

Code of Conduct

Introduction

1. This Code of Conduct applies to Lianhe Global, licensed by, or registered with the Securities and Futures Commission (“SFC”) for Type 10 regulated activity (providing credit rating services), including as appropriate, representatives. (as defined in Section 167 of the Securities and Futures Ordinance (Cap. 571) (“SFO”).
2. This Code is based on the Code of Conduct for Persons Providing Credit Rating Services issued by SFC in June 2011 and should be read in conjunction with, the Code of Conduct for Persons Licensed by or registered with the SFC (“General Code of Conduct”) issued by the SFC in April 2001.
3. For the purposes of this Code:
 - “Company” means Lianhe Global;
 - “Compliance Officer” means individual in charge of compliance;
 - “CRA” means a “licensed corporation” or “registered institution” (as defined in Part 1 of the SFO), which is licensed or registered to carry on business in Type 10 regulated activity;
 - “ratings” has the same meaning as “credit ratings” (as defined in Schedule 5 of the SFO);
 - “rating target” means the subject of a credit rating and may be a sovereign entity, a quasi-sovereign entity, a corporation, a bank, debt securities or an agreement to provide credit;
 - “rated entity” means the rating target, or in the case of a rating target that is debt securities, preferred securities or an agreement to provide credit, the issuer of the debt securities of preferred securities or the person (other than an individual) agreeing to provide credit;
 - “Responsible Officer” means an individual appointed as responsible officers of the Company in accordance with SFO.

Part 1. Quality and Integrity of the Rating Process

Quality of the Rating Process

4. The Company shall adopt, implement and enforce written procedures to (a) document reporting lines and allocate functions and responsibilities, and (b) ensure that the credit ratings it prepares are based on a thorough analysis of all information known to the Company that is relevant to its analysis according to the Company’s published rating methodologies.
5. The Company shall adopt and implement and should use rating methodologies that are rigorous, systematic, and, where possible, result in ratings that can be subjected to some form of objective validation based on historical experience, including back-testing.
6. The Company shall keep records properly and in line with the applicable statutory requirements including the provisions of the Securities and Futures (Keeping of Records) Rules (Cap. 571O). Proper record keeping includes maintaining records to support credit ratings prepared by the Company. The Company shall keep such records for not less than 7 years, in writing in the Chinese or English language, in such a manner as to enable the records to be easily accessible or readily convertible into written form in the Chinese or English language.

7. The Company shall use representatives who, individually or collectively (particularly where rating committees are used) have appropriate knowledge and experience in developing a credit rating of the type being prepared. Representatives should apply a given methodology in a consistent manner, as determined by the Company.
8. The Company shall ensure that the credit ratings it prepares are assigned by the Company (or its affiliates) and not by any individual representative.
9. The Company and its representatives shall take steps to avoid issuing any credit analyses or reports that contain misrepresentations or are otherwise misleading as to the general creditworthiness of the rating target.
10. The Company shall ensure that it has and devotes sufficient resources to carry out high-quality credit assessments of all obligations and issuers it rates. When deciding whether to rate or continue rating an obligation or issuer, it shall assess whether it is able to devote sufficient personnel with sufficient skill sets to make a proper rating assessment, and whether its personnel likely will have access to sufficient information needed in order to make an assessment. The Company shall adopt reasonable measures so that the information it uses in assigning a rating is of sufficient quality to support a credible rating. The Company shall refrain from assigning a rating, and should ensure that any existing rating is withdrawn, if the Company does not have sufficient quality information to support a credible rating. If the rating involves a type of financial product presenting limited historical data (such as an innovative financial vehicle), the Company shall make clear, in a prominent place within the rating report, the limitations of the rating.
11. The Company shall establish a formal review function made up of one or more senior staff members with appropriate experience to review the feasibility of providing a credit rating for a financial product that is materially different from the financial products the Company currently rates.
12. The Company shall establish and implement a rigorous and formal review function responsible for periodically (and at least annually) reviewing (a) the methodologies and models, and significant changes to the methodologies and models, it uses, and (b) the adequacy and effectiveness of its systems and internal control mechanisms. The function shall be independent of the business lines that are principally responsible for various classes of rating targets. The findings of any such review should be comprehensively recorded in a written report, a copy of which should be provided to the SFC forthwith upon its completion. The Company shall take appropriate measures to address any deficiencies identified during the course of such review.
13. The Company shall assess whether existing methodologies and models for determining credit ratings of structured finance products are appropriate when the risk characteristics of the assets underlying a structured finance product change materially. In cases where the complexity or structure of a new type of structured finance product or the lack of robust data about the assets underlying the structured finance product raise serious questions as to whether the Company can determine a credible rating for it, the Company should refrain from issuing a credit rating.

