



Chongqing Tongnan Construction Engineering (Group) Co., Ltd.

Use-of-Proceeds Assessment | Green Bond

Report Type

Green Bond Use-of-Proceeds Assessment

Assessment Criteria

- » Green Bond Principles (GBP) (June 2021 Edition (with June 2022 Appendix 1))
- » Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews (June 2022 Edition)

Industry

Local Investment and Development Companies

Country/Region

China

Report Date

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Conclusion

Based on the assessment of the relevant information provided by Chongqing Tongnan Construction Engineering (Group) Co., Ltd. (hereafter referred to as “the Group” or “CTCE”), nothing has come to Lianhe Green Development Company Limited’s (hereafter referred to as “Lianhe Green”) attention that causes us to believe that the Green Bond (hereafter referred to as “Bond”) is not in compliance with the requirements of the Green Bond Principles (GBP) (June 2021 Edition (with June 2022 Appendix 1)), in respect of the use of proceeds and benefits of eligible projects.

Based on the assessment, the following assessment conclusions were reached:

1. The proceeds from the Bond were allocated to the eligible projects, which comply with the eligible categories in the Green Finance Framework (hereafter referred to as “Framework”) and GBP.
2. The environmental benefits of eligible projects in the Green Finance Post-issuance Report were clear and well-defined.

Objective

Lianhe Green’s objective has been to provide an assessment as to whether the Bond’s use of proceeds and the benefits of the eligible projects align with CTCE’s Framework and GBP.

Scope of Work

Lianhe Green was engaged by CTCE to provide an assessment of its Green Finance Post-issuance Report issued in respect of CTCE’s bonds during the validity period from June 14, 2024 to June 14, 2025, by assessing:

- The general information of the bond.
- The alignment of the Group’s use of proceeds with the commitments set forth in the Group’s Framework.
- The alignment of the environmental benefits of the Group’s eligible projects with the commitments set forth in the Group’s Framework.

The assessment is to provide a professional independent opinion of the compliance of the green bond and does not provide any financial indicators or judgement on the investment values of the Group’s issuance. In our assessment results and statements of opinion, we have relied on the information and the facts presented to us by the Group.



Responsibilities

Responsibility of CTCE

CTCE's responsibilities are to provide relevant data and institutional documents for the analysis, and to ensure that the data and institutional documents provided are true and effective.

Responsibility of Lianhe Green

Based on the data and documents provided by CTCE, Lianhe Green reviews all data and documents in all material aspects, and issues opinions. In addition, Lianhe Green discloses information collected from CTCE and relevant parties to demonstrate whether the bond's use of proceeds and benefits of eligible projects meet the relevant requirements of the aforementioned criteria.

Work Process

The main aspects of this assessment include the following:

- » Review relevant disclosure reports of CTCE;
- » Review CTCE's project information, and interview the personnel from key departments if necessary;
- » Review the Green Finance Post-issuance Report developed by CTCE;
- » Obtain and review appropriate supporting documentation to support key findings.

Limitation

This assessment is based on the information and materials provided by CTCE, and the assessment process has certain inherent limitations.



A. General Information

Company Information

Details of issued Green Bond

Project	Content
Issuer	Chongqing Tongnan Construction Engineering (Group) Co., Ltd.
Guarantor	Chongqing Tongnan Construction Engineering (Group) Co., Ltd.
ISIN	HK0000979986
Issue Size (CNY Million)	320.0
Proceeds (CNY Million)	320.0
Tenor	2-year
Issue Date	14 June 2024
Issue Price	100%
Maturity Date	14 June 2026
Coupon Rate	7.90%
Listing	Singapore Exchange Limited

Source: public sources

Opinion of Lianhe Green

Summary of the Issued Bond

CTCE has issued a green bond of CNY 320 million, with a coupon rate of 7.90% and maturing on 14 June 2026. The bond was issued on 14 June 2024. 16.4% of the proceeds from the green bond issued have been allocated to eligible green projects in accordance with the eligible green project categories disclosed in the Framework.

