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As the growing demand for financing a global transition into green economies gathers pace, green bonds have become a source of significant growth within the global bond market and their gross issuance continues to rise.

In support of the promotion of green finance and green bonds, we are pleased to publish our green bond guide. We hope that it will help to encourage sustainable practices within the Hong Kong market and across the Asian time zone, more broadly.

隨著全球向綠色經濟轉型融資的需求不斷增長，綠色債券成為推動全球債券市場發展的重要力量，其總發行量持續上升。

為了支持綠色金融和綠色債券的推廣，我們很高興發布綠色債券指南。我們希望這將有助於更廣泛地鼓勵香港市場和整個亞洲時區的可持續發展實踐。

1. INTRODUCTION OF GREEN BOND

綠色債券簡介

There is significant financing demand for supporting the global commitment towards the transition into green economies. These green projects usually have long investment periods and unique cash recovery cycles.

With this momentum for green finance, green bonds have become a source of significant growth within the global bond market and their gross issuance continues to rise.

Green bonds are one of the major tools to cater for the needs of green borrowers and investors, indicating potentially new ones, for reasonable funding costs and enhanced environmental disclosure. However, the definition of the “green” element differs around the world and there is no unified international standard. Green labels are usually verified through external reviews by a wide range of reviewers.

Green bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing eligible green projects and which are aligned with the four core components of the green bond principles outlined below.

全球綠色經濟對資金的需求日益提高，綠色債券成為金融市場重要工具，用於支持綠色項目資金籌措，提供長期投資及低風險回報。

綠色債券是滿足綠色借款者及投資者需求的重要工具之一，能為綠色項目提供資金支持及環境信息披露，以緩解全球資金難題。

綠色債券主要推動資金到位，用於支持現有及新興可持續項目。綠色債券原則需符合四大核心原則。

1.1 GREEN BOND PRINCIPLES ("GBP")

綠色債券原則

The GBP are voluntary process guidelines developed by International Capital Market Association (ICMA) that recommend transparency and disclosure and - underwriters, placement agents and others may use to understand the characteristics of any given green bond. The GBP emphasise the required transparency, accuracy and integrity of information that will be disclosed and reported by issuers to stakeholders.

緑色債券原則（GBP）

GBPs是國際資本市場協會（ICMA）發展的自願指導原則，建議提高透明度及披露，並建議承銷商、款項代理等使用於了解不同綠色債券的特點。GBPs強調所需披露及報告的透明性、準確性及真實性。
The GBP have four core components

Use of Proceeds

Process for Project Evaluation and Selection

Management of Proceeds

Reporting

Use of Proceeds

All designated green projects should provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer. The GBP explicitly recognises a broad range of categories for green projects, which contribute to environmental objectives such as: climate change mitigation, climate change adaptation, biodiversity conservation, and pollution prevention and control.

Process for Project Evaluation and Selection

The issuer of a green bond should clearly communicate to investors:

- the environmental sustainability objectives;
- the process by which the issuer determines how the projects fit within the eligible green projects identified above;
- the related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the projects.

Issuers are encouraged to position this information within the context of the issuer’s overarching objectives, strategy, policy, and/or processes relating to environmental sustainability. Issuers are also encouraged to disclose any green standards or certifications referenced in project selection. The GBP encourages a high level of transparency and recommends that an issuer’s process for project evaluation and selection be supplemented by an external review (see the table in section 2.3).

Management of Proceeds

The net proceeds of the green bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, and attributed to by the issuer in a formal internal process linked to the issuer’s lending and investment operations for green projects. So long as the green bond is outstanding, the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible green projects made during that period. The issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds.

Reporting

Issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments. The annual report should include a list of the projects to which green bond proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the GBP recommends that information is presented in general terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories). Transparency is of particular value in communicating the expected impact of projects. The GBP recommends the use of qualitative performance indicators and, where feasible, quantitative performance measures, and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination. Issuers with the ability to monitor achieved impacts are encouraged to include those in their regular reporting.
2. HONG KONG GREEN BOND MARKET FACILITATION
促进香港綠色債券市場

2.1 PROMOTION
推廣

Hong Kong Green Finance Association (HKGFA) brings together the talents and expertise of financial institutions and green businesses in Hong Kong. The aim and mission of the HKGFA is to gather industry experts and provide policy suggestions to the Government of the Hong Kong Special Administrative Region of the People's Republic of China (the "Government") and other regulators in developing green finance in the city. The HKGFA will promote concepts of green finance and green investment. In addition, the association will lead research and development of green finance products, methodologies and tools. The HKGFA will arrange local and international events creating sharing platform for financial organisations for incorporation of green finance and green investments in Hong Kong, Mainland China and Belt and Road Initiative, positioning Hong Kong to become a major international green finance centre.

