovation Conference

Outstanding Contributor in the Gypsum Industry

13th China Building Materials Federation (CBMF) Gypsum Building Materials Branch Annual Meeting

Corporate Governance

Board Diversity

Oriental Yuhong strictly adheres to laws and regulations such as the *Company Law* and *Securities Law*, as well as related provisions issued by the China Securities Regulatory Commission and the Shenzhen Stock Exchange, to construct and continuously improve our corporate governance system, thereby enhancing governance operations.

In the selection process of directors, the Company rigorously follows the stipulated legal and regulatory requirements, executes the director election procedures, and ensures that the number and composition of the Board of Directors members meet relevant criteria; we value various diversity factors, including but not limited to gender, race, age, cultural background, educational background, and industry experience, to appoint suitable candidates scientifically and reasonably. The Company's Board of Directors consists of 12 directors, including four independent directors and four female directors, each accounting for 33% of the total Board members.

The current directors of the Company possess profound professional backgrounds in the industry or extensive corporate management experience. Leveraging the diversity in skills, experience, and perspectives, all directors fully utilize their wisdom and expertise, diligently fulfilling their duties, enhancing the efficiency of the board's operations, maintaining a high standard of corporate governance, and protecting the legal rights and interests of the Company and all shareholders.

For detailed information on corporate governance, please refer to the "Corporate Governance" section of the *2023 Annual Report of Beijing Oriental Yuhong Waterproof Technology Co., Ltd.* (SZ002271).

Anti-corruption

The Company has established an independent Audit and Oversight Department, which operates under the leadership of the Group's Board of Directors to carry out anti-corruption efforts. It operates under the business guidance and supervision of the Group Audit Committee. In accordance with relevant laws and regulations, the Company has established and perfected an anti-corruption framework. This includes the formulation and issuance of the *Oriental Yuhong Audit and Supervision Management Regulations*, which specify the duties of the audit and supervision bodies, the scope, authority and basis for audits, and the procedures and processes of work, thus standardising internal management and supervisory audit activities. Additionally, the *Oriental Yuhong Whistleblowing Management Measures* have been published, clarifying the responsibilities, scope of acceptance, and methods of whistleblowing, as well as incentives and confidentiality for whistleblowers. These measures also set forth clear protections for whistleblowers and providers of crucial tips, encouraging broad participation from employees and partners in the management of the Company and the timely reporting of illegal and non-compliant activities. Annually, the Company drafts an audit plan at the beginning of the year and implements it throughout the year, covering all business units of the Company.

In 2023, the Company continued to strengthen the construction of a culture of integrity, creating an ethical and clean work environment internally through anti-corruption training, institutional cultural dissemination, and integrity monitoring, thus deepening employees' awareness of anti-corruption and promoting the healthy development of the Company. Over 1,200 individuals received training throughout the year.

Each unit of the Company, based on its own business characteristics, conducts various anti-corruption activities. The Yueyang factory of the Company, aligning with the spirit of the Company's anti-corruption and integrity-promotion documents, has actively carried out the creation of an integrity-based enterprise, integrating a culture of integrity into workshops, teams, and positions. Following the requirements to "cultivate integrity in practice, perfect integrity systems, build platforms for integrity culture, and strengthen the supervision of integrity practices," the factory has developed a plan for building an integrity-based enterprise and has mobilised all staff to actively participate, fostering an atmosphere of integrity in practice and honest business operations. Through the dissemination of policies and monthly internal control meetings for learning and discussion, the awareness and mindset of integrity among employees are enhanced.

With outstanding achievements in integrity training and the construction of monitoring systems, in 2023, Oriental Yuhong was elected as a "Permanent Director Unit of the China Enterprise Anti-fraud Alliance". The Company commits to adhering to the Anti-fraud Alliance Convention, collaborating with alliance members to carry out anti-corruption initiatives and building a more transparent business environment.

Risk Management

The Company upholds the principle of "prioritising risk control and stable operation", identifies and strictly controls risks in various business operations and management activities, enhances the level of risk management, and improves operational quality. The Company has established the *Oriental Yuhong Risk Control System* and supporting detailed rules, implementing the bottom-line control principle, setting risk control baseline standards for various tasks, clarifying specific risk control systems and implementation measures, and establishing a top-down risk control system framework and corresponding procedural standards through proactive risk control, continuous process control, and accountability mechanisms.

Enhancing risk management mechanisms: Centring on the *Oriental Yuhong Risk Control System* and its detailed rules, focusing on core operational risks, implementing list management and closed-loop management; refining credit policies and project management systems, continuously monitoring project performance, improving cash flow, and ensuring financial security; optimising contract management, strengthening process control, and enhancing receivables work.

Achieving closed-loop risk report management: The Company has established smooth channels for risk information reporting and a rapid response workflow, forming a closed-loop management of "risk identification - risk publicising - tiered control - information reporting", effectively controlling environmental and social risks.

Establishing a digital risk management platform: Implementing online management of sales operations, linked with risk control, and establishing an integrated business execution process from contract review, contract receivables, to litigation cases. Key business steps such as contract review and signing incorporate risk control measures to enhance the quality of contract signings; based on contract execution, integrating with marketing and engineering platforms to obtain real-time data on deliveries and receivables, and reinforcing risk alerts and control through built-in red-line rules.

Anti-unfair Competition

The Company strictly adheres to relevant laws and regulations, including the *Anti-unfair Competition Law*, advocating for free and fair competition, respecting the market, and resolutely opposing any form of unfair competition. Oriental Yuhong, as a renowned brand in the waterproof building materials industry, has faced issues where numerous unscrupulous businesses have manufactured and sold counterfeit products and services under the Oriental Yuhong brand, seeking illicit profits and disrupting market order. The Company has established a "Brand Rights Protection Department" that provides consumers and clients with anti-counterfeiting query methods through a hotline, WeChat account, and an online presence on our official website. The department analyses information received and takes targeted action to gather evidence, assisting law enforcement agencies in targeted crackdowns, and striving to purify the market environment. In 2023, the Company assisted law enforcement agencies in shutting down 31 counterfeit production dens, seizing 65 pieces of counterfeiting equipment, and confiscating over 20,000 square metres of counterfeit rolls, more than 6,000 buckets of paint, and over 200,000 counterfeit qualification labels and anti-forgery codes. In total, more than 100 vendors selling fake goods and infringing stores were investigated.

Sustainable Development Management

Oriental Yuhong fully understands the interconnection between its business operations and the sustainable development of human society, as well as meeting people's demands for a better life. Embracing the corporate mission of "to create a sustainable and safe environment for human society," its core waterproofing business ensures both the structural integrity and longevity of buildings. The Company offers a range of integrated building material services that elevate the comfort and standards of human habitats. With a commitment to product excellence as a premise of management, the Company carries out R&D on the development of solutions that synergize energy efficiency, environmental stewardship, and health considerations. Additionally, the Company steadfastly upholds collaborative engagement and mutual sharing with stakeholders, including employees, shareholders, partners, and suppliers, united in the pursuit of sustainable development.

Mechanism for Sustainable Development

The Company's Board of Directors attaches high importance on sustainable development and has established a Sustainable Development Strategy Committee to comprehensively manage works related to sustainable development. The Committee, consisting of directors and senior management personnel, leverages their collective expertise to cultivate an internal framework conducive to sustainable development. This includes institutional systems and cultural environments. The Committee integrates crucial elements into the Company's strategies, operational management, and business processes, synergising external resources to optimize the long-term management of economic, environmental, human, and social capital, and continuously enhance the level of sustainable development management.

The Sustainable Development Office, acting as the secretariat of the Sustainable Development Strategic Committee, coordinates environmental and social-related initiatives across units as required by the Committee, while providing relevant professional support. The functional departments and business units serve as the backbone of the company's sustainable development efforts. They deeply integrate social responsibility and sustainable development principles into corporate operations and implement practices that are beneficial to both the company and the environment, which fosters mutual and sustainable growth and continuously elevates the company's standards for sustainable development.

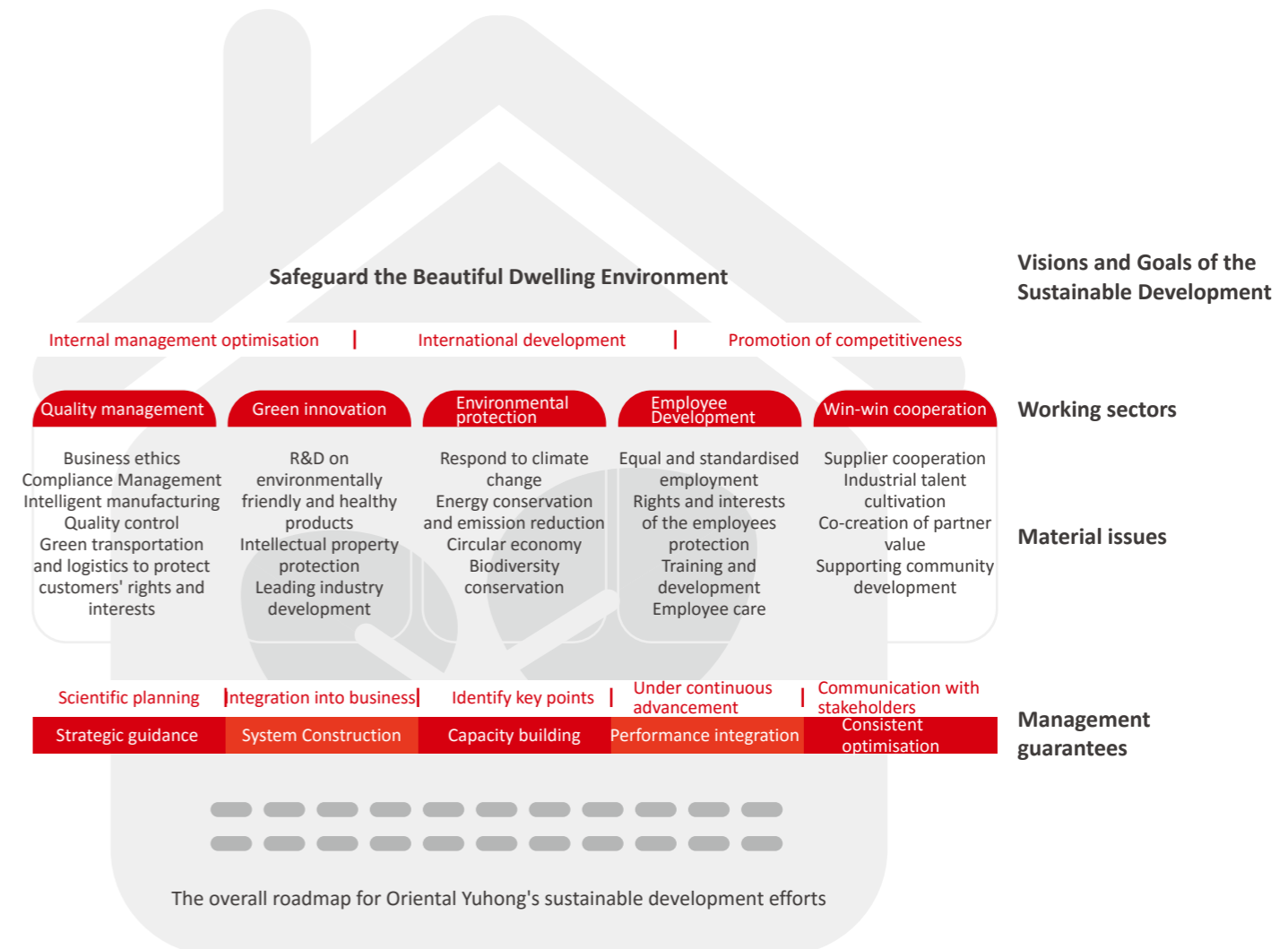
The organisational structure chart for Oriental Yuhong's sustainable development



Progress in Sustainable Development

The *Basic Rules of Oriental Yuhong* regards "perpetual commitment to sustainable operations as a fundamental premise", thus explicitly defining the vital role of sustainable development in corporate management. The Company has long upheld the corporate tenet of "create value for nation, society, customers, employees and shareholders", fostering an ethos of openness, inclusivity, and collaborative creation and sharing. Leveraging its accumulated experience and strengths in the field of building materials, Oriental Yuhong strives for co-creation, sharing, and mutual prosperity with stakeholders, aiming to achieve common sustainable development goals. In the face of global challenges such as climate change and resource scarcity, the pursuit of economic, social, and environmental sustainability has become a global consensus.

The Company integrates the United Nations Sustainable Development Goals (UN SDGs) into its business operations, incorporating sustainability principles into its management processes in accordance with standards and guidelines such as the *ISO 26000 Guidance on Social Responsibility (2010)* by the International Organisation for Standardisation, which focuses on "quality management, green innovation, environmental protection, employee development, and cooperation and win-win results". By addressing concerns of internal and external stakeholders and identifying and prioritising key sustainability issues and implementing accountability measures internally, Oriental Yuhong gradually advances its sustainability agenda.



Quality Management

·Over 80,000 new distribution outlets have been established, providing timely supply of products and services, which ensures "300-kilometer radius coverage within 24 hours".

·With a 24-hour service hotline, the Company provides approximately 250,000 times of consultation services annually, promptly responding to customer needs and offering efficient and convenient service experiences.

·The annual customer satisfaction score is 93 points, remaining largely consistent with the previous year.

·12 product quality testing centres have been accredited by the China National Accreditation Service for Conformity Assessment (CNAS).

Green Innovation

·Keeping pace with market demands, the Company has launched over 500 new products and systems successively, continuously meeting the diversified and quality-oriented needs of the market and customers.

·Five new intelligent equipment models are introduced annually, facilitating the intelligent industrial transformation and upgrading.

·The Company's products have obtained approximately 600 certificates and labels for environmental and health testing from authoritative institutions.

·A total of 213 valid patents are made throughout the year, showcasing the Company's strong core capabilities for high-quality development.

Environmental Protection

·By replacing wooden pallets with leased shared pallets, over 590,000 shared pallets have been used, saving 11,900 tonnes of wood.

·Photovoltaic projects have been implemented in 23 production factories, which utilizes 42 million kWh of green electricity annually, saving 23,700 tonnes of CO₂e.

·An investment in environmental protection of RMB81 million is made annually, primarily allocated towards waste management, air and water pollution control, noise reduction, and energy-saving renovation projects.

·Six national green factories have been constructed.

Employee Development

·The training system has been improved, featuring optimized training methods and content. The efficiency of the online learning platform has been enhanced, leading to an improved learning experience for employees. On average, each employee undergoes 60 hours of training annually, with a training participation rate of 96%.

·An investment of RMB45.77 million is made annually in safety production, comprehensively ensuring employee health and safety, with no major safety incidents occurring throughout the year.

