



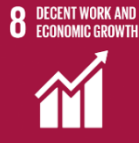



## SUSTAINABLE FINANCE FRAMEWORK OVERVIEW

As described below, the Group intends to use net proceeds from the offering of the Bonds or an equivalent amount within 24 months to finance or refinance, in whole or in part, one or more of the Group’s new or existing eligible green projects and eligible social projects (“**Eligible Projects**”) as defined in this Sustainable Finance Framework (the “**Framework**”).

The Group is a key entity of urban infrastructure construction and state-owned asset operation and management in Kaifeng. Since its establishment, the Group has continuously expanded its business scale and strength, and has formed significant competitiveness in the fields of urban infrastructure construction and tourism investment in Kaifeng. The Group’s sustainability outlines its approach to become a model for building a sustainable future by actively engaging in areas where it could make meaningful economic, social and environmental impacts.

The Sustainability strategy is centered on three pillars: Managing environmental footprint, Promoting employment opportunity and Cultivating community.

	Pillars	Related Areas	Applicable SDG
1	Managing environmental footprint	<ul style="list-style-type: none"> <li>Climate Action (e.g. green building)</li> <li>Climate Change Adaptation (e.g. sponge city)</li> </ul>	  
2	Promoting economic growth	<ul style="list-style-type: none"> <li>Employment Generation (e.g. provide new job opportunities and improve the employment rate of local residents)</li> </ul>	 
3	Cultivating community	<ul style="list-style-type: none"> <li>Promote equal opportunity (e.g. build affordable basic infrastructure)</li> </ul>	

SFTs will include bonds, loans and other forms of debt financing with structures tailored to contribute to sustainable development by application of the proceeds to Eligible Project Categories as defined in this Framework.

- Bonds issued under the Framework will be aligned with the ICMA Green Bond Principles 2021 (“**GBP**”), Social Bond Principles 2023 (“**SBP**”), Sustainability Bond Guidelines 2021 (“**SBG**”) or as they may be subsequently amended;
- Loans issued under the Framework will be aligned to the LMA/APLMA/LSTA Green Loan Principles 2023 (“**GLP**”) , Social Loan Principles 2023 (“**SLP**”) or as they may be subsequently amended;
- Other forms of financing may conform to other well-established green or sustainable finance principles as may have been established at the time.

The Sustainability Bonds are aligned with the core components of GBP, SBP and SBG, with GBP being especially relevant to the Eligible Green Projects and SBP/SBG being especially relevant to the Eligible Social Projects, which the Group believes will catalyse positive environmental and social benefits. GBP is administered by the International Capital Markets Association (ICMA). GLP is administered by the Loan Market Associate (LMA), the Loan Syndications and Trading Association (LSTA) and the Asia Pacific Loan Market Association (APLMA).

SFTs do not place restriction on the tenor and currency and can include other terms and conditions (including covenants) to reflect the financing strategy and plans of the Group, as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

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

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



- I. Use of proceeds
- II. Project evaluation and selection
- III. Management of proceeds
- IV. Reporting
- V. External review

The Framework may be updated to ensure continual alignment with market practices, emerging standards and classification systems.

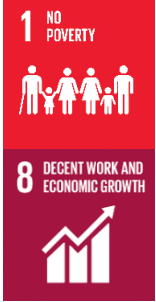

## **USE OF PROCEEDS**

The net proceeds from any SFT will be used exclusively to finance and/or refinance, in whole or in part, new or existing Eligible Projects that meet one or more of the following eligible categories as recognized in the GBP/SBP/SBG/GLP. Refinancing of Eligible Projects will have a look-back period of no longer than 24 months from the time of issuance. The Group will strive to fully allocate the net proceeds of each SFT within 24 months of issuance.

The Eligible Green Project Categories that may be utilised under the Framework, together with associated selection criteria (“**Eligibility Criteria**”) set out as below.

