

Innovative Financing Creating A Green Future

A hand is holding a small, green, moss-covered house-shaped cutout. The background is a soft-focus green field of plants. The text is overlaid on the top left of the image.

ENVIRONMENTAL PROTECTION | ENERGY |
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GREEN FINANCE

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China Securities Co. LTD

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Innovative Financing- Green Corporate Bond

01

- The Concept of Green Corporate Bond
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The Concept of Green Corporate Bond

Green Finance

Green finance refers to that the financial sector takes environmental protection as a basic policy, and considers potential environmental impact of projects when making investment and financing decisions; during daily financial business activities. It attaches importance to ecological environment protection and environmental pollution control, and through giving guidance on allocation of social and economic resources, will incorporate environmental elements into tradeoff of potential return, risk and cost, so to promote social sustainable development.

Green Corporate Bond

Green corporate bonds are an innovative bond financing instrument within the corporate bond category as regulated by China Securities Regulatory Commission, and its issuance should still meet conditions of "the Measures for Administration of Issuance and Transaction of Corporate Bonds."

The proceeds raised are mainly used to support technological transformation for energy saving and emission reduction, green urbanization, clean and efficient use of energy, development and utilization of new energy, circular economy development, water resources conservation, development and utilization of unconventional water resources, pollution prevention and control, ecological agriculture and forestry, energy saving and environmental protection industry, low-carbon industry, ecological civilization demonstration, low-carbon pilot demonstration, and other green recycling low-carbon development.



The Construction of Green Financial System

Green bonds and green asset securitization products show an obvious nature of social welfare. Previously, due to no impressive profitability and no explosive growth, the capital market was cool toward green bonds. Now with the gradually improved green financial system, it incites the enthusiasm of investors to invest financial capital into the green industry.

On March 16, 2016, the Shanghai Stock Exchange officially released "**Notice on Launching the Pilot of Green Corporate Bonds**", and on April 22, 2016, the Shenzhen Stock Exchange issued "**Notice on Launching the Pilot of Green Corporate Bonds**" to actively guide the two Exchanges' bond segments to support development of Green industry. The Exchanges will jointly mark green corporate bonds, encourage qualified institutional investors to invest; and in the same time, encourage the relevant government departments and local governments to introduce more preferential policies to jointly help develop the green bond market.

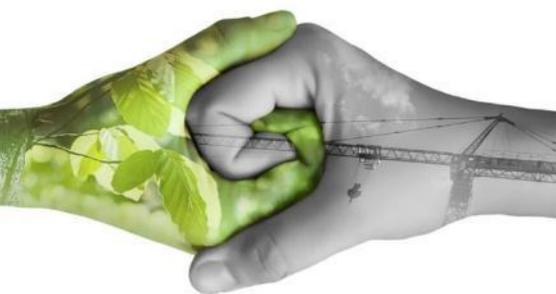
On March 2, 2017, China Securities Regulatory Commission issued the "**The Guidance of China Securities Regulatory Commission on Supporting Development of Green Bonds**", guiding securities exchanges to adhere to development concept of "innovation, coordination, green, open and sharing", and to further serve healthy and orderly development of the green industry, so to help restructuring of the economy and upgrading of China's economic development mode.



Scope of Green Project

According to "Notice on Launching the Pilot of Green Corporate Bonds", the "Guidance of China Securities Regulatory Commission on Supporting Development of Green Bonds", and the "Catalog of Green Bond Supportive Projects (2015)";

the following projects will enjoy preferential policies:



II. Pollution prevention and control

Pollution prevention and control; environmental restoration; coal cleaning and use



IV. Clean transportation

Rail transport; urban rail transit; public passenger transport of urban and rural road transportation; waterway traffic; clean fuel; new energy vehicles; and Internet applications in transportation field



VI. Ecological protection and climate adaptation

Protection and development of natural ecological and tourism resources; ecological agriculture, animal husbandry and fishery; forestry development; disaster emergency prevention and control

I. Energy conservation

Industrial energy conservation; sustainable buildings; energy management center; and energy-saving urban and rural infrastructure construction



III. Resource conservation and recycling

Water conservation and use of non-conventional water resource; redevelopment and comprehensive utilization of mine tailings and associated mines; recycling and resource utilization of industrial solid waste, waste gas, and waste liquids; recycling and processing of renewable resources; remanufacturing of mechanical and electrical products; and recycling of biomass resources