14. The Company shall structure its rating teams to promote continuity and avoid bias in the rating process. Where applicable, in view of the Company's staffing resources, representatives who are involved in the rating process shall be subject to an appropriate rotation mechanism, which should provide for gradual change in rating teams.

Monitoring and Updating

15. The Company shall ensure that adequate personnel and resources are allocated to monitoring and updating its ratings. Except for ratings that clearly indicate they do not entail ongoing surveillance, once a rating is published the Company should monitor on an ongoing basis and update the rating by:

- a. Reviewing, at least annually, the rating target's creditworthiness;
- b. Initiating a review of the status of the rating, which is consistent with the applicable rating methodology, upon becoming aware of any information that might reasonably be expected to result in the rating requiring revision or termination; and
- c. Updating the rating on a timely basis, as appropriate, based on the results of such review.

16. Subsequent monitoring shall incorporate all cumulative experience obtained. Changes in methodologies, models or key assumptions used in preparing credit ratings should be applied where appropriate to both initial ratings and subsequent ratings. The Company shall review affected credit ratings as soon as possible and not later than six months after the change, and should place those ratings under observation.

17. The Company shall use separate analytical teams, when appropriate, for determining initial ratings and for subsequent monitoring of ratings, each team shall have the requisite level of expertise and resources to perform their respective functions in a timely manner.

18. Where the Company makes its ratings available to the public, the Company shall publicly announce if it discontinues the rating. Where the Company's ratings are provided only to its subscribers, the Company shall announce to its subscribers if it discontinues the rating. In both cases, continuing publications by the Company of the discontinued rating should indicate the date the rating was last updated and the fact that the rating is no longer being updated and include full reasons for its discontinuation.

19. The Company shall ensure that any "private rating" (prepared by the Company pursuant to a request made by a person which is exclusively prepared for, and provided to, the person and that is neither intended for dissemination to the public for distribution by subscription, whether in Hong Kong or elsewhere, nor reasonably expected to be so disseminated or distributed), is only subsequently disseminated to the public or distributed by subscription whether in Hong Kong or elsewhere, if such rating has been prepared in compliance with the provisions of this Code. In the case of the Company providing a private rating, the Company shall by prior written agreement entered into between it and the rated entity, prohibit the rating entity from disseminating such rating, or permitting its dissemination, to the public.

Integrity of the Rating Process

20. The Company and its representatives shall deal fairly and honestly with issuers, investors, other market participants, and the public.

21. Representatives of the Company shall maintain high standards of integrity and the Company shall not employ individuals with demonstrably compromised integrity.

22. The Company and its representatives and employees shall not either implicitly or explicitly; give any assurance or guarantee of a particular rating prior to a rating assessment. This does not preclude the Company from developing prospective assessments used in structured finance and similar transactions.

23. The Company shall prohibit its representatives who are involved in the rating process from making proposals or recommendations regarding the design of structured finance products that the Company rates.

24. The Company shall institute policies and procedures that clearly specify a Compliance Officer responsible for the Company's and the Company's employees' compliance with the provisions of the Company's code of conduct and with applicable laws and regulations. The Compliance Officer's reporting lines and compensation shall be independent of The Company's rating operations.

