Jingdezhen Hesheng Industrial Investment Development Co., Ltd.

Second-Party Opinion | Sustainable Finance Framework

Framework Type
Sustainable

Analytical Standards
- Green Bond Principles (GBP) (June 2021 Edition)
- Social Bond Principles (SBP) (June 2023 Edition)
- Sustainability Bond Guidelines (SBG) (June 2021 Edition)
- Green Loan Principles (GLP) (February 2023 Edition)
- United Nations Sustainable Development Goals (SDGs)

Industry
Local Investment and Development Companies

Country/Region
China

Report Date
1 December 2023

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Summary

Lianhe Green has reviewed a series of documents including the "Sustainable Finance Framework of Jingdezhen Hesheng Industrial Investment Development Co., Ltd.", and in conjunction with due diligence, assessed the company's relevant work in respect of the use of proceeds, project evaluation and selection process, management of proceeds, reporting, and external review. Lianhe Green considers that the Framework is in compliance with the Green Loan Principles (GLP) (February 2023 Edition), the Green Bond Principles (GBP) (June 2021 Edition), the Social Bond Principles (SBP) (June 2023 Edition), and the Sustainability Bond Guidelines (SBG) (June 2021 Edition). In addition, the eligible green projects listed in this Framework are in line with the *Green Loan Principles (GLP) (February 2023 Edition),* the *Green Bond Principles (GBP) (June 2021 Edition),* and the *United Nations Sustainable Development Goals (SDGs)*; the eligible social projects listed in this Framework are in line with the *Social Bond Principles (SBP) (June 2023 Edition)*, and the *United Nations Sustainable Development Goals (SDGs)*.

About the Company

Jingdezhen Hesheng Industrial Investment Development Co., Ltd. (hereinafter referred to as "JHIID", the "Company", or the "client", together with its subsidiaries, the "Group") is a major state-owned enterprise and industrial investment and operation platform in Jingdezhen City, with the Jingdezhen State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") fulfilling the shareholder's responsibilities. The Company is a limited liability company (state-owned holding), and its business scope includes primary land development, earthwork engineering, infrastructure construction such as roads, water supply, gas supply, pipeline network, greening and land leveling, construction of public service facilities like administrative service centers, real estate development, asset acquisition, asset disposal, asset custody, equity investment, industrial investment, capital operation, corporate restructuring and custody, and external guarantees.

The Company aligns its sustainable development goals with 10 goals of the United Nations' Sustainable Development Goals and is committed to achieving these goals through the implementation of projects such as green building, energy efficiency, renewable energy, pollution control, affordable housing, and support for small and medium-sized enterprises. The company's sustainable development strategy primarily focuses on three aspects: environmental protection, employment promotion, and community development.

About the Framework of JHIID

JHIID has prepared the "Sustainable Finance Framework for Jingdezhen Hesheng Industrial Investment Development Co., Ltd." (hereinafter referred to as the "Framework"), which is intended to provide overarching principles and guidelines for all sustainable development financing opportunities of JHIID.

The sustainable bonds or loans issued under the Framework will comply with the International Capital Markets Association's (ICMA's) *Green Bond Principles (GBP) (June 2021 Edition)*, *Social Bond Principles (SBP) (June 2023 Edition)* and *Sustainability Bond Guidelines (SBG) (June 2021 Edition)*, as well as the *Green Loan Principles (GLP) (February 2023 Edition)* published by the Loan Market Association (LMA), the Loan Syndications and Trading Association (LSTA) and the Asia-Pacific Loan Markets Association (APLMA).

This framework addresses the four pillars including use of proceeds, project evaluation and selection, management of proceeds, and reporting.

A. Use of Proceeds

Company Materials

The proceeds of each sustainable transaction issued by JHIID will be used to finance and/or refinance the assets or projects set out in the Framework. The proceeds of the Green Bonds or Loans will be used for Qualified Green Projects as defined in Table 1; the proceeds of the Social Bonds will be used for Qualified Social Projects as defined in Table 2.

Eligible Green Project Categories	Qualified Green Projects
Green Building	Development, construction, renovation, maintenance, and operation of green buildings compliant with national or international third-party certifications
Energy Efficiency	Adopt intelligent energy-saving technologies or systems to track, monitor, and manage the energy consumption of new/existing buildings for the purpose of achieving energy efficiency, such as smart meters, heating and ventilation systems, LED lighting systems, and automated control systems
Renewable Energy	Installation or construction of solar photovoltaic energy systems and energy storage systems
Pollution Control	» Installation of waste recycling equipment to reduce environmental pollution » Management and control of waste, such as the construction of waste transfer stations
Sustainable Water Resources and Sewage Management	Construction, development, installation, operation, and maintenance of infrastructure or equipment for collecting, treating, recycling, or reusing drinking water, rainwater, or wastewater
Environmentally Sustainable Management of Biological Resources and Land use	Landscape greening and the protection or restoration of natural landscapes, for example, the construction of urban green spaces

Table 1: Qualified Green Projects

Eligible Social Project Categories	Qualified Social Projects
Affordable Housing	Construct and operate affordable housing, including but not limited to resettlement housing projects

Affordable Basic Living Infrastructure	Construct large-scale infrastructure projects in rural areas, including but not limited to tunnels, roads, bridges, etc
Creating Employment Opportunities and Alleviate Unemployment Caused by Socio-economic Crises through Providing Financing for Small and Medium-sized Enterprises and Microcredit	» Develop innovation and technology parks » Provide financial support for small and micro-enterprises