·The Company continuously improves the employee welfare system, with employees being regarded as family members and cared for with a heart of compassion. Four major welfare and caring systems are established, including benefits such as living and assistance, health and safety, holiday and care, and team building and vacations.

·The 17th Oriental Cultural and Arts Festival was held with the theme "Surpassing Oneself, Challenging the Impossible", featuring basketball, table tennis, badminton, football, athletics, tug-of-war, and other competitions, which enriched the lives of employees and enhancing physical fitness.

Win-win Cooperation

·The "Yuhong Craftsman" platform APP focuses on construction teams and craftsmen as the main service providers, addressing the industrial difficulties in finding projects and finding people, with a user base of 336,500.

·Yuhong Vocational School aims to promote employment and entrepreneurship by training 70,000 technical talents annually, thereby injecting talent into the high-quality development of the industry.

·The membership system "Honggehui" provides a learning and exchange platform for professionals in the building Waterproofing industry. With a net increase of over 810,000 followers annually, it contributes to the transformation of industry workers from "workers" to "craftsmen".

·For 11 consecutive years, the Company has hosted the "Yuhong Cup · Craftsmanship" National Building Waterproofing Vocational Skills Competition. For two consecutive years, it has organized the National Prefabricated Building Industry Vocational Skills Competition. These events serve to nurture and select high-level technical talents, providing significant impetus for the high-quality development of the industry.



Materiality Assessment

Based on the characteristics of development in the field of building materials, the expectations of internal and external stakeholders, and the global background and trends of sustainable development, the Company refers to domestic and international standards, guidelines, initiatives related to social responsibility and sustainable development, as well as relevant documents related to the development of the building materials industry. It identifies issues that have an impact on the Company's creation of comprehensive economic, social, and environmental value and affect stakeholders' appraisal of the Company. After assessment by stakeholders and review by the Company's management, a substantive-topics matrix is ultimately formed.

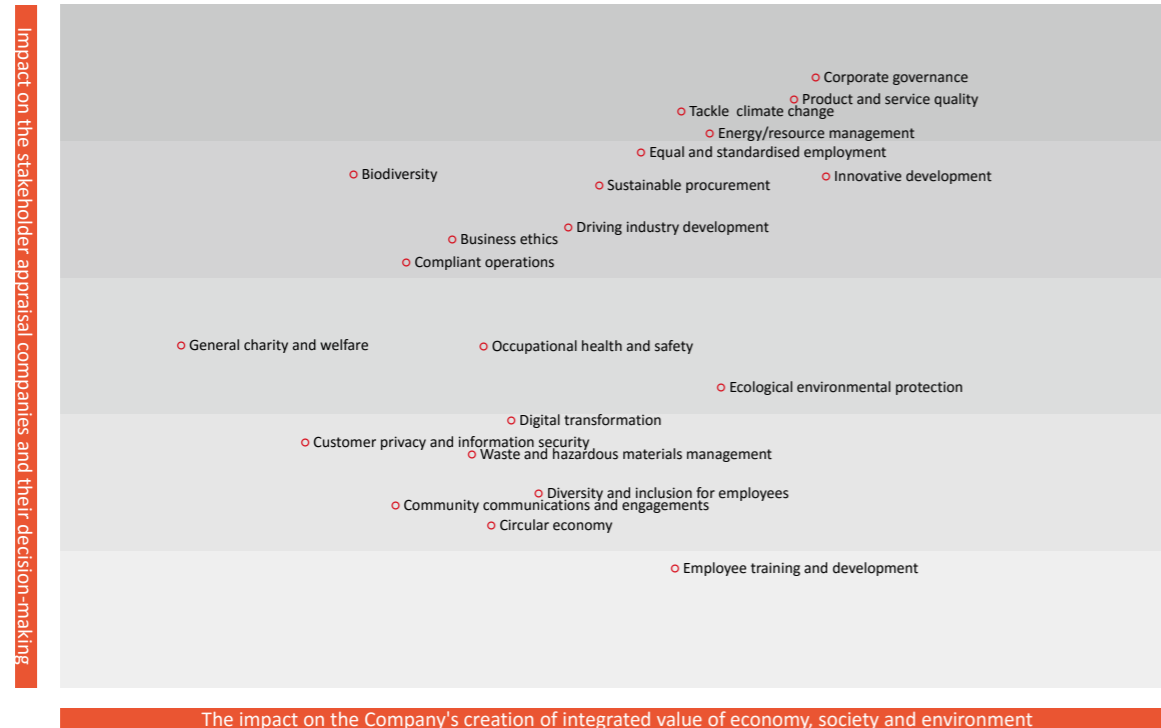
- Background and trends of the global sustainable development
- Domestic and international standards, guidelines and initiatives related to sustainable development
- Development features of building materials industry and enterprises

Topics related to Oriental Yuhong Sustainability Report

Communication with stakeholders

Substantive topics matrix of Oriental Yuhong Sustainability Report

In December 2023, the Company distributed an online survey questionnaire on substantive topics of the Sustainability Report to stakeholders, extensively collecting and understanding the level of concern of investors, customers, employees, partners, suppliers, financial institutions, and other stakeholders on various sustainable development issues of the Company. Based on stakeholder feedback, the Company finally determined the substantive topics for the Sustainability Report 2023, collected relevant information, and disclosed them systematically in the Report.



Material topics matrix of Oriental Yuhong Sustainability Report

Communication and Engagement of Stakeholders

The understanding, recognition, and support of stakeholders are vital foundations for Oriental Yuhong to carry out its various activities. The Company attaches great importance on communication and interaction with its stakeholders. Through regular meetings, emails, annual reports, forums, and other means, it listens to the opinions and suggestions of stakeholders regarding the Company's development, which enables the Company to understand their main concerns and expectations and integrate them into its decision-making and daily operational processes.

Communication with stakeholders

| Stakeholders | Material concerns and expectations | Responses |
|--|--|---|
| Shareholder | Sustainable profitability Regulation of corporate governance Disclosure of operational information Return to shareholders | Elevating the business management level Optimising the internal compliance management system Making disclosure in a timely and accurate manner Rewarding shareholders through profit distribution Organising General Meetings of Shareholders and performance presentations, setting up investor hotlines and mailboxes, and carrying out road shows, strategy meetings, and field research |
| Customers | Performance in good faith High quality products Quality service Response to appeals | Strictly adhering to contractual obligations Enhancing product quality control Providing environmentally friendly, healthy, and high-quality products Provide high-quality services Improve the customer complaint handling process Customer privacy protection |
| Employees | Protecting legitimate rights and interests Compensation and benefits Health and safety initiatives Establishing development platforms | Equal and standardised employment Paying salaries and social security on time Optimising the talent development channels Providing competitive remunerations Providing diversity benefits Providing a healthy and safe working environment |
| Supplies and other partners | Transparent procurement Performance in good faith Win-win cooperation | Open and fair procurement Timely payment of loans Growing together with suppliers |
| Communities | Protecting the local environment Supporting community development Charity and public welfare | Carrying out energy conservation and emission reduction Protecting the ecological environment Supporting the public welfare of the community Carrying out charitable activities in communities |
| Government | Compliance with laws Promoting local economic growth and paying taxes in accordance with the law | Complying with laws and regulations Tax payment according to laws Creating job opportunities Driving industry development |
| Financial institutions, R&D institutions and media | Co-development Information publication | Conducting strategic cooperation Strengthening the industry-university-research cooperation Organising visits and meetings |

Oriental Yuhong actively engages in sustainable development initiatives across various industries and professional sectors. The Company has become a member of the China ESG Leaders Organisation and has partnered with leading enterprises in China's ESG sector to advance and implement sustainable development, responsible investment, and ESG principles. The goal is to improve the Company's ESG management capabilities and to set an industry benchmark for best practices in ESG efforts.

In November 2023, with the support of the Ministry of Commerce, Oriental Yuhong, in collaboration with the Country Consulting Committee of the China Association of International Engineering Consultants (CAIEC), organized the "Green Building Materials Sustainable Development and International Cooperation Conference". Themed "Smart Technology, Low-Carbon Future", the conference aimed to provide a platform for international cooperation in the green industry. Through discussions on smart technology and low-carbon living, the goal was to promote the sustainable development of the building materials industry, continuously improve the living environment, and advance harmonious coexistence between humans and nature.



Director Xiang Jinming of Oriental Yuhong delivers a speech at the "Green Building Materials Sustainable Development and Country Cooperation Conference"

Rating and Recognition of Sustainable Development

In 2023, the Company's sustainable development efforts were recognized by rating agencies, media, and industry experts.

Major Ratings of Sustainable Development

| Rating Agency | ESG Ratings | Rating Introduction |
|---------------|-------------|---|
| MSCI | A | MSCI is one of the earliest and most influential ESG rating agencies in the world. It primarily assesses a company's sustainable development performance based on its ESG risk exposure and management level relative to its peers. The Company was rated as grade "A" by MSCI, indicating superior performance compared to peer companies. |
| CNI index | AA | The ESG evaluation method of the Shenzhen Stock Exchange CNI Index comprehensively assesses companies' practices and performance in sustainable development from three dimensions: Environmental (E), Social Responsibility (S), and Corporate Governance (G). It reflects the level of ESG performance of listed companies relative to its peers in the market. The Company was rated as grade AA. |
| GSG IQ | 8 points | The GSG IQ focuses primarily on governance as a key assessment indicator, measuring the corporate governance level and sustainable development potential of listed companies in China. By the end of 2023, the Company's score was eight points, ranking first among more than 5,000 appraised enterprises. |
| Wind | A | The Wind ESG rating system assesses the substantive ESG risks and sustainable management capabilities of enterprises, measuring their commitments and performance in ESG. The Company's Wind ESG rating is grade A, higher than 80% of building materials enterprises. |
| CUFE IIGF | A- | The ESG rating system of the International Institute of Green Finance (IIGF) at the Central University of Economics and Finance (CUFE) evaluates the overall ESG score of companies, their ESG performance within the industry, comparisons with peer competitors, as well as highlights and risks in ESG for the year, providing investors with a valuable benchmark. The company's ESG rating is A-, which is higher than 85% of enterprises in the non-metallic mineral products sector. |

Major Honours in Sustainable Development

The Company was included in the 2023 list of China's Top 100 ESG Listed Companies

The Company was awarded the UNIDO China CSR Project (Phase II) 2022 CSR Award for the case "Defining Development with Green and Co-creating a Safe Living Environment"

The Company received the Green Development Award of the 17th People's Enterprise Social Responsibility Award

The Company received the 2022 Outstanding Green and Low-Carbon Contribution Award for Listed Companies in China

The Company was awarded the title of "Leading Green Enterprise" by the China Environmental United Certification Centre (CEC).

The sports stadium project for the Solomon Islands Pacific Games of the Company was selected as a case for the "Belt and Road Initiative" Green Supply Chain in 2023



Enhance Building Quality Safeguard the Beautiful Dwelling

Oriental Yuhong is dedicated to the mission of "to create a sustainable and safe environment for human society." Rooted in the field of building materials waterproofing, we foster a culture of quality, develop diversified products and services, establish standard construction management systems, and endeavour to meet the demands of green building development and people's pursuit of a better life, from delivering iconic global projects to safeguarding people's homes and livelihoods, enhancing building quality, and safeguarding beautiful dwelling.

Enhance Building Quality and Safeguard Beautiful Dwelling

Comprehensive Protection of Building Safety

The company focuses on the building waterproofing industry, continuously enriching product categories, improving product quality, and optimising product structure, continuously enhancing the quality of building waterproofing materials and system service capabilities to ensure the stability, durability, safety, and comfort of buildings. While expanding and strengthening the core business of building waterproofing, it actively extends to diverse business areas such as civil building materials, mortar and powders, architectural coatings, energy-saving insulation, adhesives, piping, building renovation, new energy, non-woven fabrics, specialty films, emulsions, and others. Leveraging the business advantages accumulated in the waterproofing industry, it develops non-waterproofing businesses, providing customers with more comprehensive one-stop solutions for building materials systems based on high-quality products and professional system services, fully safeguarding building safety.

The company's products are not only applied in residential construction but also in diversified application scenarios such as transportation infrastructure, water conservancy facilities, urban emerging infrastructure, industrial and mining warehousing logistics, and affordable housing. Additionally, it is focusing on the existing building market, developing renovation and refurbishment businesses such as old house renovation, urban village transformation, and urban renewal.

With the acceleration of urbanisation and the improvement of people's living standards, there is a growing emphasis on the architectural and safety performance of buildings. The company has established and developed the "Yuhong Home Service" to meet this demand. Centred around home repairs, home decoration, and home improvement, the service encompasses diversified solutions such as leak repairs, door and window repairs, air purification, refresh services, HVAC repairs, local renovations, leakage detection, and whole-house water purification. This multifaceted service model and one-stop solution aim to create a standardized, professional, and systematic ecosystem for home improvement, forming the vanguard in the home space improvement market with the slogan "Yuhong Home, Your Only Choice."



Oriental Yuhong
Partial product diagram

As functional building material products, the industry convention is 'three parts material, seven parts construction.' The company provides targeted products, auxiliary materials, and construction methods to form systematic solutions, cultivating excellent industrial technical workers. Through the close connection of waterproof design, product supply, on-site construction, and after-sales maintenance, we provide customers with one-stop waterproofing system services throughout the entire lifecycle. In recent years, the company has provided comprehensive waterproofing system solutions for numerous civil buildings, commercial buildings, municipal transportation, industrial plants, bridges, tunnels, and pipelines.



Case: Assisting in the construction of the cultural landmark in Beijing's urban sub-centre, safeguarding century-old architecture.

The Beijing Tongzhou District Theatre, Library, and Museum projects are located within the urban green forest park in Beijing. According to the *Unified Standard for Design Reliability of Building Structures (GB50068)*, the design service life for underground engineering structures of commemorative and particularly important buildings is required to reach 100 years. In this project, Oriental Yuhong undertook the waterproofing engineering projects for the eastern wing of the museum, the theatre, and public spaces. Tasks included waterproofing construction for the baseplates, sidewalls, and roofs. By providing nearly 60,000 square meters of modified bituminous waterproofing membranes, over 1,600 square meters of waterproof coatings, and associated system services, Oriental Yuhong has provided robust waterproof protection for the cultural landmark project in the Beijing Urban Sub-centre, safeguarding century-old buildings.



Case: Participation in the underground waterproofing project of the turbine hall of the Taipingling Nuclear Power Plant won the highest award for building waterproofing projects.

