



Nanyang Transportation Holding Group Co., Ltd.

Second-Party Opinion | Sustainable Finance Framework

Report Type

Sustainable Finance Framework Second-Party Opinion

Analytical Standards

- » Sustainability Bond Guidelines (SBG) (June 2021 Edition)
- » Green Bond Principles (GBP) (June 2021 Edition)
- » Social Bond Principles (SBP) (June 2023 Edition)
- » Green Loan Principles (GLP) (February 2023 Edition)
- » Social Loan Principles (SLP) (February 2023 Edition)
- » United Nations Sustainable Development Goals (SDGs)

Industry

Local Investment and Development Companies

Country/Region

China

Report Date

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Summary

Not Aligned	Aligned	Good	Excellent
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Pillar	Alignment
Use of Proceeds	Good
Process for Project Evaluation and Selection	Good
Management of Proceeds	Good
Reporting	Good
External Reviews	Aligned

Lianhe Green Development Company Limited ("Lianhe Green") has reviewed a series of documents including the "Sustainable Finance Framework" of Nanyang Transportation Holding Group Co., Ltd., and assessed the company's relevant work in respect of the use of proceeds, project evaluation and selection process, management of proceeds, reporting, and external review. The Group's Sustainable Finance Framework has received a Good assessment opinion from Lianhe Green. Lianhe Green considers that the Framework is in compliance with the Sustainability Bond Guidelines (SBG) (June 2021 Edition), the Green Bond Principles (GBP) (June 2021 Edition), the Green Loan Principles (GLP) (February 2023 Edition), the Social Bond Principles (SBP) (June 2023 Edition), and the Social Loan Principles (SLP) (February 2023 Edition). In addition, the eligible green projects listed in this Framework are in line with the Green Bond Principles (GBP) (June 2021 Edition), the Green Loan Principles (GLP) (February 2023 Edition), and the United Nations Sustainable Development Goals (SDGs); the eligible social projects listed in this Framework are in line with the Social Bond Principles (SBP) (June 2023 Edition), the Social Loan Principles (SLP) (February 2023 Edition), and the United Nations Sustainable Development Goals (SDGs).

About the Company

Nanyang Transportation Holding Group Co., Ltd. (the "Company" together with its subsidiaries, the "Group") was established in January 2019, the Group is a state-owned enterprise located in Nanyang and wholly-owned by the Nanyang Municipal Finance Bureau. The Group is an important infrastructure construction entity in Nanyang and is responsible for the infrastructure construction and commercial trading in Nanyang. The Group's businesses are primarily concentrated in Nanyang. It is currently operating in five major business segments which complement one another, namely, (i) infrastructure construction, (ii) commercial trading, (iii) toll fee business, (iv) logistics, (v) other main business and (vi) other businesses. Other businesses mainly include water supply and installation and renting.



Company Sustainability Strategy

The group is the core operating entity for infrastructure construction and development in Nanyang, its sustainability outlines its approach to become a model for building a sustainable future by actively engaging in areas where the group could make meaningful economic, social and environmental impacts. The Sustainability strategy is centered on three pillars: Managing environmental footprint, promoting employment opportunity and Cultivating community.

As a state-owned enterprise, Lianhe Green believes the Group's strategies to align with the Chinese government's strategies and relevant policies, such as China's pledge to peak carbon emissions by 2030 and achieve carbon neutrality by 2060.

After media review, Lianhe Green did not find any significant negative ESG news or controversial issues about the Group.

About the Framework of the Company

The company has prepared the Sustainable Finance Framework (hereinafter referred to as the "Framework" or "SFF"), which is intended to provide overarching principles and guidelines for all sustainable financing opportunities for the company.

This Framework has been developed to demonstrate how the Group could, with Sustainability Financing Transactions ("SFTs"), fund projects that would deliver positive environmental impacts and foster sustainable practices in support of the Group's green and sustainability strategy. The sustainability bonds, green bonds, social bonds, sustainability loans, green loans, social loans, or any other similar forms of debt instruments issued under the Framework will comply with the International Capital Market Association's (ICMA's) Sustainability Bond Guidelines (SBG) (June 2021 Edition), Green Bond Principles (GBP) (June 2021 Edition), and Social Bond Principles (SBP) (June 2023 Edition), as well as the Green Loan Principles (GLP) (February 2023 Edition) and the Social Loan Principles (SLP) (February 2023 Edition) published by the Loan Market Association (LMA), the Loan Syndications and Trading Association (LSTA) and the Asia-Pacific Loan Market Association (APLMA).

In this Second-Party Opinion, Lianhe Green has specifically examined the Framework but has not reviewed any transaction-specific legal documents or marketing materials. Nevertheless, the framework does provide a description of the qualifying projects as described in the legal documentation of the framework.

This framework addresses the five pillars including use of proceeds, project evaluation and selection, management of proceeds, reporting, and external review.

A. Use of Proceeds

Company Materials

The net proceeds from any SFT will be used exclusively to finance and/or refinance, in whole or in part, new or existing Eligible Projects that meet one or more of the following eligible categories as recognized in the GBP/SBP/SBG/GLP. Refinancing of Eligible Projects will have a look-back period of no longer than 24 months from the time of issuance. The Group will strive to fully allocate the net proceeds of each SFT within 24 months of issuance.

Eligible Green Project Category	Qualified Green Projects
Green Buildings	Development, construction, refurbishment, maintenance, operations of buildings that meet national or international third-party environmental certifications Examples: Acquire, construct or renovate of existing and new commercial or residential buildings certified in standards