Table 2: Qualified Social Projects

Meanwhile, JHIID declares that the proceeds will not be used for the following purposes:

1) Activities that violate national laws and regulations, international conventions and agreements, or are subject to international prohibitions and sanctions
2) Production or trade of weapons and ammunition
3) Production or trade of alcoholic beverages (excluding beer and wine)
4) Production or trade of tobacco
5) Enterprises related to gambling, casinos, and similar businesses
6) Production or trade of radioactive materials. This does not apply to devices where the radioactive source is negligible and/or adequately shielded, such as quality control (measurement) equipment
7) Production or activities involving harmful or exploitative forms of forced labor or child labor

Opinion of Lianhe Green

Lianhe Green has reviewed a number of documents, including the Sustainable Finance Framework, and in conjunction with its due diligence, has conducted a comprehensive review of JHIID's policy.

Lianhe Green has compared the eligible green projects listed in this framework with the *Green Bond Endorsed Projects Catalogue (2021 Edition), Green Loan Principles (GLP) (February 2023 Edition), Green Bond Principles (GBP) (June 2021 Edition),* and the *United Nations Sustainable Development Goals (SDGs)* accordingly. Besides, Lianhe Green also has compared the eligible social projects listed in this framework with the *Social Bond Principles(SBP) (June 2023 Edition),* and the *United Nations Sustainable Development Goals (SDGs).*

1) Types of Green Projects: Green Building

Eligible Green Projects

Development, construction, renovation, maintenance, and operation of green buildings compliant with national or international third-party certifications

Green Standards

» GBP: Green buildings which meet regional, national or internationally recognized standards or certifications
» GLP: Green buildings which meet regional, national or internationally recognized standards or certifications
» SDGs: Goal 9 - Industry, Innovation and Infrastructure；Goal 11 - Sustainable Cities and

Communities

Lianhe Green Findings / Suggestions

In 2022, the Jiangxi Province government published the "14th Five-Year Plan for Energy Saving and Green Building Development in the Urban-Rural Housing Construction Field of Jiangxi Province". The plan outlines the scope and development goals of green buildings, aiming to achieve a 30% share of star-rated green buildings by 2025. The plan encourages applications for provincial-level and above green technology demonstration projects, demonstration projects for new technologies in the construction industry, and government-invested or government-dominated buildings such as national agencies, schools, hospitals, museums, science and technology museums, sports arenas, and other large public service buildings with individual building areas exceeding 20,000 square meters like airports, train stations, hotels, shopping malls and office buildings. All these buildings are expected to be labeled as star-rated green buildings. The plan actively promotes the development of star-rated green residential buildings, targeting the construction of over 5 million square meters of star-rated green residential buildings in the central urban areas of the province, effectively enhancing the quality of living. Additionally, the plan initiates pilot projects for the construction of green rural houses.

Green buildings are categorized into green civil buildings and green industrial buildings. These projects focus on aspects such as safety, durability, health, comfort, convenience, resource conservation, and environmental livability throughout the design, construction, and operation phases. Over the entire life cycle of a building, technical measures including energy conservation, material efficiency, water conservation, and land conservation are implemented to achieve resource savings, environmental protection, pollution reduction, and ultimately minimize the negative impact of the building construction process to the environment. Green civil buildings must adhere to the "*Green Building Evaluation Standard*" (GB/T 50378), while green industrial buildings must meet the "*Green Industrial Building Evaluation Standard*" (GB/T 50878) and other national technical standards. During the design phase, construction plans must be reviewed or pre-evaluated. Upon construction, a green building evaluation must be conducted. Moreover, the Framework explicitly states that green buildings must achieve at least a two-star certification. Lianhe Green is of the view that this type of project meets the "5. Sustainable Upgrade of Infrastructure-5.2 Sustainable Buildings-5.2.1 Energy-Saving Buildings and Green Buildings-5.2.1.2 Green Buildings" under the *Green Bond Endorsed Projects Catalogue* (2021 Edition).

2) Types of Green Projects: Energy Efficiency

Eligible Green Projects

Adopt intelligent energy-saving technologies or systems to track, monitor, and manage the energy consumption of new/existing buildings for the purpose of achieving energy efficiency, such as smart meters, heating and ventilation systems, LED lighting systems, and automated control systems

Green Standards

- GBP: Energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, relevant equipment and products)
- GLP: Energy efficiency (such as in new and refurbished buildings, energy storage, district heating, smart grids, relevant equipment and products)

» SDGs: Goal 7 – Affordable and Clean Energy; Goal 9 – Industry, Innovation and Infrastructure

Lianhe Green Findings / Suggestions

In 2022, the Jiangxi Province government published the "14th Five-Year Plan for Energy Saving and Green Building Development in the Urban-Rural Housing Construction Field of Jiangxi Province". The plan encourages energy-saving renovations in existing buildings, emphasizing two key areas:

1) Enhancing Energy Efficiency in Existing Residential Buildings
   The plan encourages energy-saving renovations in old urban areas to align with overall improvements in public environments, facilities for the elderly, infrastructure upgrades, and enhancements to building functions. This integrated approach promotes energy efficiency, low carbon emissions, and livability. It aims to improve building energy efficiency and indoor comfort. Residents are encouraged to choose high-energy-efficient products when replacing doors, windows, air conditioning, and other components.