The Taipingling Nuclear Power Station is the first ecological nuclear power construction demonstration base in China, located in the coastal area of Huizhou County, Huizhou City, Guangdong Province. The waterproof grade of Units 1 and 2 of the nuclear power station's nuclear island is Grade I. Compared to industrial and civilian buildings, the structures of nuclear island buildings are more complex, demanding stricter waterproof design and functionality requirements. Due to the project's proximity to the coast and the unique geographical environment of coastal areas, it posed challenges and difficulties to the waterproofing project. Oriental Yuhong used special-purpose engineering HDPE high molecular self-adhesive membrane waterproofing rolls for nuclear power plants. The rolls were applied using the pre-laid reverse adhesion construction method to tightly bond the post-poured concrete with the membrane layer. During the project implementation, the company conducted sample laying in different parts such as flat surfaces, penetrating members, and adjacent connections. These samples passed rigorous reviews at various levels by the project stakeholders, forming key process parameters and construction standards templates, which were applied in the later stages of the project construction to ensure the waterproofing effectiveness of the nuclear power project.

In 2023, the company provided materials and construction services for the underground waterproofing project of Units 1 and 2 of the Taipingling Nuclear Power Station, and won the 'Building Waterproofing Industry Scientific and Technological Award - Engineering Technology Award (Jin Yu Award - Waterproofing Engineering)' for the year 2023, based on its professional strength.

The company is committed to becoming the most valuable firm in the industry of building materials across the world, actively expanding into overseas markets and exploring the path of international development. Its products are exported to more than 130 countries and regions, including Germany, Brazil, Australia, the United States, Canada, Russia, Japan, Singapore, South Korea, Central Africa, and South Africa. It has participated in the construction of overseas projects such as the Ghana Sports Stadium, the Abidjan Sports Stadium in Cote d'Ivoire, the Belarus International Football Stadium, and the renovation project of the Barbados Sports Arena. While accelerating the cultivation of new advantages in international competitive cooperation, it contributes to the high-quality development of the Belt and Road Initiative.

Whole-Process Quality Control

Oriental Yuhong deeply understands the importance of building material quality for the safety of buildings and residential houses. It strictly controls product quality, advocates and persistently adheres to the slogan of "do not produce a square meter of non-standard products", making it a shared ideology and behavioral guideline for every member of the Oriental Yuhong team. This principle is integrated into every process, every detail, every product, and every service.

The company has established and implemented an internal quality management system, establishing a quality policy of "technological leadership, meticulous operations, continuous improvement, and customer satisfaction." It has developed and improved quality management systems and operating procedures, strengthened quality management throughout the entire process and chain from research and development to sales terminals. Combining with the company's actual operating characteristics, it continuously improves, perfects, and innovates, gradually forming a quality management model with Oriental Yuhong characteristics. This aims to continuously enhance the scientific and refined level of product and construction service quality management.

The company has constructed a comprehensive quality management system from aspects such as raw material selection, formulation development and dosing, equipment introduction, personnel skills and awareness training, and introduction of advanced quality management tools, ensuring product quality.

Main measures for product quality assurance

| Main Measures | Content |
|--|--|
| Raw material selection | Selecting high-quality raw materials globally, cooperating with suppliers such as BASF, Lonza, Sika, and Dow for raw material development and supply, conducting strict incoming inspections and controls, ensuring the procurement of high-quality and stable-performance raw materials. |
| Formulation development and dosing | Promote the electronic formulation instead of paper-based formulation, automatically calculate and execute the material requisition and feeding operations, achieve standardisation of process output; the batching operator receives system instructions through the equipment, scans the QR code of the feeding port and the material code before feeding for matching verification, avoiding manual operational errors. |
| Intelligent equipment introduction | Introduce advanced automated production lines and automation equipment such as stacking robots from domestic and foreign sources, and collect and analyze production data through digital management methods to quickly identify issues and anomalies, make timely and precise adjustments, and ensure the stability of product quality. |
| Personnel skills and awareness training | Establish Yuhong College to implement vocational skills training and vocational skills level certification, cultivate industrial technical workers, and enhance skill levels. Through activities such as "Quality Month," "Safety Production Month," and "Skills Competition," continue to strengthen team building and enhance quality awareness. |
| Introduction of quality management tools | Introduce modern production and operational management models such as "Lean Manufacturing" and "5S Management" to strengthen continuous quality improvement and steadily improve product quality. |

The company established a Product Quality Supervision and Management Centre, independent from the research and production departments, shifting quality management from mere post-production inspection to comprehensive quality monitoring throughout the production process. By implementing strict quality control procedures, it ensures that every stage from raw material input to final product output undergoes five-level inspections to guarantee the quality of outgoing products. Additionally, adopting a third-party supervision model, it vertically manages the product quality of each production base, conducting periodic spot checks on product quality to ensure its consistency.

Five-level inspection from raw material entry to finished product

| Detection type | Detection method | Detection frequency |
|--|--|---|
| Incoming inspection of raw materials | Sampling is conducted to inspect the raw materials used in production upon arrival according to standard requirements. | Each batch of incoming raw materials |
| Preliminary testing of raw materials | Verify and confirm the raw materials that need to undergo preliminary testing according to the product formula. | For the raw materials that need to be inspected |
| In-process control testing | Set up in-process control tests in the production process according to the requirements of process control, and implement process quality control. | Inspection per cylinder |
| Production line finished product inspection. | Sampling testing is conducted on the production line to promptly inspect the quality of the products. | One time per 10,000 square meters |
| Factory inspection | Pre-delivery inspection of products by dedicated inspectors to check product appearance, performance, packaging, etc. | One time per week |

The company establishes and strengthens a dedicated team of quality inspection personnel. Inspection personnel must pass job skill assessments before taking up their positions. Quality inspection laboratories are set up to conduct tests on various categories of raw materials, semi-finished products, and finished products to precisely control product quality. Starting from 2008, the company has introduced the CNAS laboratory management system in various laboratories to further improve the accuracy and reliability of monitoring data. Through unified standards in personnel, equipment, materials, methods, environment, and testing, it has standardized the management across different laboratories, thus narrowing the differences in detection results and ensuring the stability of product quality testing results. By the end of 2023, the company's 12 product quality testing centres have obtained CNAS laboratory accreditation, indicating that the laboratories have reached international standards in hardware facilities, testing capabilities, and management levels.



Whole-process High-Quality Services

Relying on the close connection of various aspects such as product design, production supply, construction management, and after-sales maintenance support systems, Oriental Yuhong is committed to providing customers with high-quality and high-standard waterproofing system services that cover the entire lifecycle of construction projects.

Timely delivery and logistics

Oriental Yuhong relies on more than 60 production, research, and logistics bases nationwide, as well as over 100 subsidiary companies, striving to achieve its service commitment of "300 kilometers of coverage radius, mission delivery within 24 hours". In 2023, the company expanded its distribution network by more than 80,000 points worldwide, aiming to provide people with products and services of superior quality, higher standards, and greater warmth, ensuring a better quality of life.

The company has implemented an efficient warehousing management system and logistics platform to automate functions such as scheduling, factory management, and shipping plans. This reduces time costs and ensures smooth and efficient processing and delivery of orders, guaranteeing that products are delivered to customers promptly, safely, and reliably. It also promotes "same-day delivery" services, minimising intermediate transportation links and transit times, ensuring that goods are delivered to customers within the same day, thereby allowing customers to receive products in the shortest possible time.

Standardized construction

Construction projects must ensure safe and reliable performance, with high-quality building materials and rigorous construction techniques. Neither can be lacking; only through their mutual cooperation can high-quality engineering projects be achieved. Through long-term exploration and practice, Oriental Yuhong has taken the lead in the industry by proposing concepts such as "standardized construction" and "making standards habitual and habits standardized." Leveraging these concepts, the company promotes the standardisation of construction management, processes, and techniques. This initiative aims to establish a high-quality, efficient, safe, and standardized construction system, providing customers with integrated building material solutions throughout the entire project lifecycle.



Standardisation of construction management

From worker onboarding education, construction process safety management, material stacking management, equipment and tool management to waterproofing construction and quality inspection, all project management processes are standardized.



Standardisation of construction processes

Each step is constructed according to standardized procedures. All construction process documents and records are uniformly archived, achieving traceability for each step of the process.



Standardisation of construction technique

Standardising construction processes ensures uniformity in construction operations among workers, meeting both relevant regulations and quality requirements while achieving aesthetic results.

Protecting customers' rights and interests

While continuously improving the quality of its products and services, Oriental Yuhong always focuses on protecting customer rights. It establishes diversified communication channels, including consultation reception, complaint hotlines, and 400 customer service phone numbers, to listen to customers' voices, understand their needs, and provide timely feedback. Throughout the year, it has provided consulting services to customers approximately 250,000 times, aiming to offer professional and efficient support with prompt and considerate responses. The company has established the "Customer Complaint Handling Management System", clarifying the responsible departments and operational procedures for handling customer complaints promptly, systematically, and effectively. This ensures smooth communication channels and safeguards the legitimate rights and interests of customers/consumers. Additionally, the company has organized customer satisfaction evaluations for multiple years, designing satisfaction models to understand the satisfaction levels of customers regarding product and service quality, brand image, etc. In 2023, the customer satisfaction score reached 93 points, remaining consistent with the previous year.

25 million times

Annual provision of advisory services

93 points

Customer satisfaction





Technology Drives Change Innovation Leads Development

Oriental Yuhong integrates its development with urban construction, leveraging its industrial system, talent advantages, and scientific and innovative resources. We focused on the current needs and future trends of the industry, the Company builds an innovative ecosystem that stimulates creative energy. While enhancing its capabilities for independent innovation, Oriental Yuhong continuously drives high-quality corporate development through technological innovation, leading the industry forward.

Technology Drives Change, and Innovation Leads Development

Enhance Technological Innovation Capability

The Company has established and perfected a comprehensive chain of scientific research and innovation systems, encompassing basic research, technological breakthroughs, result transformation, and industry integration. While enhancing our capabilities in independent innovation, we focus on industry development, market demands, and solving critical 'bottleneck' issues that restrict industrial growth, thereby continuously providing new advantages and momentum for high-quality development of both the enterprise and the industry.

Technological innovation system

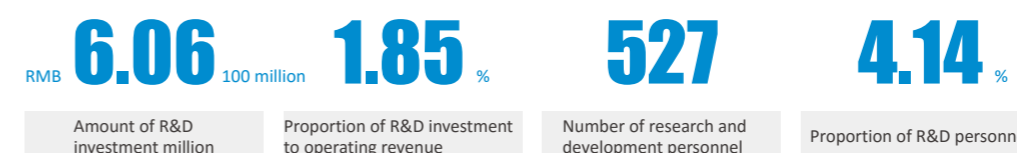
As a leading enterprise in China's building Waterproofing materials industry, the Company boasts four major research and development centres focusing on product development, application technology, production process equipment, and engineering construction technology. Additionally, we have established the Oriental Yuhong Global Excellence Research Centre for Waterproof Coatings in Philadelphia, USA. This includes a National Key Laboratory of Special Waterproofing Materials, a national-certified corporate technology centre, and a post-doctoral scientific research station, forming an industry-leading platform for technological research and innovation.

In collaboration with domestic and international academic and research institutions, as well as renowned supply chain enterprises, the Company leverages mutual strengths to address key technological challenges and industry issues within the construction and building materials sector. Together, we develop new technologies, products, processes, and equipment to enhance innovation capabilities and lead industry development. In 2023, the Company continued to establish strategic partnerships for industry and academic collaboration with entities such as China State Construction, Institute of Oceanography Chinese Academy of Sciences, Shenzhen University, and Stanford University, undertaking diverse technological collaborations.

| Cooperating institutions | Collaborative content |
|--|--|
| Zhongguancun Convergence Intelligence Anti-Microbial New Materials Industry Technology Innovation Alliance | Jointly established the Oriental Yuhong-CIAA Building Decoration Materials Microbial Control Joint Laboratory, advancing technological initiatives, project R&D, performance testing, and standardisation within the field of microbial control of building materials. |
| ExxonMobil | Develop a solution for thermoplastic rubber self-adhesive waterproof sheets based on Vistamaxx™ high-performance polymers, combining the flexibility of rubber with the ease of processing of plastics. Compared to traditional rubber products, the approach eliminates the cumbersome vulcanisation process and, while retaining elasticity, incorporates thermowelding characteristics, which helps to enhance construction efficiency. |
| South China University of Technology | Jointly establish the Advanced Polymer Waterproofing Materials Joint Laboratory to engage in technical collaboration in areas such as the development of ultra-high molecular weight polyethylene processing equipment and high-performance XPS foam board technology. |
| Shenzhen University | Conduct foundational research on specialized functional waterproofing materials in alignment with national strategic demands. Collaboratively undertake the national Fourteenth Five-Year Plan major project titled Key Technologies and Equipment for Sustainable Urban Development, specifically focusing on the Key Technologies for Resilient Systems in Urban Underground Spaces. Responsibilities include leading the research on High Strength and High Ductility Waterproofing Materials and Node Waterproof Design for Open-cut Underground Structures. |



The National Key Laboratory of Special Waterproofing Materials is located at the Oriental Yuhong headquarters in the Yizhuang Park, Beijing. It is the only national key laboratory in the building waterproofing industry. The laboratory primarily conducts basic scientific research and forward-looking, common key technology studies on special functional waterproofing materials. It is dedicated to resolving critical technical bottlenecks that affect the safety and long-term operation of major infrastructure projects, leading technological innovation in the building waterproofing industry, and driving technological progress across the sector.



The company is committed to building a team of scientific research talents and has established innovation workshops for staff to enhance their innovative capabilities. We aim to foster a culture of research and innovation motivation, and have set up a diverse R&D incentive system to encourage innovation in areas such as basic research, transformation of new product results, and improvements in product quality. For several consecutive years, we have conducted internal evaluations and recognitions of scientific and technological achievements. In 2023, the Company organized the ninth annual scientific and technological achievement awards, with 28 achievements recognized, distributing a total of RMB3.8 million in rewards. The awarded projects spanned areas such as technology development, process innovation, and basic research.

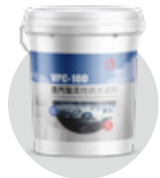
| Indicator | Unit | 2022 | 2023 |
|---|----------------|------|------|
| Amount of R&D investment | RMB100 million | 5.56 | 6.06 |
| Proportion of R&D investment to operating revenue | % | 1.78 | 1.85 |
| Number of research and development personnel | Person | 505 | 527 |
| Proportion of R&D personnel | % | 4.01 | 4.14 |

Technological innovation achievements

Oriental Yuhong focuses on industry and societal needs as well as future development trends, driving forward through technological innovation and research. We continuously develop new products and services, enhancing capabilities in critical and key areas such as smart manufacturing, systems services, and logistics transportation.