V. Clean Energy

Wind power generation; solar photovoltaic power generation; smart grid and energy Internet; distributed energy; solar thermal utilization; hydroelectric power; other new energy use

Advantage of Green Corporate Bond



Advantage of policy support

Stock exchanges research and publish **green corporate bond index**, expand the influence of green corporate bond market, and encourage and support local governments to use preferential policies of interest discounts, fiscal subsidies, and establishment of green corporate bond investment funds and others to support development of green corporate bonds. The Securities Association of China shall regularly issue the "**Green List of Public Welfare**" as an important part in classified evaluation of social responsibility of securities companies.



“One-on-one reception, special review”

“Swift review” policy is created for issuer application to issue green bonds. The exchanges set up a professional review team for reviewing issuance of green corporate bonds, establish a fast track for acceptance and pre-review of green bond issuance application, and improve efficiency in green bond issuance reviewing, listing or transfer.



High Potential in financing needs

The planning objectives of the 13th Five Year Plan pointed out that every year the investments in the environmental protection, energy and other areas will need at least RMB 2 trillion Yuan, and by 2020, the total investment demand will reach 5 trillion, showing a great financing demand. Green bond market has a huge potential for the green industry to shift from indirect financing to direct financing.



Enhance issuer's reputation and visibility, to broaden their financing channel

Through the issuance of green corporate bonds, enterprises can fully display their environment-friendly and sustainable development image to the domestic and foreign markets; and green corporate bonds provide a high-quality reliable financing tool for direct financing of China's green industry.





02

Review of Green Bond Market

- Epoch of the Green Finance 2016
- Innovative products surge in endless stream
- Statistics of Green bond issuance



Epoch of the Green Finance 2016

Primary market

2016 is a year of the epoch of the Green Finance, while in 2015, China's green bond market was still in its infancy. But in 2016 in the territory, the market has issued about 200 billion Yuan of green bonds, and outside the country, issued green bonds with amount equivalent to 30 billion Yuan, totally RMB 230 billion that accounted for 40% of the green bond issuance globally for the same period, and turned the country becoming the world's largest green bond market.

Secondary market

In 2016 in the territory, China's green "labeled" bonds traded in the secondary market amounted to RMB165.45 billion Yuan. Green financial bond has become a main variety in the secondary bond market. In terms of transaction activity, among the listed green bonds, 77% saw spot transactions in the secondary market.

Capital investment and environmental benefits

In 2016, among the 49 green "labeled" bonds issued in the territory, a total of 17 bonds clearly disclosed expectations of environmental benefits. The proceeds can produce environmental benefits [1] that can be expected to at least achieve savings of 7,440,000 tons a year in standard coal, reduction of carbon dioxide emissions 18,020,000 tons / year, reduction of sulfur dioxide 4308 tons / year, reduction of nitrogen oxides 2,470 tons / year, reduction of chemical oxygen demand (CODCr) 63,805 tons / year, and reduction of Oxygen (BOD5) use 29,425 tons / year.

Issue spreads

Over 60% of green bonds have shown advantages in issuing cost, and the cost advantage for high-credit enterprises is particularly obvious. In 2016, among the green "labeled" bonds, more than 60% showed narrower issuance spreads as compared with traditional bonds, with the average 19.3bp, and high credit showed a more prominent cost.



Diversified Innovative products



First green corporate bond

In May 2016, Zhejiang Jiahua Energy & Chemical Co., Ltd. issued the 2016 green corporate bonds (the phase 1), with the coupon rate of 4.78%, and the issuer rating AA.



First green panda corporate bond

In August 2016, Beijing Enterprises Water Group Limited made public offering of green corporate bonds to raise funds RMB 700 million Yuan, with the bond maturity period of 8 years. China Securities Co. LTD is served as the main underwriter, and Syntao Green Finance as the third party certifier. The coupon rate is 3.25%, and the issuer rating and debt rating are AAA.



First green renewable medium-term notes

In May 2016, Zhejiang Goldwind Energy & Chemical Co., Ltd. issued the green renewable corporate bonds (the first such issue domestically) for domestic interbank market, which enriched product option varieties for medium and long-term investors, and to some degree help solve the problem of mismatch of green project funding period, and reduce the green issuer financing costs.



