



Quzhou Qutong Transportation Investment Development Co., Ltd.

Second-Party Opinion | Sustainability Financing Framework

Framework Type
Sustainability Financing 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

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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	Excellent
Management of Proceeds	Excellent
Reporting	Excellent
External Reviews	Good

Lianhe Green Development Company Limited ("Lianhe Green") has reviewed a series of documents including the "Quzhou Qutong Transportation Investment Development Co., Ltd. Sustainability Financing Framework", 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 Framework has received an Excellent 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

Quzhou Qutong Transportation Investment Development Co., Ltd. (the “QTID” or “Company” together with its subsidiaries, the “Group”) was incorporated in 2002, the Group is the primary state-owned transportation infrastructure construction platform in Quzhou City, Zhejiang Province, with a focus on sales of real estate, commodity trading, infrastructure construction, electricity generation and sale of construction materials. Leveraging strong government support, the Group has played an important role in furthering the social and economic development of Quzhou City by undertaking and completing a large number of strategically important construction projects in Quzhou City.

Company Sustainability Strategy

The Group integrates the philosophy of sustainable development into its overall business strategy, management, investment, and operations. The Group will actively explore and provide products and services to support the development of the green and sustainable economy. The Group has adopted strict environmental and social measures and assessments to ensure compliance with national laws and regulations related to green and sustainable development.

The Group has adopted strict environmental and social measures and assessments to ensure compliance with national laws and regulations on sustainable development. As one of the most important state-owned capital operation entity in Quzhou City, Zhejiang Province. The Group will continue adhering to the concept of green and sustainable development, with a focus on the infrastructure construction, electricity generation, shantytown construction, engineering construction businesses.

The Group undertakes the responsibility for actively guiding the direction of government investment in accordance with the requirements of national regulations of green and sustainable development. The Group pays close attention to stakeholders’ demands and has introduced diversified stakeholder communication channels. Through the stakeholder engagements, the Group could identify sustainable development issues, which relate to the Group’s sustainable development with respect to the project level environment and social risk and/or impact identification, implementation, management, and mitigation.

The Group will always strictly abides by business ethics, ensures fair competition, sincerely cooperates with customers, creates value for customers, and grows together with customers; and always insists on paying attention to people’s livelihood, being grateful, striving to give back to the society and promoting social harmony and progress.

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 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.

The sustainability bonds, green bonds, social bonds, sustainability loans, green loans, social loans, or any other similar forms of debt instruments (“Sustainability Financing Transactions” or “SFTs”) 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 Group will exclusively allocate an amount at least equivalent to the net proceeds of an SFT issued under this framework to finance or refinance, in whole or in part, new or existing projects that meet the eligibility criteria of the following eligible green and social project categories, as defined below.

The Group expects each issuance under this framework to be fully allocated within 36 months from the date of issuance, and on a best-efforts basis. A maximum of 36 months look-back period would apply for refinanced projects. The proportion of financing and refinancing for the eligible green and social projects will be disclosed.

Eligible Green Project Categories	Qualified Green Projects
Green Building	<p>Investment, acquisition, design and expenditures related to new construction and/or renovation, refurbishment of existing owned and/or managed properties that will reduce building environmental impact in accordance with any one of the certification systems.</p> <p>Technical screening criteria and/or actions prior the investment:</p> <ul style="list-style-type: none"> - U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or - BREEAM – minimum certification level of Excellent; or - Chinese Green Building Evaluation Label¹ (GBL) – minimum certification level of one star; or - BEAM Plus – minimum certification level of Gold; or - EDGE Green Building Certificate – minimum certification level of level 1; or - China Green Bond Endorsed Projects Catalogue² 5.2.1.2 and 5.2.1.5.
Clean Transportation	<p>Investment, acquisition and expenditures related to purchase, manufacture, construction, installation and maintenance of 1) public transportation infrastructures (i.e. subways, railways, tram, public transportation vehicles and other urban rail transportation facilities) in urban and rural areas, 2) new energy vehicles (i.e. electric taxis, electric buses, electric trucks, etc), hybrid vehicles, and 3) its infrastructure such as electric vehicle charging stations.</p> <p>Technical screening criteria and/or actions prior the investment:</p> <ul style="list-style-type: none"> - The trains and passenger coaches have zero direct (tailpipe) CO₂ emissions - The new energy vehicles will have zero direct tailpipe CO₂ emission; or - The hybrid vehicles will have a direct GHG emission under 50g CO_{2eq}/p-km until 2025, and zero emission 2026 onward; - China Green Bond Endorsed Projects Catalogue 5.5.1.5 and 5.5.4.1 - Common Ground Taxonomy H1.1 and F2.4
Renewable Energy	<p>Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of renewable energy systems, including 1) solar power facilities, 2) offshore and onshore wind power facilities, 3) Hydropower facilities.</p>