In 2023, the Company launched a range of new products including waterbased polyurethane waterproof coatings, external wall vapour-permeable flexible waterproof coatings, exposed waterborne asphalt waterproof coatings, and butyl rubber self-adhesive waterproof sheets. We achieved breakthrough technological results in projects such as monolithic epoxy resin tile grout, see-through polymer self-adhesive pre-paved waterproof sheets, dust-free flexible cement-based adhesives for large ceramic plates, high-adhesion waterborne polymer asphalt waterproofing coatings, and reflective heat-insulating polymer-modified bituminous waterproof sheet material. Subsequently, we introduced solutions like the sports flooring system, the Taohuayuan zero-slope organized water drainage and storage system, concrete rooftop repair system, metal rooftop repair system, and tile rooftop liquid roofing repair system, as well as the Hui Ding series, the brand-new Zhen series, and the Blue Classic series, all of which are reliable, efficient, and environmentally friendly product systems.

In 2023, the BCW-408 high-strength waterborne rubber asphalt waterproof coating, recognized for its efficiency, safety, environmental friendliness, and low-carbon properties, was awarded the "Building Waterproofing Industry Scientific and Technological Award for Technological Advancement" by the China Building Waterproofing Association.



Key innovations and technologies of 2023

VPC-100 vapour-permeable flexible waterproof coating

This environmentally friendly waterproof coating uses vapour-permeable polymer dispersions as the main film-forming substance. It balances the functions of preventing liquid water ingress and allowing vapour transmission, enhancing the waterproofing performance and durability of building exterior walls.



GES-W308 exposed waterborne polyurethane waterproof coating

This coating combines the environmental benefits of waterborne waterproof coatings with the mechanical properties of oil-based polyurethane waterproof coatings. It also features excellent weather resistance and dirt resistance, making it suitable for long-term exterior exposure.



TKB-230 space fort fluorocarbon film butyl self-adhesive waterproof sheets

This product features an excellent solar reflectance ratio, outdoor durability, UV resistance, and stain resistance, capable of inhibiting the growth of mold and algae. It is used for thermal insulation treatment on the surfaces of rooftop acrylic waterproof coatings, shale-faced, and sand-faced modified bitumen roll sheets.



SPU-Ultra II high-strength single-component polyurethane waterproof coating

This waterproof coating reacts with the humidity in the air to form a continuous, seamless rubber-like waterproof film on the waterproof base layer. It possesses excellent water and corrosion resistance, mold resistance, and is particularly suitable for middle layers in medium to heavy-duty waterproofing projects.



Hot melt modified bitumen sheets automatic paving machine (known as "Tantu JCJR-100")

This intelligent equipment integrates a heat recycling system, compaction system, combustion system, and automatic walking system. It is suitable for full-adhesion waterproofing projects using SBS hot melt sheets, with a general full-adhesion rate of over 98%*

*Data in this text is sourced from Oriental Yuhong laboratory data and may vary from actual usage data.



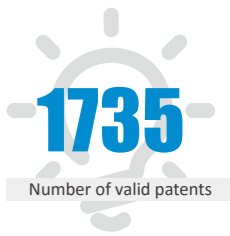
Case: Independent Research and Development of "See-through Polymer Self-adhesive Pre-paved Waterproof Sheets: Key Technologies and Industrialisation" passed the scientific and technological achievements appraisal organized by the China Building Materials Federation

In December 2023, the Company's independently developed project "See-through Polymer Self-adhesive Pre-paved Waterproof Sheets: Key Technologies and Industrialisation" passed the scientific and technological achievement appraisal organized by the China Building Materials Federation (CBMF). The project developed a transparent hot-melt adhesive layer, a transparent anti-stick protective coating, and transparent polyethylene sheeting, resulting in a lightweight, transparent polymer self-adhesive pre-paved waterproof sheets with an overall light transmission rate exceeding 60%. This innovation resolved the challenges of accurately locating and rapidly welding fixing points in traditional pre-paved polymer sheets construction in mining tunnels, thereby enhancing construction efficiency and project quality. The panel of appraisal experts unanimously agreed that the promotion and application of this technological achievement have further enhanced the quality of China's waterproofing materials and waterproofing projects, aligning with the national requirements for high-quality development. The project's outcomes have reached an internationally advanced level.

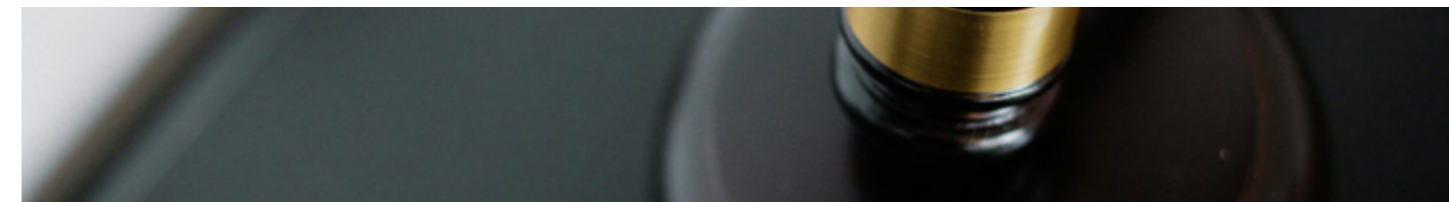
Intellectual property and standards

The Company, adhering to the requirements of the *Enterprise Intellectual Property Management Norms (GB/T29490-2013)*, has established and operates an internal intellectual property management system, including a dedicated intellectual property department responsible for managing IP-related tasks. This setup respects and avoids infringing on others' intellectual property rights while fostering a competitive advantage in IP. Before initiating product development, the Company analyses patent authorisation situations within the industry to mitigate the risk of patent infringement. During the product development process, the Company actively identifies innovative technical points and strategically positions itself to strengthen its portfolio of high-quality intellectual property assets, thus creating a comprehensive competitive advantage in IP.

As at 31 December 2023, the Company holds a total of 1,735 valid patents, including 17 international patents.



| Indicator | 2021 | 2022 | 2023 |
|-------------------------------|------|------|------|
| Total number of valid patents | 1220 | 1522 | 1735 |
| Of which: | | | |
| Invention patents | 372 | 425 | 443 |
| Utility model patents | 726 | 942 | 1026 |
| Design patents | 122 | 155 | 266 |



In April 2023, Oriental Yuhong's independently developed "Organic-Inorganic Composite Coating and Its Preparation Method" was honoured with the "24th China Patent Excellence Award." Additionally, the butyl rubber reactive layer used for pre-laid reaction adhesive waterproof sheets, its preparation method, and the pre-laid reaction adhesive waterproof sheets themselves were granted an invention patent by the United States Patent and Trademark Office (USPTO).

To protect its intellectual property, the Company has established a hotline and a reward system for reporting infringements, actively collecting clues about infringements and reporting violations of its intellectual property rights to local market supervision administration or public security economic investigation departments. This effort is part of the Company's commitment to maintaining order in the industry and promoting its healthy development.

Despite the vast potential for growth in building material markets, there is a need for further enhancement and perfection of related standards and technical systems. Issues such as inconsistent product quality and mixed repair techniques often lead to frequent construction quality problems, directly affecting the overall service life of buildings and causing economic losses and safety hazards.

Oriental Yuhong contributes to the standardisation and advancement of industry technology by participating in the revision of standards within the building materials field, thus guiding the direction of industry development. In 2023, the Company participated in the formulation of national and industry standards including "Safety and General Technical Specifications for Building Waterproofing sheets," "Safety Technical Specifications for Building Waterproofing Coatings," and "Methods for Testing Harmful Substances in Building Waterproofing Materials." The Company continuously promotes standardized industry development. In April 2023, the Company contributed to the compilation and implementation of the national standard "GB55030-2022 General Specifications for Waterproofing of Building and Municipal Engineering," which defines waterproofing levels from the perspectives of engineering waterproofing and usage environments. This standard sets clear regulations for material quality, design service life, construction techniques, engineering acceptance, and operational maintenance, effectively standardising the quality of building waterproofing construction and facilitating an industry-wide upgrade of the anti-permeation system.

Develop Green and Healthy Products

Oriental Yuhong focuses on innovation in material formulation design, manufacturing, and product usage, centring around sustainable resource use, low-carbon and eco-friendly measures, and health-friendly factors. The Company develops innovative products and technologies that enhance the "green content," "value," and "novelty" of its offerings.

The Company strictly adheres to legal, regulatory, and technical standards such as the "Technical Requirements for Environmental Labeling Products," considering the environmental and social impacts of the production, use, and disposal of waterproof products throughout their entire lifecycle to minimize and avoid adverse effects on the environment and human health.

Oriental Yuhong does not add substances such as glycol ethers and their esters, phthalates, diamines, alkylphenol ethoxylates, dodecylbenzenesulfonic acid, ketones, or halogenated hydrocarbons to its waterproof coatings. The company tests finished products for volatile organic compounds, radioactivity, formaldehyde, benzene, benzene solvents, and powerful methylene diphenyl diisocyanate in hardeners to ensure compliance with standards. The company also tests waterproof sheets for persistent organic pollutants, phthalates, and coal tar pitch, and examines the solubility of heavy metals and aromatic hydrocarbons in used mineral oils, with products only sold after meeting the required standards.

To better meet the needs of green building, the Company has introduced innovative products and technologies such as the EDEE industrialized assembly roofing system and the Rainbow Taohuayuan anti-flooding water storage system to support the construction of "sponge cities." The company has developed and promoted the Rainbow Roof photovoltaic roofing system, the SWIFT quick-integrated flexible roofing system, the Woniushan thin plaster external wall insulation system, and near-zero energy consumption integrated EPC solutions to promote energy conservation and emission reduction in the construction field, thereby supporting the development of green buildings, prefabricated buildings, and ultra-low-energy buildings.

Key environmental and green products developed by the Company

Biobased waterproof coating product

Utilising renewable plant resources such as corn and sweet potatoes, the Company has developed its first bio-based waterproof coating. Each container of rainbow plant-based waterproof coating contains approximately 30% bio-based content and has received the USDA BioPreferred certification along with several other domestic and international environmental certifications.

WS105 odourless anti-mould edge sealer

This building waterproofing sealant, which features anti-mould properties, undergoes air quality assessments over 28 days after application using precise instrumentation to measure the concentration of total volatile organic compounds and commonly harmful organic compounds. It has achieved the highest French VOC environmental rating of A+ and the international top anti-mould rating of "Grade 0."

TKB-210/220 space fort weather-resistant self-adhesive asphalt waterproof sheets

Featuring special high-reflectivity mineral particles, this material effectively reflects sunlight with a reflectivity rate greater than 70%, which is about 10% higher than that of standard concrete surfaces. This reduces heat accumulation, helping to keep roofs and interiors cooler during summer, saving on air conditioning costs, and making buildings more habitable. It also offers low maintenance costs and easily detectable leakage.

"Dahongren" smart thermal storage equipment

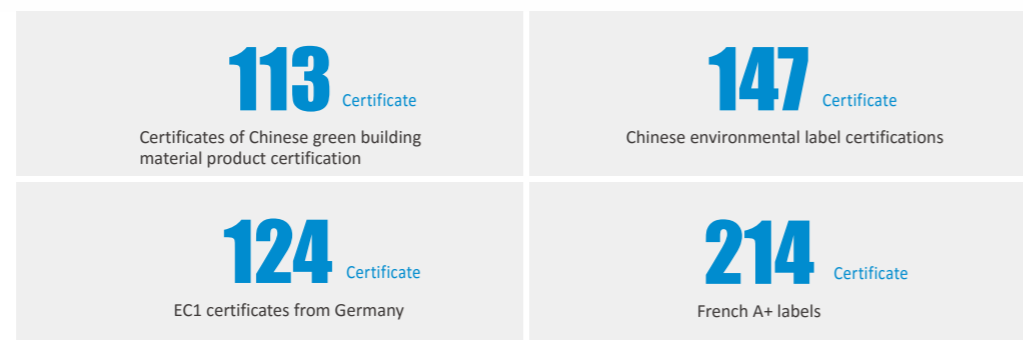
This multi-functional smart equipment is designed for the storage, transport, and application of non-curing rubber asphalt waterproof coatings. Compared to similar products, it features an in-house developed new heating system that intelligently controls temperature, eliminating unnecessary cooling and heating stages and enabling the reuse of packaging containers.

EDEE Yi ding industrialized assembled roof system

This system transforms the conventional roofing system by stabilising the base layer, which is prone to instability and leakage. It combines waterproofing, insulation, wind resistance, protection, and aesthetic functions into a green, assembly-type roofing system, all components of which are industrially produced. It ensures a structural base layer stability, reliable waterproofing efficiency of over 98%, and easy maintenance. Materials and components can be recycled at an efficiency of 85% at the end of their life.

The Company regards the environmental and health safety performance of its products as key indicators, assessing the impact on human health and the environment. Several products have received green certifications from authoritative domestic and international bodies.

As at the end of 2023, the Company has accumulated a significant number of environmental and health certification certificates and labels:



Digital and Intelligent Transformation

Oriental Yuhong consistently prioritizes technological innovation as the driving force, focusing on smart construction technology as a key area for corporate expansion. By leveraging platform advantages and integrating scientific and creative resources, the Company continuously promotes the intelligent development of the industry. It improves lean project management, standardizes construction, and advances the mechanisation and digitalisation of construction projects, enhancing safety, efficiency, and quality. Through these initiatives, the Company provides robust technological support and momentum for high-quality development in the construction industry.

The Company actively develops smart factories, introduces advanced automated production lines both domestically and internationally, and explores the use of robotic arms, vertical storage, and automated transport robots, elevating the level of automation and intelligence within the factory. With digital control technology, the company implements refined management, develops smart storage systems, and synchronizes product supply chain management systems, facilitating data collection, model analysis, automatic alerts, intelligent monitoring, and self-learning capabilities. It also explores smart construction technology and independently develops smart equipment, launching the Tantu series, Rider series, Rainbow Elephant High-Pressure Airless series, Rainbow Elephant S series, and Non-Curing series, pushing forward the mechanisation, automation, visualisation, and intelligent development of construction machinery. In 2023, the Company launched five new intelligent equipment models, including the Tantu 100, a non-curing spray robot, and a non-curing smart spraying vehicle. The Tantu 100, an SBS sheets automatic hot-melt paving vehicle, is equipped with an in-house developed visual navigation system and AI algorithms, enabling automated paving operations for waterproof sheets and improving work efficiency.

The Company responds to diverse, multi-regional, and multi-faceted internal needs with a construction approach that integrates platforms, ecosystems, and intelligence. It builds end-to-end business processes with front-end business applications, middle-end management for marketing, engineering, and finance, and a backend core of production, manufacturing, and supply chain driven by order flows, optimising business processes and enhancing management efficiency, thereby strengthening core competitiveness in the digital economy era.