First green renewable corporate bond

In September 2016, the renewable corporate green bonds of Beijing Enterprises Water Group Limited has raised \$ 2.8 billion with an issue interest rate of 3.68%.



First "green bond/debt/fund combination" medium - term notes

In October 2016, Wuhan Metro issued the first medium-term notes of "green bond/debt/fund combination" - "16 Wuhan Metro GN002" that through collectively designing and integrating bonds, loans and equity funds, arranging funding sources, proceeds use and repayment, and through special account closed management, strengthened the mechanism of credit enhancement for the Note, and improved security and efficiency of the raised funds.



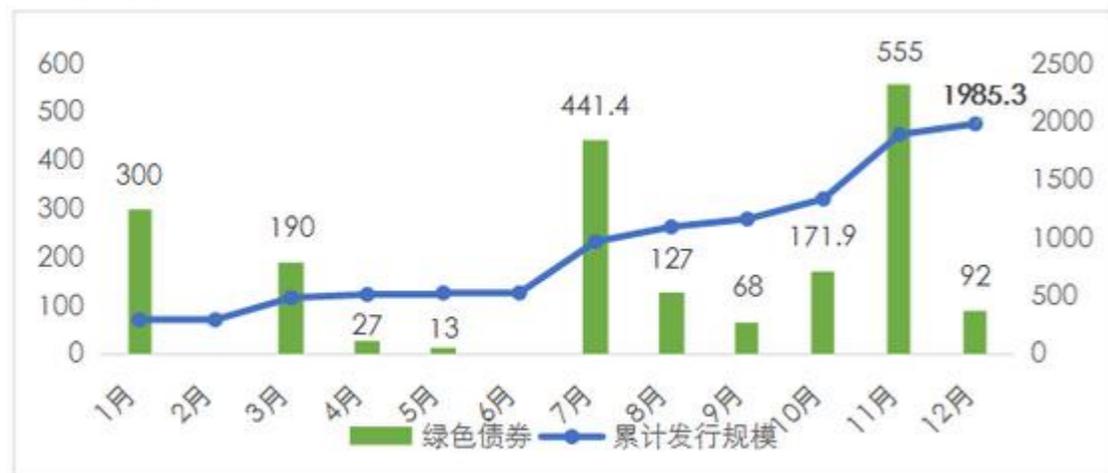
First Green ABS in the water and electricity industry

In November 2016, "Huatai Asset Management - Special plan of Green ABS of Grid charging rights of Gezhouba Hydropower" was successfully issued, making it become the first green ABS in the water and electricity industry in the country. The underlying assets are grid power charging rights for the future specific period, and the plan become the "Double greens" products for the ends of assets and fund use .



Statistics of Green Bond Issuance- 2016 Overall

Monthly Issuance Size of China's Green-labelled Bonds



In 2016, the overall size of the newly issued bonds was RMB B36.3 trillion, in which the scale of green bonds issued only took a small proportion of 0.55%, showing a great room for its development in the future.

Number and Size of Green Bonds Issued in Domestic Market in 2016

发行市场	发行数量	数量占比	发行规模	规模占比	单只规模
银行间	30	61.20%	1662	83.70%	55.4
交易所	14	28.60%	182.4	9.20%	13.0
跨（银行间上海）	3	6.10%	125	6.30%	41.7
跨（银行间+深圳）	2	4.10%	15.9	0.80%	8.0
总计	49	100%	1985.3	100%	40.5

Number and Size of a Variety of Green Bonds Issued in Domestic Market

债券类型	债券数量	数量占比	债券规模	规模占比	平均单只债券发行规模
绿色金融债	22	44.9%	1580.0	79.6%	71.8
绿色公司债	14	28.6%	182.4	9.2%	13.0
绿色企业债	5	10.2%	140.9	7.1%	28.2
绿色中期票据	7	14.3%	77.0	3.9%	11.0
绿色PPN	1	2.0%	5.0	0.3%	5.0

Bonds are varieties, and financial bonds and corporate bonds are the main types of issuance. In 2016, the number of financial bonds issued was 22, and the number of green corporate bonds issued was 14.

