



Jiangsu Fangyang Holdings Co., Ltd.

Second-Party Opinion | Green Finance Framework

Summary

Not Aligned	Aligned	Good	Excellent
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Report Type
Green Finance Framework
Second-Party Opinion

- Analytical Standards**
- » Green Bond Principles (GBP) (June 2021 Edition)
 - » Green Loan Principles (GLP) (February 2023 Edition)
 - » United Nations Sustainable Development Goals (SDGs)

Industry
Local Investment and Development Companies

Country/Region
China

Report Date
24th September 2024

Pillar	Alignment
Use of Proceeds	Good
Process for Project Evaluation and Selection	Good
Management of Proceeds	Good
Reporting	Good
External Reviews	Good

Lianhe Green Development Company Limited ("Lianhe Green") has reviewed a series of documents including the "Jiangsu Fangyang Holdings Co., Ltd. Green Finance Framework", and assessed the company's relevant work in respect of the use of proceeds, process for project evaluation and selection, management of proceeds, reporting, and external reviews. The Framework has received a Good assessment opinion from Lianhe Green. Lianhe Green considers that the Framework is in compliance with the Green Bond Principles (GBP) (June 2021 Edition) and the Green Loan Principles (GLP) (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).

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About the Company

Being an enterprise directly and wholly owned by the Lianyungang Municipal Government, Jiangsu Fangyang Holdings Co., Ltd. and its subsidiaries (the "Group") have been mandated by the Lianyungang Municipal Government on an exclusive basis to implement the PRC Government's and Jiangsu Provincial Government's plans to develop Lianyungang Xuwei New District, a key state-level economic development zone in China. Over the years, Jiangsu Fangyang Holdings Co., Ltd. Company (the "Company") together with its subsidiaries not only have established a strong track record of infrastructure and ancillary facility development in Lianyungang Xuwei New District, but also proven to be a key force to enhance the commercial attractiveness and competitiveness of Lianyungang Xuwei New District by exploring and integrating local social, natural and industry resources.

As a major investment and financing platform of the Lianyungang Municipal Government to develop Lianyungang Xuwei New District, the Group engages in a wide range of business activities to carry out its mission, which primarily consist of (i) infrastructure and affordable housing construction, (ii) port logistics, (iii) public utility services, (iv) port industrial park supporting services and (v) miscellaneous.

Company Sustainability Strategy

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 Group

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

With respect to bonds, bonds issued under GFF will be in alignment with the Green Bond Principles (GBP) 2021¹ released by International Capital Market Association (ICMA) or the Climate Bonds Standard V3.02 issued by Climate Bonds Initiative (CBI)², or the Green Bond Endorsed Projects Catalogue (2021 Edition)³ jointly announced by the People's Bank of China (PBOC), the National Development and Reform Commission (NDRC) and the China Securities Regulatory Commission (CSRC) or as they may be subsequently amended.

With respect to loans, loans issued under GFF will be in alignment with the Loan Market Association ("LMA") Green Loan Principles ("GLP") 2023⁴ or as they may be subsequently amended.

Other forms of financing may conform to other green finance principles as may have been established at the time of such financing transaction being undertaken.

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, process for project evaluation and selection, management of proceeds, reporting, and external reviews.

¹ In alignment with ICMA Green Bond Principles, June 2021, <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² In alignment with the Climate Bond Standard V3.0, <https://www.climatebonds.net/climate-bonds-standard-v3>

³ In alignment with the Green Bond Endorsed Projects Catalogue (2021 Edition), http://www.gov.cn/zhengce/zhengceku/2021-04/22/content_5601284.htm

⁴ In alignment with LMA Green Loan Principles, February 2023, <https://www.lsta.org/content/green-loan-principles/>



A. Use of Proceeds

Company Materials

The Group will allocate an amount at least equivalent to the net proceeds of the Green Financing Instruments issued under the Framework to finance and/or re-finance, in whole or in part, projects which meet the eligibility criteria of the following Eligible Green Project categories ("Eligible Green Projects"), as defined as below.

A maximum 3-year look-back period would apply for refinanced projects and the Group is committed to fully allocate the net proceeds of each issuance under the Framework within 24 months from issuance/borrowing.