2) Promoting Energy-Saving Renovations in Public Buildings
   The plan actively seeks key constructions for energy efficiency upgrades in public buildings, with a focus on enhancing energy systems and building structures. This involves the application of optimized control strategies for building facilities and equipment, improving the efficiency of air conditioning and electrical systems, widespread adoption of LED lighting, and the use of smart control technologies to enhance elevator efficiency. The overall goal is to elevate the energy-saving performance of public buildings. The plan also emphasizes data analysis on aspects including energy consumption statistics, energy audits, and energy consumption monitoring, guiding local bodies to explore how to set energy consumption limits for public buildings.

Regarding existing building upgrades, methods to improve energy efficiency include enhancing the efficiency of air conditioning systems, installing LED lighting systems, and implementing automatic control systems. This category encompasses three scenarios:

(1) Buildings that, before and after renovation, did not obtain green building certification but meet relevant national or local energy efficiency standards for existing buildings, such as the "*Public Building Energy Conservation Design Standard*" (GB 50189) and the "*Green Renovation Evaluation Standard for Existing Buildings*" (GB/T 51141)
(2) Renovation and operation or purchase of existing buildings with valid national green building star ratings
(3) Renovation and operation or purchase of existing buildings that achieve valid national green building star ratings after renovation

Lianhe Green is in view that this type of project meets the "5. Sustainable Upgrade of Infrastructure-5.2 Sustainable Buildings-5.2.1 Energy-Saving Buildings and Green Buildings-5.2.1.5 Energy Conservation and Environmental-friendly Renovation of Existing Buildings" and "1. Energy Efficiency and Environmental Protection Industry - 1.1 Energy Efficiency Enhancement - 1.1.3 Energy-Saving in Power Facilities - 1.1.3.1 Green Lighting Transformation" under the *Green Bond Endorsed Projects Catalogue* (2021 Edition).

3) Types of Green Projects: Renewable Energy

Eligible Green Projects

Installation or construction of solar photovoltaic energy systems and energy storage systems

Green Standards

- GBP: Renewable energy - including production, transmission, relevant equipment and products
- GLP: Renewable energy - including production, transmission, relevant equipment and products
- SDGs: Goal 7 - Affordable and Clean Energy; Goal 11 – Sustainable Cities and Communities; Goal 12 – Responsible Consumption and Production; Goal 13 – Climate Action

Lianhe Green Findings / Suggestions

In 2022, the Jiangxi Province government published the "14th Five-Year Plan for Energy Saving and Green Building Development in the Urban-Rural Housing Construction Field of Jiangxi Province". The plan explicitly outlines the promotion of solar energy applications in buildings and promotes the integrated use of solar photovoltaic systems in construction throughout the province. It encourages collective efforts to promote solar energy applications in rural areas and the renovation of old urban areas, aiming to achieve a rooftop photovoltaic coverage rate of 50% for new public buildings and factory rooftops by 2025. The plan emphasizes the need to ensure the structural and fire safety of buildings or facilities when installing solar energy applications, and a preliminary assessment should be conducted to evaluate the potential for installing solar components on building roofs, walls, ancillary facilities, and municipal public facilities.

Furthermore, Jiangxi Province has initiated the "Building Photovoltaic Action," actively promoting the distributed and integrated application of solar photovoltaics in urban and rural construction and municipal public facilities. The plan encourages synchronous design and construction of solar photovoltaic systems with buildings. It also supports collaboration among photovoltaic manufacturers, investment and operation companies, power generation enterprises, and building property owners. The exploration of different business models in the photovoltaic application such as rooftop leasing and market-based trading of distributed solar energy generation is encouraged. During the 14th Five-Year Plan period, the province aims to accumulate an additional 1 million kilowatts of installed capacity for building solar photovoltaics.

Lianhe Green is in view that this type of project meets the "5. Sustainable Upgrade of Infrastructure - 5.2 Sustainable Buildings - 5.2.1 Building Energy Efficiency and Green Building - 5.2.1.3 Application of Renewable Energy in Buildings" under the *Green Bond Endorsed Projects Catalogue (2021 Edition).*

4) Types of Green Projects: Pollution Control

Eligible Green Projects

- Installation of waste recycling equipment to reduce environmental pollution
- Management and control of waste, such as the construction of waste transfer stations

Green Standards

- GBP: Pollution Prevention and Control: Including reducing air emissions, greenhouse gas control, soil remediation, prevention and reduction of waste, recycling of waste, and supplying energy efficiently or with low-emission waste

- GLP: Pollution Prevention and Control: Involving emission reduction, greenhouse gas control, soil remediation, waste prevention and reduction, waste recycling, as well as the conversion of waste into energy with high energy efficiency or low emissions
- SDGs: Goal 3 - Good Health and Well-being; Goal 6 - Clean Water and Sanitation; Goal 11 - Sustainable Cities and Communities; Goal 12 - Responsible Consumption and Production

Lianhe Green Findings / Suggestions

The city of Jingdezhen has formulated the "Jingdezhen Municipal Standard for the Collection, Storage, and Transportation of Hazardous Waste," aiming to reduce the disorderly classification of waste through the establishment of regulations for the construction and management of waste classification and storage facilities. This initiative starts from the waste source, implementing comprehensive supervision over the entire process of hazardous waste generation, collection, storage, transportation, and disposal. The city has strategically planned a front-end recycling network for hazardous waste to prevent mixing with other household waste, creating a wide-reaching and well-regulated closed-loop circulation system to enhance the efficiency of hazardous waste disposal.