The HKGFA believes that Hong Kong occupies a unique position to become a pioneer of green finance. The development of green finance in Hong Kong provides a great opportunity for the city to further grow its bond and project finance markets. These developments would ultimately increase the need for talent, providing opportunities in developing investment management, derivatives, insurance and private equity industries. The HKGFA will serve as a hub for raising green capital, promoting the development of a Hong Kong green finance market through an increase in diversified green investment products, meeting the demands of both green businesses and investors.

2.2 CERTIFICATION
認證

Hong Kong Quality Assurance Agency (HKQAA) has developed the Green Finance Certification Scheme (GFCS) to provide third-party certification for issuers as highlighted in the Policy Address 2017/18, providing more clarity on green labelling and increase alliance with international standards. The HKQAA standards (see below) make reference to the Mainland’s national standards and a number of international standards on green finance. The HKQAA certification can be issued at stages of pre-issuance and post-issuance and the certified green bonds are displayed at the HKQAA’s website on green finance. The pre-issuance certification validates the adequacy of the environmental methodology statement as of the date of certification while the post-issuance certification verifies the continuous implementation and effectiveness of the environmental methodology statement.

Types of Certification 認證類別

- Pre-issuance stage certificate - requires validation of the adequacy of the environmental methodology statement in producing positive environmental effects.
- Post-issuance stage certificate - requires verification of the continuous implementation and effectiveness of the environmental methodology statement regarding the proposed positive environmental effects.

HKQAA Makes Reference to International Standards 香港品質保證局參考國際標準

HKQAA has developed the GFCS with reference to a number of widely recognised international and national standards on green finance, including:
- Clean Development Mechanism (CDM) under the United Nations Framework Convention on Climate Change (UNFCCC);
- GRI of the ICMA;
- The People’s Bank of China Announcement No. 39 and its Annex - green bond endorsed project guidelines; and
- ISO 26000:2010 guidance on social responsibility.


ISO 26000:2010附錄在社責任指針。
Benefits of Certification 認證的效益

- Enhances the credibility of and stakeholder confidence in green financial instruments via independent, imperial third-party conformity assessments;
- Reaches out to potential green finance investors with the aid of the green finance certificate and certification mark;
- Demonstrates issuers' efforts to promote environmentally friendly investment; and
- Promotes a common understanding of green finance.

2.3 GOVERNMENT INCENTIVES 政府的鼓勵措施

The Government has provided two supportive schemes, the Green Bond Grant Scheme ("GBGS") and the Pilot Bond Grant Scheme ("PBGS"), to help issuers alleviate their high funding costs. In addition, the Government has launched one of the largest sovereign green bond issuance programmes in the world.

2.3.1 Green Bond Grant Scheme 綠色債券资助計劃

The Government launched the GBGS in June 2018 to subsidise eligible green bond issuers in obtaining certification under the GFCs established by the HKMQA.

The full cost of obtaining certification under the GFCs for eligible green bond issuers will be granted, up to a maximum of HK$800,000 per bond issuance. First-time and repeated issuers are eligible for a green bond rank of ten issues issued and listed in Hong Kong, and denominated in any currency at a minimum size of HK$500 million (or the equivalent in foreign currency), are welcome to apply. The GBGS will be valid for a period of three years.

Eligibility criteria 合資格條件

- Certification obtained from the HKMQA under its GFCs.

Issuing Arrangement 發行條款

1. Issued in Hong Kong 在香港發行

- Majority of bond issuing activities takes place in Hong Kong; and
- Being a listed issuer in Hong Kong.

2. Listed in Hong Kong 在香港上市

- Listed on The Stock Exchange of Hong Kong Limited ("SEHK") and/or ChiNext Market Limited ("CNEK") (if applicable);
- A green bond is denominated in Hong Kong "currency" (except for bond issues denominated in foreign currency).

Validity of the GBGS 綠色債券計劃有效期

5 years 5年

How to Apply 如何申请

Applicants are encouraged to apply for the GBGS in June 2018 to obtain certification under the GFCs established by the HKMQA.
Pilot Bond Grant Scheme (PBGS) 债券资助先导计划

PBGS was released in May 2018 to incentivize new bond issuers in Hong Kong. The eligibility criteria for getting a grant include first-time issuers (i.e., no bond issuance in Hong Kong in the past 5 years from May 2013), a minimum issue size of HK$15 billion with Hong Kong as the place of issuance and listing (Unlisted bonds lodged with and cleared by CMA are also eligible for PBGS). The grant will cover 50% of the issuance expenses with a cap of HK$25 million for an issue rated by qualified credit rating agencies or HK$25 million otherwise. The subsidy can be claimed twice up to the total grant for each issuer. The PBGS will be valid for a period of three years. For the grant bond issue who applied PBGS, they can also apply PBGS to cover other eligible expenses indicated in the scheme.