Statistics of Green Bond Issuance- 2017 Overall

Bond Type	Issuances	% of Number	Amount (In RMB 100m)	% of Nominal Value
Financial bonds	33	28.70	874.00	59.33
Enterprise bonds	16	13.91	243.60	16.54
Corporate bonds	15	13.04	178.75	12.13
Mid-term Notes	8	6.96	81.00	5.50
Short- term financing note	2	1.74	12.00	0.81
ABS	41	35.65	83.74	5.68
Total	115	100.00	1,473.09	100.00

Notes: The above data is between the January 1, 2017 to September 10, 2017

Since the beginning of 2017, green bonds continued the momentum of issuance of the previous year, with 33 green financial bonds issued, an increase of 11 over the previous year; 16 green enterprise bonds issued, an increase of 9 over the previous year; 15 corporate bonds issued, an increase of one. Green asset-backed securities increased rapidly in 2017, with 41 issued from January 1 to September 10, 2017.



Statistics of Green Bond Issuance- Corporate bonds

As of September 10, 2017, China's bond market issued a total of 31 green corporate bonds, with total amount of 37.015 billion Yuan raised, including 7 private equity bonds, 24 small public offering corporate bonds, and 1 panda corporate bond. The duration of the bonds is mainly medium- long term, mainly because the construction period of the raised investment projects is relatively long.

Short name of the bond	Date of issue	Nominal Value at Issue (In RMB 100m)	Coupon rate (%)	Term (years)	Rating of the issuer at the issuance	Sector
16神雾债	2016-01-27	5.00	7.90	3	AA-	Business services and supplies
G16嘉化1	2016-05-20	3.00	4.78	3+2	AA	Chemical engineering
16天顺01	2016-06-21	4.00	5.00	3+2	AA	Electrical equipment
G16能新1	2016-07-08	11.40	2.95	3+2	AAA	Independent Electricity Manufacturer and Energy Trader III
G16北控1	2016-08-01	7.00	3.25	5+3	AAA	Water business III
G16节能1	2016-08-16	10.00	2.89	3+2	AAA	Comprehensive III
G16节能2	2016-08-16	20.00	3.13	5+2	AAA	Comprehensive III
G16三峡2	2016-08-26	25.00	3.39	10	AAA	Electricity power III
G16三峡1	2016-08-26	35.00	2.92	3	AAA	Electricity power III
G16北Y1	2016-09-12	28.00	3.68	5	AA+	Water business III
G16唐新1	2016-09-14	10.00	3.50	3+2	AAA	Independent Electricity Manufacturer and Energy Trader III

Statistics of Green Bond Issuance- Corporate Bond (TBC)

Short name of the bond	Date of issue	Nominal Value at Issue (In RMB 100m)	Coupon rate (%)	Term (years)	Rating of the issuer at the issuance	Sector
G16节能4	2016-09-22	15.00	3.55	10	AAA	Comprehensive III
G16节能3	2016-09-22	5.00	3.11	5+2	AAA	Comprehensive III
G16唐新2	2016-09-26	5.00	3.15	5	AAA	Independent Electricity Manufacture and Energy Trader III
G16博天	2016-10-11	3.00	4.67	3+2	AA-	Business services and supplies
G16唐新3	2016-10-19	5.00	3.10	5	AAA	Independent Electricity Manufacture and Energy Trader III
17东江G1	2017-03-09	6.00	4.90	2+1	AA	Business services and supplies
G17龙源1	2017-05-12	20.00	4.90	3+2	AAA	Independent Electricity Manufacture and Energy Trader III
G17首Y1	2017-05-25	10.00	5.50	3	AAA	Water business III
G17华电1	2017-06-07	20.00	4.80	3+2	AAA	Electricity power III
G7云水Y1	2017-06-29	12.00	7.00	3	AA+	Water business III
G17华电3	2017-07-18	5.00	4.64	5+5	AAA	Electricity power III
G16节能4	2016-09-22	15.00	3.55	10	AAA	Comprehensive III
G16节能3	2016-09-22	5.00	3.11	5+2	AAA	Comprehensive III

Statistics of Green Bond Issuance- Corporate Bond (TBC)

