

Management Measures of Financial Guarantee

Chapter 1 General Provisions

Article 1 To enhance the management and monitoring of the financing guarantee business of China Clean Development Mechanism Fund Management Center (hereinafter referred to as “the Center”) and to ensure safe and effective operation of China Clean Development Mechanism Fund (hereinafter referred to as “the Fund”), the management measures shall hereby be made according to the *Risk Management Measures of China CDM Fund* (hereinafter referred to as *the Risk Measures*).

Article 2 Financing guarantee (hereinafter referred to as “guarantee”) in these measures refers to the activity in which the Fund, as the third party, provides principal and interest repayment guarantee for Chinese enterprises and Chinese holding enterprises that initiate financing to financial institutions or non-financial institutions within China.

Article 3 In the principle of legality, prudence and safety, the Center requires counter guarantee from the guaranteed enterprises or the third party so as to guard against risks. The provider of counter guarantee shall have the capacity to perform its duty.

Article 4 Guarantee in these measures is limited to the general guarantee, including the guarantee provided by the Center to the guaranteed enterprises, and that jointly provided by the Center and

other institutions by shares.

These measures do not apply to the reinsurance business shared by the Center and other guarantee enterprises, and the guarantee for its own debt.

Article 5The Management Center Executive Committee (hereinafter referred to as “Executive Committee”) is the decision-making organ of the Fund’s guarantee business, responsible for project launching and approval, and the decisions on events with significant risks. The Center shall not provide guarantee without the approval of Executive Committee.

Article 6The Management Center Investment Appraisal Committee (referred to as “Investment Appraisal Committee”) is the specialized organ for deliberation of the investment review of the Fund’s guarantee projects, responsible for the evaluation and review of the Fund’s guarantee business, and reports to Executive Committee directly.

Article 7The Management Center Risk Management Committee (hereinafter referred to as “Risk Management Committee”) is the specialized organ for deliberation of the risks of the Fund’s guaranteed business, responsible for the risk assessment and management of the Fund’s guarantee business, and reports to Executive Committee directly.

Article 8 The Management Center Project Development Department (hereinafter referred to as “Project Department”) is responsible for the enforcement of the Fund’s guarantee business. It shall conduct guarantee business according to *Management Measures, Risk Measures* and the management process of financing guarantee (see Attachment 1).

Article 9 The Center adopts “dual-post and dual-liability” system, with two project managers assigned by Project Department developing the same guarantee project and undertaking respective duties.

Article 10 The Management Center Finance and Risk Management Department (hereinafter referred to as “Risk Control Department”) is responsible for risk control of the Fund’s guarantee business. It carries out risk control of the guarantee projects according to *Management Measures, Risk Measures* and these measures.

Article 11 Other departments of the Center shall perform relevant duties according to *Management Measures, Risk Measures* and these measures.

Chapter 2 Project Launching and Investigation

Article 12 After receiving the application of the guarantee project, Project Department shall review the enterprise in terms of its basic

information, intentional financing bank or institution for financing, usage of the guarantee capital, and repayment plan and source of fund for repayment.

Article 13 To ensure the safety and liquidity of the Fund's capital, the period of guarantee is generally no more than 3 years and no more than 5 years at most.

Article 14 Project Department shall select the project for launching from those approved projects and submit the preliminary review report on the guarantee project as well as the preliminary risk report to Investment Appraisal Committee and Risk Management Committee respectively for their deliberation. After deliberation, Project Department shall submit it to the Executive Committee for launching approval. For projects disapproved by Investment Appraisal Committee, relevant documents and materials shall be returned to Project Department.

Article 15 According to *Management Measures*, the Center divides the guarantee projects into two types: general project and significant project, on the basis of the amount guaranteed.

1. Project with a guarantee amount below 70 million RMB is defined as general project.
2. Project with a guarantee amount of 70 million RMB and above is defined as significant project.

Article 16 Executive Committee shall hold discussion on the basis of the capital safety principle and the equilibrium principle of risk and profit and make the following decisions according to the discussion results:

1. Projects with clear basic information, in line with the Center's guarantee requirements, and with generally feasible measures against risks shall be approved of launching;
2. Projects with unclear information and those not approved of launching at the moment shall be dealt with according to Article 14 in these measures after Project Department completes the preliminary review report.
3. Projects with clear basic information but not in line with the Fund's requirements for investment shall not be approved of launching.