In addressing air pollution prevention and control, Jingdezhen has developed the "Jingdezhen City Dust Pollution Special Rectification Plan," targeting dust pollution from construction sites, road dust, and dust pollution from road transportation. Additionally, the city is actively implementing measures such as "coal control, emission reduction, vehicle management, dust reduction, burning prohibition, and kitchen smoke control" as part of its special air pollution control efforts.

Regarding the treatment of rural domestic sewage and waste, Jingdezhen has adopted a "comprehensive integration of urban and rural sanitation" third-party governance approach. The city promotes on-site classification of rural domestic waste, achieving source reduction. The encouragement of integrated investment, construction, and operation models for rural sewage treatment is in place, emphasizing harmless treatment and resource utilization.

Lianhe Green is in view that this type of project aligns with the "*Green Bond Endorsed Projects Catalogue* (2021 Edition)" under the following categories:

- 1. Energy Conservation and Environmental Protection Industry - 1.3 Pollution Prevention:
  - ☐ 1.3.3 Air Pollution Control:
    - ✓ 1.3.3.1 Traffic Vehicle Pollution Control
    - ✓ 1.3.3.2 Comprehensive Control of Urban Dust
    - ✓ 1.3.3.3 Restaurant Fume Pollution Control
  - ☐ 1.3.5 Agricultural and Rural Environmental Comprehensive Management:
    - ✓ 1.3.5.2 Rural Habitat Environment Improvement
- 1. Energy Conservation and Environmental Protection Industry - 1.5 Comprehensive Resource Utilization:
  - ☐ 1.5.3 Comprehensive Utilization of Biomass Resources:
    - ✓ 1.5.3.1 Comprehensive Utilization of Urban and Rural Domestic Waste
- 5. Infrastructure Green Upgrade - 5.3 Pollution Prevention:
  - ☐ 5.3.1 Urban Environmental Infrastructure:
    - ✓ 5.3.1.2 Construction and Operation of Domestic Waste Treatment Facilities

5) Types of Green Projects: Sustainable Water Resources and Sewage

Management

Eligible Green Projects

Construction, development, installation, operation, and maintenance of infrastructure or equipment for collecting, treating, recycling, or reusing drinking water, rainwater, or wastewater

Green Standards

- GBP: Sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation)
- GLP: Sustainable water and wastewater management (including sustainable infrastructure for clean and/or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation)
- SDGs: Goal 6 - Clean Water and Sanitation

Lianhe Green Findings / Suggestions

In terms of water supply, Jingdezhen City has announced regulations such as the "Jingdezhen City Drinking Water Source Protection Regulations," "Changjiang River Water Environment Quality Protection Management Measures," "Changjiang River Drinking Water Source Safety Assurance Plan," and the "Comprehensive Implementation Plan for Urban and Rural Integrated Water Supply Pilot Counties in Jingdezhen City". These documents aim to continuously improve the environmental conditions in the drinking water source protection zones and comprehensively implement integrated urban and rural water supply. As of now, the centralized drinking water source areas have achieved a water quality compliance rate of 100%. In terms of rural drinking water safety, the urban water supply system serves as the main body. The city has extended the urban pipeline network, renovated and expanded town water plants, and constructed new water plants to form a comprehensive urban and rural water supply network system, with a coverage rate of over 90%.

Lianhe Green is in view that this type of project aligns with the "*Green Bond Endorsed Projects Catalogue* (2021 Edition)" under the following categories:

- 1. Energy Conservation and Environmental Protection Industry - 1.3 Pollution Prevention:
  - ☐ 1.3.5 Agricultural and Rural Environmental Comprehensive Management:
    - ✓ 1.3.5.2 Rural Habitat Environment Improvement

- 1. Energy Conservation and Environmental Protection Industry - 1.4 Water Resource Conservation and Unconventional Water Resource Utilization:
  - ☐ 1.4.1 Unconventional Water Resource Utilization:
    - ✓ 1.4.1.2 Collection, Treatment, and Utilization of Rainwater

- 4. Ecological Environment Industry - 4.2 Ecological Protection and Construction:
  - ☐ 4.2.1 Protection and Restoration of Natural Ecosystems:
    - ✓ 4.2.1.6 River and Wetland Protection and Restoration
    - ✓ 4.2.1.11 Prevention and Control of Drought and Flood Disasters in Aquatic Ecosystems

- 5. Infrastructure Green Upgrade - 5.4 Water Resource Conservation and Unconventional Water Resource Utilization:
  - ☐ 5.4.1 Water Resource Conservation:

- ✓ 5.4.1.1 Construction and Operation of Metering and Leak Control in Urban Water Supply Networks

Regarding sewage treatment, Jingdezhen City has issued the "2023 Implementation Plan for Rural Domestic Sewage Treatment in Jingdezhen City." The goal is to complete the task of adding sewage treatment facilities in 50 administrative villages and renovating 36 existing centralized sewage facilities by the end of 2023. Additionally, 16 villages listed in the national supervision list will undergo treatment for black and odorous water bodies. Currently, Jingdezhen's rural sewage treatment discharge standards adhere to the "Water Pollutant Discharge Standards for Rural Domestic Sewage Treatment Facilities in Jiangxi Province" (DB36/1102-2019). Urban sewage treatment discharge standards follow the "Pollutant Discharge Standards for Urban Wastewater Treatment Plants" (GB18918-2002), specifying control requirements for pollutants such as CODcr, ammonia nitrogen, total nitrogen, and total phosphorus. Jingdezhen City requires compliance with Class A standards for discharge.

