



# Liangshan Development (Holdings) Group Co., Ltd.

## Second-Party Opinion | Sustainable Finance Framework

### Report Type

Sustainable Finance  
Framework Second-Party  
Opinion

### Analytical Standards

- » Sustainability Bond Guidelines (SBG) (June 2021 Edition)
- » Green Bond Principles (GBP) (June 2021 Edition (with June 2022 Appendix 1))
- » Social Bond Principles (SBP) (June 2023 Edition)
- » Green Loan Principles (GLP) (February 2023 Edition)
- » Social Loan Principles (SLP) (February 2023 Edition)

### Industry

Local Investment and  
Development Companies

### Country/Region

China

### Report Date

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## Summary

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

Lianhe Green Development Company Limited (hereafter referred to as “Lianhe Green”) has reviewed a series of documents including the “Sustainable Finance Framework” (hereafter referred to as “Framework”) issued by Liangshan Development (Holdings) Group Co., 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 are in compliance with the *Sustainability Bond Guidelines (SBG) (June 2021 Edition)*, the *Green Bond Principles (GBP) (June 2021 Edition (with June 2022 Appendix 1))*, the *Social Bond Principles (SBP) (June 2023 Edition)*, the *Green Loan Principles (GLP) (February 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 (with June 2022 Appendix 1))* and the *Green Loan Principles (GLP) (February 2023 Edition)*; the eligible social projects listed in this Framework are in line with the *Social Bond Principles (SBP) (June 2023 Edition)* and the *Social Loan Principles (SLP) (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>.

<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 was established on 25 December 2008 in the name of Liangshan State-Owned Investment & Development Co., Ltd. after the consolidation of Liangshan State-owned Assets Investment and Operation Co., Ltd., Liangshan Nationalities Investment Co., Ltd. and Liangshan Investment Company.

Over the past few years, the Liangshan Prefecture Government has injected into Liangshan Development (Holdings) Group Co., Ltd. most of the major county-level state-owned assets within the prefecture, which helps to develop the Group into the largest and key investment and financing platform in the region.

The Group is the most important integrated platform for the investment and financing of state-owned businesses in Liangshan Prefecture. The Group is involved in the development of mineral, coal, hydropower, road transportation, and tourism resources pursuant to the economic and social development plan of Liangshan Prefecture. The Group is also involved in the investment, financing, and operation of public interest projects, including roads, school infrastructure and other infrastructure construction, medical healthcare, relocation and poverty alleviation, and shanty town renovations.

## Company Sustainability Strategy

### Company Materials

The Group is a state-owned key enterprise, which is the largest comprehensive investment and financing, capital operation company in Liangshan Prefecture, mainly responsible for state-owned capital operation, financial equity investment, operation and management of market-oriented funds, project construction, land preparation and development at the prefecture level. Liangshan State-owned Assets Supervision and Administration Commission (SASAC) holds 65.11% equity interest in the Company, which is the largest shareholder and the actual controller of the Company; the remaining 34.89% equity interest is held by the people's governments of 14 counties in the state, entrusted by their subordinate county finance bureaus or county state-owned assets bureaus.

[The Government Work Report \(2025\)](#) of Liangshan Prefecture points out that the key tasks for 2025 include: concerted promoting carbon reduction, pollution reduction and green growth expansion, striving to achieve greater results in promoting green development and building a "Beautiful Liangshan"; and perfecting the people's livelihoods institutional system, endeavoring to achieve greater results in enhancing people's well-being and improving people's living quality.

### Opinion of Lianhe Green

Lianhe Green believes that, as a state-owned enterprise, the Group's eligible green and social projects align with local and central government's strategy and policies, contributing to the fulfillment of local government priorities for 2025. These projects also contribute to the country's commitment to reach peak carbon emissions by 2030 and achieve carbon neutrality by 2060.

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

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 accepted 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 Sustainable Finance Transactions (“SFT”) as part of the Group’s commitment to sustainability and social impacts. Fundraising will include bonds, loans and other debt instruments, and SFT with structures tailored to contribute to environmental and social development by application of the proceeds to Eligible Projects as defined in the Framework.