Eligible Green Project Categories	Qualified Green Projects
Green Buildings	Acquisition, construction, maintenance and renovation of building that have received the below recognized green building certifications: <ul style="list-style-type: none"> • Conform to Green Building Evaluation Standards (GB/T 50378) with one star or above or obtain U.S. Leadership in Energy and Environmental Design (LEED) — Gold grade or above; • Building and Construction Authority (BCA) Green Mark — Gold or above; • Meet the requirements of the "Near-Zero Energy Building Technical Standards" (GB/T 51350) • A maximum 3-year timeframe would be required for properties/buildings to obtain the green certification under this framework. All eligible properties or buildings will have a pre-design green certification.
Renewable Energy	Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of 1) renewable energy systems, including photovoltaic solar and wind power (onshore/offshore), 2) renewable electricity energy storage system (i.e. batteries, capacitor).
Energy Efficiency	Increase energy efficiency and reduce building and facility energy consumption by at least 15 per cent. by investing in and spending on projects such as, but not limited to: <ul style="list-style-type: none"> • In the design and construction process, in accordance with the requirements of "Intelligent Building Design Standards (GB/T 50314-2015)", adopt timely and feasible intelligent technology to realize the functions of saving resources and optimizing environmental quality management, including but not limited to effective utilization and management of renewable energy based on building equipment monitoring systems, Building Information Modeling (BIM) technology, etc.; or • Install energy-efficient equipment, replace and/or maintain existing equipment to reduce energy consumption or avoid greenhouse gas emissions, including but not limited to smart metering systems, high-efficiency HVAC systems, etc. Relevant products should comply with the current national standards "Energy-saving Design Standards for Public Buildings" (GB50189-2015), "Energy-saving Domestic Water Appliances" (CJ/T164-2014) and other standards; or • Renovation of green lighting, using LED lamps, high/low pressure sodium lamps, metal halide lamps, tri-color double-ended straight fluorescent lamps (Type TS, T5), etc., as well as the use of natural light sources, intelligent lighting control systems, etc. Relevant lighting products should meet the first-level energy efficiency requirements of relevant national and/or regional energy efficiency standards; or



	<ul style="list-style-type: none"> Energy Conservation and Environmentally-friendly Renovation of Existing Buildings: Technical indicators of the building meet relevant national or local energy conservation standards for existing buildings and relevant requirements for energy-saving renovation activities of building energy systems after renovation. Renovation, operation and purchase of the existing buildings which have obtained relevant national green building star-level within the validity period; and the renovation, operation and purchase of existing buildings that have reached the national-relevant green building star-level within the validity period after renovation. For example, the building technology complies with technological standards such as the "Statistical Standard for Civil Buildings" (GB 50352), the "Standard for Energy-Saving in Public Buildings" (GB 50189) and the "Standard for the Evaluation of Green Retrofit of Existing Buildings" (GBT 51141).
<p>Sustainable Water and Wastewater Management</p>	<p>Investment, acquisition and expenditures related to construction, development, upgrade, installation, operation and maintenance the facilities of water supply infrastructure, wastewater treatment infrastructure, urban drainage systems, flood control and defenses, pumping stations, distribution network, water recycling systems (i.e. recycling or reuse water, rainwater collection) to save water, improve the water leakage performance and the efficiency.</p>

Exclusion Criteria

The Group commits that any activities, assets and technologies related to the below will be excluded from Eligible Green Projects:

- activities that violate national laws, regulations or international conventions and agreements, or are subject to international bans;
- production or trade in arms and ammunition;
- production or trade in alcoholic beverages (other than beer and wine);
- production or trade in tobacco;
- gambling, casinos and equivalent businesses;
- production or trade in radioactive materials (radioactive sources considered insignificant and/or adequately shielded, such as quality control equipment, are not covered);
- production or activities involving harmful or exploitative forms of forced labor or harmful child labor.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a number of documents, including the Green Finance Framework, and has conducted a comprehensive review of the Group's policies related to the use of proceeds based on the relevant assessment criteria.

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.

After the assessment, the eligible green projects align with China's "Green Bond Endorsed Projects



Catalogue (2021 Edition)" and the United Nations Sustainable Development Goals. Renewable energy project category is eligible for both the Hong Kong Taxonomy (except energy storage which is not currently covered by Hong Kong Taxonomy) and the EU Taxonomy. Lianhe Green believes that energy efficiency is partially eligible with the renovation of existing buildings activity in the Hong Kong Taxonomy and the EU Taxonomy. Furthermore, 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.

