



**Report Type**

Green Finance Framework  
Second-Party Opinion

**Analytical Standards**

- » Green Bond Principles (GBP) (June 2021 Edition (with June 2022 Appendix 1))
- » Green Loan Principles (GLP) (February 2023 Edition)

**Industry**

Local Investment and Development Companies

**Country/Region**

China

**Report Date**

18<sup>th</sup> February 2025

# Ninghai State-owned Asset Investment Holding Group Ltd.

Second-Party Opinion | Green Finance Framework

## Summary

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

Lianhe Green Development Company Limited (hereafter referred to as “Lianhe Green”) has reviewed a series of documents including the “Green Finance Framework” (hereafter referred to as “Framework”) issued by Ninghai State-owned Asset Investment Holding Group Ltd. (hereafter referred to as “the Company” or “the Group”), 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 an assessment opinion of “Good” from Lianhe Green. Lianhe Green considers that the Framework and the eligible green projects listed in the Framework are in compliance with the *Green Bond Principles (GBP) (June 2021 Edition (with June 2022 Appendix 1))* and the *Green Loan Principles (GLP) (February 2023 Edition)*. At the same time, Lianhe Green’s assessment includes the contributions of the project categories to the relevant United Nations Sustainable Development Goals<sup>1</sup>.

**Contacts**

Kathleen Liu  
Associate Analyst  
+852 3596 3052  
[kathleen.liu@lianhegreen.com](mailto:kathleen.liu@lianhegreen.com)

Sherry Li  
Analyst  
+852 3596 3037  
[sherry.li@lianhegreen.com](mailto:sherry.li@lianhegreen.com)

<sup>1</sup> According to the definitions of (A/RES/70/1 - Transforming our world: the 2030 Agenda for Sustainable Development)



## About the Company

### Company Materials

The Group is a state-owned enterprise in the Ninghai county of Zhejiang province responsible for the engineering and construction, land development business, leasing business, oil sales business, property management business, motor vehicle inspection business, trading business, and training business. The Issuer was incorporated in November 2014 and funded by Ninghai County State-owned Assets Management Centre (formerly known as Ninghai County State-owned Assets Supervision and Administration Bureau).

Ninghai county is a county under the governance of Ningbo, which in turn is the second largest city of the Zhejiang province. Being wholly owned and actually controlled by the Ninghai SASAC, the Group has received support from the Ningbo People's Government and is a company authorised to carry out engineering and construction, land development business, leasing business, oil sales business, property management business, motor vehicle inspection business, trading business, and training business in the Ninghai county. As such, the Group has an important role in the Ninghai county. The Group's main business segments are engineering and construction, land development business, leasing business, oil sales business, property management business, motor vehicle inspection business, trading business, training business, and other principal businesses.

The Group's business portfolio consists of ten business lines, namely: (i) engineering and construction, (ii) land development business, (iii) leasing business, (iv) oil sales business, (v) property management business, (vi) motor vehicle inspection business, (vii) trading business, (viii) training business, (ix) other principal business and (x) other businesses.

## Company Sustainability Strategy

### Relevant Government Policies

According to the [2025 National Economic and Social Development Plan of Ninghai County](#), 2025 marks the final year of the *14<sup>th</sup> Five-Year Plan* and a crucial year for systematically planning the *15<sup>th</sup> Five-Year Plan*.

The first expected target of the green transformation is the continuous improvement of the ecological environment quality. Ninghai County will continue to deepen and solidify the rectification of issues identified by the central ecological environment protection inspection, carry out the construction of "zero direct discharge of sewage" in towns and cities, further advance the comprehensive management of Yan Gong River, accelerate the construction of rainwater and sewage separation projects, and consolidate the effectiveness of the rectification.

The second target is to meet the energy-saving and emission-reduction targets assigned by the city. Ninghai County will continue to advance the air quality improvement campaign, accelerate the large-scale development of photovoltaic power generation across the county, and ensure a "double reduction" in energy consumption and carbon dioxide emissions per unit of regional GDP.