- With respect to bonds, bonds issued under SFF will be aligned with the Green Bond Principles (“**GBP**”) 2021 (with June 2022 Appendix 1), Social Bond Principles (“**SBP**”) 2023, and Sustainability Bond Guidelines (“**SBG**”) 2021 by International Capital Markets Association (“**ICMA**”), or as they may subsequently be updated.
- With respect to loans, loans borrowed under this SFF will be aligned with the Green Loan Principles (“**GLP**”) 2023, Social Loan Principles (“**SLP**”) 2023 by Loan Market Association (“**LMA**”), Asia Pacific Loan Market Association (“**APLMA**”), and Loan Syndications and Trading Association (“**LSTA**”) or as they may subsequently be updated.
- Other forms of financing may conform to other green and social finance principles as may have been established at the time of such financing transaction being undertaken.

For each SFT issued under this Framework, the Group is committed to align with the following elements:

- 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.

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

### A. Use of Proceeds

#### Company Materials

The Group will allocate an amount at least equivalent to the net proceeds of the Sustainable 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 Project categories (“Eligible 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>Renewable Energy</b>	Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of renewable energy systems, including photovoltaic solar and wind power facilities, and renewable energy storage system.

**ii. Eligible Social Projects Categories and Description/Condition of Eligible Social Projects**

Eligible Social Project Category	Description/Condition of Eligible Social Projects
<b>Access to essential services</b>	Investment and expenditures of projects related to provide, construction and operation the affordable and access to healthcare and education for the general public and vulnerable groups. These include nursing homes and supporting medical facilities to improve the living conditions, healthcare accessibility, additional care and support to elderly people, as well as the school facilities and educational resources to improve the accessibility and affordability of the regional teenagers population to education resources ratio, provide more teenagers with educational opportunities, in order to helps address the issue of inadequate educational resources allocation and enables more teenager to receive education.
<b>Affordable Housing</b>	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.

**Exclusion Criteria**

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

<b>Not Aligned</b>	<b>Aligned</b>	<b>Good</b>	<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 Use of Proceeds.



Lianhe Green compared the green project categories listed in this Framework with the GBP, the GLP, *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 *SBP*, *SLP*, and the United Nations Sustainable Development Goals (SDGs).

After the assessment, Lianhe Green believes that the eligible green project category aligns with *China's Green Bond Endorsed Projects Catalogue (2021 Edition)*. It positively contributes to the environment and aligns with the *Hong Kong Taxonomy* and *EU Taxonomy*. Furthermore, the eligible social projects align with the *SBP*. Both the eligible green and social projects contribute to the United Nations Sustainable Development Goals. Detailed analysis will be elaborated in the following paragraphs.

Considering that the look-back period 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: Renewable Energy

### 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 "Renewable energy (including production, transmission, appliances and products)" under both GBP and GLP.

### Relevant Government Policies

[\*The Government Work Report \(2025\)\*](#) of Liangshan Prefecture mentioned that in 2025, Liangshan will vigorously carry out innovative research and industrial development in clean energy development technology, equipment and materials, operation and maintenance, energy storage and conversion, and other related fields, and strive to build a truly important national clean energy base. Efforts will be made to optimize the development and utilization of resource energy. The prefecture will implement an action to break through and upgrade the clean energy industry chain, promote the early commencement or commissioning of a series of new energy projects, and strive to achieve a total output value of the clean energy industry of 45 billion yuan.

### 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 design, manufacture, construction, installation, and operation of renewable energy systems, including ... wind power facilities" is aligned with the description of "3.2.2.1 Construction and Operation of Wind Power Facilities" under *Green Bond Endorsed Project Catalogue (2021 Edition)*, which states that "Construction and operation of facilities that utilize wind energy to generate electricity".

In addition, the description of "Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of ... renewable energy storage system" in the Framework is consistent with the description of "3.2.3.2 Operation and Construction of Energy Efficient Storage Facilities" in the *Green Bond Support Project Catalogue (2021 Edition)*, which stipulates that "Construction and operation of energy-efficient storage and peak-shaving facilities, using physical energy storage, electromagnetic energy storage, electrochemical energy storage and phase change energy storage technologies to improve the flexibility, stability and reliability of renewable energy power generation, distributed energy, new energy microgrid and other systems".