Article 17 Once the application project is approved of launching, Project Department shall immediately start the investigation into the enterprise and project, conduct due diligence, and write the due diligence report.

Article 18 During project investigation, Project Department shall terminate investigation and report to the Executive Committee for cancelling the project in the following cases. Materials of the cancelled project shall be filed by Project Department for 5 years for

future reference.

1. With obvious defects in management legitimacy and financing usage;
2. Once providing false financial statements or other materials;
3. With financial situation not completely in comply with the Center's requirements;
4. Other cases where the Center considers the investigation should be terminated.

Article 19 The Center's staff responsible for project investigation shall abide by the professional ethics, conduct due diligence and evaluation objectively and fairly, and take relevant responsibilities.

Article 20 If necessary, the Center may employ professional institution to conduct due diligence. The employed institution shall ensure the objectivity and authenticity of the issued due diligence report.

Chapter 3 Credit Rating

Article 21 The rating of credit shall conform to the principles of justice and fairness, adopt the method of "assessing on the spot" to determine the credit level of the project-launching enterprises (except for financial institutions).

Article 22 The Center shall establish the credit rating system on the

basis of differences between industries, features of capital utilization, and industry attribute. The Center divides the credit rating system into four levels – Level AAA, Level AA, Level A, and Level B.

Article 23 Project Department shall assign project managers to collect the relevant materials of the project-launching enterprises, and to conduct the preliminary credit rating independently.

Article 24 Project Department shall issue a comprehensive and detailed rating investigation report according to the enterprise's credit rating system and submit it to Risk Control Department. If necessary, the Center may entrust a third party of the enterprises' credit rating. The entrusted institution shall ensure the objectivity and authenticity of the rating report.

Article 25 According to the survey report on the credit rating and the investigation results, Risk Control Department shall issue the risk assessment report of the project.

Article 26 The rating of credit shall be objective and fair, and falsification is prohibited. In cases where the credit rating objects purposely conceal facts or provide false materials and affect the credit rating, the Center shall cancel the project and take measures to guard against risks. In cases where the conductors of the credit rating upgrade or degrade the credit level, tamper with or destroy the credit rating materials, or disclose the credit rating indicators or secrets of

the rated objects, the Center shall punish them according to the degree of seriousness.

Article 27 For project-launching enterprises that keep conducting business with the Center, the Center shall conduct rating regularly according to factual conditions, adjust the credit level timely, and establish the information base of the enterprise.

Chapter 4 Decision on Project Launching

Article 28 Project Department and Risk Control Department shall write the project investment report and risk evaluation report according to the due diligence report and credit rating survey report of the project-launching enterprises respectively, submit them to Investment Appraisal Committee and Risk Management Committee respectively for deliberation, and issue the investment review report and risk review report.

Article 29 Risk Management Committee and Investment Appraisal Committee shall issue the investment review report and risk review report in accordance with their comments of the review.

Article 30 For the guarantee projects approved by Investment Appraisal Committee, the Committee shall submit both the investment review report and risk review report to the Executive Committee for decision. For projects that Investment Review

Committee disapproves of loan, the Committee shall return relevant documents and materials to Project Department.

Article 31 Executive Committee shall review the investment review report, risk review report and other related materials, and decide whether to investigate on the project.

Article 32 General projects shall be reviewed by Executive Committee, and within 15 working days upon approval, submitted to National Development and Reform Commission (NDRC) and the Ministry of Finance of People's Republic of China (MoF) for filing.

Article 33 For significant projects, Executive Committee shall submit them to the CDM Fund Board for review; when consensus is achieved, the projects will be approved by NDRC and MoF.

Article 34 With the approval from the leaders of the Center, Project Department shall submit the relevant confidential documents and materials of projects excluded in each stage to the Center's office, archive them and record them in the Center's project base. In different stages of the project, if attention of the project undergoes change due to research or other reasons, Project Department shall inform the managers of project information timely to place it on file.

Chapter 5 Contract Signing

Article 35 When the guarantee project is approved of launching, all

relevant departments of the Center shall standardize the reviewing, signing, and preserving of the guarantee contract according to *Contract Management Measures of China Clean Development Mechanism*.

Article 36 Project Department shall sign legal documents, including guarantee contract, counter guarantee contract, and mortgage (pledge) contract, with the guarantee project party on the basis of the standard financing guarantee contract in the Center's contract base.