Lianhe Green is in view that this type of project aligns with the "*Green Bond Endorsed Projects Catalogue* (2021 Edition)" under the following categories:

- 1. Energy Conservation and Environmental Protection Industry - 1.3 Pollution Prevention:
  - ☐ 1.3.5 Agricultural and Rural Environmental Comprehensive Management:
    - ✓ 1.3.5.2 Rural Habitat Environment Improvement

- 5. Infrastructure Green Upgrade - 5.3 Pollution Prevention:
  - ☐ 5.3.1 Urban Environmental Infrastructure:
    - ✓ 5.3.1.1 Construction and Operation of Sewage Treatment, Recycling, and Sludge Treatment and Disposal Facilities
    - ✓ 5.3.1.3 Investigation, Transformation, Construction, and Restoration of Urban Sewage Collection Systems

6) Types of Green Projects: Environmentally Sustainable Management of Biological Resources and Land Use

Eligible Green Projects

Landscape greening and the protection or restoration of natural landscapes, for example, the construction of urban green spaces

Green Standards

- GBP: Sustainable Environmental Management of Biological and Land Resources - including sustainable agriculture, sustainable animal husbandry, climate-smart agricultural inputs such as crop biological protection or drip irrigation, sustainable fisheries and aquaculture, sustainable forestry such as afforestation or reforestation, and the protection or restoration of natural landscapes.
- GLP: Sustainable Environmental Management of Biological and Land Resources - including sustainable agriculture, sustainable animal husbandry, climate-smart agricultural inputs such as crop biological protection or drip irrigation, sustainable fisheries and aquaculture, sustainable forestry such as afforestation or reforestation, and the protection or restoration of natural landscapes
- SDGs: Goal 11: Sustainable Cities and Communities; Goal 15 – Life on Land

Lianhe Green Findings / Suggestions

In 2018, the National Afforestation Committee and the National Forestry and Grassland Administration issued the "Opinions on Actively Promoting Large-Scale Land Greening Action" (Quan Lu Zi [2018] No. 5), proposing to steadily advance urban afforestation. Using the creation of forest cities, garden cities, and model green cities as carriers, efforts are made to strengthen the construction of various parks, urban fringe greenways, circular green belts, and ecological corridors, aiming to expand green space areas and continuously enhance landscape effects. Accelerating the construction of national forest cities and forest city clusters, steadily increasing per capita green space, focusing on improving the total green space in cities, and constructing a stable urban forest ecosystem.

In 2020, Jingdezhen completed the greening renovation of more than 60 areas, including Nanhe Park, Sports and Cultural Park, Zhushan Avenue, Yanjiang West Road, People's Square, Changjiang Square, and Forest Park. The renovated and upgraded area is about 59,000 square meters, with the planting of 1,900 trees and shrubs. Key green space nodes along important roads were landscaped, transformed, and rebuilt, creating high-quality landscape vignettes, green sculptures, street center gardens, etc.

Lianhe Green is in view that this type of project aligns with the "*Green Bond Endorsed Projects Catalogue* (2021 Edition)" under the following categories:

- 5. Infrastructure Green Upgrade - 5.6 Ecological Protection and Construction:
  - ☐ 5.6.1 Urban Ecological Protection and Construction
    - ✓ 5.6.1.1 Park and Green Space Construction, Maintenance, and Operation
    - ✓ 5.6.1.2 Greenway System Construction, Maintenance Management, and Operation
    - ✓ 5.6.1.3 Ancillary Green Space Construction, Maintenance, and Operation
    - ✓ 5.6.1.4 Road Greening Construction, Maintenance Management
    - ✓ 5.6.1.5 Regional Green Space Construction, Maintenance Management, and Operation

1) Types of Social Projects: Affordable Housing

Eligible Social Projects

Construct and operate affordable housing, including but not limited to resettlement housing projects

Social Standards

- SBP: Affordable Housing
- SDGs: Goal 1: No Poverty; Goal 11 – Sustainable Cities and Communities

Lianhe Green Findings / Suggestions

In recent years, Jingdezhen has vigorously promoted the renovation of shantytown areas, prioritizing the transformation of areas in the urban center that are prone to flooding, aging, and unsafe buildings. According to the "Adjustment Policy for Housing Acquisition, Compensation, and Resettlement in the Central Urban Area of Jingdezhen in 2023," Jingdezhen plans to implement a targeted action to renovate 2,976 households in shantytown areas from 2023 to 2024.

Lianhe Green believes that this type of project can address housing issues for low-income families, providing them with a better living environment. Shantytown renovation projects enable

residents to "move from shanties to buildings," contributing to the city's development by freeing up more space and resources. This not only serves as a significant project for public welfare but also as a crucial initiative to enhance the overall urban environment and cultural landscape, improving the city's appearance and competitiveness.

2) Types of Social Projects: Affordable basic living infrastructure

Eligible Social Projects

Construct large-scale infrastructure projects in rural areas, including but not limited to tunnels, roads, bridges, etc

Social Standards

- SBP: Affordable basic living infrastructure (such as clean drinking water, underground sewage pipes, sanitation facilities, transportation, and energy)
- SDGs: Goal 11 – Sustainable Cities and Communities

Lianhe Green Findings / Suggestions

At the national level, the "Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting Rural Revitalization and Accelerating Agricultural and Rural Modernization" proposes strengthening the construction of rural public infrastructure and implementing the smooth rural road project. It advocates for the orderly implementation of cement road construction in natural villages (groups) with relatively large population sizes. The document also emphasizes the construction of rural resource roads, industry roads, tourist roads, and main roads within villages. It aims to promote rural road construction projects to reach more households in villages.