The Framework includes the description on "Investment, acquisition and expenditures related to design, manufacture, construction, installation, and operation of renewable energy systems,



including photovoltaic solar”. Lianhe Green believes that photovoltaic solar projects will contribute to “3.2.2.2 Construction and Operation of Solar Energy Utilization Facilities” under *Green Bond Endorsed Project Catalogue (2021 Edition)*. However, *Green Bond Endorsed Project Catalogue (2021 Edition)* sets further requirements on the components selected for solar photovoltaic power generation facilities “1) The minimum photoelectric conversion efficiencies of polycrystalline silicon cells and monocrystalline silicon cells shall not be lower than 19% and 21%, respectively; 2) The minimum photoelectric conversion efficiencies of polycrystalline silicon cell modules and monocrystalline silicon battery modules shall not be lower than 17% and 17.8%, respectively; 3) The minimum photoelectric conversion efficiency of silicon-based, CIGS, CdTe and other thin-film battery modules shall not be lower than 12%, 14%, 14%, and 12%, respectively; 4) The attenuation rates of Polycrystalline silicon battery modules and monocrystalline silicon battery modules shall not be higher than the following, i.e., 2.5% and 3%, respectively, in the first year, 0.7% annually in subsequent years, and 20% within 25 years; the attenuation rate of thin-film battery module shall not be higher than 5% in the first year, 0.4% annually in subsequent years, and 15% within 25 years.” The Framework fails to clarify whether the Group’s projects will be able to meet these requirements. Therefore, Lianhe Green urges the Group to disclose the information in the post-issuance period.

Lianhe Green believes that this type of projects meet the activity description of “Electricity generation from wind power” in the *Hong Kong Taxonomy*.

Lianhe Green assesses that this type of projects are eligible for the activities and satisfy the substantial contribution criteria for both “Electricity generation using solar photovoltaic technology” and “Installation, maintenance and repair of renewable energy technologies” under the *EU Taxonomy*. Therefore, this project significantly contributes to climate change mitigation objectives.

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

Lianhe Green believes this qualified Green Project Category contributes positively to the United Nations Sustainable Development Goals, in particular, there is significant contributions to Target 7.2 of Goal 7 (Affordable and Clean Energy) “By 2030, increase substantially the share of renewable energy in the global energy mix”.

#### **Environmental Benefits**

The [United Nations](#) has pointed out that energy is at the core of climate challenges and is also the key to solving climate issues. Fossil fuels, such as coal, oil, and natural gas, are by far the largest contributors to global climate change, accounting for more than 75% of global greenhouse gas emissions and nearly 90% of all carbon dioxide emissions.

To curb the negative impacts of climate change, we need to end our dependence on fossil fuels and invest in clean, accessible, affordable, sustainable, and reliable alternative energy sources. Photovoltaic power generation is one of the most important channels for achieving clean power generation. Research by the [Shenzhen Institute of Sustainable Development](#) shows that compared with conventional coal-fired power stations, a 1MW photovoltaic power station can save 405-630 tons of standard coal per year, reduce 1036-1600 tons of carbon dioxide, 9.7-15.0 tons of sulfur dioxide, and 2.8-4.4 tons of nitrogen oxides. In the field of heating, [China Low-Carbon Power Generation Technology Innovation and Development Report 2023](#) indicated that solar thermal utilization and geothermal energy utilization have tremendous potential and unique advantages in heating. The coupling of solar or geothermal energy with thermal storage, fossil fuels, or other forms will become the main development model for achieving low-carbon heating in the future.

The [International Renewable Energy Agency \(IRENA\)](#) estimates that by 2030, cheap electricity from renewable sources will provide 65% of the world’s total electricity supply, and by 2050, 90% of the world’s electricity can and should come from renewable sources. To promote the large-scale, high-proportion, market-oriented, and high-quality development of renewable energy, in September 2023, the National Energy Administration issued the [Notice on Organizing Renewable Energy Development Pilot Demonstrations](#), which clearly supports the cultivation of new technologies, new



models, and new forms of renewable energy through organizing renewable energy pilot demonstrations. It aims to expand the application scenarios of renewable energy, and focuses on promoting technological progress, cost reduction, efficiency improvement, and mechanism perfection of renewable energy to provide strong support for the development of renewable energy and the timely realization of carbon peak and carbon neutrality goals.