¹ Assessment Standard for Green Building GB/T 50378-2019

² <http://www.gov.cn/zhengce/zhengceku/2021-04/22/5601284/files/48dd95604d58442da1214c019b24228f.pdf>



	<p>Technical screening criteria and/or actions prior the investment:</p> <ul style="list-style-type: none"> - The hydropower activity complies with either of the following criteria: 1) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir; or 2) the power density of the electricity generation facility is above 5 W/m²; or 3) the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO₂e/kWh. - China Green Bond Endorsed Projects Catalogue 3.2.2.1, 3.2.2.2, 3.2.2.4 - Common Ground Taxonomy D1.1, D1.3, D1.5
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Eligible Social Project Category	Qualified Social Projects
<p>Affordable Housing – Resettlement Houses and Shanty Town and Houses³</p>	<p>Investments and expenditures in projects that provide affordable housing and resettlement fees for the general public and vulnerable groups, including indemnificatory public rental housing, economically affordable housing, construction projects and government-supported affordable housing construction projects. These include urban renewal / old city reconstruction, resettlement houses, shanty town⁴ and houses projects to improve the living conditions of residents living in shantytowns, which are for the purpose of providing affordable housing units for resettled populations.</p> <p>Target Population:</p> <ul style="list-style-type: none"> - The rural and suburban population, villagers and low-income families⁵ in accordance with PRC government definitions, families have affected by demolish and reconstruction work from the original project sites, the families who needs temporary accommodation, newly employed school-leavers, migrant workers, as well as populations currently living in shantytown, dangerous and dilapidated housing and other underdeveloped areas with inadequate housing conditions and backward infrastructure.

Exclusion Criteria

Based on the latest International Finance Corporation Exclusion List, the Group has added the following activities to the exclusion list. In any case, eligible green and social projects under this framework will exclude the following activities from consideration for eligibility:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls (PCBs), wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos, and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where any international financial company considers the radioactive source to be trivial and/or adequately shielded.

³ Housing for the general public and vulnerable groups in accordance with local government and regulatory definitions, in order to improve quality of life, safety of living and independence for vulnerable groups and underprivileged population. The housing will not go for market for profit and the interest rate of housing will be in line with standard market rate.

⁴ Ministry of Construction of the PRC, shanty town and houses generally refers to area or houses in city where there are damage and dangerous

⁵ Ministry of Civil Affairs of the PRC, on the printing of "Definition of low-income households".



- Production or trade in unbonded asbestos fibers. This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 per cent.
- Drift net fishing in the marine environment using nets over 2.5 kilometers in length.
- Production or activities involving of forced labor and child labor.
- Commercial logging operations for use in primary tropical forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Palm oil related activities.
- Projects related to nuclear energy production.
- Projects related to fossil fuel production.
- Projects related to coal mining.
- Projects related to hydropower which installed capacity > 25MW.

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a number of documents, including the Sustainability Financing Framework, and has conducted a comprehensive review of the Group'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)". In addition, the clean transportation and renewable energy project categories are eligible for EU Taxonomy. Clean transportation project category is partially aligned with Hong Kong Taxonomy, while renewable energy project category is aligned with Hong Kong taxonomy (except hydropower facilities which is not currently covered by Hong Kong Taxonomy). Also, the eligible social projects align with the United Nations Sustainable Development Goals.

The look-back period is longer than the market's best practices, while the controversial project list has more 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 Building

Eligible Green Projects

Investment, acquisition, design and expenditures related to new construction and/or renovation, refurbishment of existing owned and/or managed properties that will reduce building environmental impact in accordance with any one of the certification systems.