Lianhe Green conducted research to assess public opinion on the issuer within the assessment period. Based on the media review and the evidence obtained, nothing has come to Lianhe Green's attention that causes us to believe that CTCE has any significant negative ESG news or controversial issues as of February 2026.

Summary of the Framework

Lianhe Green has conducted a thorough review of CTCE's Second Party Opinion (SPO) and Green Finance Framework, and found that CTCE has clearly defined the standards/criteria that eligible green projects mentioned in the Framework should meet. Furthermore, CTCE has committed to providing an allocation report on an annual basis until



all the net proceeds have been allocated, and committed to disclosing the environmental impact of qualified green projects in its impact reports. CTCE has disclosed an allocation and impact report covering the period from June 14, 2024 to June 14, 2025. As promised, CTCE engaged Lianhe Green to conduct the assessment for the bond issuance during post-issuance period. These actions demonstrate CTCE's transparency and sense of responsibility, further enhancing its positive reputation in the market.

After the communication, CTCE has confirmed that they have conducted ongoing monitoring of the asset pool to ensure continued compliance with the Framework's Use-of-Proceeds criteria. During the post-issuance period of the green bonds, the approval of eligible green projects strictly follows the existing credit, loan and investment approval procedures of CTCE, which are specified as follows: the project implementation department submits an approval application, the Engineering Department conducts the preliminary review of the project's engineering technology, construction content and green implementation path, the Finance Department examines the project's fund utilization and financial feasibility, and project risk assessment is carried out simultaneously. Upon completion of the final director approval process, the project may only be included in the management of eligible green projects upon approval.

In terms of the management of proceeds, CTCE has not formulated a special management system for the proceeds of green bonds on a standalone basis. The management of proceeds is conducted with reference to its existing Fund Management System for Corporate Bond Offerings, and the proceeds are used and administered in a standardized manner strictly in accordance with the intended purposes stipulated in the green bond prospectus, with dedicated account storage, earmarked use and special approval being implemented for such proceeds. Where a change in the intended use of the proceeds is truly necessary, the company shall go through the board deliberation procedures in accordance with the relevant provisions and fulfill its information disclosure obligations in a timely manner to ensure the compliant, safe and traceable use of the proceeds. Meanwhile, CTCE deposits the proceeds in the company's general account, monitors the utilization of such proceeds, and administers them in strict compliance with laws and regulations, the green bond prospectus and a series of other relevant documents.


Lianhe Green considers that CTCE has honored the commitments set out in the Framework.



B. Alignment of Use-of-Proceeds with Framework

Company Information

i. Eligible Green Project Categories from the Framework

Eligible Green Project Categories	Description/Condition of Eligible Green Projects
<p>Climate Change Adaptation</p> <p>Applicable Sustainable Development Goals</p> 	<p>Investment, acquisition and expenditures related to construction and operation of infrastructure for flood protection and mitigation, such as rivers works, dams and dykes¹, “sponge cities”, drainage system and others for flood control, waterlogging prevention in order to mitigate the physical climate change risk and improve the environmental resilience.</p> <p>Technical Screening Criteria and Reference to Green Taxonomy / Catalogue:</p> <ul style="list-style-type: none"> • The investment and 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; • China Green Bond Endorsed Projects Catalogue 4.2.1.11. <p>Environmental objectives:</p> <ul style="list-style-type: none"> ➢ Climate change adaptation and resilient

ii. Allocation of Proceeds

Projects Categories	Project name	Allocated Amount (CNY Million)	Eligible Criteria	Remarks
Climate Change Adaptation	Tongnan District Tongcheba Reservoir Project	52.4	China’s Green Bond Endorsed Projects Catalogue (2021 Edition) 4.2.1.11 Drought and Flood Management for Water-Related Ecosystem	Construction Period: 2021 – now
Total		52.4		

iii. Unallocated Proceeds

Total Proceeds	Amount Allocated	Amount Unallocated
320 CNY Million	52.4 CNY Million	267.6 CNY Million

¹ For the avoidance of doubt, the dams and dykes will not serve the purpose of generating hydropower.



