

Rating Process and Rating Committee

The below supplements the Code of Conduct and should be read in conjunction with the Code of Conduct. Where there is any conflict, the Code of Conduct shall prevail.

Lianhe Global rating process generally includes the following stages:

- Rating engagement with Lianhe Global;
- Analyst staffing;
- Management meeting & site visits;
- Information review and analysis;
- Rating committee;
- Rating result communication;
- Rating result publication;
- Rating surveillance; and
- File and record keeping.

Rating Commencement

Initial Contact with Lianhe Global

The rating process is initiated when an issuer and/or banker contacts Lianhe Global's business development (BD) group for a proposed rating assignment. Lianhe Global's BD group is responsible for all fee and business aspects of the rating process. Lianhe Global analysts are prohibited from being involved in such fee and business discussions.

Rating Engagement with Lianhe Global

The BD group will enter a rating engagement letter with the issuer which will be in written form, specify the rating services to be provided in a particular timeframe, as well as the rights of the signing parties.

Rating Preparation

Once the BD group has entered into a rating engagement with the issuer/banker, the BD group notifies the Rating Head. The Rating Head reviews the nature of the rating request and decides on the staffing of the primary and secondary analysts for the rating assignment.

The Rating Head is in charge of supervising and managing Lianhe Global's analysts and is accountable for all the ratings issued by Lianhe Global. The Rating Head also coordinates the rating process. The Rating Head monitors all stages of the rating process to ensure the analysts adhere to Lianhe Global rating methodologies, policies and procedures. The Rating Head will also ensure the rating analysts are suitably qualified and competent to perform the rating assignments.

To the extent the information to be provided for rating is deemed to be highly inadequate, the Rating Head may decline the rating assignment.

Analytical Team

Composition and Role

Lianhe Global shall use analysts who, individually or collectively, have the appropriate knowledge and experience in relation to the type of rating being prepared. A team of two analysts is assigned to each rating assignment, with the primary analyst experienced in the relevant asset class leading the analysis and formulating a rating recommendation for the consideration by the rating committee, and the secondary analyst supporting the primary analyst in the rating process.

Lianhe Global analysts demonstrate the highest level of ethics and integrity in the rating process and interaction with the transaction parties. Analysts cannot be involved in any transaction structuring which might otherwise compromise their rating independence. Analysts shall not implicitly nor explicitly give any assurance or guarantee of a particular rating result prior to any rating assessment by the relevant internal rating committee.

Information Requirements for Rating

Data Used for Rating

Lianhe Global begins the rating process by sourcing and reviewing the relevant information on the issuer. The data covers the issuer-specific information such as financial statements (including audited accounts and management financial projection) and company operating statistics, as well as the industry or country specific information like the economic data.

Data Source

Lianhe Global uses the publicly available information and non-public information provided by the issuer and/or the banker in the credit analysis. Third-party data vendors will also be employed if necessary.

Data Verification

Lianhe Global generally investigates and compares the available data from the issuer and/or the banker against the similar information obtainable from the public domain and/or other independent sources, in order to ensure that the information used in the rating process is of a sufficient quality to support a credible rating.

Data Limitation

Lianhe Global will not audit nor independently verify all the information provided in the rating process.

Methodology and Models

Methodology

Lianhe Global considers both qualitative and quantitative factors in the rating of corporates and financial institutions.

Models

Lianhe Global employs models to facilitate the quantitative analysis of the rating process, but the rating result is decided by the rating committee rather than the model results alone.

If the primary analyst develops the model internally, the secondary analyst will review it to ensure the accuracy of the formula and assumption adopted in the model. The Rating Head will review the model on a regular basis as part of the model validation process.

Back testing

Lianhe Global will back test the methodologies and models used in its rating annually to ensure that the ratings assigned still reflect the credit risk of the issuers.

Rating Committee

Function

The rating committee is convened for the following:

- 1) Assigning new ratings;
- 2) Affirming or proposing rating actions to the monitored ratings;
- 3) Adopting new and/or changes to the rating methodologies;
- 4) Handling rating appeals from internal or external parties.

Committee Membership

Quorum: The minimum-voting quorum for a rating committee is three. The Rating Head will form the voting quorum for each rating committee. If any voting members appointed for a committee have any conflict of interest (e.g. directorship, stock holding etc.) by attending the relevant committee, those voting members need to recuse themselves from such committee.

Committee Chairperson: The new and existing rating committee can be chaired by either the Rating Head, or the analyst designated by the Rating Head.

Committee Presenter: The primary analyst is the presenter of the committee. In the absence of the primary analyst, the secondary analyst will be the presenter of the committee.

Committee Members: All the committee members should be the analysts in the rating team.

Committee Memo

Memo Content: The committee memo for the new and/or changes to the rating methodology needs to include the qualitative and quantitative aspects of analysing each asset class. The committee memo for new and existing ratings needs to include the date and purpose of the committee, the voting members, information considered for rating, the rationale behind the

rating recommendation, the application of the relevant rating methodologies, and other relevant supporting documents and analysis.