Short name of the bond	Date of issue	Nominal Value at Issue (In RMB 100m)	Coupon rate (%)	Term (years)	Rating of the issuer at the issuance	Sector
G17华电2	2017-07-18	10.00	4.42	3+2	AAA	Electricity power III
G17丰盛1	2017-07-19	20.00	7.50	2+1	AA	Architecture and Engineering
17协鑫G1	2017-07-25	3.75	7.50	2+1	AA+	Electricity power III
17水务02	2017-07-31	13.00	5.20	3+2	AAA	Water business III
G17三峡1	2017-08-11	35.00	4.56	3	AAA	Electricity power III
G17华电4	2017-08-16	15.00	4.55	3+2	AAA	Electricity power III
G17启迪1	2017-08-18	3.50	6.10	3+2	AA+	Comprehensive III
17蒙草G1	2017-08-31	2.50	5.50	2+1	AA	Business services and supplies
G17风电1	2017-09-06	3.00	4.83	3+2	AA+	Electricity power III





03

Innovative Cases of Green Bond

- First Green Renewable Corporate Bond - G16北Y1
- First green panda corporate bond——G16北控1
- First Green ABS of the water and electricity industry ——G葛洲坝



First Green Renewable Corporate Bond G16北Y1 - Issuance elements

Bond elements	Main Elements
Bond Name	Green Renewable Corporate Bond (Phase 1), Beijing Enterprises Water Group Limited
Short name of the bond	G16北Y1
Issuer	Beijing Enterprises Water Group Limited
Date of issue	Sep. 12, 2016;
Bond category and term	5y+N
Offering Size	RMB 2.8billion
Third party certification body	Syntao Green Finance
Use of proceeds	The proceeds after deducting the issuance expenses will be used for green projects that meets the “Catalog of Green Bond Support Projects” compiled by the Green Finance Committee and are approved by Shanghai Stock Exchange and the Green Project Certification Body - The Waste processing plant construction project at Zhangyizhan Town (Xinmin Tuen), Shenyang Economic and Technological Development Zone and the construction project of Chengdong Sewage Treatment Plant at Chibi City.
Place of Listing	Shanghai Stock Exchange
Coupon Rate	3.68%
Rating of the bond/ issuer	AAA/AA+
Capital raising and use	Implement a system that uses special account to manage the raised funds. It will set up a separate special fund use account and debt repayment account at the supervised banks. After issuance of the green bonds, the funds raised will be credited to the company’s special fund use account, and be accounted in accordance with the relevant rules.



First Green Renewable Corporate Bond G16北Y1- Innovative advantages

Innovative advantages = green + renewable

- Renewable corporate bonds, referred as “perpetual bond” in overseas countries, refers to a credit bond that does not preset maturity day and gives issuers the option to renew the bond or not.
- Renewable corporate bonds generally set terms such as the issuer option to renew, interest deferred payment, interest rate hiking mechanism, event of mandatory interest payments, and restrictions in case of interest deferred repayment and so on.
- Compared with ordinary corporate bonds, renewable corporate bonds issued may be included in the owner's equity due to the partial equity nature of the renewable corporate bonds.
- Requirements on Issuers: AA + / AAA; **Projects: green projects that meet relevant provisions.**

Green + high rating = high market acceptance

➤ The credit of issuers of the renewable corporate bonds is higher and receives high market recognition, coupled with the “green” dual concept, the issue cost is expected to be further reduced. Coupon rate of G16 North Y1 is 3.68%.

4

Meet the green project needs

➤ The maturity of the renewable corporate bond is flexible that gives the issuer an option to renew, avoiding the repayment pressure when the bond comes mature, and increasing the flexibility of financing and investors’ willingness to invest, and better matching the feature of green project’s

long term investment and construction.

1

Reduce the enterprise asset-liability ratio; help green development

➤ Green projects tend to be long-term, large in debt financing, and slow in return, leading to higher ratio of corporate debt. Renewable corporate bonds as have both characteristics as a debt and a stock can provide long-term financial support, reduce the level of corporate debt-to-assets ratio, and improve corporate capital structure.

Innovative advantages = green + renewable

2

Protect the rights of shareholders while carrying forward the green course through to the end

➤ Renewable corporate bonds as a substitute for the stock will not be converted into shares, nor have the right to vote. While helping enterprises to achieve financing, it will not dilute the share capital, and weaken the major shareholder’s control of the enterprise.