Article 37 The review of contracts and documents is mainly in written form and may include on-site investigation if necessary. All departments of the Center shall be actively involved in the review, providing relevant materials timely, and obliged to make explanations.

Article 38 When the contracts and documents are approved by Executive Committee, Project Department is authorized to sign the contracts with the project party. If necessary, it may get lawyers involved to help with the relevant procedures.

Article 39 The preserving of contracts and documents. Contracts and documents relevant to the project include but are not limited to: the principal contract relevant to the guarantee contract, guarantee contract, counter guarantee contract, and mortgage (pledge) contract. All the contracts and documents relevant to the project shall be filed

in the Center's office. The catalog of the materials shall be submitted to the Risk Control Department for filing at the same time.

Chapter 6 Setting of Counter Guarantee

Article 40 Counter guarantee in these measures refers to the way of guarantee in which the Center requires the guaranteed enterprise or the third party to provide mortgage (pledge) guarantee in order to realize the claim to the guarantee business,.

Article 41 Mortgage in these measures refers to the kind of guarantee that the guaranteed enterprise or the third party gives its property as security for the Center's loan for the guarantee project; and when the guaranteed enterprise cannot pay off the debt which the Center has paid for on schedule, the Center has the right to deal with the secured property by law so as to prioritize the realization of claim.

Article 42 Pledge in these measures refers to the kind of guarantee in which the guaranteed enterprise or the third party gives certificates or real estate in line with the Center's requirements as security for the loan for the guarantee project; and when the guaranteed enterprise cannot pay off the debt which the Center has paid for it on schedule, the Center has the right to deal with the security according to law so as to prioritize the realization of claim

Article 43 The center shall be strict in making counter guarantee measures and enhancing the regulation on the signing and enforcement of counter guarantee contract.

Article 44 The Center only accepts securities that are allowed for mortgage (pledge) by law and those with strong liquidity.

Article 45 The mortgage term begins on the day when the collateral is registered and ends when the guaranteed claim is realized or when the limitation of action is expired.

Article 46 The pledge term begins when the ownership of the pledged security is transferred to the Center and ends when guaranteed claim is realized or when the limitation of action is expired.

Chapter 7 Counter Guarantee Formalities

Article 47 Project Department shall assign project managers to supervise the mortgagee or pledger on the guarantee formalities and inform Risk Control Department of the process timely.

Article 48 Project Department is responsible for checking the guarantee formalities, including but not limited to:

1. the legality, effectiveness, and completeness of the mortgaged (pledged) contract;
2. basic information of the mortgaged (pledged) security;

3. the ownership and control of the mortgaged (pledged) security;
4. valuation and mortgage (pledge) rate of the mortgaged (pledged) security;
5. guarantee condition of the mortgaged (pledged) security;
6. the liquidity of the mortgaged (pledged) security, including market demand, liquidation time and cost of the security.

Article 49 Risk Control Department shall review the legality, effectiveness, and completeness of the counter guarantee procedures. When the formalities are found incomplete in the review, the Department shall inform Project Department timely to complete the formalities as soon as possible.

Article 50 In cases where guarantee formalities are inapplicable due to the change in state policies or laws, Risk Control Department shall give Project Department necessary warning of risks.

Article 51 For guarantee projects approved by Executive Committee, in cases where some of the guarantee measures need adjustments before the counter guarantee contract is signed, Project Department can make changes only when it gets unanimous approval from the leaders in Project Department and Risk Control Department, and when it gets the signature of the Center's leaders through written application. In cases where the main or the entire guarantee measures need adjustments, the project shall be submitted to the

Risk Management Committee and Investment Appraisal Committee for review according to the formalities stipulated in these measures.

Article 52 Before all counter guarantee measures are enforced, Project Department shall not issue the letter of guarantee for the guaranteed enterprise in the name of the Center.

Chapter 8 Monitoring of Securities

Article 53 The Center shall establish a sound mechanism for the registration, monitoring, risk control, and emergency response of the mortgaged (pledged) securities.

Article 54 Once the mortgage is enacted, all the certificates (originals) and insurance documents (originals) that indicates the ownership of the mortgaged security shall be submitted to and kept by Risk Control Department.

Article 55 During the mortgage term, Project Department shall conduct on-site checking and monitoring of the mortgaged security regularly apart from the post-guarantee review, so as to ensure the securities are in good shape, full in value and complete in potentials.

