

SUSTAINABLE FINANCE FRAMEWORK

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Investors should refer to the Sustainable Finance Framework and the Second-Party Opinion for information and should determine for themselves the relevance of the information contained in this Offering Circular regarding the use of proceeds and its investment in the Bonds should be based upon such investigation as it deems necessary. The information in the Sustainable Finance Framework and the Second-Party Opinion has not been verified. The Second-Party Opinion provided in respect of the Sustainable Finance Framework or any of the above reports or verification assessments are not incorporated in, or form part of, this Offering Circular and should not be relied upon in connection with making any investment decision with respect to the Bonds.

Background

The Group was established in December 2016. Currently, the Management Committee of Lishui Development Zone holds 100.00% of the Group's shares, making it the controlling shareholder and actual controller. The Group is an important entity in urban construction and state-owned asset management in Lishui. It is currently engaged in commodity sales, property sales, construction business, professional market management business and other businesses including property and land leasing, property management and human resources services.

In accordance with the State Council's overall guidance on sustainable development and the national "14th Five-Year" Strategic Plan of "Environmental Protection and Development of Low-Carbon Economy", the Group is committed to ensuring that its economic performance is conducive to the sustainable development of the environment and society. The Group regards sustainable development as its business foundation and ensures that its economic development is beneficial to the environment and society. The Group adheres to a positive sense of environmental responsibility and integrates the spirit of sustainable development into its rules, regulations and business development plans. The Group actively integrates sustainable principles into the economic development of Lishui Development Zone and Lishui City. Meanwhile, the Group also insists on reducing the negative impact on the environment during the engineering design and construction process, in doing so, ensuring it applies its principle of environmental protection to every work stage.

The Rationale of the Group's Green Finance Framework

The Group adheres to high environmental standards with sustainable development at low carbon emissions and regards environmental protection and sustainable development as its core values. The Group is acutely aware of the need to control and mitigate the impact of its actions on the environment and the communities in order to fulfill its sustainable commitment towards creating long-lasting value. The Group's Board is responsible for leading and guiding the Group's policies on sustainable development at low carbon emissions and working together with management to identify, evaluate and address environmental issues on an ongoing basis.

Framework Overview

This Sustainable Finance Framework (the “**Framework**” or “**SFF**”) has been developed to demonstrate the Group’s intends to issue Sustainable Financing Transactions (“**SFTs**”) including bonds, loans, or any other forms of debt instruments to finance the projects that have positive environmental and/or social impact and align with it business strategy and goals (the **Eligible Social Projects**).The net proceeds of SFTs will be applied exclusively to the Eligible Social Projects and support the Group’s business strategy and sustainable commitment.

- Bonds issued under this SFF will be aligned with the Social Bond Principles 2023 (“**SBP**”) by International Capital Markets Association1 (“**ICMA**”), or as they may subsequently be updated.
- Loans issued under this SFF will be aligned with the Social Loan Principles 2023 (“**SLP**”) 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 SFT(s) may conform to other sustainable finance principles as may have been established at the time of such a financing transaction being undertaken.

In accordance with the above principles and guidelines, the SFF is presented through five core components as well as its recommendations for external review and amendments as necessary from time to time:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

1. Use of Proceeds

Under the guidance of the Group’s project investment principles, the net proceeds raised under the Framework or an amount equal to the net proceeds will be exclusively used to finance or refinance in whole or in part, new or existing Eligible Sustainable Projects (“**ESPs**”) that meet one or more of the following categories of eligibility criteria as defined below in 1.2 (“**Eligible Social Projects**”).

Refinancing of Eligible Sustainable Projects will have a look-back period of no longer than three years from the issuance.


1.1 Principles of project investment

- The project investment shall be in line with the economic development plans and industrial policies of the PRC government, Zhejiang province, Lishui City and Lishui Development Zone, and should

be in line with the medium and long-term development strategic and main development needs of the Group.

- The project investment shall abide by the relevant laws and regulations and the relevant provisions of the Group, and investment in illegal projects and illegal operations is strictly prohibited.
- The project investment should be demonstrated well, and the benefit index should meet the minimum standard of the Group.
- The project investment should be align with the Group's asset scale, asset-liability level, and actual financing capacity.

1.2 Eligible Social Projects

Eligible Social Projects Categories and Alignment	Criteria of Eligible Social Projects	Goals and Target populations
Affordable housing 	<ul style="list-style-type: none"> • Expenditures related to construction, maintenance, and upgrading of affordable houses or resettlement housing projects according to government policies. • The government will decide the price and financing terms and ensure that they will be in line with the market. The return from such projects is meagre and much lower than the market return. 	SBP environmental objectives: Make cities and human settlements inclusive, safe, resilient and sustainable. Project Goals: Help local community expand access to adequate, safe and affordable housing and basic services. Target Populations: The low-income family defined by the PRC government, which have weak housing affordability.