25. The Company shall institute policies and procedures requiring its representatives and employees, upon becoming aware that another representative, employee or entity under common control with the Company is or has engaged in conduct that is illegal, unethical or contrary to this Code, to report such information immediately to the Compliance Officer or a Responsible Officer of the Company, as appropriate, so proper and appropriate action may be taken. The Company's representatives are not necessarily expected to be experts in the law. Nonetheless, its employees are expected to report the activities that a reasonable person would question or be concerned over. The Company shall ensure that its Compliance Officer or Responsible Officer, who receives such a report from a representative or employee, is obligated to take appropriate action, including such action as is required by any law, rules, regulations, codes or other requirements which apply to the Company and are issued and administered or enforced by the SFC or any other regulatory authority or agency, and by the Company's own rules, guidelines or codes. The Company shall not retaliate and should prohibit against retaliation by its other representatives or employees, against any representative or employee who in good faith, makes such a report.

Part 2- Independence and Avoidance of Conflicts of Interest

General

26. The Company shall not forbear or refrain from taking a rating action based on the potential effect (economic, political, or otherwise) of the action on the Company, an issuer, an investor, or other market participant.

27. The Company and its analysts should use care and professional judgment to maintain both the substance and appearance of independence and objectivity.

28. The determination of a credit rating should be influenced only by factors relevant to the credit assessment.

29. The credit rating the Company assigns to a rating target shall not be affected by the existence of or potential for a business relationship between the Company (or its affiliates) and the rated entity (or its affiliates) or any other party, or the non-existence of such a relationship.

30. The Company shall not carry on any business, which can be reasonably considered to have the potential to give rise to any conflict of interest in relation to its business of providing credit rating services. The Company shall have in place procedures and mechanisms designed to minimize the likelihood of conflicts of interest arising, and to identify any conflict of interest should it arise, in relation to the conduct by it of any ancillary business. The Company shall also define what it considers to be an ancillary business and why it cannot be reasonably be considered to have the potential to give rise to any conflict of interest with the Company's credit rating business. For the avoidance of doubt, the Company shall not provide consultancy or advisory services to a rated entity, or a related party of a rated entity, regarding the corporate or legal structure, assets, liabilities or activities of that rated entity or related party. The Company initially does not plan in conducting any ancillary business activities. It reserves the right to do so in the future. Prior notification to the SFC will be given.

31. The Company shall not enter into any contingent fee arrangement for providing credit rating services. Contingent fees are fees calculated on a predetermined basis relating to the outcome of a transaction or the result of the services performed by the Company. For the purposes of this paragraph, a fee is not regarded as being contingent if established by a court or other public authority.

Procedures and Policies

32. The Company shall adopt written internal procedures and mechanisms to (a) identify, and (b) eliminate, or manage and disclose, as appropriate, any actual or potential conflicts of interest that may influence the opinions and analyses the Company makes or the judgment and analyses of the individuals the Company employs who have an influence on ratings decisions. The Company's other code of conducts or internal guidelines should also state that the Company would disclose such conflict avoidance and management measures.

33. The Company's disclosures of actual and potential conflicts of interest shall be complete, timely, clear, concise, specific and prominent. The Company shall also make full public disclosure of its ancillary services, if any, and update such disclosure in a timely manner.

34. The Company shall disclose the general nature of its compensation arrangements with rated entities, including:

a. Where the Company receives from a rated entity compensation unrelated to its ratings service, the Company shall disclose the proportion that all such compensation constitutes against the total fees the Company receives from such rated entity for ratings services; and

b. Where 5% or more of

- (i) The Company total annual revenue; or
 - (ii) The combined annual revenue of the Company and any affiliate of the Company that carries out credit rating services,
- is received from a single issuer, originator, arranger, client or subscriber and/or any affiliate of such issuer, originator, arranger, client or subscriber, the Company shall disclose the party or parties from which such revenue is received.