Overall, the Company's eligible green projects will help reduce air pollution and promote local economic development in Liangshan Prefecture by reducing reliance on fossil fuels.

## 1) Eligible Social Projects: Access to Essential Services

### Eligible Social Project Categories Under Principles

Lianhe Green considers that this project category under the Framework is most relevant to the eligible social projects category "Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services)" under both SBP and SLP.

### Relevant Government Policies

The [Sichuan Provincial 14<sup>th</sup> Five-Year Plan for Educational Development](#) released by the Department of Education of Sichuan Province points out that the main objectives of Sichuan's educational endeavors are as follows: By 2025, a high-quality education system will be fundamentally established, significant progress will be made in building an education superpower province, the vitality of education will be fully unleashed, the level of talent cultivation and the ability to contribute to educational services will be significantly enhanced, the construction of a skills-based society and a learning society will be accelerated, and the overall strength of education in Sichuan will be significantly improved. The extent of education popularization should be markedly increased.

Based on the actual health development in Liangshan, focusing on the target tasks in 2025 and looking forward to the visionary goals in 2035, the [14<sup>th</sup> Five-Year Plan for Health Development in Liangshan Prefecture](#) plans five goals, including the continuous improvement of the health level of the people, the obvious improvement of the health service system, the continuous enhancement of the capacity of health service, the effective control of the major health hazards and diseases, and the improvement of the health system. diseases are effectively controlled, and the health system is more complete. Specifically, there are 33 indicators, including a average life expectancy of 77.1 years.

### Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this qualified social project category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), in particular, there is significant contributions to Target 4.5 of Goal 4 (Quality Education) "By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations" and Target 3.c of Goal 3 (Good Health and Well-being) "Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States".

### Social Benefits: Access to Essential Service - Education

It is noticeable that investing in education pays off in the long run—for individuals over their entire lives and for entire societies. The latest [2024 Education Finance Watch \(EFW\)](#) report from the World Bank and UNESCO shows that during the last decade, total education spending by governments, households and donors globally has increased steadily. However, this rise has not led to major increases in allocations per child, especially in poorer countries with growing populations. Globally, total education spending per child has either decreased or stagnated.

Therefore, spending more is not enough without paying attention to efficiency and equity. For China, at the [National Education Conference](#) held in September 2024, General Secretary Xi Jinping



emphasized the need to adhere to a people-centered approach, continuously enhancing the universality, accessibility, and convenience of public education services, and ensuring that the outcomes of educational reform and development benefit all people more equitably. Statistical data shows that in terms of basic education, China has achieved basic balance in compulsory education in 2,895 counties, effectively addressing the fundamental issue of ensuring that people have access to education. Student financial aid covers all levels of education, benefiting a total of 1.4 billion individuals. The nutrition improvement program has reached 420 million individuals.

Liangshan Prefecture, due to its special history, geographic environment and the influence of ethnic factors, the problem of school-age children and adolescents failing to drop out of school is very prominent. On the eve of the Spring Festival in 2018, General Secretary Xi Jinping, when he [visited](#) Liangshan, particularly emphasized that education must be kept up with, and must never again let the children lose at the starting line. After years of efforts, Liangshan Prefecture, although the work of dropout control and preservation of schools has achieved significant results in stages, but still need to be soberly realized that the backward concepts that cause dropout still exist, supporting the preservation of the quality of education still need to be improved; soberly realized that the economic and social development of such a relatively backward area, Liangshan, in the next five years and even a longer period of time, the phenomenon of dropping out of school will still occur again and again.

Lianhe Green believes that, the Group's investment and expenditure on the eligible social projects not only improve the accessibility and affordability of education but also promote educational equity, enhance the momentum for socio-economic development, improve the educational conditions of special groups, and help narrow regional development gaps, thereby having a positive impact on social welfare.

#### **Social Benefits: Access to Essential Service - Healthcare**

The local news reported that the level of development of health care in Liangshan is far from the people's expectations and the goal of a "Healthy Liangshan". There are problems of insufficient supply of high-level medical and health services and weak grass-roots service capacity.