Article 56 Post-guarantee management of the pledged security follows that of the mortgaged security.

Chapter 9 Post-guarantee Management and Monitoring

Article 57 The Center shall establish the mechanism of tracking and reviewing, early alarming and project categorization so as to ensure the timeliness of post-guarantee management and risk monitoring.

Article 58 Project Department takes charge of the monthly tracking of the operating conditions of the guaranteed enterprise, the conditions of the mortgaged (pledged) security, etc.

Article 59 Risk Control Department conduct monthly check on the basis of the results of the tracking, following these principles:

1. whether the business documents include the updates of the guaranteed enterprise timely and comprehensively;
2. whether timely measures are made when the guaranteed enterprise shows the sign of risk;
3. whether the relevant measures are timely and proper when the guaranteed enterprise breaks the contract.

Article 60 Project Department is responsible for the early warning of the guaranteed property, with the focus including but not limited to bank account and financial report of the guaranteed enterprise.

Article 61 Risk Control Department takes charge of the monthly check of Project Department's early warning.

Article 62 In the following cases, Project Department shall conduct early warning and make early warning plans; Risk Control Department shall double-check plans proposed by Project

Department and submit them to the Center's leaders, and upon approval, make adjustments to the monitoring work of the project on the basis of the categorization management principles of guaranteed-projects.

1. the operating conditions and financial indicators of the guaranteed enterprise decline to a large extent;
2. the value of the mortgaged (pledged) security decrease to a large extent;
3. the borrowing enterprise has serious bad-credit behavior including delaying providing financial reports, providing false accounting and other false information, not cooperating in the Center's post-guarantee track and monitoring.

Project Department shall call the guaranteed enterprise to account for violation according to the signed contract.

Article 63 The Center categorizes the guarantee projects into Type A, B, and C every two months, on the basis of the operating conditions, credit status, and repay capacity.

1. The guarantee projects of enterprises that operate well and repay the loan on schedule are categorized as Type A;
2. Guarantee projects that show any of the following signs are categorized into Type B:
 - a. the value of security for counter guarantee is decreased, not

- enough to cover the scope of guarantee accountability;
- b. the guaranteed enterprise is involved in serious lawsuit, with disputes including but not limited to product quality, internal equity, and property right;
 - c. serious negligence of liability takes place;
 - d. the senior managers of the guaranteed enterprise, such as shareholder, actual controller, and director, undergo great changes;
 - e. the guaranteed enterprise is filed and investigated by state organs including organs of the public security, customs, and taxation.
 - f. the operating conditions of the guaranteed enterprise decline, and the enterprise is potentially unable to fulfill the obligation of repayment;
 - g. other conditions where the repayment capacity of the guaranteed enterprise is affected.
3. Upon the expiry of the debt maturities, if the guaranteed enterprise is unable to repay the debt or clearly states that it would not fulfill the obligation of repayment, the projects are categorized into Type C.

Article 64 Risk Control Department assists in the categorization of the guarantee projects. For Type B and C, Risk Control Department shall inform within the Center and suggest Project Department to conduct strict management on relevant enterprises; if necessary, Risk Control Department assists Project Department in clearing each loan.

Chapter 10 Withdrawal of the Specific Reserve

Article 65 Risk Control Department is responsible for the withdrawal and management of the specific reserve. For projects adjusted according to in the quarterly categorization, Risk Control Department shall withdraw the specific reserve accordingly. After the loan is repaid, Risk Control Department shall conduct accounting treatment of the withdrawn reserve timely.

Article 66 Following the prudence principal of financial management, Risk Control Department shall withdraw the specific reserve for the guarantee business on the basis of the categorization results.

Article 67 In line with the principle of prudence in financial management, Project Department shall divide loans into five levels within the first ten days of every quarter on the basis of the seriousness of risks, submit the classification results to Risk Control Department for check, and report to Executive Committee for review.

1. Ordinary loan project: the borrowing enterprise is able to enforce the contract and pay off the full amount of bank's principal.
2. Attention loan project: though the borrowing enterprise is able to pay the principal and interests of the loan at present, there exist some

factors unfavorable to the repayment.

3. Secondary loan project: the repayment capacity of the borrowing enterprise is obviously problematic, and it is unable to pay off the full amount of principle and interests with its revenues from normal business.