Opinion of Lianhe Green

Lianhe Green, in accordance with the relevant assessment criteria, reviewed the Green Finance Post-issuance Report and the issuer's other use of proceeds documents.

After the assessment, Lianhe Green believes that CTCE has allocated the proceeds as stated in the Framework. The eligible green project aligns with GBP and *China's Green Bond Endorsed Projects Catalogue (2021 Edition)*. The eligible project is still under construction and is not among the industries listed in the exclusion list.

16.4% of the proceeds have been allocated during this assessment period.

As stated in the Framework, CTCE has disclosed that 70% of the proceeds are used for financing.

Lianhe Green believes the Bond's use of proceeds aligns with the Framework and GBP.

1) Eligible Green Projects: Climate Change Adaptation

CTCE has confirmed that 52.4 CNY million from this green bond have been allocated to financing the Tongnan District Tongcheba Reservoir Project, which mainly consists of a reservoir hub project and a water conveyance project. It is necessary to address the regional water supply-demand imbalance, enhance the living standards of urban residents, and promote urbanization. The reservoir hub project is mainly composed of the Tongcheba Dam, Jieshui Dam and water diversion tunnel. The water conveyance project comprises the Tongcheba main pipeline and Jieshui main pipeline, with a total length of 22.9 km and adopting a pipeline conveyance mode. This project meets the requirements from "4.2.1.11 Drought and Flood Management for Water-Related Ecosystem" under *Green Bond Endorsed Projects Catalogue (2021 Edition)*, which states that "Construction and operation of restoration of natural water system connectivity, water conservancy facilities, wetland restoration, disaster warning information platform, and other water ecosystem disaster prevention and response facilities".

Lianhe Green considers that this project is relevant to the eligible Green Projects Category "Climate change adaptation (including efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems)" under GBP, and is in alignment with the *Green Bond Endorsed Projects Catalogue (2021 Edition)*.



C. Environmental and Social Benefit Assessment

Company Information

i. Impact Indicators from the Framework

Eligible Green Project Categories	Impact Indicators
Climate Change Adaptation	<ul style="list-style-type: none"> Additional water availability and/or increased water catchment (m³/a) Reduction in number of operating days lost due to floods

ii. Impact Reporting

Eligible Green Project Categories	Projects	Impacts
Climate Change Adaptation	Tongnan District Tongcheba Reservoir Project	<ul style="list-style-type: none"> The average annual available water supply is expected to be 7.92 million cubic meters, providing water supply for 32,000 town residents, meeting irrigation water demand for a total of 21,000 mu of cultivated land, and resolving drinking water issues for 15,000 rural residents.

Opinion of Lianhe Green

The Framework stipulates two impact indicators: additional water availability and/or increased water catchment (m³/a), and reduction in number of operating days lost due to floods. Lianhe Green believes that the benefits outlined in the Green Finance Post-issuance Report are in alignment with the requirements in the Framework.

Upon completion of the project, the average annual available water supply is expected to reach 7.92 million cubic meters. It will provide safe water supply for 32,000 urban residents, meet the irrigation demand for a total of 21,000 mu of cultivated land, and resolve drinking water issues for 15,000 rural residents. The urban and rural water supply guarantee rate will be 95%, and the irrigation guarantee rate will be 75%.

Lianhe Green holds the view that the Tongcheba Reservoir Project delivers significant environmental and social benefits and makes a positive contribution to the achievement of Sustainable Development Goals 13. The impact indicators disclosed in the Framework are ICMA core indicators. CTCE has clearly disclosed the relevant benefits and contributions in the Green Finance Post-issuance Report in accordance with the commitments set out in the Framework, with clear and definite environmental benefits.



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.

Solicitation Status

The Use-of-Proceeds Assessment was solicited and assigned or maintained by Lianhe Green at the request of CTCE.

Disclaimer

In this report, no assurance is provided regarding the financial performance of the Bond, the value of any investments in the Bond, or the long-term environmental benefits of the transaction.

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