The [14<sup>th</sup> Five-Year Plan for the Medical and Health Care Service System in Liangshan Prefecture](#) points out major challenges facing medical and health care include: the phenomenon of insufficient total medical resources, uneven layout and irrational configuration still exists; the gradient construction of the medical service system is insufficient; high-quality primary medical services are still lacking; and there is insufficient sectoral collaboration in the construction of medical communities; the supply of medical and health services for key populations is insufficient, and there are shortcomings in elderly health services, women's and children's health services, mental health and mental health services, and the prevention and treatment of occupational diseases.

Lianhe Green believes that the Group's healthcare projects significantly enhance sustainability by improving health services for vulnerable groups such as the elderly and those who cannot take care of themselves, especially those with mental disabilities, maternal and childcare. By building nursing homes and medical facilities, better health care can be provided to vulnerable groups, alleviating the lack of medical resources and increasing local life expectancy. This approach not only improves health outcomes, but also reduces inequalities by providing essential services to underserved communities, further supporting the sustainable development goals. Overall, these initiatives contribute to a more equitable and sustainable healthcare system, promoting well-being and inclusivity.

## **2) Eligible Social Projects: Affordable Housing**

### **Eligible Social Project Categories Under Principles**

Lianhe Green considers that this project category under the Framework is most relevant to the eligible green projects category "Affordable housing" under both SBP and SLP.

### **Relevant Government Policies**

In October 2024, the [Liangshan Housing and Urban-Rural Development Bureau](#) developed a policy to accelerate the construction of affordable housing. It adheres to the principle of "building according





to need” and increases the construction and supply of affordable housing. Focusing on the protection of people who cannot afford to buy a house, counties (cities) are encouraged to explore the inclusion of such people within the county planning area in the scope of guaranteed housing. The government encourages counties (cities) to utilize unused residential land and unused housing to build sheltered housing, and supports the use of unused and inefficient industrial, commercial, office and other non-residential land to build sheltered housing by changing land use in accordance with the law, without paying back the land price.

#### Relevant Key United Nations Sustainable Development Goals

Lianhe Green believes this qualified social project category contributes positively to the United Nations Sustainable Development Goals (UNSDGs), in particular, there is significant contributions to Target 11.1 of Goal 11 (Sustainable cities and communities) “By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums”.

#### Social Benefits

Liangshan Prefecture is one of the country’s [14 concentrated and contiguous areas of special hardship](#), and is a typical area of deep poverty. The slopes and valleys here are steep and deep, and the development of road transportation and public services is lagging behind. Poverty traps the villagers deep in the mountains, with simple and dilapidated thatched huts, wooden plank houses and adobe houses, making them suffer from the cold in winter and unbearable heat in summer.

The [World Economic Forum](#) has pointed out that currently, 1.1 billion people residing in informal settlements and urban slums is consistently exposed to the risks associated with extreme weather events, and a significant proportion of tenants are burdened with the financial strain of high rental costs. Therefore, providing affordable housing is a necessary measure to promote social equity and economic development. The provision of affordable housing serves as a catalyst for alleviating poverty among low-income households, mitigating homelessness, and extending support to vulnerable demographics, thereby fostering social cohesion. A secure and stable housing environment is instrumental in enhancing the work efficiency and productivity of residents, which in turn exerts a salutary influence on the broader economic landscape.

In 2023, the State Council issued the [Stabilization and Quality Improvement of Guaranteed Housing Construction](#), emphasizing that in the “14<sup>th</sup> Five-Year Plan” period, China focuses on developing guaranteed rental housing, further improving the housing security system, increasing the supply of guaranteed housing, and striving to achieve housing for all people. Localities are actively constructing various types of housing, strengthening planning, operation and management, ensuring project quality, and promoting the high-quality development of housing security work.

Lianhe Green believes that affordable housing projects in Liangshan can significantly improve the quality of life for vulnerable groups by providing indemnificatory public rental housing and affordable options. These initiatives ensure safe, stable living conditions, foster social inclusion, and reduce homelessness, while also stimulating the local economy through job creation. Improved housing enhances residents’ well-being and attracts further investment, contributing to a more equitable and thriving urban environment that aligns with recent housing security policies.