	<p>Minimum Key Performance Indicators: Chinese Green Building Evaluation Standard: two-star or above; or any other similar recognized standards</p>
Energy Efficiency	<p>Projects relating to adoption of smart technologies and/or systems for tracking, monitoring and managing energy usage in new and existing buildings to ensure achieving certain energy saving, such as: Smart meters, heating ventilation and air conditioning systems, auto or LED lighting and building controls</p> <p>Examples: Install smart meters, heating ventilation and air conditioning systems, auto or LED lighting and building controls</p> <p>Minimum Key Performance Indicators: Investments in facilities and technology to achieve at least a 15% improvement in energy efficiency</p>
Renewable Energy	<p>Investments and expenditures in solar and energy storage technologies for its project development, including but not limited to solar photovoltaic energy systems</p> <p>Examples: Install Solar energy equipment, Investment in energy storage technologies (not limit to solar photovoltaic energy systems), Installation of solar panels and solar power systems</p> <p>Minimum Key Performance Indicators: GHG emissions being reduced at least a 10% in overall</p>
Pollution Prevention and Control	<ul style="list-style-type: none"> • Install waste recycling and equipment to reduce environmental pollution; • Waste management and prevention in order to mitigate its environmental impact, including but not limited to: • Refuse transfer station construction projects <p>Examples: Installation of recycling facilities in hotels, car parks and offices, Application of wastewater treatment systems at construction sites to handle wastewater prior to discharge, Installation of equipment to reduce environmental pollution (e.g. air, water) during construction and/or building operation</p> <p>Minimum Key Performance Indicators: Improvement in Air Quality Index (AQI), or any other similar recognized standards</p>
Sustainable Water and Wastewater Management	<p>Construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater or wastewater</p> <p>Examples: Construct, develop, install, operate water treatment plant</p> <p>Minimum Key Performance Indicators:</p> <ul style="list-style-type: none"> • Emission Standard of Pollutants for Municipal Wastewater Treatment Plants (GB18918-2002), Grade A Standard. • Emission Standard for Major Water Pollutants from Urban Wastewater Treatment Plants (DB33/2169-2018).
Environmentally Sustainable Management of Living Natural Resources and Land Use	<p>Investments and expenditures in greening of landscapes and preservation or restoration of natural landscapes, including but not limited to: creating and enhancing urban green space</p>



	<p>Examples: Build Ecological Park¹, Preserve or restore natural landscapes, Create or enhance urban green space</p> <p>Minimum Key Performance Indicators: Not applicable</p>
Eligible Social Project Category	Qualified Social Projects
Affordable Housing²	<p>Construct and operate affordable houses, including but not limited to resettlement housing projects</p> <p>Examples: Construct and operate affordable housings like resettlement housing</p> <p>Target population³: The low-income family⁴ in accordance with PRC government definitions</p> <p>Minimum Key Performance Indicators: Reduce 5% number of homeless in Nanyang</p>
Affordable Basic Infrastructure⁵	<p>Develop and construct large-scale infrastructure projects, such as but not limited to tunnels, roads, and bridges</p> <p>Examples: Construct large-scale infrastructure like roads, railways, tunnels, and bridges in rural area</p> <p>Target population: Population living in remote area</p> <p>Minimum Key Performance Indicators: Not applicable</p>
Employment Generation⁶, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, including through the Potential effect of SME Financing and Microfinance	<ol style="list-style-type: none"> 1. Develop Innovation and Technology Park⁷ 2. Provide funding⁸ to empower small business <p>Examples:</p> <ol style="list-style-type: none"> 1. Construct and develop innovation and technology park 2. Provide funding to small business <p>Target population:</p> <ol style="list-style-type: none"> 1. Working population who is under innovation and technology sector 2. Small business⁹ as defined by the PRC authority <p>Minimum Key Performance Indicators: Increase 5% of innovation and technology company registration in Nanyang</p>

The Group commits not to invest unallocated proceeds to high pollution activities or ineligible projects. The following sectors and activities will be excluded from Eligible Projects:

¹ Ecological Park are large, connected landscapes with high nature conservation and environmental protection ambitions. Prefer to be restored from urban area, those built on forest area are not included.

² Housing for the general public and vulnerable groups in accordance with local government and regulatory definitions, in order to improve quality of life and independence for vulnerable groups and underprivileged populations.

³ Population will be the exclusive recipients of the funds raised.

⁴ Ministry of Civil Affairs: Notice on the Issuance of 'Methods for Identifying Urban Low-Income Families'

⁵ Infrastructures benefits the population in rural area, which are not limited to enhance access by proving logistics, transport, and connectivity.

⁶ Employment generations include direct short-and-long-term job creation programs, interventions that foster employment, and macro-level policies, which include self-employment.

⁷ Innovation and technology park enables interaction of groups of academic and research institutions and groups of industries and financial institutions to work in harmony to evolve new technologies starting from inventions. And empowers small technology firms to grow.

⁸ Includes grant, low interest loan compared to the market rate, tax allowance.

⁹ Ministry of Finance, State Taxation Administration: Notice on the Implementation of the 'Policy on General Tax Reduction and Exemption for Small and Micro Enterprises'



- activities that violate national laws and regulations, international conventions and agreements, or are subject to international bans and sanctions;
- production or trade of weapons and ammunition;
- production or trade of alcoholic beverages (except for beer and wine);
- production or trade of tobacco;
- enterprises engaged in gambling or casino operations or similar businesses;
- production or trade of radioactive materials (excluding equipment which radioactive source is considered insignificant and/or adequately shielded, for example, quality control equipment); or
- production or activities involving harmful or exploitative forced labour or harmful child labour.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a number of documents, including the Framework, and has conducted a comprehensive review of the company's policy.

Lianhe Green compared the green project categories listed in this framework with the Green Bond Principles (GBP) (June 2021 Edition), the Green Loan Principles (GLP) (February 2023 Edition), China's Green Bond Endorsed Projects Catalogue (2021 Edition), Hong Kong Taxonomy, EU Taxonomy and the United Nations Sustainable Development Goals (SDGs) respectively. Besides, Lianhe Green also has compared the eligible social projects listed in this framework with the Social Bond Principles (SBP) (June 2023 Edition), Social Loan Principles (SLP) (February 2023 Edition), and the United Nations Sustainable Development Goals (SDGs).

After the assessment, the eligible green projects align with China's "Green Bond Support Project Catalogue (2021 Edition)" and partially align with the Hong Kong Taxonomy and the EU Taxonomy. Also, the eligible social projects align with the United Nations Sustainable Development Goals. Lianhe Green considers that the Group's Use of Proceeds is Good, which is in line with the requirements of the assessment criteria.

1) Eligible Green Projects: Green Buildings

Eligible Green Projects

Development, construction, refurbishment, maintenance, operations of buildings that meet national or international third-party environmental certifications

Examples: Acquire, construct or renovate of existing and new commercial or residential buildings certified in standards

Minimum Key Performance Indicators: Chinese Green Building Evaluation Standard: two-star or above; or any other similar recognized standards

Green Standards

- » GBP: Green buildings that meet regional, national or internationally recognised standards or certifications for environmental performance;
- » GLP: Green buildings that meet regional, national or internationally recognised standards or certifications for environmental performance;
- » SDGs: Goal 11 - Sustainable Cities and Communities.



Lianhe Green Findings / Suggestions

In 2020, Nanyang City [formulated](#) the "Notice on Issuing the Implementation Plan for Nanyang City's Green Building Creation Action." The proportion of green building area in newly constructed urban buildings continued to increase. By the end of 2022, the proportion of green building area in newly constructed urban buildings reached 70%. Demonstration zones, bonded zones, high-tech zones, and county-level new development zones (bonded zones) fully implemented green building standards. Government-led and investment-based public welfare buildings, public buildings, and real estate development projects with an area of 20,000 square meters or more met the standards of star-rated green buildings. The number of star-rated green buildings in the city continued to grow.