4. doubtful loan project: the borrowing enterprise is unable to pay off the full amount of principle and interests, and even if it sells the mortgaged securities, there will be some losses.

5. loss loan project: the principle and interests cannot be reclaimed or only little of it can be reclaimed even if all the possible measures and necessary legal measures have been taken.

Article 68 The mechanism concerning loan-loss reserves and financial management measures are established separately by Risk Control Department.

Chapter 8 Termination of the Guarantee Project

Article 69 The Center shall clarify in the guarantee contract that under the following circumstances, the Center will no longer be responsible for the guarantee:

1. the guaranteed enterprise agrees with the principal creditor to change the principal contract without the authorization from the Center;

2. the guaranteed enterprise agrees with the principal creditor to assign the claim without the authorization from the Center;
3. within the guarantee term stipulated in the guarantee contract, the principal creditor does not issue a lawsuit or arbitration to the guaranteed enterprise;
4. the principal creditor colludes with the guaranteed enterprise to cheat the Center into providing it with guarantee.

The Center shall timely inform the guaranteed enterprise and the principal creditor of the decision that it will no longer provide guarantee in written form.

Article 70 When the term for performance of the prime contract is expired but the guaranteed enterprise is unable to pay off the debt and the principal creditor insist claim to the Center during the guarantee term, the Center shall clear the debt on behalf of the guaranteed enterprise within the scope of liability according to the contract or laws.

Article 71 For the guarantee provided jointly by shares, the Center only undertakes the responsibility within the amount of share stipulated in the contract.

Article 72 After the debt of the principal creditor is cleared off, the Center may exercise the right of recourse to the guaranteed enterprise on the basis of the actual clearance fee and the cost

resulted from guaranteeing the claim.

Article 73 Project manager serves as the first person responsible for the recourse, and post-guarantee regulator of Risk Control Department serves as the assistant in recourse. Relevant staff in charge of recourse shall make thorough and feasible plan and enforce it upon the approval from the leaders of Project Department, Risk Control Department and the Center.

Article 74 The exercise of the Center's right of recourse can be divided into two stages: informing stage and enforcing stage. In cases where there are specific agreements in the contract, the right shall be exercised according to the contract.

Article 75 When the Center launches the counter guarantee measures, it shall deal with the mortgage (pledge) securities according to the mortgage (pledge) contract.

Article 76 The Center may adopt the method of transferring debt to equity, swapping all or part of the compensating capital to the equity of the guaranteed enterprise or the capital operation project so as to exercise the right of claim.

Article 77 When the guarantee project is finished, the Center shall terminate the guarantee according to the contract.

Chapter 9 Information Collection and Sorting

Article 78 The Center shall establish and improve the mechanism of information collection, sorting and regular feedback relevant to guarantee business so as to guard against the policy risks.

Article 79 Risk Control Department shall inform the Center's leaders and all departments of the collected and sorted information once a quarter, and the contents including:

1. information on relevant policies, laws and regulations, including the state laws, regulations relevant to guarantee industry and other local regulations concerning the industry;
2. information on relevant industries, including the development of the guarantee industry, business of the guarantee agencies and the development of the guarantee market.

Article 80 When the guarantee project is finished, Project Department shall draft a summary report, send it to Risk Control Department for countersigning, and report to the Center's leaders.