Eligibility criteria 合资格条件

<table>
<thead>
<tr>
<th>Issues</th>
<th>Details</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Time Issuer 首次发售公司</td>
<td>Eligible issuers must be first time issuers, which are issuers that have not issued bonds in Hong Kong in the five-year period between 10 May 2013 and 9 May 2018, both days inclusive.</td>
<td></td>
</tr>
<tr>
<td>Eligible Issue 合资格债券</td>
<td>Eligible issuers must satisfy the following criteria:</td>
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<tr>
<td></td>
<td>* being issued in Hong Kong;</td>
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<tr>
<td></td>
<td>* having an issuance size of at least HK$15 billion (or the equivalent in foreign currency);</td>
<td></td>
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<tr>
<td></td>
<td>* being lodged with and cleared by the HKMA in its entirety or being listed on the SEHK; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* being issued on or after the HKMA’s approval.</td>
<td></td>
</tr>
<tr>
<td>Grant Amount 发行费用资助</td>
<td>The grant amount for each bond issue is equivalent to half of the eligible issuance expenses, up to the following limits.</td>
<td></td>
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<tr>
<td></td>
<td>* HK$25 million where the bond’s issue or its guarantor(s) possesses a credit rating by a rating agency recognized by the HKMA; or</td>
<td></td>
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<tr>
<td></td>
<td>* HK$25 million where none of the bond’s issue or its guarantor(s) possesses a credit rating by a rating agency recognized by the HKMA.</td>
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</tbody>
</table>

Eligible expenses 合资格开支

- Fees to Hong Kong-based arrangers 香港包销商的费用
- Fees to Hong Kong-based legal advisors 香港法律顾问的费用
- Fees to Hong Kong-based auditors and accountants 香港会计师事务所的费用
- Fees to Hong Kong-based rating agencies 香港评级机构的费用
- In the case of green bonds, fees to Hong Kong-based external green reviewers 绿色债券情况下，香港外聘的绿色顾问的费用
- SEHK listing fees 香港联交所上市的费用
- CMU lodging and cleaning fees CMU入境及清洁费用

Validity of the PBGS 债券资助先导计划有效期

3 years 三年
2.3.3 Sovereign Green Bond Issuance Programme

The Government has launched one of the largest sovereign green bond issuance programmes in the world. According to the Budget 2018/19, the programme set the maximum of HK$30 billion for green bonds issued by the Government. The proceeds can be used to fund green public works. The first batch of inaugural green bond under the Government green bond programme was issued in May 2019. In parallel, there has been increasing issuance of sovereign green bonds in global markets, including France, Belgium, Indonesia, Poland, Nigeria and Fiji since late 2016. This shows the governments of abovementioned countries commit to promoting their green bond markets and set a role model for potential issuers.

3. GREEN BOND LISTING IN HONG KONG

綠色債券在香港上市

3.1 HONG KONG IS A PREMIER CAPITAL CENTRE

香港是首屈一指的資本中心

- Diverse and Global Investor Base
- Well Established Legal System
- Framework for Cornerstone Investors
- Sound Regulatory Regime
- Transparent Process
- International Corporate Governance Standards
- Partner of Choice for Opportunities from China’s Internationalisation

3.2
HONG KONG'S LISTING REGIME IS RATHER EFFICIENT AND COST-EFFECTIVE
香港上市机制具有相当的效率及成本效益

The listing requirements and the listing process are currently the same for green bonds and conventional bonds. All of the currently listed green bonds in Hong Kong are offered to professional investors only and listed under Chapter 37 of the Main Board Listing Rules ("Chapter 37"). Listing eligibility letters will be issued, within five business days after receipt of application for routine listing.

Besides, the listing fee for Hong Kong issuance is a one-off payment of HK$1,000 to HK$890,000 without annual fee. In addition, Bonds listed on SEHK or to be lodged with and cleared by the CPMU operated by the HKMA in its entirety are eligible for applying GBGS and PIBGS as mentioned above. Successful applicants of these government bond grants can recover their issuing costs.

Hong Kong Exchanges and Clearing Limited ("HKEX") commits to promoting green finance and continues to work closely with the SFC and other stakeholders to enhance listed issuers’ environmental reporting including reviewing the SFC strategic framework for green finance and to develop and promote the listing and trading of green financial products.

In June 2019, HKEX has become a Partner of the United Nations Sustainable Stock Exchanges Initiative, committing to further promote sustainable and transparent capital markets.

Hong Kong is a compelling listing and fundraising venue in Asia for companies seeking to go public and raise funds. The market capitalisation of Hong Kong securities market rose at a compounded annual growth rate of 12% over the last 15 years. According to Asia Development Bank ("ADB"), as of 2018 year end, Hong Kong ranked as the 3rd largest local currency bond issuance centre in Asia ex-Japan region. Its unique value proposition as China’s international finance centre plays a key role in mainland’s economic development by connecting China with the global capital markets, making Hong Kong an ideal venue for bond issuance and listing.