Lianhe Green is in view that this type of project meets the "5. Sustainable Upgrade of Infrastructure - 5.2 Sustainable Buildings - 5.2.1 Energy-Saving Buildings and Green Buildings - 5.2.1.2 Green Buildings" under the Green Bond Endorsed Projects Catalogue (2021 Edition).

Lianhe Green considers the criteria set by the Hong Kong taxonomy for the construction of new commercial and residential buildings in Mainland China to be more stringent compared to the framework requirements. According to the Hong Kong taxonomy, projects should be rated to the three-star level of the Chinese Green Building Evaluation Standard, whereas the framework criteria only require a rating of two-stars or above. Furthermore, the Hong Kong taxonomy for the renovation of existing commercial and residential buildings places emphasis on specific carbon and energy performance improvements rather than focusing on technological standards.

Lianhe Green generally considers these types of projects to positively contribute to the environment, as the construction of new buildings and renovation of existing buildings are included in the EU taxonomy. However, the EU taxonomy focuses on specific energy performance indicators rather than green building certification schemes. Information relevant to EU taxonomy's substantial contribution criteria will be required after project commencement or completion to determine EU taxonomy eligibility, in Lianhe Green's opinion.

2) Eligible Green Projects: Energy Efficiency

Eligible Green Projects

Projects relating to adoption of smart technologies and/or systems for tracking, monitoring and managing energy usage in new and existing buildings to ensure achieving certain energy saving, such as: Smart meters, heating ventilation and air conditioning systems, auto or LED lighting and building controls

Examples: Install smart meters, heating ventilation and air conditioning systems, auto or LED lighting and building controls

Minimum Key Performance Indicators: Investments in facilities and technology to achieve at least a 15% improvement in energy efficiency

Green Standards

- » GBP: Energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, relevant equipment and products)
- » GLP: Energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, relevant equipment and products)
- » SDGs: Goal 13 – Climate Action

Lianhe Green Findings / Suggestions

In February 2023, the Nanyang Municipal Government [released](#) the "Comprehensive Work Plan for Energy Conservation and Emission Reduction in Nanyang City during the 14th Five-Year Plan". The plan proposes the improvement of energy efficiency in public institutions, accelerating energy-saving renovations of existing building envelopes, heating, cooling, lighting, water facilities, and other systems in public institutions. It encourages public institutions to adopt contract energy management services such as energy cost outsourcing and guides the participation of social capital in energy-



saving and carbon reduction renovations of public institutions.

Lianhe Green believes that these types of projects align with the "Green Bond Endorsed Project Catalogue (2021 Edition)":

1. Category 1: Energy Saving and Environmental Protection Industry - 1.1 Energy Efficiency Improvement - 1.1.3 Energy Conservation of Power Facilities - 1.1.3.1 Renovation of Green Lighting
2. Category 5: Sustainable Upgrade of Infrastructure - 5.1 Energy Efficiency Improvement - 5.1.1 Energy Efficiency and Energy Use in Urban Power Facilities - 5.1.1.1 Operation and Upgrade of Cleaning construction of Urban Central Heating Systems
3. Category 5: Sustainable Upgrade of Infrastructure - 5.1 Energy Efficiency Improvement - 5.1.1 Energy Efficiency and Energy Use in Urban Power Facilities - 5.1.1.2 Operation and Upgrade of Urban Power Facilities into Smart Power Facilities

Lianhe Green considers these types of projects to have a positive environmental impact. However, the current Hong Kong Taxonomy does not specifically designate activities as energy efficiency activities. On the other hand, the EU Taxonomy includes the installation, maintenance, and repair of energy-saving equipment, as well as energy storage. Information relevant to EU taxonomy's substantial contribution criteria will be required after project commencement or completion to determine EU taxonomy eligibility, in Lianhe Green's opinion.

3) Eligible Green Projects: Renewable Energy

Eligible Green Projects

Investments and expenditures in solar and energy storage technologies for its project development, including but not limited to solar photovoltaic energy systems

Examples: Install Solar energy equipment, Investment in energy storage technologies (not limit to solar photovoltaic energy systems), Installation of solar panels and solar power systems

Minimum Key Performance Indicators: GHG emissions being reduced at least a 10% in overall

Green Standards

- » GBP: Renewable energy (including production, transmission, appliances and products)
- » GLP: Renewable energy (including production, transmission, appliances and products)
- » SDGs: Goal 7 - Affordable and Clean Energy

Lianhe Green Findings / Suggestions

In February 2023, the Nanyang Municipal Government [released](#) the "Comprehensive Work Plan for Energy Conservation and Emission Reduction in Nanyang City during the 14th Five-Year Plan". The plan proposes guiding industrial parks to accelerate the development and operation of integrated systems such as distributed photovoltaics, decentralized wind power, and diversified energy storage, enabling the large-scale and high-proportion integration of renewable energy sources in nearby areas. For agricultural and rural energy conservation and emission reduction projects, it aims to expedite the application of renewable energy sources such as wind energy, solar energy, and biomass energy in agricultural production and rural living, and systematically promote clean heating in rural areas.

Lianhe Green believes that these types of projects align with the "Green Bond Endorsed Project Catalogue (2021 Edition)": Category 5. Sustainable Upgrade of Infrastructure - 5.2 Sustainable Buildings - 5.2.1 Building Energy Efficiency and Green Building - 5.2.1.3 Application of Renewable Energy in Buildings

Lianhe Green believes that these types of projects partially align with the construction or operation of electricity generation facilities that produce electricity using solar photovoltaic (PV) technology in the



Hong Kong Taxonomy that have standards require the components and products used in solar photovoltaic power generation facilities to meet certain photovoltaic conversion efficiency requirements.

Lianhe Green believes that these types of projects are eligible for the EU Taxonomy because both the generation of electricity using solar photovoltaic technology and the manufacturing of batteries contribute substantially to the climate change mitigation objectives outlined in the EU Taxonomy's substantial contribution (or technical screening) criteria.