The look-back period is longer than the market's best practices, and the controversial project list has less coverage than market practices. 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

Acquisition, construction, maintenance and renovation of building that have received the below recognized green building certifications:

- Conform to Green Building Evaluation Standards (GB/T 50378) with one star or above or obtain U.S. Leadership in Energy and Environmental Design (LEED) — Gold grade or above;
- Building and Construction Authority (BCA) Green Mark — Gold or above;
- Meet the requirements of the "Near-Zero Energy Building Technical Standards" (GB/T 51350)
- A maximum 3-year timeframe would be required for properties/buildings to obtain the green certification under this framework. All eligible properties or buildings will have a pre-design green certification.

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 August 2024, Jiangsu provincial government published the "[Notice on Strengthening Green Finance to Support High-Quality Development of Green Buildings](#)". The notice aims to establish a collaborative working mechanism for green finance to support the high-quality development of green buildings, form a working system with "strong policies, rich products, convenient processes and efficient services", and realize the coordinated development and mutual promotion of green buildings and green finance. The notice also aims to guide financial institutions to optimize the credit structure, carry out innovation in green financial products and services, improve the interaction platform between the green building industry and financial business, effectively serve the financing needs of the green building industry, and actively promote the green and low-carbon development of urban and rural construction.

The sample green building certifications included in the framework are all recognized at national or international levels. However, international standards, for example the U.S. LEED and BCA standards, are more stringent than the selected requirements for the China Green Building Evaluation Level outlined in the framework.

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

1. Category 5: Sustainable Upgrade of Infrastructure - 5.2 Sustainable Buildings - 5.2.1 Energy-Saving Buildings and Green Buildings - 5.2.1.1 Construction of Ultra-Low Energy Consumption Buildings
2. Category 5: Sustainable Upgrade of Infrastructure - 5.2 Sustainable Buildings - 5.2.1 Energy-Saving Buildings and Green Buildings - 5.2.1.2 Green Buildings

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 minimum rating of one-star. 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: Renewable Energy

Eligible Green Projects

Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of 1) renewable energy systems, including photovoltaic solar and wind power (onshore/offshore), 2) renewable electricity energy storage system (i.e. batteries, capacitor).

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 7 - Affordable and Clean Energy.

Lianhe Green Findings / Suggestions

In June 2022, Jiangsu provincial government published the "[Jiangsu Province '14th Five-Year' Renewable Energy Development Special Plan](#)". The plan aims to increase the proportion of renewable energy in the province's total energy consumption to 15% by 2025, and the energy consumption structure will be optimized.

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

1. Category 3: Clean Energy Industry - 3.2 Clean Energy - 3.2.2 Construction and Operation of Renewable Energy Facilities - 3.2.2.1 Construction and Operation of Wind Power Facilities
2. Category 3: Clean Energy Industry - 3.2 Clean Energy - 3.2.2 Construction and Operation of Renewable Energy Facilities - 3.2.2.2 Construction and Operation of Solar Energy Utilization Facilities
3. Category 3: Clean Energy Industry - 3.2 Clean Energy - 3.2.3 Efficient Operation of Clean Energy - 3.2.3.2 Operation and Construction of Energy Efficient Storage Facilities

Lianhe Green believes that projects such as renewable energy systems, including photovoltaic solar and wind power (onshore/offshore) are aligned with the Hong Kong Taxonomy as they fully meet the main criteria. The Hong Kong Taxonomy currently does not include activity for energy storage.

Lianhe Green believes that these types of projects are eligible for the EU Taxonomy because electricity generation from wind power, electricity generation using solar photovoltaic technology and the manufacture of batteries all meet the EU Taxonomy's substantial contribution (or technical screening) criteria, contributing substantially to the climate change mitigation objectives.

3) Eligible Green Projects: Energy Efficiency

Eligible Green Projects

Increase energy efficiency and reduce building and facility energy consumption by at least 15 per cent. by investing in and spending on projects such as, but not limited to:

- In the design and construction process, in accordance with the requirements of "Intelligent Building Design Standards (GB/T 50314-2015)", adopt timely and feasible intelligent technology to realize the functions of saving resources and optimizing environmental quality management, including but not limited to effective utilization and management of renewable



energy based on building equipment monitoring systems, Building Information Modeling (BIM) technology, etc.; or