35. The Company shall encourage structured finance issuers and originators of structured finance products to publicly disclose all relevant information regarding these products so that investors and other credit rating agencies can conduct their own analyses independently of the credit rating agency contracted by the issuers and/or originators to provide a rating. The Company shall disclose in their rating announcements whether the issuer of a structured finance product has informed it that it is publicly disclosing all relevant information about the product being rated or if the information remains non-public.

36. The Company, its representatives and its employees shall not engage in any securities or derivatives trading presenting conflicts of interest with the Company's rating activities, or which might be expected to give rise to such conflicts of interest.

37. In instances where rated entities (e.g., governments) have, or are simultaneously pursuing, oversight functions related to the Company, the Company should use different employees to conduct its rating actions than those employees involved in its oversight issues.

Representatives' Independence

38. Reporting lines for the Company representatives and their compensation arrangements shall be structured to eliminate or effectively manage actual and potential conflicts of interest.

39. Representatives will not be compensated or evaluated on the basis of the amount of revenue that the Company derives from rated entities that the representative rates or with which the representative regularly interacts.

40. The Company shall conduct formal and periodic reviews of compensation policies and practices for its representatives and employees who participate in, or who might otherwise have an effect on the rating process to ensure that these policies and practices do not compromise the objectivity of the Company's rating process.

41. The Company shall not have representatives who are directly involved in the rating process initiate, or participate in, discussions regarding fees or payments with any entity they rate.

42. No representative or employee of the Company should participate in or otherwise influence the determination of the Company's rating of any particular entity or obligation if the employee of the Company:

- a. Owns securities or derivatives of the rated entity, other than holdings in collective investment schemes;

b. Owns securities or derivatives of any entity related to a rated entity, the ownership of which may cause or may be perceived as causing a conflict of interest, other than holdings in diversified collective investment schemes;

c. Has had a recent employment or other significant business relationship with the rated entity that may cause or may be perceived as causing a conflict of interest;

d. Has an immediate relation (i.e., a spouse, partner, parent, child, or sibling) who currently works for the rated entity; or

e. Has, or had, any other relationship with the rated entity or any related entity thereof that may cause or may be perceived as causing a conflict of interest.

43. The Company's representative involved in the rating process (or their spouse, partner or minor children) shall not buy or sell or engage in any transaction in any security or derivative based on a security issued, guaranteed, or otherwise supported by any entity within such analyst's area of primary analytical responsibility, other than holdings in diversified collective investment schemes.

44. Without prejudice to paragraph 2.4 of the General Code of Conduct, representatives and employees of the Company are prohibited from soliciting money, gifts or favors from anyone with whom the Company does business and should be prohibited from accepting gifts offered in the form of cash or any gifts exceeding a minimal monetary value.

45. Any Company representative who becomes involved in any personal relationship that creates the potential for any real or apparent conflict of interest (including, for example, any personal relationship with an employee of a rated entity or agent of such entity within his or her area of analytic responsibility) is required to disclose such relationship to the Compliance Officer.

46. The Company shall adopt policies and procedures for reviewing the past work of analysts that leave the employment of the Company and join a rated entity that the representative has been involved in rating, or a financial firm with which the representative has had significant dealings as part of his or her duties as a representative or employee of the Company.

Part 3- Responsibilities to the Investing Public and Rated Entities

Transparency and Timeliness of Ratings Disclosure

47. The Company shall in a timely manner, publicly disclose all ratings and updates of such rating (or ensure that its affiliates do so), provided that the obligation shall not apply to "private ratings" within the meaning of paragraph 19 of the Code or to ratings that the Company provides only to subscribers. In the case of ratings that are only provided to subscribers, the Company shall, in a timely manner, disclose all such ratings and updates of such ratings to such subscribers (or ensure that its affiliates do so).

48. The Company shall publicly disclose its policies for distributing ratings and updates.

49. The Company shall ensure that each of its rating includes (a) a clear indication of when it was last updated, and (b) a clear and prominent statement identifying the name and job title of the lead analyst who is responsible for the rating and the name and the position of the person primarily responsible for approving the rating. Ratings of debt securities or preferred securities should include information on whether the credit ratings concern newly issued debt securities or preferred securities and whether the Company is rating such securities for the first time. Each rating announcement shall also include the principal methodology or methodology version that was used in determining the rating and where a description of that methodology can be found. Where the rating is based on more than one methodology, or where a review of only the principal methodology might cause investors to overlook other important aspects of the rating, the Company shall explain this fact in the ratings announcement, and include a discussion of how the different methodologies and other important aspects factored into the rating decision.