4) Eligible Green Projects: Pollution Prevention and Control

Eligible Green Projects

- Install waste recycling and equipment to reduce environmental pollution;
- Waste management and prevention in order to mitigate its environmental impact, including but not limited to:
- Refuse transfer station construction projects

Examples: Installation of recycling facilities in hotels, car parks and offices, Application of wastewater treatment systems at construction sites to handle wastewater prior to discharge, Installation of equipment to reduce environmental pollution (e.g. air, water) during construction and/or building operation

Minimum Key Performance Indicators: Improvement in Air Quality Index (AQI), or any other similar recognized standards

Green Standards

- » GBP: Pollution Prevention and Control: Including reducing air emissions, greenhouse gas control, soil remediation, prevention and reduction of waste, recycling of waste, and supplying energy efficiently or with low-emission waste
- » GLP: Pollution Prevention and Control: Involving emission reduction, greenhouse gas control, soil remediation, waste prevention and reduction, waste recycling, as well as the conversion of waste into energy with high energy efficiency or low emissions
- » SDGs: Goal 3 - Good Health and Well-being; Goal 11 - Sustainable Cities and Communities; Goal 12 - Responsible Consumption and Production

Lianhe Green Findings / Suggestions

In February 2023, the Nanyang Municipal Government [released](#) the "Comprehensive Work Plan for Energy Conservation and Emission Reduction in Nanyang City during the 14th Five-Year Plan". The plan proposes key projects for reducing regional pollutant emissions, emphasizing the fight for blue skies, and formulating a comprehensive action plan for improving the environmental air quality in Nanyang City. It aims to promote the coordinated reduction of volatile organic compounds and nitrogen oxides, carry out technological research and application demonstrations for the coordinated control of fine particulate matter and ozone. It will implement measures for deep water conservation and control, strengthen pollution control in the Tangbai River Basin, and conduct investigations and rectification of wastewater discharge outlets into the river.

Lianhe Green believes that these types of projects align with the "Green Bond Endorsed Project Catalogue (2021 Edition)":

1. Category 1. Energy Saving and Environmental Protection Industry - 1.5 Comprehensive Utilization of Resources - 1.5.3 Comprehensive Utilization of Biomass Resources - 1.5.3.3 Comprehensive Utilization of Sludge from Urban Sewage Treatment Plants
2. Category 5. Sustainable Upgrade of Infrastructure - 5.3 Pollution Prevention - 5.3.1 Urban Environmental Infrastructure - 5.3.1.1 Construction and Operation of Facilities for Sewage Treatment, Recycling, and Sludge Treatment and Disposal
3. Category 5. Sustainable Upgrade of Infrastructure - 5.3 Pollution Prevention - 5.3.1 Urban



Environmental Infrastructure - 5.3.1.2 Construction and Operation of Garbage Treatment Facilities

Lianhe Green considers that refuse transfer station construction and waste recycling projects partially eligible with the Sewage Sludge Treatment activity in the Hong Kong Taxonomy and the Anaerobic Digestion of Sewage Sludge activity in EU Taxonomy. Both the Hong Kong Taxonomy and EU Taxonomy have more stringent criteria, requiring a monitoring and contingency plan to minimize methane leakage at the facility. Additionally, the produced biogas should be utilized directly for electricity or heat generation, upgraded to bio-methane for injection into the natural gas grid, or used as vehicle fuel or feedstock in the chemical industry.

5) Eligible Green Projects: Sustainable Water and Wastewater Management

Eligible Green Projects

Construction, development, installation, operation and maintenance of infrastructure or equipment for collection, treatment, recycling or reuse water, rainwater or wastewater

Examples: Construct, develop, install, operate water treatment plant

Minimum Key Performance Indicators:

- Emission Standard of Pollutants for Municipal Wastewater Treatment Plants (GB18918-2002), Grade A Standard.
- Emission Standard for Major Water Pollutants from Urban Wastewater Treatment Plants (DB33/2169-2018).

Green Standards

- » GBP: Sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation)
- » GLP: Sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation)
- » SDGs: Goal 6 - Clean water and sanitation

Lianhe Green Findings / Suggestions

In February 2023, the Nanyang Municipal Government [released](#) the "Comprehensive Work Plan for Energy Conservation and Emission Reduction in Nanyang City during the 14th Five-Year Plan". The plan proposes that by 2025, the urban built-up areas will eliminate the direct discharge of domestic sewage and fill the gaps in collection and treatment facilities. The centralized collection rate of urban domestic sewage will reach over 70%, or increase by 5 percentage points based on the 2020 level. The treatment rate of domestic sewage in central urban areas and county towns will exceed 98%. The overall water reuse rate in the city will reach over 25%.

Lianhe Green believes that these types of projects align with the "Green Bond Endorsed Project Catalogue (2021 Edition)":

1. Category 1. Energy Saving and Environmental Protection Industry - 1.4 Water Conservation and Unconventional Water Resources - 1.4.1 Unconventional Water Resources Utilization - 1.4.1.2 Rainwater Collection, Treatment, and Utilization
2. Category 5. Sustainable Upgrade of Infrastructure - 5.4 Water Saving and Non-conventional Water Resources - 5.4.1 Water Saving - 5.4.1.1 Construction and Operation of Leakage Control in District Measurement of Urban Water Supply Pipeline Network

Lianhe Green considers that wastewater and water recycling systems, are partially eligible with the



Sewage Sludge Treatment activity in the Hong Kong Taxonomy and the Anaerobic Digestion of Sewage Sludge activity in EU Taxonomy. Both the Hong Kong Taxonomy and EU Taxonomy have more stringent criteria, such as requiring a monitoring and contingency plan to minimize methane leakage at the facility. Additionally, the produced biogas should be utilized directly for electricity or heat generation, upgraded to bio-methane for injection into the natural gas grid, or used as vehicle fuel or feedstock in the chemical industry, among other applications.

6) Eligible Green Projects: Environmentally Sustainable Management of Living Natural Resources and Land Use

Eligible Green Projects

Investments and expenditures in greening of landscapes and preservation or restoration of natural landscapes, including but not limited to: creating and enhancing urban green space

Examples: Build Ecological Park¹⁰, Preserve or restore natural landscapes, Create or enhance urban green space

Minimum Key Performance Indicators: Not applicable

Green Standards

- » GBP: Sustainable Environmental Management of Biological and Land Resources - including sustainable agriculture, sustainable animal husbandry, climate-smart agricultural inputs such as crop biological protection or drip irrigation, sustainable fisheries and aquaculture, sustainable forestry such as afforestation or reforestation, and the protection or restoration of natural landscapes.
- » GLP: Sustainable Environmental Management of Biological and Land Resources - including sustainable agriculture, sustainable animal husbandry, climate-smart agricultural inputs such as crop biological protection or drip irrigation, sustainable fisheries and aquaculture, sustainable forestry such as afforestation or reforestation, and the protection or restoration of natural landscapes
- » SDGs: Goal 11: Sustainable Cities and Communities; Goal 15 – Life on Land

Lianhe Green Findings / Suggestions

In May 2021, the [review](#) of the "Nanyang National Ecological Civilization Construction Demonstration City Plan (2021-2030)" was preliminarily approved. Nanyang City will align its planning with the national, provincial, and municipal economic and social development strategies for the 14th Five-Year Plan and the vision for 2035. It will also integrate the "14th Five-Year" Ecological Environment Protection Plan, highlighting Nanyang's distinctive features. Taking the creation of a national ecological civilization construction demonstration city as a platform, Nanyang City will vigorously promote ecological civilization construction, aiming to achieve high-level protection of the ecological environment and promote high-quality economic and social development.