Considering that a significant proportion of Jingdezhen's area is rural, there has been a strong effort in recent years to upgrade and transform rural roads, emphasizing the development of basic road infrastructure. Additionally, reforms in the rural residential land system have been integrated with governance, village planning, new rural construction, and village environmental improvement efforts, continuously enhancing infrastructure development. This integrated approach ensures that reforms align with rural revitalization.

Lianhe Green believes that such projects focus on rural residents and those unable to access basic life guarantees. With the implementation of these projects, the convenience and environmental friendliness of public transportation in remote rural areas can be improved. Furthermore, with significantly improved passage conditions and safety assurance, these projects can provide great convenience for villagers along the routes.

3) Types of Social Projects: Creating employment opportunities

Eligible Social Projects

- Develop innovation and technology parks
- Provide financial support for small and micro-enterprises

Social Standards

- SBP: Create employment opportunities and implement measures to prevent and/or

alleviate unemployment caused by socio-economic crises, including indirect methods such as providing financing for small and medium-sized enterprises and small loans

» SDGs: Goal 1 - End poverty; Goal 8 - Decent work and economic growth; Goal 10 - Reduce inequality

Lianhe Green Findings / Suggestions

Since 2015, Jingdezhen has gradually promoted the scale and systematic development of science and technology services, enhancing its capacity in this field. The city has continuously advanced the construction of the science and technology entrepreneurship incubation chain, optimizing the development environment for service institutions, and steadily improving the ecological environment for innovation and entrepreneurship. In order to promote innovation and entrepreneurship in Jingdezhen, the Municipal Science and Technology Bureau has focused on optimizing the policy environment for technological innovation. Several documents have been issued to provide new impetus to the development of science and technology innovation in Jingdezhen.

Moreover, Jingdezhen has vigorously implemented major science and technology projects to support the development and upgrading of strategic emerging industries. The city has intensified efforts to serve strategic emerging industries, innovatively applying for and implementing various national, provincial, and municipal-level planning projects. The construction of innovative science and technology park projects is conducive to optimizing the entrepreneurial environment and accelerating the gathering of innovative and entrepreneurial talents. By leveraging the enthusiasm of enterprises to attract talent, Jingdezhen aims to accelerate and increase the pool of scientific and technological talents, thereby contributing to the development of innovation, entrepreneurship, and high-tech industries in the city.

B. Project Evaluation and Selection Process

Company Materials

JHIID will establish a Sustainable Financing Working Group (hereinafter referred to as the "Working Group"). The Working Group will assess and screen the project asset pool according to standards and manage the relevant environmental and social risks of qualified assets.

The Working Group consists of personnel from the Engineering and Finance departments. Each department is responsible for reviewing potential sustainable projects, with the Investment Director making the final project decisions. The Working Group will hold an annual meeting to discuss and select qualified sustainable projects based on the aforementioned standards. The group will establish a ledger to record the use of funds for sustainable projects. Additionally, the Working Group will update the framework based on the development of the sustainable finance market in the future.

Opinion of Lianhe Green

Lianhe Green has reviewed the Sustainable Finance Framework and other series of documents, and JHIID's policies on project assessment and screening process.

JHIID has established a comprehensive evaluation process for selecting and identifying green and socially responsible projects. Additionally, they have implemented effective communication mechanisms for project assessment and screening. Each participating department submits a list of potential projects and explains whether the nominated projects align with the green and socially responsible project categories outlined in this framework. Moreover, an assessment of environmental and social risks for potential projects will be conducted. The Working Group will be responsible for reviewing and approving potential green and socially responsible projects.

After the assessment, Lianhe Green considers that JHIID has established a relatively complete project assessment and screening system, which meets the requirements of the assessment criteria.

C. Management of Proceeds

Company Materials

The funds from each sustainable financing transaction will be deposited into a dedicated sub-account, earmarked exclusively for eligible sustainable projects. The company will maintain a ledger to track the use of funds obtained from each sustainable financing. If the specified eligible sustainable project no longer meets the eligibility criteria, the raised funds will be promptly reallocated to an alternative eligible sustainable project. The amount invested in eligible sustainable projects will be kept at a minimum equal to the total amount of funds raised from all outstanding sustainable financing instruments. Additionally, any unallocated funds earmarked for eligible sustainable projects will be temporarily invested in highly liquid and secure financial instruments.

Opinion of Lianhe Green

Lianhe Green has reviewed a series of documents such as the Sustainable Finance Framework and JHIID's policies on the management of proceeds.

JHIID will use a general fund account for the receipt, storage, transfer, and repayment of the funds raised to ensure the smooth operation of the funds in terms of deployment, utilization, and auditing. The receipt, storage, use, management, and supervision of the funds raised will strictly adhere to the relevant regulations in this framework, fulfilling the approval procedures. Additionally, the company will maintain a register to track the use of proceeds from each sustainable financing.

Furthermore, during the tenure of the sustainable financing products, the company will track and periodically adjust the balance of funds raised based on the deployment of green and socially responsible projects. It will also track and manage idle funds.