### Opinion of Lianhe Green

Lianhe Green believes that, as a state-owned enterprise, the Group's green buildings and sustainable water and wastewater management projects align with local and central government's strategy and



policies. It helps to achieve the important goal of building a “Beautiful China” as proposed by China, and contributes to the construction of a modern socialist country.

Based on the media review and the evidence obtained, nothing has come to Lianhe Green’s attention that causes us to believe that the Group has any significant negative ESG news or controversial issues as of February 2025.

To further explain the relevance of the use of proceeds and the issuer’s sustainability strategy, it is common market practice for issuers of sustainable financing instruments to disclose environmental or social information in accordance with the Group’s globally adopted reporting frameworks (e.g., GRI or ISSB). However, the Group has not disclosed relevant information yet.

## About the Framework of the Group

### Company Materials

The Framework has been developed to demonstrate how the Group and its affiliates intend to enter into the Green Finance Transactions (“GFT”) to fund projects that will deliver environmental benefits to support the Group’s business strategy and vision. Fundraising will include bonds, loans and other debt instruments, and GFT with structures tailored to contribute to green development by application of the proceeds to Eligible Projects as defined in the Framework.

- With respect to bonds, bonds issued under GFF will be in alignment with the Green Bond Principles (GBP) 2021<sup>2</sup> released by International Capital Market Association (ICMA) or the Climate Bonds Standard V3.02 issued by Climate Bonds Initiative (CBI)<sup>3</sup>, or the Green Bond Endorsed Projects Catalogue (2021 Edition)<sup>4</sup> 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”) 2023<sup>5</sup> 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 aligning with the above principles and guidelines, the Group’s GFF is presented through the GBP’s/GLP’s four core components as well as its recommendation for external review:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting
- 5) External Review

Bond(s) issued under the Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Such bonds and loans entered into under the Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

GFTs may be done in any jurisdiction and market reflecting the Group’s current and future business

<sup>2</sup> In alignment with ICMA Green Bond Principles, June 2021, <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>3</sup> In alignment with the Climate Bond Standard V3.0, <https://www.climatebonds.net/climate-bonds-standard-v3>

<sup>4</sup> In alignment with the Green Bond Endorsed Projects Catalogue (2021 Edition), [http://www.gov.cn/zhengce/zhengceku/2021-04/22/content\\_5601284.htm](http://www.gov.cn/zhengce/zhengceku/2021-04/22/content_5601284.htm)

<sup>5</sup> In alignment with LMA Green Loan Principles, February 2023, <https://www.lsta.org/content/green-loan-principles/>



needs.

## 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.

#### i. Eligible Green Projects Categories and Description/Condition of Eligible Green Projects

Eligible Green Project Category	Description/Condition of Eligible Green Projects
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>Buildings must meet regionally, nationally, or internationally recognized green building standards or certifications, including but not limited to the following:               <ul style="list-style-type: none"> <li>✓ China Green Building Evaluation Label (2 stars or above)</li> <li>✓ U.S. Leadership in Energy and Environmental Design (LEED) (Gold or above)</li> <li>✓ Hong Kong BEAM (Gold or above)</li> <li>✓ Building Research Establishment Environmental Assessment Method (BREEAM) (Very Good or above)</li> </ul> </li> <li>Any other green building certification with the same standard as the above</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>

#### 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, in accordance with the relevant assessment criteria, reviewed the Framework and other related documents, and the issuer’s policies on Use of Proceeds.

Lianhe Green compared the Green Project Category listed in this Framework with the *Green Bond Principles (GBP) (June 2021 Edition (with June 2022 Appendix 1))*, 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<sup>6</sup> respectively.

After the assessment, Lianhe Green believes that the eligible green project categories align with *China’s Green Bond Endorsed Projects Catalogue (2021 Edition)* and contribute to the achievement of the United Nations’ Sustainable Development Goals (SDGs). All the green categories positively contribute to the environment and to be partial alignment with the *HK Taxonomy* and *EU Taxonomy*. Further detailed findings will be described in the corresponding project category assessment.