Lianhe Green believes that these types of projects align with the "Green Bond Endorsed Project Catalogue (2021 Edition)":

1. Category 4. Ecology and Environment-related sector - 4.2 Ecological Protection and Construction - 4.2.1 Conservation and Restoration of Natural Ecosystems - 4.2.1.6 Protection and Restoration of Rivers, Lakes and Wetlands
2. Category 5. Infrastructure Green Upgrade - 5.6 Ecological Protection and Construction - 5.6.1 Urban Ecological Protection and Construction - 5.6.1.1 Park and Green Space Construction, Maintenance, and Operation

The Hong Kong Taxonomy currently does not include activities for greening of landscapes and preservation or restoration of natural landscapes.

¹⁰ Ecological Park are large, connected landscapes with high nature conservation and environmental protection ambitions. Prefer to be restored from urban area, those built on forest area are not included.



Lianhe Green views greening of landscapes and preservation or restoration of natural landscapes projects as generally making a positive contribution to climate change adaptation and biodiversity. However, Information relevant to EU taxonomy's substantial contribution criteria will be required after project commencement or completion to determine EU taxonomy eligibility, in Lianhe Green's opinion.

1) Eligible Social Projects: Affordable Housing¹¹

Eligible Social Projects

Construct and operate affordable houses, including but not limited to resettlement housing projects

Examples: Construct and operate affordable housings like resettlement housing

Target population¹²: The low-income family¹³ in accordance with PRC government definitions

Minimum Key Performance Indicators: Reduce 5% number of homeless in Nanyang

Social Standards

- » SBP: Affordable housing;
- » SLP: Affordable housing;
- » SDGs: Goal 1 - No Poverty; Goal 11 - Sustainable Cities and Communities

Lianhe Green Findings / Suggestions

In December 2022, the Nanyang Municipal Government [issued](#) the "Nanyang City 14th Five-Year Plan for the Collection Targets and Annual Collection Plan of Affordable Rental Housing." This plan aims to further improve urban functions, enhance the quality of life, and meet the development needs of Nanyang's sub-center city. It actively promotes the development of affordable rental housing, with a focus on small units with a built area not exceeding 70 square meters. The plan specifically addresses the housing difficulties faced by eligible new residents, young people, and other groups. Based on the data from the seventh national population census, the plan aims to collect 42,000 units of affordable rental housing during the 14th Five-Year Plan period.

Lianhe Green is in view that this type of project can increase the number of affordable housing and apartments, and solve the housing problems of low-income/homeless families, which is an urgent need for China's real estate industry and social and economic development. It not only can meet the housing needs of special communities, but also promote sustainable economic and social development.

2) Eligible Social Projects: Affordable Basic Infrastructure¹⁴

Eligible Social Projects

Develop and construct large-scale infrastructure projects, such as but not limited to tunnels, roads, and bridges

Examples: Construct large-scale infrastructure like roads, railways, tunnels, and bridges in rural area

Target population: Population living in remote area

Minimum Key Performance Indicators: Not applicable

Social Standards

¹¹ Housing for the general public and vulnerable groups in accordance with local government and regulatory definitions, in order to improve quality of life and independence for vulnerable groups and underprivileged populations.

¹² Population will be the exclusive recipients of the funds raised.

¹³ Ministry of Civil Affairs: Notice on the Issuance of 'Methods for Identifying Urban Low-Income Families'

¹⁴ Infrastructures benefits the population in rural area, which are not limited to enhance access by proving logistics, transport, and connectivity.



- » SBP: Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)
- » SLP: Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)
- » SDGs: Goal 11 - Sustainable Cities and Communities

Lianhe Green Findings / Suggestions

In November 2023, the Nanyang Municipal Government [announced](#) the "Three-Year Action Plan (2023-2025) for the Construction of Urban Infrastructure Lifeline Safety Engineering in Nanyang City." By the end of 2025, all counties (cities, districts) in the city will achieve safe operation monitoring of "three high" areas in urban built-up areas, including gas, drainage, bridges, heat supply, water supply, and comprehensive utility tunnels. The application scenarios of urban lifeline safety engineering will be further expanded, the system and mechanisms for the safe operation of urban lifelines will be basically improved, and the city's capabilities for risk control and identification and treatment of hazards will be significantly enhanced.

Lianhe Green believes that this type of project focuses on rural residents and those who cannot access basic livelihood support. With the implementation of such projects, it can improve the accessibility and environmental friendliness of public transportation in rural remote areas. Additionally, with significantly improved travel conditions and safety measures, it can provide great convenience for villagers along the route in terms of transportation.

3) Eligible Social Projects: Employment Generation¹⁵, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises, including through the Potential effect of SME Financing and Microfinance

Eligible Social Projects

1. Develop Innovation and Technology Park¹⁶
2. Provide funding¹⁷ to empower small business

Examples:

1. Construct and develop innovation and technology park
2. Provide funding to small business

Target population:

1. Working population who is under innovation and technology sector
2. Small business¹⁸ as defined by the PRC authority

Minimum Key Performance Indicators: Increase 5% of innovation and technology company registration in Nanyang

Social Standards

- » SBP: Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a "just transition" (such provision and/or promotion could include SME financing and microfinance)
- » SLP: Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a "just transition" (such provision and/or promotion could include SME

¹⁵ Employment generations include direct short-and-long-term job creation programs, interventions that foster employment, and macro-level policies, which include self-employment.

¹⁶ Innovation and technology park enables interaction of groups of academic and research institutions and groups of industries and financial institutions to work in harmony to evolve new technologies starting from inventions. And empowers small technology firms to grow.

¹⁷ Includes grant, low interest loan compared to the market rate, tax allowance.