50. The Company shall ensure that sufficiently clear and easily comprehensible information is published about its procedures, methodologies and assumptions (including financial statement adjustments that deviate materially from those contained in the rating target's published financial statements and a description of the rating committee process, if applicable) to enable other parties to understand how the rating was determined. This information shall include (but not be limited to) the meaning of each rating category and the definition of default or recovery, and the time horizon the Company used when making a rating decision. The Company shall also ensure that all material sources, including the rated entity and, where appropriate, a related party of the rated entity, which were used to prepare the credit rating, are identified. An indication should also be given as to whether the credit rating has been disclosed to the rating entity or to its related party and, following such disclosure, whether the credit rating has been amended before being issued.

51. The Company shall disclose to what extent it has examined the quality of information used in the rating process and whether it is satisfied with the quality of information it bases its rating on.

52. Where a Company rates a structured finance product, it shall ensure that the public (in the case of a rating which is made available to the public) or subscribers (in the case of a rating which is made available only to subscribers) are provide with sufficient information about its loss and cash-flow analysis; and an indication of any expected change in the credit rating, so that an investor with an interest in investing in the product can understand the basis for the Company's rating. The Company shall also disclose the degree to which it analyzes how sensitive a rating of a structured finance product is to changes in the Company's underlying rating assumptions. The company shall disclose, on a timely and on-going basis, information concerning all structured finance products submitted to it for its initial review or for a preliminary rating. Such disclosure should be made irrespective of whether the issuer of such a product engages the Company to provide a final rating. The Company shall state the level of assessment it has performed concerning the due diligence processes conducted in relation to the underlying finance products, or other assets, of structured finance products. The Company shall disclose whether it has undertaken any assessment of such due diligence processes or whether it has relied on a third-party assessment, indicating how the outcome of such assessment influences the credit rating.

53. The Company shall differentiate ratings of structured finance products from traditional corporate bond ratings, preferably through a different rating symbol or by using an additional

symbol, which differentiates them from rating categories used for other rating targets. The Company shall also disclose how this differentiation functions. The Company shall clearly define a given rating symbol and apply it in a consistent manner for all types of securities to which that symbol is assigned.

54. The Company shall assist investors in developing a greater understanding of what a credit rating is, and the limits to which credit ratings can be put to use vis-à-vis a particular type of financial product that the Company rates. The Company shall clearly indicate the attributes and limitations of each credit opinion, and the limits to which the Company verifies information provided to it by the issuer or originator of a rated entity.

55. The Company when issuing or revising a rating shall explain in its press releases and reports the key elements underlying the rating.

56. Where feasible and appropriate, prior to issuing or revising a rating, the Company shall inform the rated entity of the critical information and principal considerations upon which a rating will be based and afford the issuer an opportunity to clarify any likely factual misperceptions or other matters that the Company would wish to be made aware of in order to produce an accurate rating. The Company will duly evaluate the response. Where in particular circumstances the Company has not informed the issuer prior to issuing or revising a rating, the Company shall inform the issuer as soon as practical thereafter and, generally, should explain the reason for the delay.

57. In order to promote transparency and to enable the market to best judge the performance of the ratings, the Company, when practicable and sufficient data is available, shall publish sufficient information about the historical default rates of the Company rating categories and whether the default rates of these categories have changed over time, so that interested parties can understand the historical performance of each category and if and how rating categories have changed, and be able to draw quality comparisons among ratings given by different credit rating agencies. If the nature of the rating or other circumstances makes a historical default rate inappropriate, statistically invalid, or otherwise likely to mislead the users of the rating, the Company should explain this. This information shall include verifiable, quantifiable historical information about the performance of its rating opinions, organized and structured, and, where possible, standardized in such a way to assist investors in drawing performance comparisons between different providers of credit rating services.

