



世紀陽光集團
CENTURY SUNSHINE GROUP
HKSE Stock Code: 00509

Century Sunshine Group Holdings Limited

Green Bond Framework

June 2018



1. Introduction

Founded in 2000, Century Sunshine Group Holdings Limited (“**Century Sunshine**” or the “**Group**”) specializes in ecological fertilizer business in China. It is one of the leading and largest vertically integrated business covering magnesium and ecological fertilisers to achieve green technological innovations.

(A) Fertiliser Business:

Century Sunshine has built a green and ecologically sustainable fertiliser business. The Group develops, produces and as well as distributes ecological fertilizers including organic and compound Si-Mg fertilizers, functional fertilizers and new-type ecological compound fertilisers. Its production bases are located in Jiangsu, Shandong and Jiangxi Provinces in China.

- In April 2017, Shandong Hongri Chemical Joint Stock Company, Ltd. was formally integrated into the Group. The merger has enhanced the Group’s capacity and enriched its product mix. Upon the completion of the newly constructed project in Jiangxi, combining its capacity with Jiangsu and Shandong Hongri production bases, the Group will possess an annual fertilizer production capacity of over 3,000,000 tonnes and become one of China’s largest ecological fertilizer companies.
- The group’s ecological fertilizer has been recognized and promoted as a “green product” by Ministry of Agriculture. Ecological fertilizer is environmentally friendly as they improve organic soil matter and promote sustainable productivity. It includes organic fertilizer, bio fertilizer, humid acids fertilizer and organic-inorganic mixed fertilizer.
- Two of its fertiliser labels - "Le He He" and "Yanyangtian", have been awarded as the “2016 Top 50 Brand of Farmers’ Most Trusted Fertilizers”
- In terms of R&D, Century Sunshine owns 8 patents in fertilizer production and relevant technology.

(B) Magnesium Business:

Century Sunshine’s magnesium production sites are located at Jilin Province and Xinjiang Uyghur Autonomous Region. Xinjian production base has been authorized the production of 100,000 tonnes of magnesium alloys, and has a maximum capacity to produce 170,000 tonnes. The Group position itself to becoming one of the leading magnesium producers in the world.

In terms of research and development (R&D), Century Sunshine owns 12 patents in high quality rare earth magnesium alloys production techniques.



Green Strategy

The Group upholds supporting “green, environmentally friendly and sustainable development” as its theme and “making crops more productive and make the land more fertile” as its mission. With the launch of the new ecological fertilizer from the Jiangxi production base, the Group will continue to invest in research and development to enhance the effectiveness and utilization ratio of its ecological fertilizer by applying the latest biological activation technology.

Century Sunshine recycles the industrial sewage generated during the production process, and reuses it in the production system after treatment.

2. Century Sunshine Green Bond Framework

This bespoke Century Sunshine Green Bond Framework (“GBF”) has been developed to demonstrate how the Group and its other entities intend to enter into Green Bond transactions to fund projects that will deliver environmental benefits to support Century Sunshine’s business strategy and vision.

For the purpose of issuing Green Bond(s), Century Sunshine has developed the following framework, which addresses the four key pillars of the 2018 Green Bond Principles (“**2018 GBP**”)¹. For each Green Bond issued, Century Sunshine management asserts that it will adopt the below principles:

- i. Use of proceeds;
- ii. Process for project evaluation and selection;
- iii. Management of proceeds; and
- iv. Reporting

I. Use of Proceeds

All of the net proceeds of the Green Bond(s) will be used to finance or refinance, in whole or in part, new or existing eligible green projects that meet one or more of the following categories of eligibility as recognised in the 2018 GBP (“**Eligible Green Projects**”):

¹ <https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-social-and-sustainability-bonds/green-bond-principles-gbp>