Technical screening criteria and/or actions prior the investment:

- U.S. Leadership in Energy and Environmental Design (LEED) – minimum certification of Gold; or
- BREEAM – minimum certification level of Excellent; or
- Chinese Green Building Evaluation Label⁶ (GBL) – minimum certification level of one star; or
- BEAM Plus – minimum certification level of Gold; or
- EDGE Green Building Certificate – minimum certification level of level 1; or

⁶ Assessment Standard for Green Building GB/T 50378-2019



- China Green Bond Endorsed Projects Catalogue⁷ 5.2.1.2 and 5.2.1.5.

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 December 2022, Quzhou city government [released](#) the “Special Planning of Green Building in Quzhou City Center”. The plan aims to achieve full coverage and of green buildings and full mandatory implementation of one-star green buildings during year 2022-2025, including In the city's urban construction land within the scope of new civil buildings (except farmers self-built housing). On this basis, it is mandatory for state government office buildings and other public buildings invested by the government or mainly invested by the government to be constructed in accordance with the mandatory green building standards of a minimum of two star.

The sample green building certifications included in the framework are all recognized at national or international levels. However, international standards, for example the Hong Kong standard (BEAM Plus) and European standards (technical screening criteria), 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 - 5.2.1.2 Green Buildings
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 Environmental-friendly Renovation of Existing 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: Clean Transportation

Eligible Green Projects

Investment, acquisition and expenditures related to purchase, manufacture, construction, installation and maintenance of 1) public transportation infrastructures (i.e. subways, railways, tram, public transportation vehicles and other urban rail transportation facilities) in urban and rural areas, 2) new energy vehicles (i.e. electric taxis, electric buses, electric trucks, etc), hybrid vehicles, and 4) its infrastructure such as electric vehicle charging stations.

Technical screening criteria and/or actions prior the investment:

- The trains and passenger coaches have zero direct (tailpipe) CO₂ emissions
- The new energy vehicles will have zero direct tailpipe CO₂ emission; or

⁷ <http://www.gov.cn/zhengce/zhengceku/2021-04/22/5601284/files/48dd95604d58442da1214c019b24228f.pdf>



- The hybrid vehicles will have a direct GHG emission under 50g CO_{2eq}/p-km until 2025, and zero emission 2026 onward;
- China Green Bond Endorsed Projects Catalogue 5.5.1.5 and 5.5.4.1
- Common Ground Taxonomy H1.1 and F2.4

Green Standards

- » GBP: Clean transportation (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)
- » GLP: Clean transportation (such as electric, hybrid, public, rail, non-motorised, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions)
- » SDGs: Goal 11 - Sustainable Cities and Communities

Lianhe Green Findings / Suggestions

In April 2023, the Quzhou city government [released](#) the “Notice on the Implementation Plan for Comprehensively Promoting the Construction of high-level Transportation Strong Cities and Accelerating the Construction of Marginal Transportation and Logistics Bridgeheads in four Provinces (2023-2027)”. The plan aims to achieve whole-area public transportation by 2027, with the share rate of motorized public transportation in main urban areas at the city level no less than 35%, and the proportion of green travel reaching 73%.

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 - 5.5 Green Transportation - 5.5.1 Urban and Rural Public Transport and Freight - 5.5.1.5 Construction and Operation of Public Transportation System in Urban and Rural Areas
2. Category 5: Sustainable Upgrade of Infrastructure - 5.5 Green Transportation - 5.5.4 Clean Energy Vehicle Facilities - 5.5.4.1 Construction and Operation of Charging, Battery Replacement, Hydrogen Refueling and Gas Refueling Facilities

Lianhe Green considers these types of projects are partially eligible for the Hong Kong taxonomy. The main criteria and threshold for “Construction and operation of public transportation system in urban and rural areas” under Hong Kong taxonomy is that the trains and passenger coaches have zero direct (tailpipe) CO₂ emissions. Meanwhile, the technical screening criteria and/or actions prior the investment under the company’s framework mentioned that 1) The new energy vehicles will have zero direct tailpipe CO₂ emission; or 2) The hybrid vehicles will have a direct GHG emission under 50g CO_{2eq}/p-km until 2025, and zero emission 2026 onward. Therefore, only the first technical screening criteria in the framework is eligible for Hong Kong taxonomy, but the second criteria is not.