1.3 Exclusion Criteria

Based on the latest International Finance Corporation Exclusion List, the Group has added the following activities to the exclusion list. In any case, Eligible Social Projects under this SFF will exclude the following activities from consideration for eligibility:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES
- Production or trade in weapons and munitions

- Production or trade in alcoholic beverages (excluding beer and wine)
- Production or trade in tobacco
- Gambling, casinos and equivalent enterprises
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded
- Production or trade in unbonded asbestos fibres. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length
- Production or activities involving forced labour¹ or child labour²
- Commercial logging operations for use in primary tropical moist forest
- Production or trade in wood or other forestry products other than from sustainably managed forests

2. Process for Project Evaluation and Selection

The Group will strictly select qualified sustainable projects according to the above principles and criteria and manage their environmental and social risks. In terms of the process for project evaluation and selection, the Group has established a relatively refined control system. The process for social project evaluation and selection consists of two parts, namely project screening and project review.

The projects will be initially proposed and designed by the business departments of the group which will carry out research, collect data and prepare a detailed investment plan, and then, be evaluated and selected by the group's Sustainable Work Group ("GSWG") in accordance with the Framework.

The GSWG dedicates to ensuring that the proceeds from each SFI or an equivalent amount will be allocated to eligible projects under the Framework, and consists of representative of senior management and senior representatives from various departments, including:

- General Department
- Planning Finance Department
- Investment Development Department

The GSWG will meet at least every 12 months to discuss and select eligible projects based on the project feasibility report according to the eligibility criteria as defined in 1.2 ("Eligible Social Projects"). Identify and manage the social and environmental risks related to eligible social projects based on the feasibility

¹ Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

² Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

reports mentioned above.

Nominate green/social projects for the Board of Directors final decision. The shortlisted projects will be presented to board of directors for approval. After being reviewed and approved by the board of directors, the selected projects will become Eligible Sustainable Projects.

The GSWG will undertake regular monitoring of the ESPs to ensure the eligibility with the criteria in the Framework, and facilitate regular reporting on any Sustainable issuance in alignment with the Group's reporting commitments.

The GSWG will also be responsible for managing any future updates of the Framework, including any expansion of requirements on using proceeds.

3. Management of Proceeds

The net proceeds raised under this Framework or an amount equal to these net proceeds will be managed by the Group and be deposited in the Group's funding accounts, which is a temporary cash account that keeps the unallocated proceeds in the form of cash deposits that will be used only on Eligible Sustainable Projects when applicable. The proceeds will be allocated to Eligible Sustainable Projects within two years.

The Group committed to periodically adjusting the tracked net proceeds to match allocations to Eligible Sustainable Projects during the time the instrument is outstanding. The expected look-back period for refinanced Eligible Sustainable Projects will be three years. The unallocated proceeds will be temporarily invested in highly secure and highly liquid financial products, such as treasury bonds, policy bank financial bonds, local government bonds and cash deposits and eventually be invested in the Eligible Sustainable Projects.

The Group will also maintain a register to keep track of the use of proceeds of each Eligible Sustainable Project containing the following information:

(1) Information of Funding Transactions

- Key information of funding transactions including the issuer/borrower entity, transaction date, principal amount of proceeds, maturity date, interest or coupon and ISIN number (if applicable) and etc.

(2) Allocation of Use of Proceeds

- Key information of Eligible Sustainable Projects to which the proceeds have been allocated in accordance with the Framework including the name and description of the projects, location, amount of investment (state currency), date of investment and progress/construction status, etc.

- The amount of unallocated proceeds.
- Other relevant information such as information of temporary investment for unallocated proceeds (the investment amount and investment type).

4. Reporting

The Group will provide information on the allocation of the net proceeds of SFIs and the environmental impact and social impact of the Eligible Sustainable Projects. Such information will be provided on an annual basis until all the net proceeds have been allocated. The information will contain at least the following details:

4.1 Allocation reporting

The allocation report will include at least the following details:

- List of the Eligible Social Projects for the current year
- The amount of proceeds allocated to each Eligible Project category
- Details of each SFI that is outstanding, including brief description, location, amount allocated, construction progress, etc
- Percentage of financing vs refinancing
- Target population
- Total unallocated proceeds and type of temporary investment

4.2 Impact reporting

The Group will report the environmental and social impacts of the Eligible Social Projects. The Group commits to disclosing the expected and actual qualitative impact of projects when data is available. Such information will be prepared on an annual basis until all the net proceeds have been allocated and such information will be project portfolio-based. Subject to the nature of Eligible Projects and availability of information, the Group will include, but not limited to, the following Impact Indicators:

Eligible Social Projects Categories	Impact Indicators
Affordable housing	<ul style="list-style-type: none"> • Number of affordable housing units constructed • Number of individuals benefits • Rental cost/purchase price compared to private market

5. External Review

The Group has engaged S&P Global Ratings as the external reviewer to assess the Sustainable Finance Framework, and its alignment with the Social Loan Principles, LMA/LSTA/APLMA, 2023 (SLP), Social Bond Principles, ICMA, 2023 (SBP), and issue a Second-party Opinion (SPO).