R&D + design

The Company employs a Product Lifecycle Management (PLM) system based on the advanced principles of Integrated Product Development (IPD). The system supports the modularisation and standardisation of product development and design, thereby enhancing the efficiency of R&D activities.

Sales

The Company utilizes online service platforms for managing memberships, distributors, and guided shopping, ensuring price consistency between online and offline exclusive product lines. This strategy achieves a complete integration across all online and offline domains.

Procurement

The Company has established a well-integrated supply chain collaboration system that achieves seamless integration with storage and production phases. By facilitating information sharing and resource consolidation, this system enhances the responsiveness and flexibility of the supply chain.

Logistics and transportation

The Company employs an advanced logistics management system to strategically plan logistics routes and scheduling. It enables real-time tracking and monitoring of logistics information, reducing logistics costs and enhancing efficiency.

Production

The Company utilizes advanced production equipment and automation control systems to implement monitoring and data analysis, thereby increasing production efficiency and improving product quality.

Engineering services

The Company fully leverages the advantages of its marketing platforms to conduct detailed project management, facilitating a transition from broad to refined management approaches. This shift from managing people to managing projects significantly enhances the company's ability to adapt effectively to market changes.

The Company actively harnesses new technologies such as big data, cloud computing, and artificial intelligence to explore innovative paths in smart, digital, and low-carbon development, continuously empowering high-quality and sustainable corporate growth. The Company places significant emphasis on digital security and compliance, adhering to laws, regulations, and relevant industry standards, while consistently enhancing the security and stability of its digital systems to prevent security incidents such as hacking and data breaches.



Protect the Ecological Environment Build a Beautiful Home

Oriental Yuhong adheres to the environmental philosophy that "lucid waters and lush mountains are invaluable assets," continually engaging in deep-seated environmental protection, comprehensive resource utilisation, energy conservation, and emission reduction. The company strives to construct a green manufacturing, business, and management model that covers the entire chain including R&D, production, technology, products, and construction. It is fully committed to fostering a new engine for green development, aiming to create a resource-efficient and eco-friendly enterprise.

Protect the Ecological Environment and Build a Beautiful Home

Respond to Climate Change

Climate change is a major challenge for sustainable human development, with its associated issues such as rising average temperatures on Earth's surface, increasingly frequent and severe natural disasters, and extreme weather events, which have a significant impact on the normal production and daily life of human society. Oriental Yuhong is actively promoting green, low-carbon development internally, implementing energy-saving and carbon-reduction measures to lower its own carbon emissions. At the same time, it is striving to enhance its capabilities and standards in production, operations, and product services to adapt to climate change, thereby increasing climate resilience.

The company has identified the types of greenhouse gas emissions in its production and operational processes, established a greenhouse gas accounting system, and gathered and accounted for its own carbon emissions. It has identified key aspects of carbon emissions and actively implemented emission reduction measures, advancing carbon reduction technologies to minimize its carbon footprint. In 2023, the company adhered to the development philosophy of "low-carbon environmental protection, quality enhancement, and consumption reduction," continuously strengthening energy management, integrating energy consumption into production and operational management indicators, and promoting ongoing reductions in energy use during production. It also undertook projects to build and apply water and heat recycling systems and transform air compressors, enhancing energy efficiency. Gradually, the company has constructed distributed photovoltaic systems at its nationwide production, research and development, and logistics bases, increasing the proportion of renewable energy use. By the end of 2023, the company had implemented photovoltaic projects at 23 production factories, used 42 million kilowatt-hours of green electricity annually, and avoided emitting 23,700 tonnes of carbon dioxide equivalent in greenhouse gases.

In 2023, the company further expanded its business scale, leading to increased usage of electricity, natural gas, and other forms of energy. Consequently, the total carbon emissions for the entire year, covering Scope 1 & 2, amounted to 687,200 tonnes of carbon dioxide equivalent.

2022-2023 corporate Scope 1&2 carbon emissions volume^{①②}

| Indicator | Unit | 2022 | 2023 |
|--|--|-------|-------|
| Scope 1 | 10k tons of CO ₂ equivalent | 29.47 | 35.99 |
| Scope2 | 10k tons of CO ₂ equivalent | 27.03 | 32.73 |
| Total emissions | 10k tons of CO ₂ equivalent | 56.50 | 68.72 |
| Carbon emissions per ten thousand yuan of operating revenue. | Tons of CO ₂ equivalent per RMB 10k | 0.18 | 0.21 |

To further identify carbon emissions in production and business operations, the company performs LCA (Life Cycle Assessment) calculations and analyses on five major categories of products: waterproofing membranes, waterproof coatings, interior and exterior wall coatings, gypsum, and premixed mortar. Viewing from the product lifecycle perspective, it comprehensively calculates and evaluates the products' impact on climate change, identifies production stages with high energy consumption and high carbon emissions, and aims to reduce the carbon footprint of the products through direct emission reductions, energy substitutions, raw material substitutions, recycling, and other improvement measures.

^① In 2023, the company further standardized its greenhouse gas emissions accounting system, comprehensively identified carbon emission business units and production facilities, and retrospectively calculated the carbon emissions data for the year 2022 using the same criteria.

^② The company calculates carbon emissions by referring to the accounting methods and parameters specified in the *Guidelines for Greenhouse Gas Emission Calculation and Reporting for Other Industrial Enterprises (Trial)* and uses the national average carbon emission factors for power emissions published annually by the Ministry of Ecology and Environment.

The company strives to identify the risks and opportunities brought about by climate change, analysing their types, impact levels, and trends. It then combines these with its own production operations and business realities to implement response measures, optimize business operations, and enhance its adaptation level to climate change.

The main risks and opportunities related to climate change faced by the company, and its response measures.

| Type | Risk / Opportunity | Coping Measures | For Examples |
|----------------------------|--|--|--|
| Physical risks | Global climate change has led to an increase in the intensity of extreme weather and natural disasters, with higher frequency and longer duration, impacting normal production and business operations of companies. | Develop and implement safety and health measures for working in extreme temperatures, as well as emergency response plans for natural disasters, to prevent harm to personnel health and safety. Enhance the weather resistance of company products, ensuring they maintain effective waterproofing capabilities in special environments. | Facing the severe heat and high temperatures, on one hand, staggered construction times are utilized to avoid the hottest hours, ensuring the health and safety of employees; meanwhile, the development of the silver anti-radiation film series of Space Fortress materials are able to reflect solar radiation, reduce the surrounding environmental temperature, and improve the working conditions for frontline construction personnel. The development of HCA-108 acrylic waterproof coating maintains good flexibility and mechanical properties even in environments as cold as -30°C; RSA-821 salt and alkali-resistant polymer-modified bituminous waterproof sheet material is suitable for coastal and high salt-alkali areas, performing effectively in special environments to maintain excellent waterproof properties and safeguard building safety. |
| Transformation risks | Regulatory bodies have issued policies related to climate change, requiring companies to undertake low-carbon transformation efforts, which puts pressure on businesses to operate in compliance. | Internally develop a carbon reduction strategy and work plan, gradually reducing carbon emissions from company operations and product carbon footprints through measures such as energy conservation, equipment upgrades, and the installation and use of renewable energy. Research and monitor local laws and regulations, strictly comply with requirements for carbon compliance and carbon information disclosure, and meet the demands of regulatory authorities. | Establishment and further standardisation of the carbon emission accounting system allows for the systematic identification of carbon emission sources and the definition of statistical boundaries, laying the foundation for subsequent carbon management. We installed rooftop photovoltaic power systems internally, promote the use of green electricity to replace municipal power usage, and reduce carbon emissions. The Shanghai factory has been included in the Shanghai local carbon market. It strictly submits carbon emission reports as required by local regulatory authorities and completes its compliance duties on time. |
| Transformation opportunity | Amidst global trends towards carbon neutrality, there is an increasing market demand for low-carbon products, technologies, and services. | Actively develop low-carbon and environmentally friendly products and services to meet market demands. | We developed the PMT-TPO distributed photovoltaic roof system. By leveraging the excellent waterproofing and durability of TPO waterproofing membrane, existing metal roofs are repaired with TPO membrane. Then, distributed photovoltaic power systems are directly installed on the rooftop, effectively utilising the roof area to develop photovoltaic power. We replaced part of the cement in tile adhesive with low-carbon cementitious materials to enhance the performance of the tile adhesive while significantly reducing the carbon emissions of the tile adhesive product. |

Green Production Operations

Oriental Yuhong emphasizes green production and operations, establishing a comprehensive environmental management system. By incorporating green environmental protection concepts into business management and continuously increasing investment in environmental protection, the company strives to enhance the efficiency of resource and energy use and reduce waste emissions by purchasing advanced equipment, remodeling production lines, and optimising process equipment. This advancement promotes sustainable green production and operations. The annual investment in environmental protection amounts to RMB81 million.

| | |
|--|---|
| 36 manufacturing plants have received environmental management system certification. | 20 manufacturing plants have received the Ten Ring Certification. |
| 6 manufacturing plant has been designated as a national green factories. | A In the national key environmental areas, six manufacturing plants have been rated as Grade A for their environmental performance. |

Sustainable use of resources.

Oriental Yuhong continuously strives to enhance the efficiency of resource use in production, storage, and transportation. The company is committed to building a green, smart, and digitalized production and operations system. It has established smart manufacturing workshops and utilized technology systems like intelligent warehousing, flexible production, real-time production visualisation, remote monitoring, and visualized freight transport to achieve low-carbon operations. Additionally, Oriental Yuhong has developed intelligent warehouses and high-rack shelving to expand storage space and utilize storage resources effectively. By planning order production and storage rationally based on sales plans and inventory levels, the company aims to reduce transport distances and costs, thereby saving on transportation fuel and resources.

In designing its new factory buildings, the company prioritizes maximising the use of natural light by installing transparent glass windows to fulfil lighting needs largely with sunlight. It also installs energy-saving lighting fixtures and implements zone lighting control in production areas, adjusting brightness according to different environmental needs to save as much energy as possible. The Company introduces advanced production equipment from both domestic and international sources, conducts regular maintenance checks to keep them in optimal operating condition, and meets production demands while enhancing the efficiency of energy resource utilisation. The Company regularly carries out energy-saving and technical improvement measures, such as overhauling air compressors and repairing insulation on asphalt pipelines, to reduce the waste of energy resources.

The Company collaborates with a third-party to substitute some traditional wooden pallets with leased shared pallets for transporting water-based coatings and other products. These shared pallets are made from 100% recyclable regenerated plastic, which are more durable and easier to clean compared to traditional wooden pallets, and they also improve the efficiency of loading and unloading operations. Since 2020, with the cooperation of third-party organisations, the company has reduced the use of original wooden pallets by utilising shared pallets, accumulating a total of 593,500 uses. Compared to an equivalent number of wooden pallets, this has effectively prevented the use of 11,900 tons of wood.

To maximize resource utilisation, has established policies such as raw material the company conservation management has implemented systems to a raw material conservation efficiently use raw materials and other resources. We explore the use of recycled materials and recyclable materials to replace virgin and non-recyclable materials. For example, we have developed a light breathing bio-based wall paint product, extracting organic components from plants such as corn, cassava, and beets, to replace some of the non-renewable materials in the original formula, achieving a substitution rate of 30%. This product also aims to minimize the presence of volatile organic compounds (VOCs) and semi-volatile organic compounds (SVOCs). It has passed the German ELF solvent-free test, French indoor environment A+ certification, and the U.S. Department of Agriculture (USDA) biobased content certification.



The USDA BioPreferred Certification is a certification program managed by the United States Department of Agriculture (USDA), aimed at confirming and verifying the sustainability and bio-based origins of the biomaterials used in agricultural and food products.

2022-2023 Key Energy and Resource Consumption of the Company

| Indicator | Unit | 2022 | 2023 |
|---|---------------------------------|--------|--------|
| Natural gas | 100 million m ³ | 0.72 | 0.59 |
| Electricity | 100 million kWh | 4.54 | 5.43 |
| Heat | 10k GJ | 10.51 | 16.10 |
| Diesel | 10k tons | 0.05 | 0.04 |
| Liquefied petroleum gas | 10k tons | 0.02 | 0.02 |
| Coke | 10k tons | 0.50 | 0.47 |
| Semi-coke | 10k tons | 4.26 | 7.55 |
| Renewable energy | 100 million kWh | 0.16 | 0.42 |
| Total energy consumption | 10k tons of standard coal | 19.67 | 22.88 |
| Overall energy consumption per RMB 10k revenue ^③ | Tons of standard coal / RMB 10k | 0.063 | 0.070 |
| Water | 10k tons | 182.12 | 215.26 |
| Plastic packaging materials | 10k tons | / | 4.47 |
| Paper packaging materials | 10k tons | / | 3.46 |

The Company primarily uses water for production and domestic purposes; Production water mainly includes water used in manufacturing building materials, cleaning mixing tanks, dust control, and ground cleaning; Domestic water is mainly for drinking and general use by employees in offices and residential areas. The Company actively promotes the recycling and reuse of wastewater, efficiently utilising water resources while complying with relevant laws and regulations.

^③All types of energy shall be calculated for comprehensive energy consumption according to the calculation principles, scope, methods and requirements for conversion to standard coal stipulated in the *General Rules for Comprehensive Energy Consumption Calculation (GB/T 2589-2020)*.





Emissions management

Oriental Yuhong strictly adheres to the "Air Pollution Prevention Law," the "Water Pollution Prevention Law," and other relevant legal regulations, actively carrying out pollution control and emission management work related to environmental solid waste, air, and noise. The Company regularly monitors the emission of major pollutants such as exhaust gases and wastewater, continuously carries out treatment of particulates, VOCs, asphalt fumes, boiler emissions, and noise, and increases investment in technical and engineering facilities for emission control, striving to reduce and eliminate the adverse environmental impacts of emissions.

The primary emissions during the company's production processes include particulate matter and VOCs generated from production lines of coating powders, mortar, and gypsum putty, as well as asphalt fumes from asphalt-related production lines. The company has implemented an exhaust gas management system, adopting measures such as process and equipment improvements, raw material substitution, and the introduction of regenerative thermal oxidizers (RTOs) to reduce emissions and ensure that exhaust gas concentrations meet national and local emission requirements. By the end of 2023, the company has installed 33 regenerative thermal oxidizers, achieving a VOC treatment rate of 95%.