- Install energy-efficient equipment, replace and/or maintain existing equipment to reduce energy consumption or avoid greenhouse gas emissions, including but not limited to smart metering systems, high-efficiency HVAC systems, etc. Relevant products should comply with the current national standards "Energy-saving Design Standards for Public Buildings" (GB50189-2015), "Energy-saving Domestic Water Appliances" (CJ/T164-2014) and other standards; or
- Renovation of green lighting, using LED lamps, high/low pressure sodium lamps, metal halide lamps, tri-color double-ended straight fluorescent lamps (Type TS, T5), etc., as well as the use of natural light sources, intelligent lighting control systems, etc. Relevant lighting products should meet the first-level energy efficiency requirements of relevant national and/or regional energy efficiency standards; or
- Energy Conservation and Environmentally-friendly Renovation of Existing Buildings: Technical indicators of the building meet relevant national or local energy conservation standards for existing buildings and relevant requirements for energy-saving renovation activities of building energy systems after renovation. Renovation, operation and purchase of the existing buildings which have obtained relevant national green building star-level within the validity period; and the renovation, operation and purchase of existing buildings that have reached the national-relevant green building star-level within the validity period after renovation. For example, the building technology complies with technological standards such as the "Statistical Standard for Civil Buildings" (GB 50352), the "Standard for Energy-Saving in Public Buildings" (GB 50189) and the "Standard for the Evaluation of Green Retrofit of Existing Buildings" (GBT 51141).

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 April 2024, Jiangsu provincial government published the "[Jiangsu Province Carbon Peak Carbon Neutrality Pilot Construction Plan](#)". The plan mentioned the need to implement key projects. In accordance with the objectives of the pilot work, a number of key projects will be planned and implemented in the fields of energy infrastructure, upgrading of energy conservation and carbon reduction, demonstration of advanced green and low-carbon technologies, environmental infrastructure, circular economy development, and ecological protection and restoration, so as to form strong support for the pilot construction. It will strengthen the guarantee of various elements for the construction of key projects and promote their orderly implementation.

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 - 5.2 Sustainable Buildings - 5.2.1 Energy-Saving Buildings and Green Buildings - 5.2.1.5 Energy Conservation and Environmentally-friendly Renovation of Existing Buildings

Lianhe Green considers the criteria set by the Hong Kong taxonomy for the renovation of existing buildings to be more stringent compared to the framework requirements. According to the Hong Kong taxonomy, the building renovation should lead to a reduction of primary energy demand, energy consumption, or direct GHG emissions of at least 30% against the building's historic average for both existing commercial buildings and residential buildings. For existing commercial buildings, buildings may also use HKGBC's Zero-Carbon-Ready Building, with at least Extra Low or Level 2 improvement (i.e., 25% reduction) according to Zero-Carbon-ready building Certification Scheme. However, the framework only requires increase in energy efficiency and reduce building and facility energy consumption by at least 15 percent.

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.

4) Eligible Green Projects: Sustainable Water and Wastewater Management

Eligible Green Projects

Investment, acquisition and expenditures related to construction, development, upgrade, installation, operation and maintenance the facilities of water supply infrastructure, wastewater treatment infrastructure, urban drainage systems, flood control and defenses, pumping stations, distribution network, water recycling systems (i.e. recycling or reuse water, rainwater collection) to save water, improve the water leakage performance and the efficiency.

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 November 2021, Jiangsu provincial government published the "[Jiangsu Province '14th Five-Year' Water Conservancy Development Plan](#)". The plan aims to further improve water conservancy infrastructure. It also plans to invested 211 billion yuan in water conservancy infrastructure construction in 5 years, an increase of 24% over the "Twelfth Five-Year Plan" period.

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 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
3. 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.

B. Process for Project Evaluation and Selection

Company Materials

The overall principle includes two parts as follows.

- 1) Select national and regional key green projects with a certain scale effect or demonstration effect.



- 2) Adhere to the principle of diversification in the selection of project types and regions.

Specific screening criteria: two-tier green project screening mechanism.

Eligible green projects will be selected according to above eligibility criteria.

Stage 1 Evaluation Procedure:

Review and select green projects preliminarily in accordance with the Green Bond Principles (GBP) 2021 released by International Capital Market Association (ICMA), or the Climate Bonds Standard V3.0 issued by Climate Bonds Initiative (CBI), or the Green Bond Endorsed Projects Catalogue (2021 Edition) jointly announced by the People's Bank of China (PBOC), the National Development and Reform Commission (NDRC) and the China Securities Regulatory Commission (CSRC).

Stage 2 Evaluation Procedure:

Further review and confirm on the green projects based on the direct and indirect environmental KPIs.