Lianhe Green considers these types of projects are eligible for the EU taxonomy, as transportation assets are required to have zero direct tailpipe CO₂ emission; or the low emission transportation assets (i.e. hybrid vehicles) will have a direct GHG emission under 50g CO_{2eq}/p-km until 31 December 2025, and zero emission 2026 onward both meet the substantial contribution (or technical screening) criteria for the climate change mitigation objective under EU taxonomy.

3) Eligible Green Projects: Renewable Energy

Eligible Green Projects

Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of renewable energy systems, including 1) solar power facilities, 2) offshore and onshore wind power facilities, 3) Hydropower facilities.

Technical screening criteria and/or actions prior the investment:

- The hydropower activity complies with either of the following criteria: 1) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir; or 2) the power density of the electricity generation facility is above 5 W/m²; or 3) the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO_{2e}/kWh.
- China Green Bond Endorsed Projects Catalogue 3.2.2.1, 3.2.2.2, 3.2.2.4
- Common Ground Taxonomy D1.1, D1.3, D1.5

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 July 2021, Quzhou city government [released](#) the “The 14th Five-Year Plan for Energy Development of Quzhou City”. During the “14th Five-Year Plan” period, Quzhou’s energy development should focus on the strategic deployment of carbon peak and carbon neutrality, adhere to the system concept, handle the relationship between development and emission reduction, overall and local, short and medium term, and further promote the green and low-carbon development of energy, effectively control the total energy consumption and total coal consumption, and further reduce energy consumption per unit GDP. Natural gas plays a transitional role in energy supply, the consumption level of renewable energy accelerates, and the level of energy infrastructure and people’s livelihood services is continuously enhanced, laying a solid foundation for the city’s carbon peak.

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 - 3.2.2 Construction and Operation of Renewable Energy Facilities - 3.2.2.4 Construction and Operation of Large-Scale Hydropower Facilities

Lianhe Green believes that projects such as solar power facilities, offshore and onshore wind power facilities are aligned with the Hong Kong Taxonomy as they both fully meet the main criteria. The Hong Kong Taxonomy currently does not include activity for hydropower facilities.

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 electricity generation from hydropower all meet the EU Taxonomy’s substantial contribution (or technical screening) criteria, contributing substantially to the climate change mitigation objectives.

1) Eligible Social Projects: Affordable Housing — Resettlement Houses and Shanty Town and Houses

Eligible Social Projects

Investments and expenditures in projects that provide affordable housing and resettlement fees for the general public and vulnerable groups, including indemnificatory public rental housing, economically affordable housing, construction projects and government-supported affordable housing construction projects. These include urban renewal / old city reconstruction, resettlement houses, shanty town⁸ and houses projects to improve the living conditions of residents living in shantytowns, which are for the purpose of providing affordable housing units for resettled populations.

Target Population:

The rural and suburban population, villagers and low-income families⁹ in accordance with PRC government definitions, families have affected by demolish and reconstruction work from the original project sites, the families who needs temporary accommodation, newly employed school-leavers, migrant workers, as well as populations currently living in shantytown, dangerous and dilapidated

⁸ Ministry of Construction of the PRC, shanty town and houses generally refers to area or houses in city where there are damage and dangerous

⁹ Ministry of Civil Affairs of the PRC, on the printing of “Definition of low-income households”.



housing and other underdeveloped areas with inadequate housing conditions and backward infrastructure.

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, Quzhou city government [released](#) the “Quzhou Urban Affordable Rental Housing “14th Five-Year” Special Planning and 2022-2024 Three-Year Action Plan”. The government plans to accelerate the development of a housing security system with public rental housing and government-subsidized rental housing as the mainstay. Public rental housing for urban low-income families with housing difficulties. Low-income rental housing mainly solves the housing difficulties of new citizens, young people and other groups, gradually expands the coverage of housing security, and achieves the level of security coverage in accordance with the stage of social and economic development and the actual needs of the people.

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 the rural and suburban population, villagers and low-income 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.