## B. Process for Project Evaluation and Selection

### 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, 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 strict environmental and social risk management procedures in place for its operations and project construction. SFWG includes senior members from various internal departments and technical teams such as Engineering Management, evaluates and selects projects to ensure that proceeds from sustainable financing instruments are allocated to eligible projects under the Group’s framework. The SFWG reviews potential projects based on feasibility studies and environmental impact assessments, presenting endorsed projects to the board of directors for final approval, which is considered good market practice. Additionally, the SFWG regularly monitors the asset pool to ensure alignment with eligibility criteria, replacing any ineligible projects and facilitating reporting on sustainable financing commitments.

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 SFT can be managed through using a designated account or keeping a SFT Register. Under the SFT Register method, the proceeds 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. Sustainability Finance Allocation Register will be established to ensure and monitor the allocation of proceeds.



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

1. SFT Details: ISIN (if applicable), Pricing Date, Maturity Date and etc.
2. Eligible Green and Social Project Allocation List: Information including:
  - The Eligible Projects List, including for each Eligible Project, the Eligible Green and Social 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 SFT to Eligible Green and Social Projects within a 2-year period. If part of the proceeds cannot be allocated to Eligible Green and Social Projects at the moment, the Group can deposit the unallocated proceeds into the designated account for the sustainable bond, or invest the unallocated proceeds into qualified money market products or debt instruments according to the relevant rules and regulations set out by the competent authorities.

#### Opinion of Lianhe Green

Not Aligned	Aligned	Good	Excellent
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Lianhe Green, 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 SFT can be managed through using a designated account or keeping a SFT Register, and earmarked for allocation towards the Eligible Green and Social Projects. Sustainability Finance Allocation Register will be established to ensure and monitor the allocation of proceeds. The unallocated proceeds may be deposited into the designated account for the sustainable 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 "Excellent", 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 Sustainable Financing Instruments in a 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 and Social projects
- 2) The amount of Proceeds allocated to each Eligible Green and Social Project category
- 3) When possible, descriptions of the Eligible Green and Social 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 SFT conforms to this SFF and that report on a timely basis if any material development until full allocation.

**Impact Reporting**

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

Eligible Project Categories	Impact Indicators
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>Annual renewable energy generation (GWh for electricity and GJ for other energy)</li> </ul>
<b>Access to Essential Services</b>	<ul style="list-style-type: none"> <li>Number of people received education/training</li> <li>Number of people received healthcare service</li> </ul>
<b>Number of people received healthcare service</b>	<ul style="list-style-type: none"> <li>Number of dwellings constructed</li> <li>Reduction in number of people experiencing poor housing and homelessness</li> <li>Number of individuals/families benefiting from subsidized housing</li> </ul>

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

**Opinion of Lianhe Green**

<b>Not Aligned</b>	<b>Aligned</b>	<b>Good</b>	<b>Excellent</b>
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Lianhe Green has reviewed a series of documents, including the Sustainable Finance Framework and the company’s policy based on the relevant assessment criteria.

The Group will provide eligible project category level disclosure reports annually until the proceeds of the SFTs have been fully allocated, and will also report on a timely basis if any material development until full allocation. When possible, descriptions of the Eligible Green and Social Projects financed, such as project locations, amount allocated, etc. can be provided. Besides, the Group will report on the environmental and social benefits of the Eligible Green and Social Projects potentially with the listed impact indicators.

Considering that, compared with the best practice in the market, the Group will not provide 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 Sustainable Finance Framework to review and confirm its alignment with the SBG, GBP, GLP, SBP and SLP. Lianhe Green have reviewed the Sustainable Finance Framework and provided their 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 Sustainable Bonds. The Second-Party Opinion together with the Sustainable Finance Framework will be published on the Group's website. Neither the Sustainable Finance Framework nor the Second Party Opinion is incorporated into this Offering Circular and neither the Sustainable 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 SFTs to Eligible Green and Social 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 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.

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 proceeds to Eligible 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 Sustainable Finance Framework. The assessment is to provide a professional second-party opinion of the compliance of the Sustainable Finance Framework and does not provide any financial indicators or 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 Sustainable 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 Sustainable 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.

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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