ICMA GBP Project Category	Eligible Green Assets and Projects for Century Sunshine	Sample Projects
Environmentally Sustainable Management of Living Natural Resources	<ul style="list-style-type: none"> • Projects relating to development and production of ecological fertilizers: <ul style="list-style-type: none"> - Compound fertilizers - Organic fertilizers 	Development of a new manufacturing factory in Jiangxi, China to produce compound fertilizers and organic fertilizers. It also has the following facilities:
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Projects for waste water processing and treatment during fertilizer production process 	<ul style="list-style-type: none"> • Waste water treatment plants which enables waste water to be reused for fertilizer production
Renewable Energy	<ul style="list-style-type: none"> • Investment in facilities to produce and utilize renewable energy 	<ul style="list-style-type: none"> • Facilities to collect and reuse residual heat which enable energy saving
Pollution prevention and control	<ul style="list-style-type: none"> • Projects to reuse residual minerals and residual energy from fertilizer production 	<ul style="list-style-type: none"> • Rooftop solar panels to produce renewable energy for fertilizer production • Facilities to collect and store residual minerals for reuse

II. Process for Project Evaluation and Selection

The Eligible Green Projects are identified and selected via a process that involves participants from various functional areas. Senior representatives from Century Sunshine’s manufacturing and technical department, research and development department, business management department, sustainability department and treasury department will form a Green Bond Working Group (“GBWG”) to review and select Eligible Green Projects according to the criteria listed above.

The shortlisted projects will be presented to the executive director board of Century Sunshine for approval. If such project is considered as an Eligible Project in accordance with this Framework, it will earmarked for the use of proceeds of a Green Bond and to be tracked by Finance Department.

GBWG and senior management of Century Sunshine will meet annually to review all Eligible Green Projects to make sure they are in compliance of GBF and to facilitate reporting. GBWG and senior management will also decide whether update/enhancement to GBF is necessary



III. Management of Proceeds

The proceeds of each Green Bond will be deposited in the general funding accounts (called “capital pool”) and to be earmarked to Eligible Green Projects.

Century Sunshine will maintain a register to keep track of the use of proceeds for each Green Bond. The register will be managed by Finance Department and form part of the internal audit process. The register will contain the following information including:

- i. Green Bond information: transaction date, tranche(s) information, principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon, the ISIN number, etc.
- ii. Allocation of Use of Proceeds: Information including:
 - List of Eligible Green Projects and brief description of the projects
 - The amount of net proceeds allocated to the projects;
 - The remaining balance of unallocated proceeds yet to be earmarked;

Other relevant information such as information of temporary investment for Pending allocation, the net proceeds from the Green Bond(s) issued will be held in accordance to Century Sunshine’s normal liquidity management policy. Century Sunshine commits not to invest unallocated proceeds to high pollution activities, and HKQAA or IFC’s project exclusion list.

IV. Reporting

On an annual basis, Century Sunshine will provide information on the allocation of the net proceeds of its Green Bond(s) on Century Sunshine’s website. Such information will be provided until all the net proceeds have been allocated. The information will contain at least the following details:

- i. A list of Eligible Green Projects funded through Century Sunshine’s Green Bond(s), including amounts allocated; and
- ii. Remaining balance of unallocated proceeds;
- iii. Description of major Eligible Projects;
- iv. Aggregate amount of proceeds of Funding Transaction allocated earmarked to Eligible Projects.



In addition, where feasible, Century Sunshine will provide qualitative and where possible, quantitative environmental performance indicators of the Eligible Green Projects funded. Performance indicators monitored by Century Sunshine include:

Eligible Green Asset Categories	Impact Indicators
Environmentally Sustainable Management of Living Natural Resources	<ul style="list-style-type: none">• GHG emission reduced (tonnes of CO₂e)
Sustainable water and wastewater management	<ul style="list-style-type: none">• Reduction in water consumption (m³)• Water recycled (m³)
Renewable Energy	<ul style="list-style-type: none">• Reduction in energy consumption (kWh)
Pollution prevention and control	<ul style="list-style-type: none">• Residual minerals reused (tonnes)

Assurance

The Group has engaged with HKQAA to provide a Second Party Opinion (“SPO”)/Green Finance Certification. The SPO/ Green Finance Certification will be made available on Century Sunshine’s website.

http://www.centurysunshine.com.hk/tc/investor_relations/business_announcement.php?announcements_category_id=2