Types of Emissions

Main Measures to Reduce Emission

| | |
|--|---|
|  <p>Organic waste gases</p> | <p>Organic waste gases are collected into the waste gas treatment system via fans and ducts, and discharged through an exhaust stack after treatment; or they are collected under negative pressure by a collection hood and then introduced into an activated carbon adsorption unit for treatment, finally being emitted through a high exhaust stack.</p> |
|  <p>Dust and exhaust gases</p> | <p>Collection hoods are installed at each powder feeding point and filling machine. After the gases are collected, they enter a bag-type dust collector for treatment and are discharged after meeting the required standards. Pulse dust collectors are installed on top of various powder storage tanks, and the gases are discharged in compliance with standards after treatment.</p> |
|  <p>Boiler exhaust gases</p> | <p>Boiler flue gases, such as soot, sulphur dioxide, and nitrogen oxides, are collected through a dedicated flue and, after treatment, are emitted in compliance with standards.</p> |
|  <p>Exhaust gas from the raw material filling area.</p> | <p>The raw material filling areas deploy unified unloading stations for storage tanks, where the unloading process is completely enclosed.</p> |

Emissions quantity of the company for the years 2022-2023

| Indicator | | Unit | 2022 | 2023 |
|----------------------|-----------------------------------|-------------|-------|-------|
| Waste gas emissions | Particulate matter emissions | ton | 40.69 | 52.24 |
| | Asphalt fume emissions | ton | 6.05 | 10.42 |
| | VOC emissions | ton | 53.54 | 62.45 |
| Wastewater discharge | Wastewater discharges | 10,000 tons | 36.34 | 38.71 |
| Waste discharge | Hazardous waste generated | 10,000 tons | 0.20 | 0.19 |
| | Typical generation of solid waste | 10,000 tons | 2.40 | 3.06 |

The Company's wastewater mainly consists of industrial wastewater and domestic sewage. The industrial wastewater is treated through in-plant pretreatment and sewage treatment facilities before being discharged in compliance with standards. The Company actively promotes the recycling and reuse of wastewater, efficiently utilising water resources while meeting relevant legal and regulatory requirements.

The Company's solid waste from production mainly includes general solid waste and hazardous waste. General solid waste includes waste packaging materials, waste cloth bags, etc.; hazardous waste includes floating oils, sludge, spent activated carbon, filter residues, etc. Following the principles of "classified recycling, centralized storage, unified treatment, and comprehensive evaluation," the company controls and reduces waste emissions and properly handles waste that cannot be recycled. For general solid waste, the company implements centralized management, opting for recycling or periodic disposal through third-party services; for hazardous waste, a waste control procedure is established to regulate transportation, storage, use, and disposal processes, with periodic handling by qualified third-party companies.

The main sources of noise in the Company originate from the operation of production equipment. Under the premise of meeting technological design requirements, the Company opts for equipment models that comply with relevant standards and are low in noise and vibration to reduce noise levels. Additionally, the Company effectively positions high-noise equipment according to a rational layout of the factory area, utilizes buildings and greenery for sound isolation, and employs sound-absorbing and sound-insulating materials for doors, windows, and walls to prevent noise spread and transmission. The noise at the factory boundaries meets the requirements of the *Industrial Enterprise Boundary Noise Emission Standards*.



Environmental Protection

The Company strictly adheres to the requirements of the *Environmental Protection Law* and other relevant laws and regulations. For new projects and expansions or modifications, a professional agency is commissioned to conduct an environmental impact assessment (EIA) before construction begins. The Company rigorously fulfills its obligations for environmental impact evaluation, and only commences construction after obtaining the approval from the administrative regulatory authorities of the location where it operates. We implement the "Three Simultaneities" system, whereby pollution control facilities are designed, constructed, and put into operation concurrently with the main project. Additionally, a detailed assessment and survey of the existing vegetation and rare animal and plant species at the construction site are conducted, and an appropriate project protection plan is formulated based on the survey results.

The Company focuses on biodiversity conservation. During the design and construction phases at the factory site, it fully considers the impacts on the surrounding ecological environment and adopts measures to mitigate them. We also work to raise awareness among stakeholders about protecting the ecological environment and endangered flora and fauna. Actions have been taken multiple times to protect groundwater sources, ancient trees, and birds around the factory. During the construction of the Wuhan factory, the Company discovered four ancient trees within the site boundary. Specialists were hired to assess these trees, which were identified as national second-class protected plants. The Company promptly revised the design plan to avoid these trees during construction and organized experts to permanently protect these ancient trees by developing maintenance and protection measures, allocating specific funds for their upkeep.

During the construction of the factory in Xuzhou, the company carried out a specialized landscaping design focused on the natural river within the factory area. The riverbed was widened and dredged, and the river barriers were reinforced and hardened. An artificial ecological garden was created along the riverbanks to prevent soil erosion and maintain water conservation. After these enhancements, the landscaped riverbanks became a popular recreational area for local residents to walk and exercise.



Wuhan factory complex



Refurbished river within the Xuzhou factory

Environmental protection requires the participation of the entire society. The Company has strengthened cooperation with local governments and communities, actively organising and participating in environmental education and publicity activities to raise environmental awareness among employees and the public. For instance, various activities are conducted on Environmental Protection Day to enhance the environmental consciousness of employees and community residents. In June 2023, Oriental Yuhong, in collaboration with GaoNeng Environment and Zhongguancun Software Park Enterprises Joint Party Committee / Joint Trade Union, co-hosted the second season of the "Rainbow World-Green Environment Public Benefaction Plogging" event. This initiative mobilized and called upon company employees across the country to collect litter, cleanse the environment, and spearhead a green fashion movement combining "charitable litter collection + waste sorting + recycling."



Oriental Yuhong's Xuzhou Factory Initiates Environmental Protection Campaign



"Rainbow World · Green Environment Public Welfare Cleanup PLOGGING" Season 2



Safeguard Rights and Interests of the Employees Support Talent Development

Oriental Yuhong regards employees as the first element resource of enterprise development, pursues the "people-centred, profession-oriented, team-oriented and execution-oriented" strategic guideline, and establishes an all-direction talent development system around the four aspects of "selection, employment, cultivation and retention". Meanwhile, Oriental Yuhong builds a people-centred, open and diversified, inclusive and innovative career development platform to stimulate employees' innovative and creative vitality and create a favourable environment for the common and sustainable development of the employees and the Company.

Safeguard Rights and Interests of the Employees and Support Talent Development

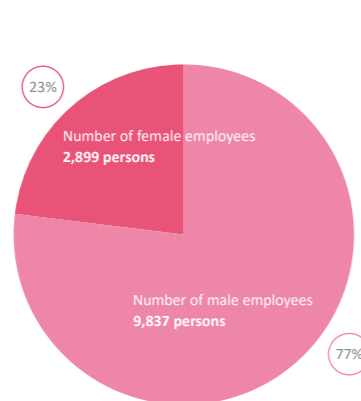
Equal and Standardised Employment

The Company strictly abides by the *Labour Law*, *Labour Contract Law* and other policies, laws and regulations, as well as the laws and regulations of the countries and regions in which it operates overseas, and abides by the relevant international conventions ratified by the Chinese government. It pursues a policy of employing employees on an equal footing and treating employees of different races, skin colours, nationalities, genders, ages, religious beliefs and cultures in a fair and just manner, and strictly prohibits and resists any form of child labour, forced labour, debt labour and human trafficking.

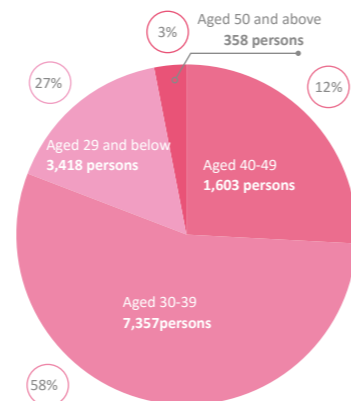
The Company actively recruits different kinds of talents and continues to build a diversified workforce. Meanwhile, the Company respects the differences of its employees in personalities, abilities and growth experiences, cherishes talents with different backgrounds, talents, insights, experiences and skills, and strives to create an open and inclusive environment where each employee can freely give full play to their potentials and grow together with the Company. In 2023, the Company extensively attracted outstanding talents from home and abroad and recruited fresh graduates and social talents with different professional backgrounds and from different regions to enrich and expand its workforce. As at the end of 2023, the Company had 12,736 employees.

12,736
persons

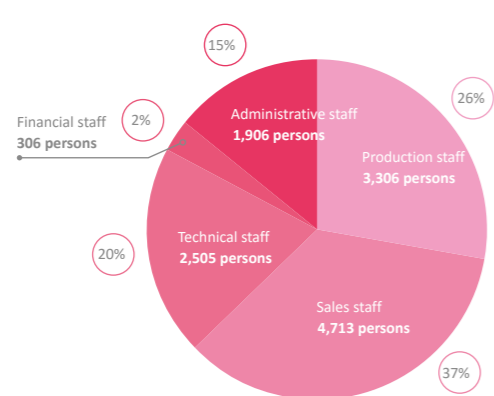
Total number of employees



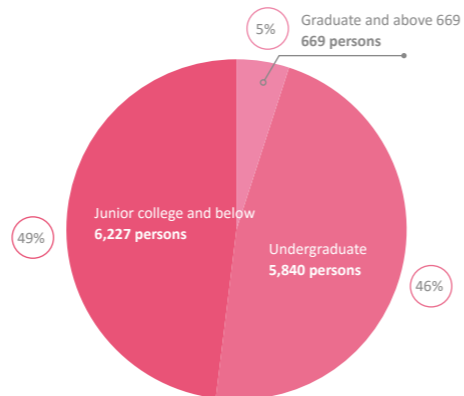
Number and proportion of employees by gender



Number and proportion of employees by age



Number and proportion of employees by professional composition



Number and proportion of professionals by education level

In accordance with relevant laws and regulations and as per the principles of "defining salaries according to post, adjusting remuneration once the post changes, giving priority to efficiency, rendering remuneration according to performance, and taking count of justice", the Company has established and improved the remuneration incentive system, conducted regular remuneration reviews and adjustments, and gradually improved various forms of medium- and long-term incentives, in an effort to provide employees with a sustainable, stable, attractive, and relatively complete remuneration system. The Company implements an equity incentive policy for middle and senior management, core business and technical personnel and rewards employees who are with truthful identities, beliefs and endeavours with equities, to stimulate their internal driving force and share with employees the Company's development achievements.

Taking "mutual creation and mutual sharing" as the core guideline of its human resources work, the Company has successively launched a series of systems such as "I decide my remuneration" and "I decide my equity", to fully stimulate employees' goodwill and their vitality of innovation, creativity and entrepreneurship and provide a solid organisational guarantee and talent support for the Company's high-quality development.

The Company pays employees' salaries, five social insurances and one housing fund in a timely manner and protects the legitimate rights and interests of employees. Moreover, it fully respects the customs and habits of employees of all nationalities and their right to freedom of religious belief, focuses on the promotion of employment of women and ethnic minorities, and continues to create a fair, just, harmonious and humanistic working environment for employees.

Employment

| Indicator | Unit | 2022 | 2023 |
|---|--------|------|------|
| Ethnic-minority employees | Person | 543 | 619 |
| Proportion of ethnic-minority employees | % | 4.31 | 4.86 |
| Number of female managers | Person | 271 | 235 |
| Proportion of female managers | % | 2.15 | 1.85 |
| Number of per capita paid leave days per year | Day | 6.35 | 6.57 |
| Rate of signing labour contracts with employees | % | 100 | 100 |
| Social insurance coverage rate | % | 100 | 100 |
| Return rate of female employees after maternity leave | % | 100 | 100 |

Health and Safety

Following the principle of “safety first, prevention first”, Oriental Yuhong improved the safety management system, formulated safety systems, and established a production safety responsibility system covering the whole network of construction and staff to implement the production safety responsibility level by level. It also organized and carried out safety education and training to improve safety awareness and crisis management skills and ensure the stable production of the Company and the health safety of its employees and related parties. There was no major production safety incident in the Company in 2023.

The Company formulated several management systems, including the *Safe Production Responsibility System*, *Safe Production and Inspection System*, *Safe Production Reward & Punishment System*, and *Inspection System for Potential Safety Hazards*, etc., to systematically regulate safe production management and required all integrated production bases to strengthen the standardized development of safety production. As at the end of 2023, all integrated production bases of the Company that had been put into operation passed the acceptance of safety production standardisation. According to the requirements of standardized development of safety production, the Company actively rectified various potential hazards and carried out regular preventive maintenance of various facilities and equipment affecting safety, with RMB45.77 million invested in safety production for the whole year.

Safety Production Management Performance

| Indicator | Unit | 2022 | 2023 |
|---------------------------------|-------------|--------|--------|
| Input in safety production | RMB10k | 3,513 | 4,577 |
| Major safety incident | Time | 0 | 0 |
| Number of work-related death | Person | 0 | 0 |
| Lost days due to work injury | Day | 2,427 | 2,063 |
| Number of occupational diseases | Time | 0 | 0 |
| Safety training participants | Person-time | 38,857 | 44,388 |

Occupational Safety

The Company has built a standardized labour protection system, equipped with perfect labour protection supplies and safe operating tools, and regularly conducted practical and theoretical training to help employees master the standardized operating procedures, the correct use of protective equipment and personal labour protection supplies and enhance employees' self-protection skills. Meanwhile, the Company strictly followed the national regulations to give subsidies to prevent heatstroke and regularly distributed heat stroke medication and drinks during the high-temperature season. In severe cold and heavy foggy weather, the Company promptly adjusted the working hours and content to protect the safety and health of employees in special environments.

The Company fully implemented the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, focused on occupational health and safety supervision of employees and prevention and control of occupational disease, continuously improved construction working conditions, and prevented, controlled and eliminated occupational disease hazards. The Company gave occupational health care and medical check-ups to employees engaged in work with occupational hazards before starting work, during work and before leaving work, and the results were all entered into the staff files timely and accurately. For employees in special jobs, a health care allowance and recuperation system was in place as required.

The Company has set up occupational health and safety warning signs at production sites. The Company carried out regular testing of dust, noise, toxins and other occupational hazards, and commissioned qualified occupational health services to conduct annual health monitoring of occupational hazard jobs. The Company has timely upgraded the dust, toxic and noise protection facilities and eliminated outdated processes and technologies to improve the working environment in the workplace.