¹⁸ Ministry of Finance, State Taxation Administration: Notice on the Implementation of the 'Policy on General Tax Reduction and Exemption for Small and Micro Enterprises'



- financing and microfinance)
» SDGs: Goal 1 - No Poverty; Goal 8 – Decent Work and Economic Growth

Lianhe Green Findings / Suggestions

In June 2024, the Nanyang Municipal Government [organized](#) an Employment Night Market to promote high-quality and full employment activities. Over the course of two days, a total of 67 companies, including Moyuan Group and Zhongguang Group, participated in the event for recruitment. They offered more than 4,500 positions covering various levels and categories, such as management, customer service, and general labor, with average monthly salaries ranging from 4,000 to 6,000 yuan. The event attracted over 4,000 job seekers who sought on-site consultations, and more than 870 individuals expressed their preliminary interest in employment opportunities. Additionally, the Municipal Bureau of Human Resources and Social Security set up an area for promoting employment and entrepreneurship policies, providing integrated one-stop services for job seekers and businesses, and facilitating the full employment of key groups.

Lianhe Green believes that these types of projects will help address the financing difficulties faced by small and medium-sized enterprises (SMEs) and create employment opportunities through the development of science and technology innovation. This, in turn, will promote sustainable economic and social development.

B. Project Evaluation and Selection Process

Company Materials

The evaluation and selection process ensures that the proceeds of our SFTs are allocated to projects that meet the criteria set out in the Use of Proceeds under the Framework. The Group has established a Sustainability Financing Team (the “**Team**”) which governs the process, consisting of representatives and senior members from the Project Construction Department and Financial Department. The investment director is the final decision-maker of the Team.

Potential projects will be sourced and reviewed by each department (Sub-committee). Shortlisted projects will be proposed by the department manager to the Team.

The Team will meet on an annual basis and is responsible for:

- Evaluating the compliance of projects with the Eligibility Criteria outlined in the Use of Proceeds under the Framework;
- Approving the inclusion of pre-selected Eligible Projects in our Sustainability Project List (the Team has full discretion to object the inclusion of any project);
- Monitoring and managing the Sustainability Project List. The Group will maintain a register to keep track the use of net proceeds of the SFTs through the internal information system on an annual basis;
- Replacing projects that no longer meet the Eligible Criteria or due to any divestments;
- Observing developments in the Sustainable Financing markets and approving updates to this Framework accordingly to reflect relevant changes in our corporate strategy or market developments.

EIA as one of risk management tools to identify mitigates to negative social and/or environmental impacts from the relevant projects, if any. The assessment of environmental benefits in the feasibility study of each Eligible Project requires an environmental impact assessment (“**EIA**”) in accordance with the local requirements of the project. The



assessment is carried out by a designated professional body which prepares an EIA report. The results of the assessment include the identification and analysis of the different environmental factors and their impacts on the environment throughout the life cycle, as well as the description of measures needed to reduce the impact on the environment. The unit responsible for the EIA report then submits the EIA report to the local regulatory department, and the project is carried out after approval by the regulatory department is secured.

According to the group's internal environmental and social assessment guideline, the Sub-Committees will also fill in the environmental and social assessment form with the identified potential material environmental and social risks associated with the Eligible Projects. And the form will be reviewed and escalated on an ad-hoc basis to the SFT. The Sub-Committees will assess the materiality of the risk and propose the way-forward to the SFT for final evaluation and decision making. The SFT, working with recommendations of the Sub-committees, may decide to remediate a certain risk or abandon the project if the risk is judged as too high.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed the Framework and other series of documents, and the company's policies on project assessment and screening process.

After the assessment, the Group has established a comprehensive process for screening, identifying, and evaluating green and/or social responsibility projects. Each eligible project undergoes a feasibility study that includes an environmental impact assessment (EIA) in accordance with local project requirements. Additionally, a comprehensive project assessment and screening communication mechanism has been established. The sustainable finance team holds annual meetings to discuss and evaluate qualified green and social responsibility projects. Lianhe Green considers that the Group's project assessment and screening system is Good, which meets the requirements of the assessment criteria.

C. Management of Proceeds

Company Materials

Net proceeds or the equivalent amount of the net proceeds of the SFTs will be deposited in the sub-account, which will then be earmarked for allocation to the Eligible Projects in accordance with the Framework. Net proceeds of the Sustainability Bonds awaiting allocation will be held in accordance with the Group's normal liquidity management policy. The Team will track the allocation of net proceeds from each SFT to Eligible Projects.

The Group will maintain a register to keep track the use of net proceeds of the Sustainability Bonds through the internal information system, and the Team will review the Sustainability Project List annually. If any of the Eligible Projects cease to fulfil requirements of Use of Proceeds under the Framework, the Group will identify other projects that comply with the Framework and re-allocate to those assets as soon as is practicable. The balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects made during the outstanding of the SFT(s).



In addition, the group has internal procedures to keep track of the use of proceed, the information including:

- Name and description of Eligible Projects to which the proceeds of the SFT have been allocated in accordance with this Framework;
- Amount of SFT proceeds allocated to each project;
- The remaining balance of unallocated proceeds; and
- Other relevant information such as information of temporary investment for unallocated proceed.

Type of Funding Transaction: Key information including the issuer/borrower entity, transaction date, principal amount, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number.

Pending full allocation, unallocated proceeds will be:

- held in temporary investment instruments that are asset with high liquidity and safety such as cash or cash equivalent instruments; or
- held in temporary placements that do not include projects, assets or activities that are inconsistent with the nature of a green debt instrument.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a series of documents such as the Framework and the company's policies on the management of proceeds. After the assessment, the group will deposit the net proceeds or equivalent net proceeds from sustainable financing instruments into a sub-account and, according to the framework's provisions, allocate them to eligible projects. The group will not utilize temporarily unallocated funds for projects that are inconsistent with the nature of green debt instruments. Lianhe Green considers that the Group's management of proceeds is Good, which meets the requirements of the assessment criteria.

D. Reporting

Company Materials

The Group will provide information on the allocation of the net proceeds or equivalent amount of the net proceeds of the SFTs via the website, social media, or in the Group's ESG Report. Such information will be provided on an annual basis until all the net proceeds of the SFTs have been fully allocated.

Allocation Report¹⁹ should contain the following information:

¹⁹ Such information will be provided on an annual basis until all the net proceeds of the SFTs have been fully allocated.



- Amount of allocated proceed by Eligible Categories, with a brief description of green and/or social projects;
- The remaining balance of funds which have not yet been allocated;
- Share of financing vs. refinancing.

The Group will report on the environmental and/or social impacts associated with the Eligible Projects funded with the net proceeds of the SFT(s).