3

First green panda corporate bond——G16北控1 - Issuance elements

Bond elements	Main Elements
Bond Name	2016 green corporate bonds of public issue, Beijing Enterprises Water Group Limited
Short name of the bond	G16北控1
Issuer	Beijing Enterprises Water Group Limited (Listed in HK)
Lead underwriter	China Securities Co. LTD
Date of issue	Aug. 2, 2016
Bond category and term	8 years, with the caveat that by the end of the fifth year, the issuer can opt to adjust the coupon rate and the investors opt to sell the bond
Offering Size	RMB 700 million
Third party certification body	Syntao Green Finance
Use of proceeds	The proceeds after deducting the issuance expenses will be used for green projects that meets the “Catalog of Green Bond Support” compiled by the Green Finance Committee and are approved by Shanghai Stock Exchange and the Green Project Certification B demonstration project of Luoyang water system comprehensive renovation
Place of Listing	Shanghai Stock Exchange
Coupon Rate	3.25%
Subscription multiple	4.72
Debt credit rating	AAA
Capital raising and use	Implement a system that uses special account to manage the raised funds. It will set up a separate special fund use account and debt account at the supervised banks. After issuance of the green bonds, the funds raised will be credited to the company’s special fund use account and be accounted in accordance with the relevant rules.



First green panda corporate bond——G16北控1 -Issuance elements



Issuer —— Beijing Enterprises Water Group Limited

Beijing Enterprises Water Group Limited is a large water management group company with core competitiveness in the country. It is principally engaged in the construction of sewage and water treatment plants, sewage treatment, water treatment and water supply, technical service, and authorized use of technical knowledge on sewage treatment. The issuer is a state-owned holding company listed on the Hong Kong Stock Exchange.

Projects of Green Bond

Name of Project	Category 1	Category 2	Category 3
The demonstration green project of Luoyang water system comprehensive renovation	Pollution prevention and control	Pollution prevention and control Environmental restoration works	Facilities construction & operation Project implementation
	Ecological protection and climate adaptation	Natural ecological protection and protective development of tourism resources	Facilities construction & operation



Third party verification

1. When issuing bonds, it hired an experienced and accredited third-party verification body to carry out greenness certification, to ensure that the green project decision-making process and funding management are in line with the requirements of relevant standards; the environmental and social impacts of the selected projects are in line with the expectations of investors; and proceeds that the Bonds raise will all flow to the green projects.
2. During existence of the bond, an experienced and accredited third-party verification body will issue annual certification report in regards to proceeds usage raised by the green corporate bonds, and track and evaluate green projects and environmental benefits.



First green panda corporate bond——G16北控1-Issuance Procedure



The issuance process of green corporate bonds refers to the common corporate bonds process



<ul style="list-style-type: none">Establishes A Bond Working Group of the Issuer companyNames intermediariesThe board of directors passes a resolutionShareholders' meeting passes the resolution to issue corporate bonds and authorize the Board of Directors	<ul style="list-style-type: none">Issue a list of due diligenceThe issuer provides the materialsProduces the application materialsThe intermediaries complete the internal reviewsSubmits the application materials to the Exchange	<ul style="list-style-type: none">Exchange' s acceptance, feedback, and replyGet the Exchange' s pre-review opinion /No-action letterApply to the Bond Department of the Securities and Exchange CommissionChina Securities Regulatory Commission issues an approval document	<ul style="list-style-type: none">Issuing planNames an underwriting syndicateInquiry, to determine the coupon rate rangeBookkeeping / subscriptionRaised funds are transferred to the issuer accountSubmit a listing applicationTransfer at the Exchange marketBond listing / trading
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Preparatory stage

Application material creating stage

Review stage

Listing stage



First green panda corporate bond——G16北控1 -Issuance Materiance

Material Creator	Main materials for application
Issuer	Articles of association and licence
	The issuer's audit reports for the last three years, as well as its latest financial reports
	Relevant documents on usew of raised funds of corporate bonds
	Proposal to the Feasibility Study Report of Green Investment Project
	Reply/Proposal to the Environmental Impact Statement of Investment Projects
	Resolutions of the issuer's Board of Directors and the shareholders 'meeting
Credit rating agency	Rating report
Lead underwriter: China Securities Co. LTD	Brochure of Green corporate bond
	Bondholders' meeting rules
	Bond trust management agreement
Law Firm	Legal opinion
Third party certification body	Assessment opinion or certification report on whether or not the proposed Investment Projects belong to green industry.