Considering that the look-back period of eligible projects is longer than the market’s best practices, and the exclusion project list has less coverage than market practices. Lianhe Green’s assessment of the Group’s Use of Proceeds is “Good”, which meets the requirements of the assessment criteria.

#### 1) Eligible Green Projects: Green Buildings

##### Eligible Green Project Categories Under Principles

Lianhe Green considers that this project category under the Framework is most relevant to the eligible Green Projects Category “Green buildings that meet regional, national or internationally recognised standards or certifications for environmental performance” under both GBP and GLP.

##### Relevant Government Policies

In August 2023, Ninghai County released the [Special Plan for Green Buildings \(2022–2030\)](#). This plan is based on the existing foundation and level of green buildings, building industrialization, renewable energy application, and building carbon emissions in Ninghai County. It takes the people’s aspiration for a better life as the starting point, and reasonably considers and sets the overall development goals, positioning, strategies, and technical routes for green buildings, building industrialization, renewable energy application, and building carbon emissions. The plan aims to comprehensively promote high-quality green and low-carbon development in the construction sector and ensure that the construction sector achieves carbon peak before 2030.

##### Alignment with *Green Bond Endorsed Project Catalogue (2021 Edition)*, *Hong Kong Taxonomy for Sustainable Finance* and *EU Taxonomy*

Lianhe Green believes the Framework’s description on “China Green Building Evaluation Label (2 stars or above)” is aligned with the description of “5.2.1.2 Green Buildings” under *Green Bond Endorsed Project Catalogue (2021 Edition)*, which states that “All civil and industrial buildings are designed and constructed in accordance with the national green building codes and standards to obtain national green building evaluation labels within the validity period. For example, the building should comply with indicators as listed in technical standards, such as the ‘*Green Building Evaluation*

<sup>6</sup> Based on the Lianhe Green’s methodology, we evaluate each eligible project category of the issuer against the United Nations Sustainable Development Goals, and selected goals with a clear contribution to the United Nations Sustainable Development Goals. In addition, the issuer’s Green Project Categories may also contribute to other goals of the United Nations Sustainable Development Goals.



*Standard* (GB/T 50378), the ‘Green Industrial Building Evaluation Standard’ (GB/T 50878), the ‘Green Ecological Area Evaluation Standard’ (GB/T 51255), the ‘Green Office Building Evaluation Standard’ (GB/T 50903), the ‘Green Store Building Evaluation Standard’ (GB/T 51100), the ‘Green Hospital Building Evaluation Standard’ (GB/T 51153)”.

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 two-stars or above. Furthermore, in addition to obtaining BEAM Plus certification at the gold level or above, the *Hong Kong Taxonomy*’s requirements for the construction of new buildings in Hong Kong includes additional specific carbon and energy performance improvements, such as a 20% energy savings compared to the Building Energy Code (BEC) 2021 baseline for projects certified under BEAM Plus 2.0.

The construction of new buildings and renovation of existing buildings are included in the *EU Taxonomy*, with the relevant descriptions in the Framework partially aligning with these projects. However, the *EU taxonomy* focuses on specific energy performance indicators rather than green building certification schemes, such as the Primary Energy Demand (PED), which defines the energy performance of the building resulting from the construction, is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council.

#### **Relevant Key United Nations Sustainable Development Goals**

Lianhe Green believes this qualified Green Project Category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), in particular, it makes significant contributions to Target 11.c of Goal 11 (Sustainable Cities and Communities) “Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials Indicators”.

#### **Environmental Benefits**

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. According to “[Tech New Era](#)”, green buildings can reduce energy consumption by 30% to 50% compared to traditional buildings.