Impact Report²⁰ may contain such as but not limited to the following information:

Eligible Project Category	Impact Indicators ²¹
Green buildings	<ul style="list-style-type: none"> • Level of certification by building
Energy efficiency	<ul style="list-style-type: none"> • Annual energy savings (in MWh) • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent
Renewable energy	<ul style="list-style-type: none"> • Renewable energy capacity installed (in MW) • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent
Pollution prevention and control	<ul style="list-style-type: none"> • Waste that is minimized or recycled in absolute amount in tonnes p.a. • Amount of waste disposed in tonnes p.a.
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Amount of rain water collected and re-used (in m³) • Annual absolute (gross) amount of wastewater treated in tonnes p.a
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Restored, conserved or newly developed green area (in m²)
Affordable housing	<ul style="list-style-type: none"> • Number of dwellings • Number of individuals/families benefiting from subsidized housing
Affordable basic infrastructure	<ul style="list-style-type: none"> • Number of infrastructure projects built/upgraded
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance	<ul style="list-style-type: none"> • Number of job vacancies created • Amount of small business funding spent • Number of beneficiaries

The Group will report on the environmental and/or social impacts associated with the Eligible Projects funded with the net proceeds of the SFT(s) via the website, social media, or in the Group's ESG Report. Also, will disclose the expected impact of projects (re)financed.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a series of documents, including the Sustainable Finance Framework and the company's policy, following the relevant requirements for information disclosure and reporting

²⁰ Such information will be provided on an annual basis until all the net proceeds of the SFTs have been fully allocated.

²¹ Depends on data availability



under the evaluation criteria. After the assessment, the Group will disclose an annual report on sustainable development financing instruments until the proceeds of the SFTs have been fully allocated. Lianhe Green considers that the Group's information disclosure and reporting is Good, which meets the requirements of the assessment criteria.

E. External Review

Company Materials

The Framework has received a “second party opinion” by Lianhe Green.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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After the assessment, the company has engaged Lianhe Green to assess the compliance of this framework with relevant international and domestic standards and to issue a second-party assessment opinion. Compared to best market practices, there is no mention of the Group hiring an independent third party to conduct post-issuance certification and verify the allocation of the proceed for eligible green and social projects after issuance. Lianhe Green considers that the Group's management system for external evaluation is Aligned and meets the requirements of the assessment standards.

Analysis of Environmental Benefits and Social Benefits

Eligible Green Project: Green Buildings

Environmental Benefits

Green building is a new type of building that does not destroy the basic ecological balance conditions of the environment during the construction period, and consumes significantly less material and energy than traditional buildings during the operation period, which can also be called sustainable building, ecological building, back to nature building, energy-saving and environmentally friendly building and so on.

Compared with ordinary buildings, green buildings can use land resources more efficiently and provide relatively more centralized public service facilities, use a higher proportion of renewable and recyclable materials in the construction process, give fuller consideration to the natural conditions of the site, and set up air-cooling systems according to the principle of natural ventilation, so that the green building can effectively make use of the dominant wind direction in summer; reasonably design the building envelope, using energy-saving lighting and configure corresponding intelligent control systems during operation. Elevators are equipped with high-efficiency transformers, and energy-using equipment can be equipped with variable frequency functions.

The relevant technical indicators of buildings that have undergone energy-saving renovation shall meet the relevant national or local requirements for energy conservation and environmentally friendly renovation of existing buildings. Such projects are conducive to reducing energy consumption, saving energy, and alleviating the shortage of energy demand; and can also contribute to sound insulation, dust reduction, and thermal insulation of buildings, thus reducing usage costs, and improving the comfort of the building's indoor environment. Moreover, the green lighting technology used during renovation is also



conductive to reducing greenhouse gas emissions, mitigating air pollution and improving environmental quality.

Eligible Green Project: Energy Efficiency

Environmental Benefits

Smart meters can promote more efficient energy use and significantly reduce greenhouse gas emissions by providing real-time data to consumers and utilities, which helps optimize electricity consumption. Upgrading heating, ventilation and air conditioning (HVAC) systems to more energy-efficient models can significantly reduce energy use, which directly translates into lower carbon emissions. LED lighting consumes less energy than traditional bulbs, lasts longer, and reduces energy consumption and waste. Finally, investing in energy storage technology can store excess energy during times of high energy production and release it during times of peak demand, thereby reducing dependence on fossil fuels, lowering carbon emissions, and boosting the use of renewable energy.

Eligible Green Project: Renewable Energy

Environmental Benefits

Solar and wind energy have great potential for development in new energy due to their renewable and pollution-free characteristics. Solar and wind power generation does not produce atmospheric pollutants, reducing emissions of pollutants such as SO₂, NO_x and dust. At the same time, it saves fossil fuels and achieve energy conservation and emission reduction. Solar energy, as the most abundant renewable energy source, is more evenly distributed across the globe compared to other energy sources. During peak daylight hours, which typically coincide with the highest electricity demand, solar power plants can significantly contribute to the grid, alleviating stress on electrical networks during these critical periods. By aligning energy production with peak usage times, solar energy provides an efficient solution to meet energy demands while minimizing the need for energy storage or additional grid infrastructure. Wind energy also plays a crucial role in sustainable power generation. Wind farms have a relatively small land footprint, as the space between turbines can be used for agricultural or recreational purposes.

Eligible Green Project: Pollution Control

Environmental Benefits

The ecological environment is closely related to people's quality of life, and a good natural ecological environment is the foundation of human survival. However, with the increasing environmental pollution problems, threats to people's living environment have emerged. Atmospheric pollution control projects, through the introduction of advanced techniques for preventing and controlling air pollution and the strengthening of atmospheric environmental monitoring, primarily aim to improve air quality. This involves reducing emissions of particulate matter, volatile organic compounds (VOCs), sulfur compounds, nitrogen oxides, and other pollutants to create a comfortable, healthy, and pleasant living environment for people. Waste comprehensive treatment projects, leveraging advanced waste treatment processes and equipment, achieve the resource utilization of waste, effectively reducing urban waste generation, and thus minimizing the burden of solid waste disposal. Such projects maximize the "reduction, reuse, and harmlessness" of waste, contributing to improved urban environmental quality, protection of the ecological environment, and significant benefits in pollution prevention, energy savings, and emission reduction.

Eligible Green Project: Sustainable Water and Wastewater Management

Environmental Benefits

With economic development, urban population continues to grow, urbanization levels continue to increase, and water scarcity issues in many cities are becoming more and more prominent. Sustainable water resources and wastewater management projects, by constructing and installing sewage treatment plants and building supporting sewage collection pipelines, can reduce the possibility of sewage being randomly discharged and polluting groundwater. By collecting and utilizing rainwater and sewage through reuse systems, urban runoff can be reduced, and water use efficiency



improved, achieving water resource conservation and water saving. Such projects can effectively alleviate urban drainage pressure, improve water supply capacity, enhance water landscapes, while promoting sustainable water circulation and reuse, effectively reducing combined rainwater-sewage overflows, improving sewage treatment efficiency, and increasing the assurance rate of quality water sources for living and production.