- 1) Direct environmental KPIs: environmental KPIs disclosed in the supporting documents for the projects, which are expected to be quantitative.
- 2) Indirect environmental KPIs:
 - i. According to the supporting documents for the projects, energy-saving technologies or producing methods have been adopted in the projects.
 - ii. The projects are in line with the policies and initiatives on the sustainable development at low carbon emissions, energy-savings and emissions reduction in the national or international markets.

Accountability Mechanisms for the Group's Green Finance

The Group's Green Finance Working Group ("GFWG") is responsible for the management of this GFF and the compliance of all financing instruments issued under the Framework. The GFWG consists of executive members of the Group and senior representatives from the following departments, including:

- Finance and Capital Department
- Financing Management Department
- Project Management Department

The GFWG may be supplemented from time to time, or expanded, by the inclusion of representatives from other relevant teams.

The GFWG will:

- Meet at least two times each year to select and evaluate green projects to invest in for the current year and the next year
- Ratify Eligible Green Projects, which are initially proposed by the constituent team members
- Undertake regular monitoring of the asset pool to ensure the eligibility of Green Projects with the criteria set out in the Group's GFF Section 1, Use of Proceeds, whilst replacing any ineligible Green Projects with eligible new Green Projects
- Ensure that projects comply with the Group's Environmental Risk Management framework as well as applicable local governmental regulations and ensure that projects no longer meeting the selection criteria detailed in the Framework will be removed and/or substituted on a best efforts basis throughout the life of the bond/loan
- Ensure that the proceeds of bonds/loans will be periodically adjusted to match allocation to eligible projects made during that period
- Facilitate regular reporting on any GFT in alignment with our Reporting commitments
- Manage any future updates to the Framework
- Ensure that the approval of Eligible Green Projects will follow the Group's existing credit/loan/investment approval processes



Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed the Green Finance Framework and other series of documents, and the company's policies on process for project evaluation and selection based on the relevant assessment criteria.

The Group has established a comprehensive process for screening, identifying, and evaluating green projects. The Group has a process to pre-select and evaluate the projects based on national and international standards. Direct and indirect environmental KPIs will be further reviewed, and the GFWG will meet at least two times each year to select and evaluate the green projects to invest in.

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

The proceeds of each of the Group's GFT can be managed through using a designated account or keeping a GFT Register. Under the GFT Register method, the proceeds will be deposited in the general funding accounts, and earmarked for allocation towards the Eligible Green Projects. The Group will maintain a GFT Register to track the use of proceeds for the GFT. Green Finance Allocation Register will be established to ensure and monitor the allocation of green finance proceeds.

The Register will contain, for each GFT launched, information including:

1. GFT Details: ISIN (if applicable), Pricing Date, Maturity Date and etc.
2. Eligible Green Project Allocation List, information including:
 - The Eligible Projects List, including for each Eligible Project, the Eligible Green Project category, project description, project location, Group's ownership percentage, total project cost, amount allocated, settled currency, etc.
 - Amount of unallocated Proceeds.

Management of the unallocated proceeds

It is the Group's intention to deploy proceeds of each of the Group's GFT to Eligible Green Projects within a 2-year period. If part of the proceeds cannot be allocated to Eligible Green Projects at the moment, the Group can deposit the unallocated proceeds into the designated account for the green bond, or invest the unallocated proceeds into qualified money market products or debt instruments according to the relevant rules and regulations set out by the competent authorities.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a series of documents such as the Green Finance Framework and the company's policies on the management of proceeds based on the relevant assessment criteria.

The proceeds of each of the Group's GFT can be managed through using a designated account or keeping a GFT Register, and earmarked for allocation towards the Eligible Green Projects. Green Finance Allocation Register will be established to ensure and monitor the allocation of green finance proceeds. The unallocated proceeds may be deposited into the designated account for the green



bond, or invest unallocated proceeds into qualified money market products or debt instruments according to the relevant rules and regulations set out by the competent authorities.

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 of its Green Financing Instruments in a Green Finance Report. Such information will be provided on an annual basis until all the net proceeds have been allocated. According to the market needs, the information may contain the following details:

- 1) List of Eligible Green projects
- 2) The amount of Proceeds allocated to each Eligible Green Project category
- 3) When possible, descriptions of the Eligible Green Projects financed, such as project locations, amount allocated, etc.
- 4) Selected examples of projects financed
- 5) Percentage of financing vs. refinancing
- 6) Amount of unallocated Proceeds

Furthermore, the Group will confirm that the use of proceeds of the GFT conforms to this GFF and that report on a timely basis if any material development until full allocation.