Upon assessment, Lianhe Green considers that JHIID has established a relatively comprehensive system on the management of proceeds, which is in line with the requirements of the assessment criteria.

D. Reporting

Company Materials

JHIID will make disclosures to investors or lenders (at least annually) about the use of proceeds from future sustainable bonds/loans, which will include the information set out below:

Allocation Reporting:

- the proportion of net proceeds allocated to financing vs. refinancing;
- the amount allocated to green and social projects covered by this framework, along with a basic description of the raised investment projects
- the amount of idle funds

Impact Reporting:

JHIID will disclose the impacts of qualified green and social projects. Depending on the availability of data, the disclosure will include, but not be limited to, the information below:

Eligible Project Categories	Impact Indicators
Green Building	• Green building certification level
Energy Efficiency	• Annual energy savings (in megawatt-hours or tons of standard coal) • Annual carbon dioxide emissions reduction (in tons)
Renewable Energy	• Renewable energy installed capacity (in megawatts) • Annual carbon dioxide emissions reduction (in tons)
Pollution Control	• Waste reduction or recycling volume (in tons) • Waste treatment volume (in tons)
Sustainable Water Resources and Sewage Management	• Rainwater collected and reused volume (in cubic meters) • Sewage treatment volume (in tons)
Environmentally sustainable management of biological resources and land use	• Area of green space protection, restoration, and new development (square meters)
Affordable Housing	• Number of residential units (units or square meters) • Number of individuals/families benefiting from housing subsidies (number of people or households)
Affordable Basic Infrastructure	• Number of infrastructure projects constructed/upgraded (units)
Creating Employment Opportunities	• Number of new jobs created (units) • Investment amount supporting small and micro-enterprises (billion yuan) • Number of beneficiaries (names and quantities)

Table 3: Impact Indicators

Opinion of Lianhe Green

Lianhe Green has reviewed a series of documents, including the Sustainable Finance Framework and JHIID's policy.

JHIID will regularly disclose the annual report of sustainable financing tools until the proceeds come to maturity. The annual disclosure will include information on fund utilization, as well as

the environmental and social benefits of the projects.

Upon assessment, Lianhe Green considers that JHIID has established a relatively complete information disclosure and reporting system, which meets the requirements of the assessment criteria.

Analysis of Environmental Benefits and Social Benefits

Eligible Green Project: Green Building and Energy Efficiency

Environmental Benefits

Green building is a new type of construction that does not disrupt the basic ecological balance of the environment during the construction period and consumes significantly less material and energy during operation compared to traditional buildings. It is also known as sustainable development building, ecological building, return to nature building, energy-saving and environmentally friendly building, among other terms.

Compared to conventional buildings, green buildings can use land resources more efficiently and provide relatively centralized public service facilities. They use a higher proportion of renewable and recyclable materials in the construction process, fully consider the natural conditions of the site, and set up a wind cooling system based on the principles of natural ventilation, enabling effective use of the dominant wind direction in summer. Green buildings are designed with energy-efficient lighting fixtures and corresponding smart control systems during operation. Elevators are equipped with efficient transformers, and energy-consuming devices can be equipped with variable frequency functions. Water supply is allocated based on function and region, using water-saving sanitary fixtures, designing rain and sewage diversion, employing water-saving drip irrigation, and utilizing technologies for recycled rainwater and wastewater. These measures directly or indirectly reduce energy consumption and decrease emissions of pollutants and carbon dioxide.

Buildings that have undergone energy-saving renovations meet the relevant requirements of national or local building energy efficiency standards for existing buildings and energy system renovations. Such projects are beneficial for reducing building energy consumption, saving energy, and improving and mitigating energy supply and demand conflicts. They contribute to sound insulation, dust reduction, thermal insulation, reduced operating costs, and improved indoor environmental comfort. Green lighting technologies used in energy-efficient retrofitted buildings help reduce greenhouse gas emissions, alleviate air pollution, and improve environmental quality.

Eligible Green Project: Building with Renewable Energy

Environmental Benefits

Projects in this category utilize solar photovoltaic devices installed on the roofs and walls of buildings to provide electricity to the structures. In the design of building energy, solar energy is used as a clean and renewable energy source. This type of project goes beyond the use of solar water heaters and extensively applies renewable energy to the building structure. Solar panels on the building structure absorb heat and convert it into electricity, meeting the daily power needs of the building for office or residential purposes, thus achieving energy savings and emission reduction.

Eligible Green Project: Pollution Control

Environmental Benefits

The ecological environment is closely related to people's quality of life, and a good natural ecological environment is the foundation of human survival. However, with the increasing environmental pollution problems, threats to people's living environment have emerged. Atmospheric pollution control projects, through the introduction of advanced techniques for preventing and controlling air pollution and the strengthening of atmospheric environmental monitoring, primarily aim to improve air quality. This involves reducing emissions of particulate matter, volatile organic compounds (VOCs), sulfur compounds, nitrogen oxides, and other pollutants to create a comfortable, healthy, and pleasant living environment for people. Waste comprehensive treatment projects, leveraging advanced waste treatment processes and equipment, achieve the resource utilization of waste, effectively reducing urban waste generation, and thus minimizing the burden of solid waste disposal. Such projects maximize the "reduction, reuse, and harmlessness" of waste, contributing to improved urban environmental quality, protection of the ecological environment, and significant benefits in pollution prevention, energy savings, and emission reduction.