Strategies	Green Bond Principles Categories	Sustainable Development Goals Categories	Eligibility Criteria	Examples	Minimum Key Performance Indicators	Environmental And Social Benefits
Managing environmental footprint	Green buildings		<ul style="list-style-type: none"> <li>Development, construction, refurbishment, maintenance, operations of projects that meet provincial, national or international third-party environmental certifications</li> </ul>	<ul style="list-style-type: none"> <li>Acquire, construct or renovate of existing and new commercial or residential buildings certified in standards</li> </ul>	<ul style="list-style-type: none"> <li>Henan Province Assessment Standard for Green Building (DBJ41/T109-2020): Basic Level or above; or any other similar recognized standards</li> </ul>	<ul style="list-style-type: none"> <li>Reduce energy consumption</li> <li>Reduce resource consumption and strive for their renewable utilization</li> <li>Use more natural materials and ensure they are harmless to the human body</li> <li>Encourage the adoption of good social (e.g. health and well-being) and environmental practices</li> </ul>
	Climate change adaptation		<ul style="list-style-type: none"> <li>Construction of “sponge city” projects to regulate and purify the inflow rainwater within the area that make infrastructure more resilient to impacts of climate change</li> </ul>	<ul style="list-style-type: none"> <li>Acquire, construct or renovate of existing and new areas that aim to reduce the risk of flooding through the construction of permeable pavement, subsided green space, and etc.</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Make infrastructure more resilient to impacts of climate change</li> <li>Reduce the risk of flooding</li> </ul>

The Eligible Social Project Categories that may be utilized under the Framework, together with Eligibility Criteria set out as below.

Strategies	Social Bond Principles Categories	Sustainable Development Goals Categories	Eligibility Criteria	Examples	Targeted Population <sup>1</sup>	Environmental And Social Benefits
Promoting economic growth	Employment generation <sup>2</sup> , and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises		<ul style="list-style-type: none"> <li>Develop projects to empower small business<sup>3</sup> as well as generate employment for local residents and residents of nearby underprivileged areas</li> </ul>	<ul style="list-style-type: none"> <li>Develop commercial projects and guide residents to participate in service industries</li> <li>Provide new job opportunities and improve the employment rate of local and nearby residents</li> </ul>	<ul style="list-style-type: none"> <li>Local working population and population in nearby underprivileged areas</li> <li>Small business<sup>3</sup> as defined by the PRC authority</li> </ul>	Creating employment opportunities for working population and prevent and/or alleviate unemployment stemming from socioeconomic crises
Cultivating community	Affordable basic infrastructure <sup>4</sup>		<ul style="list-style-type: none"> <li>Develop and construct projects include contents of infrastructure development, such as but not limited to sewers, sanitation, transport, energy</li> </ul>	<ul style="list-style-type: none"> <li>Construct and/ or infrastructure like water supply and drainage system, electric vehicle charging station, road, communication system, and etc.</li> </ul>	<ul style="list-style-type: none"> <li>Population living in remote area</li> </ul>	<ul style="list-style-type: none"> <li>Improving the quality of life for unconnected populations</li> <li>Reducing inequalities between urban and rural area</li> <li>Connecting rural area with urban area</li> </ul>

<sup>1</sup>. Population will be the exclusive recipients of the funds raised.

<sup>2</sup>. Employment generations include direct short-and-long-term job creation programs, interventions that foster employment, and macro-level policies, which include self-employment.

<sup>3</sup>. 财务部 国家税务总局：关于实施《小微企业普惠性税收减免政策》的通知。

<sup>4</sup>. Infrastructures benefits the population in rural area, which are not limited to enhance access by proving logistics, transport, and connectivity.

## PROJECT EVALUATION AND SELECTION

The evaluation and selection process ensures that the proceeds of our SFTs are allocated to projects that meet the criteria set out in the Use of Proceeds under the Framework. The Group has established a Sustainability Financing Team (the “**Team**”) which governs the process, consisting of representatives and senior members from Investment Management Department t and Finance Department.

Potential projects will be sourced and reviewed by each department (Sub-committee). Shortlisted projects will be proposed by the department manager to the Team.

The Team will meet on an annual basis and is responsible for:

- Evaluating the compliance of projects with the Eligibility Criteria outlined in the Use of Proceeds under the Framework
- Approving the inclusion of pre-selected Eligible Projects in our Sustainability Project List (the Team has full discretion to object the inclusion of any project)
- Monitoring and managing the Sustainability Project List. The Group will maintain a register to keep track the use of net proceeds of the SFTs through the internal information system on an annual basis
- Replacing projects that no longer meet the Eligible Criteria or due to any divestments
- Observing developments in the Sustainable Financing markets and approving updates to this Framework accordingly to reflect relevant changes in our corporate strategy or market developments

Environmental impact assessment (“EIA”) serves as one of risk management tools to identify mitigates to negative social and/or environmental impacts from the relevant projects, if any. The assessment of environmental benefits in the feasibility study of each Eligible Project requires an EIA in accordance with the local requirements of the project. The assessment is carried out by a designated professional body which prepares an EIA report. The results of the assessment include the identification and analysis of the different environmental factors and their impacts on the environment throughout the life cycle, as well as the description of measures needed to reduce the impact on the environment. The unit responsible for the EIA report then submits the EIA report to the local regulatory department, and the project is carried out after approval by the regulatory department is secured.