Safety Production Management

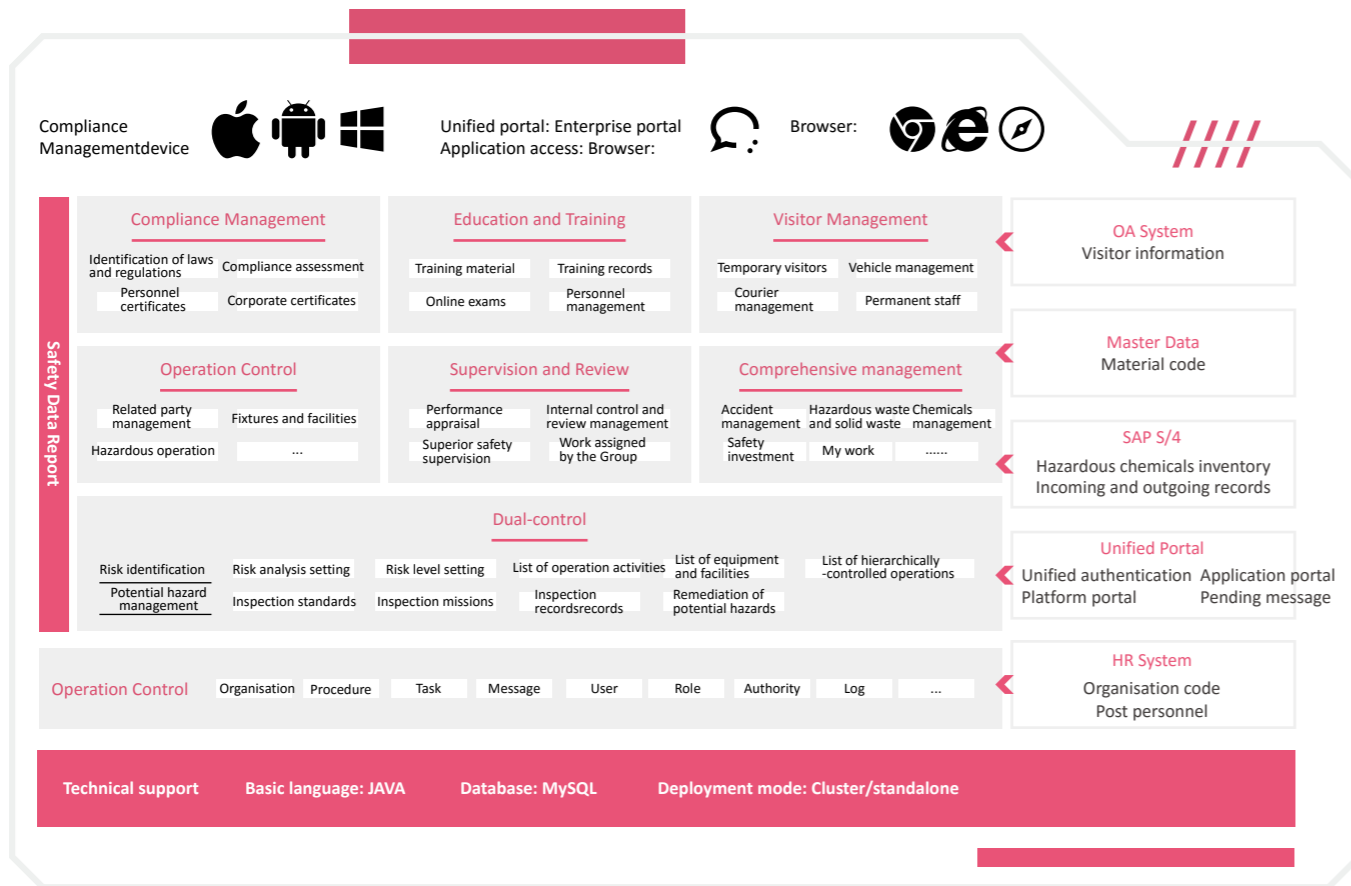
On the basis of continuously improving the automated production level, the Company increased the safety protection control measures for automated production lines and installed safety barriers, automatic interlocking emergency stop safety gates and other automation devices in line with national standards for automated production lines, robotic arms, automatic balers, automatic film wrapping machines and belt conveyors with potential mechanical risks. New forklift sensors were added to all production lines to ensure that the personnel would not enter the mechanical danger zone when a forklift was transporting goods, thus guaranteeing personnel safety during the production process.

In strict accordance with the provisions and requirements of the Fire Prevention Law, the Company set up fire control rooms and arranged the corresponding personnel on duty in the fire control rooms to ensure that any abnormal situation can be identified immediately and handled quickly. The Company organized annual fire prevention competitions, including the use of fire extinguishers, fire hydrants, foam hydrants and first aid for personnel. Meanwhile, these fire prevention competitions allowed the Company to check the maintenance of fire prevention facilities in the factories and the fire prevention skills of the employees and ensure the fire safety of the factories.

Before leaving the factory, the Company's products were all placed in standardized warehouses that were in line with national fire safety standards, and the stacking height met the product quality requirements. Before the racks were installed and put into use, they were tested by professional rack testing companies to ensure that the racks were stable, reliable and safe and that the weight of each product on the racks was within the range of safe load. Meanwhile, special personnel were arranged to conduct regular inspections of warehouse fire safety and rack safety to ensure that the fire escape routes were smooth and that the racks were safe and reliable. When loading goods onto vehicles, horizontal lifelines were set up in high-risk loading and unloading areas to ensure the safety of loading and unloading personnel.

Information-based Development of Safety Production

The Company developed and released the EHS digital management system in 2022 and further upgraded it in 2023 in accordance with the requirements of relevant national laws and regulations and the needs of internal management, to improve the information-based management level of safety. The system realized the closed-loop management of the whole process from risk identification, safety inspection to remediation of potential hazards. With the management of the modules of identification of laws and regulations and compliance, the compliance of safety management was further strengthened. With the training and education module, the factory-entry training for various outsiders and the three-level safety education for employees were systematically managed to ensure the safety of the relevant parties. The performance appraisal module strengthened the comparison between factories and enhanced the overall safety management level of the Company.



Training and Development

Oriental Yuhong established an all-round, multi-level talent cultivation system to meet the learning needs of employees to improve their professional knowledge and basic vocational skills. The Company continuously optimized the organisational structure of the departments and the structure of the workforce and gradually developed toward the management mode of lean, efficient and elite talents. The close integration of talent training with the Company's development strategy allowed employees and the Company to grow and develop together.

Employee Training

In order to support the rapid growth of employees, the Company established a training management system to ensure the orderly progress of the learning and development work. With online classrooms, offline intensive training and the "mentoring the freshmen by the seniors" mentor-apprentice system, onboarding employees could adapt to the working environment and corporate culture more quickly. At the beginning of each year, the Company organizes special training and learning to update knowledge on the posts in a timely manner. In the middle of the year, customized training courses are carried out for employees from various posts to improve their post skills, and vocational skills competitions and cultural activities are regularly organized to stimulate employees' enthusiasm for learning and creativity.

In 2023, the Company continued to improve the training system, optimized the form and content of training, refined the high-quality learning and development projects, enhanced the efficiency of the online learning platform, and improved the learning experience of employees. Throughout the year, the average number of training hours per employee was 60 hours, and the proportion of employees receiving training was 96%.

“Oriental Yuhong is an industrial enterprise specialised in "craftsmanship" and needs to reinforce its "strong body" in the course of refining its corporate values over the long term. Talent cultivation is the most important thing for Oriental Yuhong to reinforce its "strong body", and it is the key to Oriental Yuhong's rapid growth to cultivate talents in a systematic, routine and diversified manner and establish an effective training mechanism.

--Li Weiguo, Chairman of Oriental Yuhong



Employee Training Performance

| Proportion of employees receiving training | | % | 96 |
|--|-------------------------|------|----|
| Training hours per capita | | Hour | 60 |
| Training hours per capita | | Hour | 60 |
| Proportion of employees receiving training by management level | Senior management | % | 70 |
| | Middle management | % | 68 |
| | Primary-level employees | % | 97 |
| Proportion of employees receiving training by gender | Male employee | % | 97 |
| | Female employee | % | 95 |
| Training hours per capita by management level | Senior management | Hour | 49 |
| | Middle management | Hour | 58 |
| | Primary-level employees | Hour | 64 |
| Training hours per capita by gender | Male employee | Hour | 79 |
| | Female employee | Hour | 51 |

In 2023, the Company further defined the strategic positioning, development strategies, resource building goals, and operational policies for training work, improved the training organisation structure, operation process and management system, and conducted a systematic review and collation of the curriculum system, faculty system, assessment system and knowledge management system to comprehensively guarantee the effect of training.

Institutional Guarantee

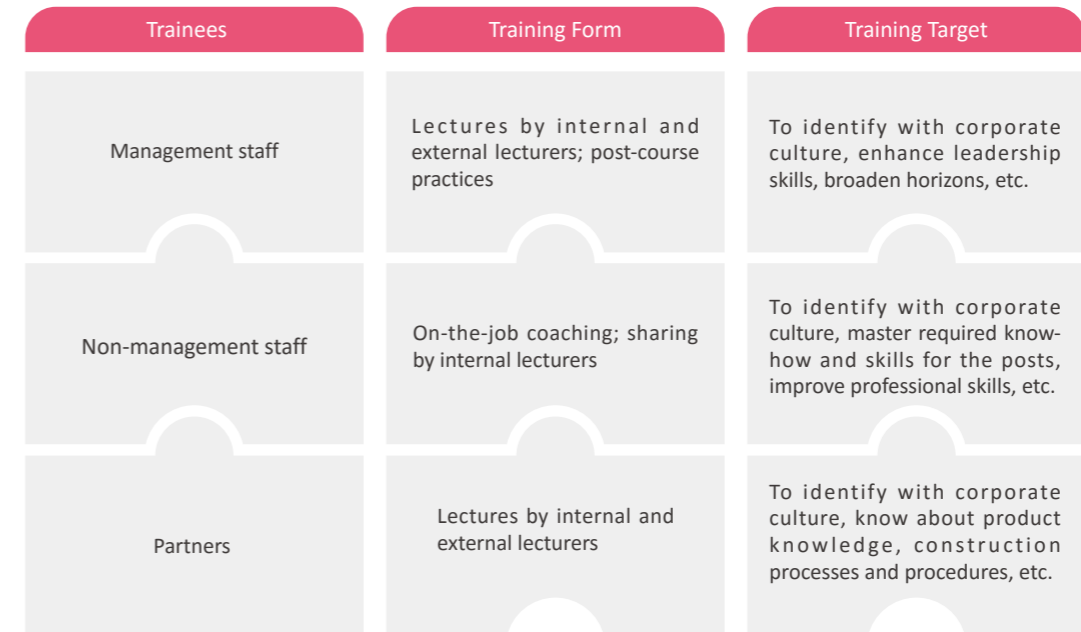
The Company established the training management system, new employee training system, lecturer system and staff tutorial system, honoured good students, good tutors and good lecturers on a regular basis, and encouraged employees to attend external training and the accreditation of professional qualifications and senior and mid-level professional titles. Employees could enjoy benefits like paid leave and reimbursement of accreditation costs during preparation.

Professional Teachers

Employees could carry out theoretical training and practice drills in flexible and multiple ways such as E-learning and offline case sharing and discussions.

Customized Courses

The Company provided targeted training from various perspectives based on the position sequence, ranks and different professional positions.



4398 persons
Cumulative number of employees passing the accreditation of vocational skill levels

13 persons
Cumulative number of employees awarded the title of "National Technical Experts"

26 persons
Cumulative number of employees awarded the title of "National Masters in Roofing Waterproofing"

Oriental Yuhong established the Oriental Yuhong Vocational Training School ("Yuhong Vocational School" for short) and the Oriental Yuhong Business School, where systematic training was offered to skilled talents and management talents, respectively. Yuhong Vocational School, in collaboration with vocational skills schools, industry associations and other resources, carried out activities such as the preparation of teaching materials, the establishment of practical training bases and the accreditation of vocational skill levels to enhance the vocational skills of employees. A total of 11,373 employees were trained and 4,398 employees passed the accreditation of vocational skill levels. Among the trained technical and skilled talents in the field of building waterproofing and decoration who won a lot of good results, 2 won the National May 1st Labour Medals, 13 won the title of "National Technical Experts", and 26 won the title of "National Masters in Roofing Waterproofing". With a focus on internal knowledge precipitation and hierarchical and sequential training of talents, the Oriental Yuhong Business School organized 23 leadership training sessions throughout the year, covering 3,240 persons, as well as 80 skill training sessions that covered 3,215 persons.



Employee Development

The Company emphasized career development planning for employees, strengthened talent echelon development, and provided diversified career development paths for employees so that they could have more promotion opportunities and development space. The Company built and implemented the internal talent selection mechanism, encouraged employees to develop their talents and potentials and obtain more growth opportunities, fully stimulated employees' internal driving force, learning ability and creativity, and formed a corporate culture atmosphere of taking proactive action, assuming full responsibility and forging ahead in unity.

The Company introduced professional consultancy institutions and established and optimized the qualification system based on the Company's development strategy. Career development paths consisting of a total of 26 subsequences in five classifications were set for staff's professional development vertically and comprehensive development horizontally. With the adoption of the evaluation method combining qualification standards, professional development plans and competence models, employees were encouraged to do job rotation and get promotion through normal development, internal competition, or accelerated promotion and achieve their career development goals.

Caring for Employees

Oriental Yuhong is committed to building a caring system for employees throughout the whole process and cycle, maximising the service needs of employees, promoting employee growth, and enhancing their sense of belonging, identity and happiness.

The Company continuously conducted special surveys on employee satisfaction and focused on key factors affecting employee satisfaction, including fair opportunities, development space, cultural atmosphere, compensation and benefits, and other major driving factors. Employee satisfaction was surveyed through the office system and WeChat client, to identify key factors affecting employee satisfaction, define the direction and measures for improvement, and enhance employee satisfaction.

Since its establishment, Oriental Yuhong has continued to improve the employee welfare system, with employees being regarded as family members and cared for with a heart of compassion. Four major welfare and caring systems have been established, including benefits such as life and assistance, health and safety, holiday and care, and team building and vacations.

Life & assistance

With the "Yuhong Care Fund" that was established in 2013, the Company provides financial support to employees and their children who have difficulties in life due to medical care, education and natural disasters every year.

Health & safety

The Company attaches importance to employees' physical health issues and provides financial assistance to employees who have difficulties in life due to major illnesses, in addition to physical examinations for employees.

Holiday & care welfare

Subsidies for communication and transportation, meals and housing, as well as commercial accident insurance. Funds for departmental activities/employee birthday wishes, year-end benefits, commencement bonuses, wedding/birthday gifts, Spring Festival gifts for parents, and gifts for traditional festivals.

Gifts for working ages with the Company, condolence care, and physical examinations for employees.

Team building & vocation

There are 14 days of Chinese New Year holidays, family and care leave, examination leave, childcare leave, paid annual leave, etc.



The company organized various forms of activities, such as "Culture and Art Festival", "Healthy Vitality Yuhong People" and "Reading Club" for employees to add color to their work and life.

The 17th Oriental Yuhong & BGE Culture and Arts Festival with the theme of "Transcending ourselves, challenging the Impossible" was held.



东方雨虹 E-factory 开放日



Foster Mutual Benefits and Sharing Promote Co-creation and Win-win

The growth of Oriental Yuhong benefits from the progress and development of society. During the company's development process, we also strive to do our best for the industry and social development, making efforts to achieve co-creation, sharing, and win-win development with all stakeholders.