In accordance with the [Ninghai County Special Plan for Green Building \(2022-2030\)](#), it is mandatory for national government office buildings and other public buildings that are invested in or primarily funded by the government to be constructed in compliance with the mandatory standards of at least two-star green building requirements. The Plan also sets a target for the year 2030: within the urban and town construction land designated by the overall urban and town planning, the proportion of newly constructed civil buildings (excluding self-built residences by farmers) that meet the mandatory standards of at least two-star green buildings should reach 60% or more, of which the proportion of buildings constructed to the mandatory standards of three-star green buildings should reach 10% or more. For civil buildings, a target has been set for the year 2025 that the reduction in carbon emission intensity during building operation should be no less than 6.0 kgCO<sub>2</sub>/(m<sup>2</sup>•a).

As a local government investment company controlled by the Ninghai County SASAC, the Group’s green building projects are highly aligned with the local special planning for green buildings. This alignment provides a clear demonstration direction for the development of green buildings in Ninghai





County and further strengthens the government's leadership and promotion role in the field of green buildings.

The development of green buildings requires the coordinated efforts of multiple stakeholders, including the government and the market. The Group has played an important exemplary role in this regard. By implementing measures such as reducing energy consumption, using renewable materials, and improving the efficiency of land resource utilization, the Group has significantly enhanced environmental sustainability, effectively reduced greenhouse gas emissions, and improved air quality.

## 2) Eligible Green Projects: Sustainable Water and Wastewater Management

### Eligible Green Project Categories Under Principles

Lianhe Green considers that this project category under the Framework is most relevant to the eligible Green Projects Category "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)" under both GBP and GLP.

### Relevant Government Policies

In 2021, Ninghai County released the [Water Conservation Plan \(2020–2035\)](#). This plan, guided by the principle of prioritizing water conservation, comprehensively takes into account the results of water resource carrying capacity and water-saving potential analysis. It also refers to the overall requirements of Zhejiang Province, the national water-saving society construction, and the National Water Conservation Action Plan, in combination with the current status of water-saving work in Ninghai County. The plan proposes the overall goals for water conservation development at the basin and regional levels. On this basis, in conjunction with the water-saving development goals of various departments, it sets water-saving development goals for different regions, periods, and industry sectors.

### Alignment with *Green Bond Endorsed Project Catalogue (2021 Edition)*, *Hong Kong Taxonomy for Sustainable Finance* and *EU Taxonomy*

Lianhe Green believes the Framework's description on "Investment, acquisition and expenditures related to construction, development, upgrade, installation, operation and maintenance the facilities of ... wastewater treatment infrastructure" is aligned with the description of "5.3.1.1 Construction and Operation of Facilities for Sewage Treatment, Recycling, and Sludge Treatment and Disposal" under *Green Bond Endorsed Project Catalogue (2021 Edition)*, which includes the "Construction, operation and upgrading of urban and rural sewage treatment and recycling facilities." The Framework's description related to "Investment, acquisition and expenditures related to construction, development, upgrade, installation, operation and maintenance the facilities of water supply infrastructure" is aligned with the description of "5.4.1.1 Construction and Operation of Leakage Control in District Measurement of Urban Water Supply Pipeline Network", including the "Construction, operation and upgrading of urban public water supply facilities".

Lianhe Green believes the Framework's description on "Investment, acquisition and expenditures related to construction, development, upgrade, installation, operation and maintenance the facilities of ... urban drainage systems, flood control and defenses, pumping stations, distribution network" is aligned with the description of "5.4.2.4 Construction, Operation and Renovation of Up-to-standard Urban Drainage Facilities" under *Green Bond Endorsed Project Catalogue (2021 Edition)*, which includes the "Construction, operation and renovation of urban drainage and flood control facilities that meet corresponding standards, such as flood-prone urban drainage reform, construction and renovation of separate rainwater and sewage system".



In addition, Lianhe Green believes the Framework's description on "rainwater collection" is aligned with the description of "1.4.1.2 Rainwater Collection, Treatment, and Utilization" under *Green Bond Endorsed Project Catalogue (2021 Edition)*, which includes the "Construction and operation of rainwater collection, treatment and utilization facilities".