Source: HKEX, ADB

Notes:
1. Professional investors are defined under Chapter 37 for a person in Hong Kong a professional investor as defined in Part I of Schedule 3 to the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), including those classified by rules made under section 39D of the Ordinance which includes profit and professional investors and investment bodies.

2. The listing process is rather efficient and cost-effective for listed issuers. Listed issuers under normal circumstances, based on listing approval letter or reply letter with Hong Kong Exchanges Clearing Limited (HKEX), listing fees under Chapter 37 for listed issuers, listing fees for listed issuers under normal circumstances, based on listing approval letter or reply letter with Hong Kong Exchanges Clearing Limited (HKEX).
3.3 RULES OF BOND LISTING IN SEHK
香港聯交所的債券上市規則

There are now two main types of debt securities which can be listed on the SEHK:

1) debt securities listed under Chapter 22 to Chapter 36 of the Main Board Listing Rules can be offered to public investors in a retail offering; and

2) debt securities listed under Chapter 37 are offered to professional investors only and not offered to the public in Hong Kong.

<table>
<thead>
<tr>
<th>Relevant Main Board Listing Rules</th>
<th>Debt Issue to Public Investors</th>
<th>Debt Issue to Professional Investors Only</th>
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<tr>
<td>Chapters 22-36</td>
<td>公眾發售</td>
<td>僅限專業投資者發售</td>
</tr>
<tr>
<td>Chapters 37</td>
<td>公眾發售</td>
<td>僅限專業投資者發售</td>
</tr>
</tbody>
</table>

**Target Investors**

Public investors

Professional investors only

**SEHK Processing Time**

案審批時間

Case-by-case, depending on the issuers' response time and the quality of responses

**Listing Document Disclosure Requirements**

上市文件披露要求

As set out in Appendix 1C of the Main Board Listing Rules, the listing document which is a prospectus should also comply with the requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of Laws of Hong Kong)

Customarily dependent on what the target investors expect to see

**Minimum Denomination Requirement**

最低面額要求

No minimum denomination requirement

Minimum denomination is HK$500,000 (or equivalent in foreign currencies)

**Listing Fee**

上市費

HK$7,000 to HK$90,000.

This is a one-off fee upon application for listing. There is no annual listing fee.

4. USEFUL LINKS

有用連結

ICMA on Green Bond Principles

國際資本市場協會綠色債券原則


HKQAA: Green Finance Certification

香港品質保證局 - 綠色金融認證


中文 • http://www.hkqaa.org/b5_certservice.php?catid=26

Green Bond Grant Scheme by the Government

香港特区政府绿色债券资助计划


HKGFA

香港綠色金融協會

English • http://www.hkgreenfinance.org/en

中文 • http://www.hkgreenfinance.org/zh

SEHK's Main Board Listing Rules for Debt Securities

香港聯交所對債務證券的主板上市規則

https://hkexrules.hkex.com.hk/docs/3385
HONG KONG GREEN FINANCE ASSOCIATION
香港绿色金融协会

Founded in September 2008, Hong Kong Green Finance Association creates a platform that offers channels and opportunities to facilitate the development of green finance and sustainable investments in Hong Kong and beyond. It aims to mobilize both public and private sector’s resources and talents in developing green finance policies, to promote green finance business and product innovation within financial institutions, HKGFA’s main goal is to position Hong Kong as a leading international green finance hub by providing greater access and opportunities for Hong Kong’s financial institutions to participate in green financing transactions locally, in Mainland China, and in markets along the Belt & Road. This is in line with the global trend of implementing the UN sustainable development goals and the Paris Agreement. Currently, the Association has members of over 100 Financial institutions, companies, service providers and other key stakeholders.

Supported by 香港交易所

HONG KONG EXCHANGES AND CLEARING LIMITED
香港交易所及结算所有限公司

HKEX is one of the world’s major exchange groups, and operates a range of equity, commodity, fixed-income and currency markets. HKEx’s leading IPO market and as Hong Kong’s only securities and derivatives exchange and sole operator of its clearing houses, it is uniquely placed to offer regional and international investors access to Asia’s most vibrant markets.

HKEx is also the global leader in metals trading, through its wholly owned subsidiaries, The London Metal Exchange (LME) and LME Clear Limited. This commodities franchise was further enhanced with the launch of Qianhai Mercantile Exchange, in China, in 2018.

HKEx launched the pioneering Shanghai-Hong Kong Stock Connect programme in 2014, further expanded with the launch of Shenzhen Connect in 2016, and the launch of Bond Connect in 2017.

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