Eligible Green Project: Sustainable Water Resources and Sewage Management

Environmental Benefits

As economic development progresses, urban populations continue to grow, and the level of urbanization increases. The issue of water scarcity has become increasingly prominent in many cities. Sustainable water resources and wastewater management projects address this challenge by constructing and installing wastewater treatment facilities and developing sewage collection networks. The aim is to improve water use efficiency to protect water resources and achieve water conservation.

These projects involve the construction of sewage treatment facilities and the establishment of sewage collection networks to enhance water usage efficiency. By implementing systems for the collection and utilization of rainwater and wastewater, these projects not only reduce the runoff of rainwater on city streets but also decrease the likelihood of pollutants from wastewater being discharged into underground water sources. This helps alleviate urban drainage pressure, enhance water supply capacity, improve water landscapes, and promote sustainable water circulation. Additionally, it effectively reduces combined sewer overflows, enhances wastewater treatment efficiency, and increases the reliability of high-quality water sources for both daily life and production.

Eligible Green Project: Environmentally Sustainable Management of Biological Resources and Land Use

Environmental Benefits

Green plants, as primary producers in the ecosystem, possess the natural physiological functions of carbon fixation and oxygen release. Carbon fixation and oxygen release play a crucial role in the material cycle and energy flow in the natural world. Specifically, projects of this nature involve planting green plants to absorb a portion of the city's heat, shade sunlight, block solar radiation, and increase humidity, facilitating the regulation of local urban microclimates and reducing the urban heat island effect.

Simultaneously, regular maintenance and care of trees and green spaces within the city, coupled with natural landscape restoration efforts, contribute to enhancing the stability of the surrounding soil structure of plant roots. This helps conserve water sources, reduce the risk of soil erosion caused by precipitation, preserve soil fertility, and prevent sediment retention and accumulation.

During heavy rainfall, these plants can also reduce wind speed and act as a barrier against rain, indirectly lowering the frequency of natural disasters and minimizing casualties. These ecological functions highlight the essential role of planting green vegetation in urban ecosystems for ecological regulation and environmental improvement.

Eligible Social Project: Affordable Housing

Social Benefits

Affordable housing is a crucial aspect of ensuring living security and improving the living conditions of low-income residents in urban areas. Accelerating the construction of affordable housing projects is of significant importance for enhancing people's livelihoods and promoting social harmony and stability. Simultaneously, expediting the construction of affordable housing projects has a strong stimulating effect on related industries. Moreover, the swift development of affordable housing projects creates favorable conditions for future consumption expansion.

Accelerating the construction of affordable housing projects not only contributes to improving living conditions but also has a substantial impact on related industries. Initiatives such as the construction of low-rent housing, the transformation of shantytown areas, and the renovation of dilapidated rural houses are effective measures for enhancing the consumption environment and conditions for urban and rural residents. These efforts will particularly benefit low-income residents by expanding their consumption opportunities.

Eligible Social Project: Affordable Basic Living Infrastructure

Social Benefits

This type of project brings convenience to residents in remote areas by constructing roads, tunnels, bridges, and other infrastructure connecting urban areas and villages. Additionally, it strengthens the connection and communication between urban and rural areas, facilitating the input and output of production materials, creating conditions for the development of nearby businesses, enhancing external connections and cooperation, and promoting business expansion. At the same time, such projects can help farmers better adapt to market demands, adjust crop cultivation and product structures, invigorate the circulation of agricultural products, and improve overall agricultural efficiency. They can also guide the reasonable clustering of rural enterprises, enhance the functions of small towns, improve rural production and living conditions, and facilitate the flow of various production factors. Furthermore, the construction of roads, tunnels, and bridges will effectively improve the transportation conditions in the surrounding areas, enhance the investment environment, and drive land development and industrial upgrading along the project route.

Eligible Social Project: Creating Employment Opportunities

Social Benefits

After the completion of projects of this type, a large number of specialized technical and managerial personnel will be required, along with ordinary workers and laborers, to address employment issues for various groups. It provides a good working platform for regional enterprises, stimulates

the development of the technology and innovation industry, and creates numerous job opportunities, playing a positive role in labor force migration and increasing employment in technology and innovation positions.

Additionally, providing microloans for small and micro-enterprises can effectively alleviate the financing difficulties and high financing costs faced by these enterprises. This support helps enhance the self-sufficiency of small and micro-enterprises, alleviates poverty, contributes to financial fairness and social equity, and promotes healthy and sustainable economic and social development.

In summary, the eligible green projects listed in this framework have significant environmental benefits, and the eligible social responsibility projects have notable social benefits.

Appendix

About Lianhe Green

Lianhe Green Development Company Limited ("Lianhe Green") was established in 2023 and is a subsidiary of Lianhe Equator Environmental Assessment Co., Ltd. ("Lianhe Equator") and Lianhe Credit Management Co., Ltd. ("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 JHIID 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 judgment on the investment values of the company's issuance.

Responsibilities

The Company
JHIID'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 JHIID. Lianhe Green will review all important data and documents, and issue conclusions. In addition, Lianhe Green will disclose information collected from JHIID and relevant parties to demonstrate whether its Sustainable Finance Framework meets the relevant requirements of the above standards.

Analytical Process

The main aspects of this assessment include the following:

- Due diligence on the persons in charge of the relevant departments to understand the key matters related to JHIID's policies and processes;
- Review the Sustainable Finance Framework developed by JHIID;
- 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.

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