According to the group’s internal environmental and social assessment guideline, the Sub-Committees will also fill in the environmental and social assessment form with the identified potential material environmental and social risks associated with the Eligible Projects. And the form will be reviewed and escalated on an ad-hoc basis to the SFT. The Sub-Committees will assess the materiality of the risk and propose the way-forward to the SFT for final evaluation and decision making. The SFT, working with recommendations of the Sub-committees, may decide to remediate a certain risk or abandon the project if the risk is judged as too high.

## MANAGEMENT OF PROCEEDS

Net proceeds or the equivalent amount of the net proceeds of the SFTs will be deposited in the sub-account, which will then be earmarked for allocation to the Eligible Projects in accordance with the Framework. Net proceeds of the Sustainability Bonds awaiting allocation will be held in accordance with the Group's normal liquidity management policy. The Team will track the allocation of net proceeds from each SFT to Eligible Projects.

The Group will maintain a register to keep track the use of net proceeds of the Sustainability Bonds through the internal information system, and the Team will review the Sustainability Project List annually. If any of the Eligible Projects cease to fulfil requirements of Use of Proceeds under the Framework, the Group will identify other projects that comply with the Framework and re-allocate to those assets as soon as is practicable. The balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects made during the outstanding of the SFT(s).

In addition, the group has internal procedures to keep track of the use of proceed, the information including:

- Name and description of Eligible Projects to which the proceeds of the SFT have been allocated in accordance with this Framework
- Amount of SFT proceeds allocated to each project
- The remaining balance of unallocated proceeds; and
- Other relevant information such as information of temporary investment for unallocated proceed

**Type of Funding Transaction:** Key information including the issuer/borrower entity, transaction date, principal amount, repayment or amortization profile, maturity date, interest or coupon, and the ISIN number.

Pending full allocation, unallocated proceeds will be:

- held in temporary investment instruments that are asset with high liquidity and safety such as cash or cash equivalent instruments; or
- held in temporary placements that do not include projects, assets or activities that are inconsistent with the nature of a sustainable debt instrument

The Group commits not to invest unallocated proceeds to high pollution activities or ineligible projects. The following sectors and activities will be excluded from Eligible Projects:

- activities that violate national laws and regulations, international conventions and agreements, or are subject to international bans and sanctions
- production or trade of weapons and ammunition
- production or trade of alcoholic beverages (except for beer and wine)
- production or trade of tobacco
- enterprises engaged in gambling or casino operations or similar businesses
- production or trade of radioactive materials (excluding equipment which radioactive source is considered insignificant and/or adequately shielded, for example, quality control equipment); or
- production or activities involving harmful or exploitative forced labour or harmful child labour

## REPORTING

The Group will provide information on the allocation of the net proceeds or equivalent amount of the net proceeds of the SFTs via the website, social media, or in the Group's ESG Report. Such information will be provided on an annual basis until all the net proceeds of the SFTs have been fully allocated.

**Allocation Report**<sup>5</sup> should contain the following information:

- Amount of allocated proceed by Eligible Categories, with a brief description of green and/or social projects
- The remaining balance of funds which have not yet been allocated
- Share of financing vs. refinancing

The Group will report on the environmental and/or social impacts associated with the Eligible Projects funded with the net proceeds of the SFT(s).

5. Such information will be provided on an annual basis until all the net proceeds of the SFTs have been fully allocated.

**Impact Report**<sup>6</sup> may contain such as but not limited to the following information:

Eligible Categories	Impact Indicators <sup>7</sup>
Green buildings	• Level of certification by building
Climate change adaptation	• The amount of storm-water collected in m <sup>3</sup>
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises	• Number of job vacancies created • Number of beneficiaries
Affordable basic infrastructure	• Number of infrastructure projects built/upgraded

The Group will report on the environmental and/or social impacts associated with the Eligible Projects funded with the net proceeds of the SFT(s) via the website, social media, or in the Group's ESG Report. Also, the Group will disclose the expected impact of projects (re)financed.

6. Such information will be provided on an annual basis until all the net proceeds of the SFTs have been fully allocated.
7. Depends on data availability.

## External Review

### Pre-issuance

The Group has engaged CCXGF to provide a second party opinion on the Sustainable Finance Framework to review and confirm its alignment with the SBG, GBP, GLP, SBP and SLP. CCXGF has reviewed the Sustainable Finance Framework and provided its Second Party Opinion.

### 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.