First Green ABS of the water and electricity industry —— Issuance elements

Bond elements	Main Elements
Bond Name	Huatai Asset Management - Special plan of Green ABS of Grid charging rights of Gezhouba Hydropower - G 葛洲坝
Bond Type	ABS under China Securities Regulatory Commission
Originating	Gezhouba (Group) Corp.
Issuer/Manager	Huatai Asset Management (Shanghai)
Date of issue	Nov. 23, 2016
Bond category and term	-
Offering Size	RMB 800 million
Third party certification body	Beijing Zhongcai Green Finance Consulting Co. LTD
Type of underlying assets	Grid charging rights
Use of proceeds	Hydropower station refinancing
Place of Listing	Shanghai Stock Exchange
Coupon Rate	G葛洲坝1: 3.2%; G葛洲坝2: 3.2%; G葛洲坝3: 3.45%; G葛洲坝4: 3.50%; G葛洲坝5: 3.6%;
Debt credit rating	AAA



First Green ABS of the water and electricity industry ——G葛洲坝--

Innovative features

Securitization stratification ——G葛洲坝

Grade/ Varieties	Expected Terms	Size (In RMB 100m)	Percentage %	Actual rate of return (%)
A1	1y	1.5	18.75	3.2
A2	2y	1.5	18.75	3.3
A3	3y	1.5	18.75	3.45
A4	4y	1.5	18.75	3.50
A5	5y	1.6	20.00	3.60
Subordinated	5y	0.4	5.00	-
Total	5y	8.00	100.0%	-
Green project	Hydropower station refinancing			

Features of stratification design - Designing stratification elements is based on green project revenue characteristics

In regards to the green project revenue, when in designing transaction structure of asset securitization product for the company, it reduces the risk of securities issuance to the lowest level, under the premise of optimization of the financing costs and capital consumption:

✓ **Best optimization of Financing cost = According to the green project asset quality, the company can flexibly adjust the funding size of each grade to adjust issuance costs.**

According to the assets the company pooled, it can flexibly adjust the thickness of each layer, the way of reimbursement, interest rate and other factors; To achieve optimal financing costs while considering the market dynamics.

✓ **Best optimization of capital = According to the funding period of green project, reasonably reserves capital.**

By looking at the company's actual needs, the company may reasonably arrange the stratification design, to provide a risk retention program that is with least amount of risk capital deployed.

✓ **The lowest level of risk = ABS innovative design to provide assurance for the green project**

The Original Beneficiary is paid with the difference (The left part after repayment of bonds), and plus the external guarantees, the risk is reduced to lowest level.



04

Outlook of Green Bond Market



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Outlook of Green Bond Market

Under the guidance of the national top design, we firmly believe that:



The Green bond regulatory system will be increasingly improved - green finance "infrastructure" constantly get improved

Financial institutions in the process of green finance development should be equipped with the supporting regulatory system. The formulation and improvement of relevant implementation details will provide a fertile ground for development of green bonds;



Intermediary services will be more standardized - to be more successful in matching the investment side and the financing side

The intermediary services of third-party green certification assessment, green bond credit rating, bond underwriters and other intermediary will be more standardized, to actively play the role of market guidance;



Green innovative products will surge - adapt to the market

Should the green finance better serve the green industry, it should match the green industry model to constantly introduce new innovative varieties, innovate product structure, reduce risk and increase liquidity.

As the lead underwriter, we will have the courage to assume social responsibilities to explore how to establish a sound green bond market and explore new financing models, sparing no effort to leverage social capital to better serve the green industry development! We will be more proactive to help companies find green projects, promote green financing programs, and tackle challenges and difficulties, to contribute to the green finance!



A hand is holding a small, green, moss-covered house-shaped cutout. The background is a soft-focus green field of plants. The text "Thank you for listening!" is overlaid in a dark green font.

Thank you for listening!

ENVIRONMENTAL PROTECTION | ENERGY |
GREEN CITY | ECOLOGICAL ENVIRONMENT |
GREEN FINANCE

China Securities Co. LTD