Eligible Green Project: Environmentally Sustainable Management of Biological Resources and Land Use

Environmental Benefits

Green plants, as primary producers in the ecosystem, possess the natural physiological functions of carbon fixation and oxygen release. Carbon fixation and oxygen release play a crucial role in the material cycle and energy flow in the natural world. Specifically, projects of this nature involve planting green plants to absorb a portion of the city's heat, shade sunlight, block solar radiation, and increase humidity, facilitating the regulation of local urban microclimates and reducing the urban heat island effect.

Simultaneously, regular maintenance and care of trees and green spaces within the city, coupled with natural landscape restoration efforts, contribute to enhancing the stability of the surrounding soil structure of plant roots. This helps conserve water sources, reduce the risk of soil erosion caused by precipitation, preserve soil fertility, and prevent sediment retention and accumulation.

During heavy rainfall, these plants can also reduce wind speed and act as a barrier against rain, indirectly lowering the frequency of natural disasters and minimizing casualties. These ecological functions highlight the essential role of planting green vegetation in urban ecosystems for ecological regulation and environmental improvement.

Eligible Social Project: Affordable Housing

Social Benefits

The affordable housing built in this type of project aims to provide housing for individuals across various demographics, addressing housing difficulties and contributing to enhanced living conditions. This initiative fosters the development of diverse communities, promoting environmental sustainability, health, and a sense of belonging. Moreover, expediting the construction of affordable housing will not only stimulate related industries but also drive the growth of supply chain industries associated with such projects, thereby creating favorable conditions for future consumption. By prioritizing cost reduction and control in construction, this project significantly impacts livelihood improvement and contributes to societal harmony and stability, benefiting a broad spectrum of individuals and families across China.

Eligible Social Project: Affordable Basic Living Infrastructure

Social Benefits

This type of project brings convenience to residents in remote areas by constructing roads, tunnels, bridges, and other infrastructure connecting urban areas and villages. Additionally, it strengthens the connection and communication between urban and rural areas, facilitating the input and output of production materials, creating conditions for the development of nearby businesses, enhancing external connections and cooperation, and promoting business expansion. At the same time, such projects can help farmers better adapt to market demands, adjust crop cultivation and product structures, invigorate the circulation of agricultural products, and improve overall agricultural efficiency. They can also guide the reasonable clustering of rural enterprises, enhance the functions of small towns, improve rural production and living conditions, and facilitate the flow of various production factors. Furthermore, the construction of roads, tunnels, and bridges will effectively improve the transportation conditions in the surrounding areas, enhance the investment environment, and drive land development and industrial upgrading along the project route.

Eligible Social Project: Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from



socioeconomic crises, including through the Potential effect of SME Financing and Microfinance

Social Benefits

After the completion of projects of this type, a large number of specialized technical and managerial personnel will be required, along with ordinary workers and laborers, to address employment issues for various groups. It provides a good working platform for regional enterprises, stimulates the development of the technology and innovation industry, and creates numerous job opportunities, playing a positive role in labor force migration and increasing employment in technology and innovation positions.

Additionally, providing microloans for small and micro-enterprises can effectively alleviate the financing difficulties and high financing costs faced by these enterprises. This support helps enhance the self-sufficiency of small and micro-enterprises, alleviates poverty, contributes to financial fairness and social equity, and promotes healthy and sustainable economic and social development.

In summary, the eligible green projects listed in this framework have significant environmental benefits, and the eligible social responsibility projects have notable social benefits.



Appendix

About Lianhe Green

Lianhe Green Development Company Limited ("Lianhe Green") was established in 2023 and is a subsidiary of Lianhe Equator Environmental Assessment Co., Ltd. ("Lianhe Equator") and Lianhe Credit Management Co., Ltd. ("Lianhe Group"). Lianhe Equator is the largest green and sustainable bond/loan certification provider in mainland China. As an external reviewer recognised under the Hong Kong Monetary Authority's Green and Sustainable Finance Grant Scheme, Lianhe Green is headquartered in Hong Kong, mainly responsible for green and sustainable finance certification business in international markets, ESG reporting and consulting, ESG training services, and assist in operating carbon market-related businesses within and outside China.

Lianhe Green aims to become an internationally recognized external verifier for sustainable finance through cooperation with Lianhe Equator's professional and experienced team in this industry. With a goal of "shaping the origin of the earth and sky, and transmitting the civilization of mankind", Lianhe Green is committed to helping Chinese and foreign enterprises demonstrate their determination in sustainable development, and providing investors with independent and objective third-party certification services. It is our mission to leave green and oceans to our future generations.

Scope of Analysis

Lianhe Green was engaged by the company to provide an assessment of the company's Sustainable Finance Framework. The assessment is to provide a professional second-party opinion of the compliance of the Sustainable Finance Framework and does not provide any financial indicators or judgment on the investment values of the company's issuance.

Responsibilities

The Company

The company's responsibilities are to accept the interviews from Lianhe Green's analytical team, to provide relevant data and institutional documents for the analysis, and to ensure that the data and institutional documents provided are true and effective.

External Reviewer

Lianhe Green's responsibilities are to collect data and documents provided by the company. Lianhe Green will review all important data and documents, and issue conclusions. In addition, Lianhe Green will disclose information collected from the company and relevant parties to demonstrate whether its Sustainable Finance Framework meets the relevant requirements of the above standards.

Analytical Process

The main aspects of this assessment include the following:

- » Performing a comprehensive review on the persons in charge of the relevant departments to understand the key matters related to the company's policies and processes;
- » Review the Sustainable Finance Framework developed by the company;
- » Review relevant disclosure reports;
- » Obtain and review appropriate supporting documentation to support key findings.

Solicitation Status

The Second-Party Opinion was solicited and assigned or maintained by Lianhe Green at the request of the company.

Disclaimer



A Lianhe Green SPO is an assessment of the green and sustainable financing frameworks of entities. It is not a credit rating.

Please note that individuals identified in an SPO report are not responsible for the opinions stated therein and are named for contact purposes only. Our report is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of financial instruments and securities.

Lianhe Green receives compensation from entities and other market participants for conducting this service. None of the aforementioned entities nor its related parties participated in the review process aside from providing information requested by Lianhe Green.

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