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

#### Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this qualified Green Project Category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), in particular, it makes significant contributions to Target 6.3 of Goal 6 (Clean Water and Sanitation) "By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally".

#### Environmental Benefits

"[Wastewater-Turning Problem to Solution](#)" estimated that the degradation of organic matter during wastewater treatment contributes ~1.57 per cent of global GHG emissions and 5 per cent of global non-carbon dioxide GHG emissions. The [United Nations](#) pointed out that 42% of household wastewater is not treated properly, which seriously damages ecosystems and human health. The untapped potential for wastewater reuse is around 320 billion m<sup>3</sup>/year, with the potential to supply more than 10 times the current global desalination capacity.

Therefore, the reduction, recycling, treatment, and reuse of wastewater are of vital importance. In accordance with the development tasks outlined in the [Ninghai County Comprehensive Water Resources Plan \(2015-2035\)](#), and considering the water resources carrying capacity of the river basin area as well as the socio-economic development conditions, various water-saving projects and measures should be reasonably arranged. The [Ninghai County Water Conservation Plan \(2020-2035\)](#) has established and publicized the target of reducing the urban water supply network leakage rate to ≤10% by 2025 in Ninghai County. Consequently, the Group has fully demonstrated the leading role of a local government investment company in projects related to water supply, wastewater treatment, and urban drainage systems, which are associated with sustainable water resources and wastewater management. This has provided strong support for the construction of a water-saving society and made a positive contribution to achieving the government's goals for sustainable water management. It has also promoted the efficient use and sustainable management of water resources.

Overall, the Group's sustainable water supply and wastewater treatment projects have significantly enhanced the security of urban raw water sources, met the domestic water needs of residents, and provided a solid foundation for the stable development of urban economic construction.

## 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	<b>Excellent</b>
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Lianhe Green, in accordance with the relevant assessment criteria, reviewed the Framework and other related documents, and the issuer's policies on Process for Project Evaluation and Selection.

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's assessment of the Group's Process for Project Evaluation and Selection is "Excellent", 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	<b>Good</b>	Excellent
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Lianhe Green, in accordance with the relevant assessment criteria, reviewed the Framework and other related documents, and the issuer's policies on Management of Proceeds.



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.

Considering that, compared with the best practice in the market, the Group’s unallocated proceeds will not be invested in other eligible projects. Lianhe Green’s assessment of 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 Green Project Categories	Impact Indicators
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• The number and type of green building certifications obtained</li> <li>• Obtained certification level</li> </ul>
<b>Sustainable Water and Wastewater Management</b>	<ul style="list-style-type: none"> <li>• The waste water discharge standard will meet the national and/or regional pollutants discharge standard for municipal wastewater treatment plant (i.e. GB 18918-2002); or</li> <li>• 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.</li> </ul>

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



### Opinion of Lianhe Green

Not Aligned	Aligned	<b>Good</b>	Excellent
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Lianhe Green has reviewed a series of documents, including the 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 will also report on a timely basis if any material development until full allocation. Besides, the Group will report on the environmental benefits of the Eligible Green Projects potentially with the environmental impact indicators.

Considering that, compared with the best practice in the market, the Group will not provide green project level disclosure report. Lianhe Green's assessment of the Group's 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 Second Party Opinions 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 provided its Second Party Opinions. 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	<b>Good</b>	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.



Considering that, post issuance, ICMA recommends that an issuer's management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking and the allocation of funds from the Green Bond proceeds to eligible Green Projects. Lianhe Green's assessment of the Group's management system for External Reviews is "Good", which meets the requirements of the assessment standards.



## Appendix

### About Lianhe Green

Lianhe Green Development Company Limited (hereafter referred to as “Lianhe Green”) was established in 2023 and is a subsidiary of Lianhe Equator Environmental Assessment Co., Ltd. (hereafter referred to as “Lianhe Equator”) and Lianhe Credit Management Co., Ltd. (hereafter referred to as “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.

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.

### 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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