58. For each rating, the Company shall state prominently in each credit rating whether or not the rated entity, or any related party of the rated entity, participated in the credit rating process, and (for an unsolicited rating) whether the Company had access to the accounts and other relevant internal documents of the rated entity or its related party. The Company shall disclose its policies and procedures regarding unsolicited ratings.

59. Because users of credit ratings rely on an existing awareness of the Company's methodologies, practices, procedures and processes, the Company shall fully and publicly disclose any material modification to its methodologies a significant practices, procedures, and processes. Where feasible and appropriate, disclosure of such material modifications should be made prior to their going into effect. The Company shall carefully consider the various uses of credit ratings before modifying its methodologies, practices, procedures and processes. When methodologies, models or key rating assumptions used in preparing any of its credit ratings have changed, the Company shall immediately disclose the likely scope of

credit ratings to be affected by using the same mean of communication as was used for the distribution of the affected credit ratings.

The Treatment of Confidential Information

60. The Company shall adopt procedures and mechanisms to protect the confidential nature of information shared with it by a rated entity where this occurs under the terms of a confidentiality agreement or otherwise under a mutual understanding that the information is shared confidentially. Unless otherwise permitted by the confidentiality agreement and consistent with applicable laws or regulations, the Company and its representatives shall not disclose confidential information in press releases, through research conferences, to future employers, or in conversations with investors, other issuers, other persons, or otherwise.

61. The Company shall use confidential information only for purposes related to its rating activities or otherwise in accordance with any confidentiality agreements with the rated entity.

62. The Company shall take all reasonable measures to protect all property and records belonging to or in the possession of the Company from fraud, theft or misuse.

63. The Company shall prohibit its representatives from engaging in transactions in securities when they possess confidential information concerning the issuer of such securities. A representative (or his/her spouse, partner, minor children or any account controlled by the representative in which the representative has a beneficial interest) shall not engage in transactions in securities when the representative possesses confidential information concerning the issuer of such securities.

64. In preservation of confidential information, representatives and employees of the Company's shall familiarize themselves with the internal securities trading policies maintained by the Company, and periodically certify their compliance as required by such policies.

65. The Company shall ensure that its representatives and employees shall not selectively disclose any non-public information about ratings, or possible future issue or revision of ratings of the Company, except to the rated entity or its designated agents.

66. The Company shall ensure that it and its representatives and employees do not share confidential information entrusted to it with its affiliates that are not credit rating agencies, or with the employees of such affiliates. The Company and its representatives and employees shall not share confidential information within the Company, or with its affiliates that are credit rating agencies (including the representatives and employees of such affiliates), except on an "as needed" basis and as permitted under any relevant confidentiality agreement.

67. The Company's representatives and employees shall not use or share confidential information for the purpose of trading securities, or for any other purpose except carrying on Type 10 regulated activity.

Part 4- Disclosure of the Code of Conduct and Communication with Market Participants

68. The Company shall disclose this Code to the public and describe how its provisions fully implement the provisions of this Code. The Company shall also describe generally how it intends to enforce this Code and shall disclose, on a timely basis, any changes to this Code and how it is implemented and enforced.

69. The Company shall establish a function within its organization charged with communicating to market participants and the public about any questions, concerns or complaints that the Company may receive. The objective of this function shall be to help ensure that the officers and management of the Company are informed of those issues that they would want to be made aware of when setting the organization's policies.

70. The Company has published in a prominent position on its home webpage links to: (a) this Code; (b) a description of the methodologies it uses and (3) information about the Company's historic performance data, or that of any of its affiliate that carries out credit rating activities.

71. The Company shall ensure that details of the following information are available to the public on an annual basis:

- a) Its internal control mechanisms designed to ensure the quality of its credit rating activities;
- b) Its record keeping policy; and
- c) Its management and rating analyst rotation policy.