B. Project Evaluation and Selection Process

Company Materials

The Group has strict environmental and social risk management procedures in place for its daily operations and project construction. To evaluate and select projects, the Group has established a Sustainable Financing Working Group (the “SFWG”) that is responsible for ensuring that the proceeds from sustainable financing instruments or an equivalent amount are allocated to eligible projects under the Group's framework. The SFWG is also tasked with managing any future updates to the framework, including expanding the requirements for the use of proceeds. For potential eligible green and social projects, the relevant project department will first pre-select and evaluate the projects based on feasibility studies, environmental impact assessments, preliminary designs, and other relevant documents. The department then submits these potential projects to the SFWG, which further assesses and evaluates whether the projects meet the eligibility and exclusion criteria of the framework. The SFWG also ensures that appropriate mitigation measures are in place to address any environmental and social risks. The projects that are endorsed by the SFWG are then shortlisted and presented to the company's board of directors for final approval. Once approved by the board, the selected projects are added to the list of eligible green and social projects.

The SFWG is responsible for managing and ensuring compliance with the framework. The SFWG is composed of senior management members from various departments within the Group, including Investment and Financing Department, Engineering Management Department and Corporate Finance Department. The SFWG will convene at least annually, or on an as-needed basis, to discuss, evaluate, and select eligible green and social projects according to the criteria outlined in the framework. The SFWG will regularly monitor the asset pool to ensure the selected projects align with the eligibility



criteria specified in Section 1. If any projects become ineligible, the SFWG will replace them with new eligible green and social projects. In addition, the SFWG will facilitate regular reporting on any SFTs issued, ensuring alignment with the reporting commitments outlined in the framework.

Opinion of Lianhe Green

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

The Group has established a comprehensive process for screening, identifying, and evaluating green and/or social projects. The Group has a process to pre-select and evaluate the projects based on feasibility studies, environmental impact assessments, preliminary designs, and other relevant documents. The projects that are endorsed by the SFWG are then shortlisted and presented to the company's board of directors for final approval. The SFWG also ensures that appropriate mitigation measures are in place to address any environmental and social risks.

Lianhe Green considers that the Group's project assessment and screening system is Excellent, which meets the requirements of the assessment criteria.

C. Management of Proceeds

Company Materials

The Group intends to allocate an amount equal to the net proceeds of the SFT(s) over time to finance or refinance the eligible green and social projects, which are selected according to the eligibility criteria using the evaluation and selection process outlined above.

The net proceeds of each SFT will be deposited in the general funding accounts and earmarked for allocation towards the eligible green and social projects. The Group will maintain a SFT register to track the use of proceeds for the SFT. A sustainability finance allocation register will be established to record the allocation of proceeds.

The register will contain information including the following:

1. Type of funding transaction: ISIN (if applicable), pricing date, maturity date etc.; and
2. Eligible green and social projects allocation list, information including:
 - the eligible projects list, including for each eligible project, the eligible green and social project category, project description, project location, ownership percentage, total investment amount, amount allocated, settled currency, etc.;
 - the balance of unallocated proceeds; and
 - the information of temporary investment for unallocated proceeds.

Any balance of issuance proceeds, which are not yet allocated to eligible green and social projects, will be temporarily held in accordance with the Group's liquidity guidelines on cash, cash equivalents or short-term deposits, and the Group commits not to invest such unallocated net proceeds to the projects, which are subject to exclusions criteria under this framework. For each issuance under this framework, the Group will review the register on an annual basis.

During the life of the SFT(s) issued, if the designated projects cease to fulfil the eligibility criteria, the net proceeds will be re-allocated to replacement projects that comply with the eligibility criteria as soon as reasonably practicable.



Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a series of documents such as the Sustainability Financing Framework and the company's policies on the management of proceeds.

The net proceeds of each SFT will be deposited in the general funding accounts and earmarked for allocation towards the eligible green and social projects. Temporarily unallocated funds will be held in accordance with the Group's liquidity guidelines on cash, cash equivalents or short-term deposits, and the Group commits not to invest such unallocated net proceeds to the projects, which are subject to exclusions criteria under this framework. The Group will review the register on an annual basis for each issuance under this framework. Lianhe Green considers that the Group's management of proceeds is Excellent, which meets the requirements of the assessment criteria.

D. Reporting

Company Materials

For the SFT(s) issued under the framework, the Group will make and keep readily available category level disclosure reports via the website, or include in the Group's annual report. The Group will disclose the allocation and impact of the net proceeds raised under the framework or an amount equal to these net proceeds, on an annual basis starting from the first year of issuance until the full allocation of the net proceeds to the eligible green and social projects, and thereafter in the event of any material changes.