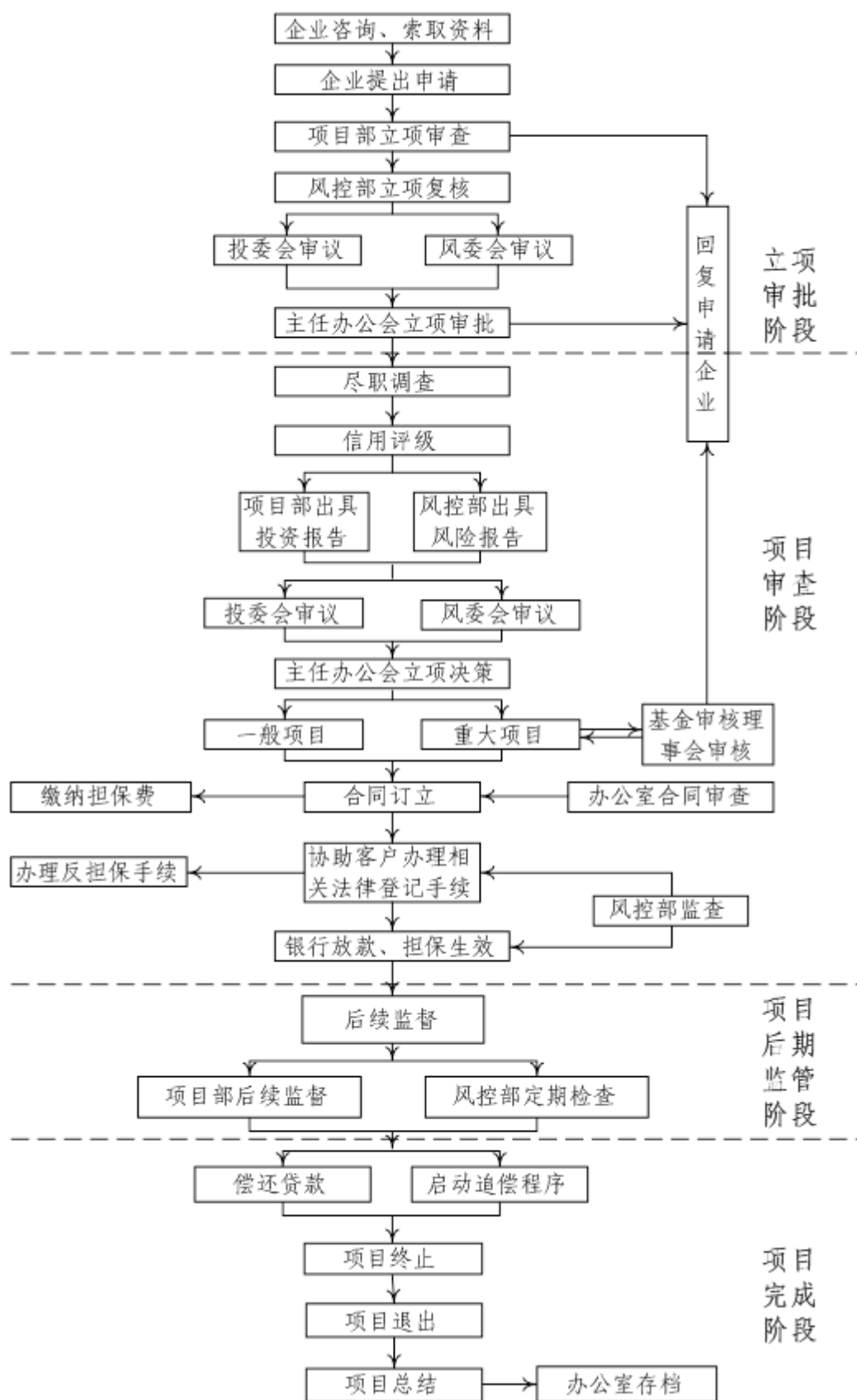
Chapter 10 Supplementary Provisions

Article 81 Items not mentioned in these measures shall be dealt with according to the regulations stipulated in state laws and regulations, administrative rules, *Management Measures* and *Risk Measures*.

Article 82 The power of interpretation of these measures shall be vested in Executive Committee.

Article 83 These measures go into effect on the day of approval by Executive Committee.

附件：融资性担保管理流程图



Attachment: Flow chart of financing guarantee management

(left part)

Enterprise consults, and asks for materials

Enterprise raises an application

Project Department launches the project and investigate it

Risk Control Department recheck the project

1. Deliberation of Investment Appraisal Committee
2. Deliberation of Risk Management Committee

Executive Committee approves of the launching

Due diligence

Credit rating

1. Project Department issues investment report
2. Risk Control Department issues risk report
1. Deliberation of Investment Appraisal Committee
2. Deliberation of Risk Management Committee

Executive Committee decides on the launching of the project

1. General project
2. Significant project

Pay the guarantee fee

Go over counter guarantee formalities

sign the contract

assist the customers with relevant legal formalities for registration

bank lends, guarantee takes effect

post-monitoring

1. post-monitoring of Project Department
2. regular check of Risk Control Department
 1. pay off the debt
 2. enact the recourse procedures

project termination

project exit

project summary

(middle part)

reply to the enterprise applicants

the CDM Fund Board reviews

Risk Control Department monitors

Keep the files in the office

(right part)

project launching and approval stage

project review stage

project post-monitoring stage

project finishing stage