Impact Reporting

The Group will provide reporting on the environmental benefits of the Eligible Green Projects potentially with the following environmental impact indicators. In addition, calculation methodologies and key assumptions will be disclosed.

Eligible Project Categories	Impact Indicators
Green Buildings	<ul style="list-style-type: none"> » Level of certification by property » Energy efficiency gains in MWh or percentage vs baseline » Estimated avoided GHG emissions (tCO₂eq) » Annual energy savings (MWh pa) » Annual absolute (gross) water saving in m³/a
Renewable Energy	<ul style="list-style-type: none"> » The minimum of 85% of power generation from the facility is derived from solar energy sources; » The energy storage system dedicated connection to a power production plant eligible under the low carbon power threshold of 100gCO₂/kWh.
Energy Efficiency	<ul style="list-style-type: none"> » Amount of energy saved (in MWh) » Annual energy efficiency improvement in percentage
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> » The waste water discharge standard will meet the national and/or regional discharge standard of pollutants for municipal wastewater treatment plant (i.e. GB 18918-2002); or » The flood defenses and climate resilient projects that implement chronic and acute physical climate risks identification and vulnerability assessments, and the corresponding adaptation and resilience solutions can reduce the most water related physical climate risks.

The allocation and impact reporting mentioned above will be disclosed to the Group's stakeholders.



Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a series of documents, including the Green Finance Framework and the company's policy based on the relevant assessment criteria.

The Group will provide green project category level disclosure reports annually until the proceeds of the GFTs have been fully allocated, and in the event of any material changes. The descriptions of the eligible Green Projects financed, such as project locations, amount allocated, etc. may be provided when possible.

Lianhe Green considers that the Group's information disclosure and reporting is Good, which meets the requirements of the assessment criteria.

E. External Reviews

Company Materials

Pre-issuance:

The Group has engaged Lianhe Green Development Company Limited ("Lianhe Green") to provide a second party opinion on the Green Finance Framework to review and confirm its alignment with the GBP and GLP. Lianhe Green has reviewed the Green Finance Framework and on September 24, 2024 provided its Second Party Opinion. The objective of the Second Party Opinion is to provide investors with an independent assessment. The Second Party Opinion is a statement of opinion, not a statement of fact. No representation or assurance is given by the Issuer and the Joint Lead Managers as to the suitability or reliability of the Second Party Opinion or any opinion or certification of any third party made available in connection with the Bonds issued as Green Bonds. The Second-Party Opinion together with the Green Finance Framework will be published on the Group's website. Neither the Green Finance Framework nor the Second Party Opinion is incorporated into this Offering Circular and neither the Green Finance Framework nor the Second Party Opinion forms part of this Offering Circular.

Post-issuance:

An independent third party may be engaged to review and verify the internal tracking and allocation of funds from the GFTs to Eligible Green Projects, as well as the Eligible Projects expected and actual impact that is disclosed in the Annual Reporting.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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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. An



independent third party may be engaged to review and verify the internal tracking and allocation of funds from the GFTs to eligible green projects, as well as the eligible projects expected and actual impact that is disclosed in the Group's annual reporting.

Lianhe Green considers that the Group's management system for external reviews is Good and meets the requirements of the assessment standards.

Analysis of Environmental Benefits

Eligible Green Project: Green Building

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

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. Additionally, offshore wind farms have the potential to generate large amounts of energy and can be located closer to areas with high energy demand, reducing transmission losses and visual impact on land.

Hydroelectric power is flexible. Some hydropower facilities can quickly go from zero power to maximum output. Because hydropower plants can generate power to the grid immediately, they provide essential



backup power during major electricity outages or disruptions. Hydropower provides benefits beyond electricity generation by providing flood control, irrigation support, and clean drinking water.

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: 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.



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

Responsibilities

The Company

The Group'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 Group. Lianhe Green will review all important data and documents, and issue conclusions. In addition, Lianhe Green will disclose information collected from the Group and relevant parties to demonstrate whether its Green 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 Group's policies and processes;
- » Review the Green Finance Framework developed by the Group;
- » 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.

Our assessments are not considered investment advice and they are not and should not be considered as a replacement of any person's own assessment of the ESG factors related to a financial instrument or an entity. Lianhe Green does not represent, warrant or guarantee that our report will fulfill any of your or any other person's particular purposes or needs. Lianhe Green does not recommend the purchase or sale of financial instruments or securities or give investment advice or provide any legal, auditing, accounting, appraisal or actuarial services.

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