Foster Mutual Benefits and Sharing and Promote Co-creation and Win-win

Supply Chain Cooperation

Responsible procurement

The Company has formulated *Procurement Management System*, clarifying the responsibilities of relevant departments and positions, standardising the procurement process, supplier development, and management requirements to improve the efficiency of procurement process management and reduce procurement risks. To regulate the behavior of procurement personnel and strengthen the integrity of the procurement process, the *Code of Conduct for Procurement Personnel Integrity* has been established. It requires all procurement personnel to sign an annual integrity agreement for their positions, establish integrity records, and eliminate behaviors that infringe upon the legitimate rights and interests of suppliers for personal gain. Furthermore, the company has signed the *Procurement Price Commitment and Integrity Agreement* with all suppliers to achieve transparent procurement.

The Company carries out open bidding, using bidding for materials with procurement amounts exceeding certain standards and requirements, and publishes them on third-party platforms such as the Company's official website, China Purchasing and Bidding Network and China Bidding Network, so as to attract and encourage interested bidders to fully and openly compete. Bidding evaluation groups are formed by personnel from the demand department, procurement department, risk supervision department, financial and technical departments, etc., and evaluation is conducted in accordance with the established bid evaluation procedures; bidding announcements, bid-opening procedures and winning results are made public to ensure the transparency of the bidding process.

The Company actively explores innovative models for green supply chain, aiming to achieve deep integration and efficient collaboration with suppliers through the establishment of a digitalized and refined supplier management system. By building a supplier management platform, the company enables online management of the entire procurement process, facilitating interconnectedness and sharing with suppliers, thereby creating an environment of integrity, transparency, and efficiency.

The Company pays attention to the compliance and sustainability of supply chain management, integrating social responsibility requirements such as environmental protection, quality, and safety into the supplier management process. Suppliers are required to comply with applicable laws and regulations, and efforts are made to encourage suppliers to enhance their level of social responsibility work. In the framework contracts signed with suppliers, the Company explicitly stipulates that the quality and environmental standards of the suppliers' products must adhere to relevant national, industry, and local regulations. This includes prohibiting the addition of pollutants to raw materials and ensuring that hazardous substance levels meet national or industry standards. Additionally, the company requires suppliers to provide environmental testing reports and commitment letters to mitigate environmental risks in raw material processing and product usage. Furthermore, the company encourages suppliers to adopt eco-friendly production methods, which are evaluated in supplier site audits and weighted accordingly.

Win-win cooperation

Oriental Yuhong regards suppliers as crucial partners, strengthening communication and collaboration through business meetings, technical exchanges, supplier conferences, etc... Together with suppliers, we optimize the performance of building material products, shares market opportunities and risks with suppliers, and realizes win-win cooperation and common sustainable development.

Since 2013, the Company has held an annual supplier conference, where we present the development and future plans of the building waterproofing industry to our suppliers. We advocate for transparent and open cooperation while also recognising outstanding suppliers. In November 2023, the Company convened the 2023 Annual Supplier Conference, inviting over 400 supply chain enterprises to collectively explore the path of development under new circumstances. During the conference, honors such as the "Win-win Cooperation Award," "Annual Innovation Award," "Strategic Cooperation Award," and "Best Partner Award" were bestowed upon 68 outstanding suppliers from various fields worldwide. Additionally, roundtable forums were set up, featuring industry experts sharing insights and practical experiences, and discussing hot topics such as sustainable development and prospects for the macroeconomic situation.

Partnership for a Bright Future

Driven by the concept of "co-creation, sharing, and win-win," Oriental Yuhong has been implementing the "Platform + Maker" business management model since 2015, cultivating business partners and establishing a "partner" mechanism characterized by shared vision, collaborative development, and value creation. The company leverages its resources and advantages in product and service quality, brand, and training to provide partners with a rich product portfolio, a mature service system, and standardized construction specifications. Partners are granted authorisation to use the Oriental Yuhong trademark and receive support such as access to the Oriental Yuhong brand, business information, product technology, and preferential pricing. By promoting Oriental Yuhong products and system services in their respective regions, as well as advocating for standardized construction, partners can earn dividend income.

Oriental Yuhong regards partners as vital members of the enterprise, committed to forming a community of shared values based on co-creation and win-win outcomes with our business partners. We continuously provide industry-leading services in product research and development, manufacturing, construction technology, marketing, talent support, financing, and risk management. This approach maximizes the release of goodwill and potential from every like-minded individual.



Employees transform into partners, sharing resources and developing together.

Urumqi Shengyuhong Trading Co., Ltd., located in Xinjiang, was founded by Mr. Wang Dongyu, who joined Oriental Yuhong in 2010. With a profound understanding and trust in the company's culture, products, technology, and services, he transitioned into a partner of the company in 2018. He focuses exclusively on the distribution of Oriental Yuhong products in the Xinjiang region. Starting from a decoration company, market distribution, and foreman, he gradually made progress. Relying on the platform provided by Oriental Yuhong partners, he closely followed the company's footsteps, continuously refining channels and upgrading services. After 5 years, the team has grown from 4 members to 25, with performance increasing from 5 million to 27 million, achieving more than a fivefold growth. The range of products has also expanded to include various categories such as waterproof coatings, tile adhesive, seamstress, coil, wall accessories, pipes and fittings, and DEAWEI coatings. Along the way, with the assistance of the platform and his own efforts, Wang Dongyu's career has flourished, contributing to the development of Oriental Yuhong with his own growth.



The company's marketing and technical staff share industry development information, new product applications and engineering cases with partners.



The company's technical personnel vividly demonstrate the construction techniques of various new products to partners through on-site practice and explanation.

Industry Talent Development

Oriental Yuhong takes the initiative to play a leading role as an industry leader. Faced with industry development and market demands, it continues to invest in industrial talent cultivation and the establishment of industry resource platforms for sharing. It contributes to the growth and development of the industry.

Vocational skills training

90

10,000 persons

Trainees

To cultivate a skilled, professional, well-rounded, and standardized construction workforce to meet industry and market demands, Oriental Yuhong established the Oriental Yuhong Vocational Training School in 2013. This school constructs a modern vocational education system in line with industry development and market needs. Simultaneously, it is open to the public, fostering knowledgeable and innovative skilled talent to serve the construction materials field. It aims to nurture and supply high-quality technical skilled personnel while broadening the career development path for industrial workers.

Yuhong Vocational School is the first vocational skill training school in the building waterproofing industry to obtain the license for private schools in the People's Republic of China. It is also the first and only institution in the industry to receive accreditation from the Beijing Municipal Social Training Evaluation Organisation. With campuses in Shunyi, Beijing; Kunming, Yunnan; Changzhou, Jiangsu; Xuzhou, Jiangsu; Guangzhou, Guangdong; Chengdu, Sichuan; Yinchuan, Ningxia; Hangzhou, Zhejiang; Quanzhou, Fujian; Wuhu, Anhui; Wuhan, Hubei; and Yueyang, Hunan, the school has the qualification to conduct vocational skills level certification and training for 11 major categories and 19 occupations. As of the end of 2023, the cumulative number of trainees reached 900,000, with 19,414 individuals completing vocational skills level certification.

19414

participants

Adoption of vocational skill level recognition work

The Company actively collaborates with vocational colleges nationwide to jointly cultivate professional technical talents. Targeting vocational school graduates interested in careers related to building materials and interior decoration, the Company offers "0 Basics 30-Day Entry Training" and "One-Year Apprentice Class" courses. These courses combine theoretical learning with practical hands-on experience, continuously improving students' theoretical knowledge and practical skills through a "learn while doing, do while learning" approach. This helps students realize their career development plans. The Company has trained 2 national technical experts and 5 finalists in the National Construction Materials Industry Skills Competition through deep collaboration with vocational colleges.

The Company has created 8 basic textbooks for the construction materials industry, disseminating professional foundational knowledge. Among them, they authored *Illustrated Construction Guide for Thermoplastic Polyolefin (TPO) Waterproof Membrane*, and served as chief editors for *Construction Practice of Building Waterproofing*, *Design and Construction of Building Waterproofing*, *Illustrated Construction Process of Tile Installation*, and *Illustrated Construction Techniques for Tile Laying*. They also contributed to the writing of books such as *Construction Technology of Building Waterproofing* and *Application Technology of Building Insulation and Fire Protection Products in China*.



The Company actively organizes and participates in various national and industry competitions. In collaboration with the Shunyi District General Federation of Trade Unions and the Human Resources and Social Security Bureau, they co-hosted the 2023 Shunyi District "Craftsman Cup Waterproofing and Painting Skills Competition". This event provides industrial workers with a platform to showcase their skills, exchange expertise, enhance their qualifications, and promote the construction of a high-skilled talent pool. For 11 consecutive years, the company has participated in the National Construction Waterproofing Industry (Waterproofing Worker) Skills Competition, with a total of 85 students winning awards, including 27 champions, 21 runners-up, and 14 third-place winners. Students have also achieved outstanding results in other competitions related to building Waterproofing, decoration, and renovation. Among them, 2 individuals have received the "National May 1st Labour Medal," 13 have been awarded the title of "National Technical Expert," and 2 have been granted the title of "Provincial-Level Technical Expert."



Building a platform for industry employment

Oriental Yuhong actively shares its own advantageous resources with society, empowering the development of the industry and society with its own strengths.

The company has developed the "Yuhong Craftsman" labour platform APP to meet internal labour needs. By 2023, the company developed the platform into the construction industry's first socialized matchmaking platform for on-demand labour, connecting job seekers, employers, and individuals. With construction teams and craftsmen as the main service providers, it aimed to address the labour shortage issue where individuals struggle to find projects and employers face difficulties in finding skilled workers. By the end of 2023, the platform had 336,500 users, 8,615 platform teams, and facilitated 5,884 projects.

The company has developed scientifically rigorous engineering management systems, including the release of regulations such as *Real-Name Attendance and Weekly Salary Management for Oriental Yuhong Construction Projects*, *Empowering Partners in Engineering Management and Standardized Construction Group Evaluation Rules*, *Regulations on the Use of Technology Employment Model for Project Labour Costs*, *Unified Regulations on Training and Certification of Construction Labour Personnel*, and *Unified Regulations on Real-Name Management of Labour Employed in Engineering Systems*. These regulations ensure the legitimate rights and interests of frontline construction personnel while enhancing the efficiency of labour service management.

In 2023, the company further improved the "Yuhong Craftsman" app system, deepening measures such as insurance 'informationisation,' commission 'visualisation,' and training 'full coverage.' These measures ensure that workers receive lawful compensation promptly and provide guarantees for workers' health and safety.

336,500

persons

platform user

8615

platform teams

platform teams

5884

projects

Insurance "computerisation"

Online accident insurance is provided for construction workers, offering them economical and convenient insurance services. Project construction personnel can view insurance status in real-time, and process online claims and disability assessments.

Commission "visualisation"

The system consolidates the actual attendance and work situation of each construction worker, generating a commission payment table. It displays the audit process and progress of milestones in real-time, creating a more transparent, efficient, and visually accessible labour commission payment system.

Training "full coverage"

Organising job training for personnel, vocational skill level certification exams, and training records along with relevant certificates are all available for online viewing, ensuring that project construction personnel are certified and possess the necessary professional qualifications.

Supporting Community Development

Oriental Yuhong deeply understands that its own development relies on the support of society. It shares its development achievements with the community, actively advocates for and participates in philanthropic activities. It focuses on business areas as key areas of philanthropic support, determining industry development, education, environmental protection, and community development as priority areas of work, actively participating in community development.



Oriental Yuhong attributes all its business successes and advancements to our era, our country, the generous support of our customers, and the profound care of society. Maintaining a grateful heart and remembering those who care for us forever are the fundamental characteristics of Oriental Yuhong's culture and the eternal creed it adheres to in fulfilling corporate social responsibilities.

--Li Weiguo, Chairman of Oriental Yuhong



Improve community environment

The Company leverages its own business advantages and has been conducting the 'Serve the People, Reject Leakage' public welfare campaign for several years, providing free specialized waterproof maintenance services to the community. In 2023, the Company conducted specialized seminars on building waterproofing and leak repair in the community, promoting professional knowledge in waterproofing. It also carried out a public welfare project to repair leaking houses, launching a special initiative to address roof leaks in urban residential areas in Beijing's Fangshan District. Within 10 days, over 1,900 square meters of roof area were repaired, effectively resolving issues for community residents.

Support to education

Oriental Yuhong focuses on supporting education, from donating teaching materials to spreading technical skills, striving to support the development of education.

In October 2023, the company launched the 'Happy Growth, Colorful Classroom' E-FACTORY Love Tour event, inviting teachers and students from Shaanxi Liqun Special Education School to visit the Xianyang factory. Through activities such as the donation of 'Caring for a Beautiful Future' love supplies, factory experience classes, and creative graffiti classes, participants had a close-up experience of Oriental Yuhong's corporate values of "the true, the good, and the beautiful".



RMB5.57
million

Total external donations

In June 2023, De Ai Wei Sichuan Ya'an conducted the 'Happy Painter' activity at three kindergartens in the urban area, celebrating Children's Day with the children. Little painters were invited to use environmentally friendly and odorless De Ai Wei fantasy latex paint for painting and creation, depicting a colorful world in their minds, expressing the innocence and joy of children.



In September 2023, the company signed a donation agreement with the School of Materials Science and Engineering at Peking University to support the development of the education cause in the field of materials science and engineering, better promoting its teaching, research, and talent cultivation.

Carry out charitable donations

The company actively advocates for and participates in charitable activities such as voluntary blood donation, respecting and assisting the elderly, rallying employees to contribute positive energy, and bringing more warmth to the community through philanthropy.

In July 2023, affected by typhoons, many parts of the country experienced historically rare heavy rainstorms. Oriental Yuhong actively coordinated manpower and resources based on the actual situation in the affected areas, preparing daily necessities and post-disaster construction materials urgently needed by the disaster-stricken masses. In August, relief materials were donated for post-flood reconstruction in Zhuozhou City, Hebei Province. In December, a 6.2-magnitude earthquake struck Jishishan County, Linxia Prefecture, Gansu Province. Oriental Yuhong actively organized earthquake relief efforts, donating 238 pieces of relief supplies to assist the affected areas and people in overcoming the difficulties.



In 2023, the Yuhong Chongqing Factory, in collaboration with the Deguan Chamber of Commerce, visited the Deguan Community Care Home in the Deguan Street Centre to conduct the 'Chongyang Respect for the Elderly' themed outreach event.

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After reading through the report, if you would like to give feedback or suggestions, you can contact us through the phone/email provided below, or by scanning the QR code to access an electronic feedback form.

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