

Engineering and Material Suppliers Management

Yuzhou Group Holdings Company Limited (“Yuzhou Group”, together with its subsidiaries, the “Group” or “we”) has proactively performed its social responsibilities as a corporate citizen with always adhering to the long-standing corporate spirit of “Building Ideal Homes with Painstaking Efforts” and the business philosophy of “Building Cities with Heart, Building Homes with Love”. We have set up a suppliers database suitable to the Group's development strategy. By organizing effective assessment, evaluation and monitoring of suppliers, we can exert whole-process control over suppliers before, during and after relevant events, in order to select qualified suppliers, and guarantee that the engineering quality, progress, cost, security, manner and service satisfy the Group's requirements, thereby providing solid support for the enhancement of product quality, rapid and safe R&D and long-term development of the Group.

Principle for selection of suppliers: We shall ensure adequate competition, and strictly prohibit the participation in the same project by suppliers of the same category with associated relationship, related business, or risks of improper cooperation.

Selection of suppliers: Suppliers in cooperation or suppliers recorded in the database shall be given priority in the selection of suppliers. Suppliers not recorded in the database may be invited after the assessment and evaluation. For suppliers in cooperation, we shall pay attention to the previous cooperation records, including engineering quality (supply quality), on-site management, the existence of any adverse cooperation records such as malicious claim for compensation or deliberate troublemaking, settlement records and bidding records. Suppliers always with the highest or close to highest offer prices in the previous bidding records of the Group will not be selected under general circumstance. The tender for a main contract must have at least one newly selected bidder (suppliers failing to win the bid in previous bidding and show a strong intention of cooperation without a high bidding price may also be deemed as a newly selected bidder). It is suggested that the tender for subcontracted work shall include newly selected bidders.

Risk control: Within the scope of the Group, in principle, one main contractor (except cooperative main contractors directly operated thereby) or the actual contractor under one main contract can only undertake at most three projects or sections under construction at the same time, that is to say, up to three project teams can cooperate with us simultaneously, and the completion time of the cooperation is subject to the completion of satisfactory acceptance of the main construction. If it is needed to participate in the bidding for new projects while having undertook three projects or sections, the contractor won't be shortlisted for the bidding for new projects until passing the assessment of main contracting ability assessment and

reporting to the Group's Purchasing Management Center. The assessment of main contracting ability shall consider the process assessment and subsequent assessment results of the general contracting (basic requirements include but not limited to: have ever simultaneously undertook more project sections for a long term without problems in systematic quality, progress, cost and claims).

Probity requirements

The Group's Audit and Supervision Center is the main department that accepts complaints on suppliers. There are corresponding channels for complaints and communication on the bidding and procurement platform. Meanwhile, all the contracts signed are attached with the Probity Cooperation Agreement. Complaints shall be handled following the principle of fairness, justness, simplicity and efficiency to maintain the legitimate rights and interests of the Group and suppliers. The Group's Audit and Supervision Department conducts whole-process supervision over the supplier management, and has the right to intervene in any part thereof at any time for real-time supervision.

Review

Yuzhou Group will regularly review this policy and update relevant contents when necessary.

In the event of discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Approved on November 27, 2020

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