Allocation Report

The allocation report will include the following information at SFT and eligible category levels where applicable:

- the net proceeds of each SFT outstanding;
- list of eligible green and social projects with descriptions and the amount that has been allocated and earmarked;
- the proportion of the proceeds allocated to refinancing of existing eligible green and social projects, with clarification on which investment or project portfolios will be refinanced;
- the balance of unallocated proceeds held in cash, cash equivalents or short-term deposits and its temporary treatment (if any); and
- the types of temporary unallocated funds placements and uses.

Impact Report

The Group will report impacts arising from the eligible green and social projects and provide the methodology and assumptions used for calculation of the impact indicators.

The Group will commit to aligning the reporting with the project approach described in ICMA's "Handbook – Harmonised Framework for Impact Reporting (June 2024) and Harmonised Framework for Impact Reporting for Social Bonds (June 2023)" subject to the availability of suitable information and data.

Examples of impact reporting indicators include:



Eligible Project Categories	Impact Indicators
Green Building	» Type and level of green building certifications obtained
Clean Transportation	» Number of new energy vehicles deployed (e.g. electric) » Number and type of new energy transportation infrastructure built » Annual GHG emission reduced/avoided (tonnes of CO ₂ equivalent/a)
Renewable Energy	» Annual renewable energy generation (GWh for electricity and GJ for other energy) » Annual GHG emission reduced/avoided (tonnes of CO ₂ equivalent/a)
Affordable Housing – Resettlement Houses and Shanty Town and Houses	» Number of dwellings constructed » Reduction in number of people experiencing poor housing and homelessness » Number of individuals/families benefiting from subsidized housing

Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green has reviewed a series of documents, including the Sustainability Financing Framework and the company's policy.

The Group will make and keep readily available category level disclosure reports annually until the proceeds of the SFTs have been fully allocated, and in the event of any material changes. The Group will commit to aligning the reporting with the project approach described in ICMA's "Handbook – Harmonised Framework for Impact Reporting (June 2024) and Harmonised Framework for Impact Reporting for Social Bonds (June 2023)" subject to the availability of suitable information and data, which is inline with market best practice.

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

E. External Review

Company Materials

Pre-issuance:

The Group has engaged Lianhe Green Development Company Limited to provide a Second-Party Opinion on this framework to review and confirm its alignment with the GBP, SBP, SBG, GLP and SLP. The Second-Party Opinion together with the framework will be published on the Group's website.

Post-issuance:

An independent third party may be engaged to review and verify the internal tracking and allocation of funds from the SFTs to eligible green and social projects, as well as the eligible projects expected and actual impact that is disclosed in the Group's 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 SFTs to eligible green and social 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 evaluation is Good and meets the requirements of the assessment standards.



Analysis of Environmental Benefits and Social 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: Clean Transportation

Environmental Benefits

On one hand, energy and environmental issues are becoming increasingly severe. Vigorously developing new energy vehicles is an effective way to solve energy and environmental problems. Compared with traditional fuel vehicles, new energy vehicles have relatively lower carbon emission per unit of transportation, which is conducive to better promoting low-carbon development in cities. In addition, the new energy vehicle industry is a high-tech emerging industry. Its rapid development will inevitably drive the development of other emerging industries such as maintenance, energy conservation and environmental protection, information technology, parts and supporting infrastructure. At the same time, compared with traditional fuel vehicles, new energy vehicles have low noise during operation. Large-scale promotion of new energy vehicles will greatly reduce urban noise, which has a positive impact on reducing urban noise pollution. In the long run, it will help improve the living environment of urban residents.

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 Social Project: Affordable Housing – Resettlement Houses and Shanty Town and Houses

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.



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 Sustainability Financing Framework. The assessment is to provide a professional second-party opinion of the compliance of the Sustainability Financing 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 Sustainability Financing 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 Sustainability Financing 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.

Lianhe Green does not audit or verify the accuracy of the information provided to issuers by any third party for the purpose of issuing this opinion. Lianhe Green does not represent, warrant or guarantee the accuracy, correctness, integrity, completeness or timeliness of any part of our opinion.

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