Memo Circulation Time: The primary analyst needs to circulate the committee memo to the committee members at least 24 hours prior to the actual committee meeting to ensure that the committee members will have sufficient time to review the memo. Prior to circulating the committee memo, the primary analyst needs to get the written confirmation from the invited committee members that they have no conflict of interest with the companies being recommended for ratings.

Memo Recipients: Only the voting members of the rating committee can receive the committee memo.

Committee

At the start of every rating committee, the committee chairperson inquires whether any of the committee members has a conflict of interest with regard to the entity to be rated and its relevant transaction parties. A prospective rating committee member is required to refrain from participating in the committee if he/she has a conflict of interest. Any potential conflicts of interest identified through this process are subject to monitoring on an ongoing basis.

Committee Voting

The rating committee, instead of the individual analysts, will decide credit ratings. Each rating is decided by the majority vote.

Appeal

Internal appeal: If a committee member would like to appeal a rating decision, he or she should lodge his/her appeal request by writing within 24 hours of the committee to the Rating Head. The Rating Head will as soon as practicable then form another voting quorum. The appealing analyst will be the presenter of the internal appeal committee.

External appeal: If an issuer would like to appeal a committee rating decision, the issuer and/or the bankers need to inform in writing to the primary analyst within 24 hours of Lianhe Global's notification of such rating decision to the issuer and provide new and relevant information not previously provided. The primary analyst needs to inform the Rating Head who will as soon as practicable form another voting quorum. The primary analyst will be the presenter of the external appeal committee. The Rating Head has the right of not convening an appeal committee if the new information provided is neither relevant nor material to the rating decision.

Committee Result Recording

All the committee results including the list of the voting members who have attended the committee and the rating decision need to be documented in the committee minutes and signed by the committee chairperson.

Communication of Rating Result

After the rating committee reaches a rating decision, the primary analyst will communicate the decision to the issuer and/or the banker.

Prior to the public release of the credit rating, Lianhe Global may provide the issuer or the banker the draft rating press release and/or rating report for verifying factual accuracy and ensuring non-disclosure of non-public information.

Publication of Rating Result

All the press releases and the rating reports prepared by the primary and/or secondary analysts need to be reviewed and signed off by the Rating Head or his/her delegated analyst, prior to the publication of the press release and the rating reports.

All Lianhe Global credit ratings are released in English language on Lianhe Global's website at www.lhratingsglobal.com. The press release (and the rating report) include the factors and assumptions behind the credit rating assigned (and for structured finance rating, information about default and cash flow analysis, rating sensitivity analysis and due diligence undertaken if any) and the list of applicable rating methodologies, the statement that the rating assigned only address the credit-worthiness of the rated entity and/or transaction, and the names and the titles of the primary analyst and the Committee Chairperson for that rating assigned.

The press release and/or the rating report will identify all material sources including the rated entity used to prepare the credit rating and will indicate whether the credit rating has been disclosed to the rated entity or its related party and following such disclosure, whether the credit rating has been amended prior to the press release/rating report being released.

The press release/rating report for structured finance ratings will disclose whether the originator has informed Lianhe Global that it is publicly disclosing the information used in the rating.

Lianhe Global works towards releasing the credit rating in Lianhe Global website as soon as practicable after the rating committee.

Rating Surveillance

Frequency

Lianhe Global monitors the assigned credit ratings, as deemed appropriate, on an ongoing basis and will modify the credit ratings if necessary (for example due to changes in the issuer credit profiles and/or changes in Lianhe Global rating methodologies).

All monitored credit ratings are reviewed at least once every twelve months.

Data Source

Lianhe Global analysts may use public information, and information provided by the issuer and/or the banker, in monitoring the credit rating. Lianhe Global uses the same credit rating methodologies for assigning new and monitoring existing ratings.

Applicability

Lianhe Global shall in a timely manner publicly disclose all public ratings initially assigned and subsequently reviewed.

Rating surveillance does not apply to point-in-time credit ratings.

Rating Withdrawal and Suspension

Lianhe Global will withdraw ratings under different circumstances, including but not limited to, non-existence of the rated entity due to merger and acquisition, amalgamation or bankruptcy, inadequate information provided by the rated issuer, cancellation of the credit rating mandate with Lianhe Global etc.

A press release will be issued detailing which rating is withdrawn, the date of such withdrawal/the date of the last updated meeting, the reason behind such rating withdrawal, the rating level at the time of withdrawal and the fact that the rating is no longer being monitored.

File and Record Keeping

Files

Primary analysts are responsible for maintaining all electronic files (including scanned files for hardcopy materials) for the rated entity and/or transactions they cover including, but not limited to:

- the data and information received from the issuer and/or the banker used in the credit analysis
- the relevant email correspondence
- the transaction documents and legal opinions
- the models
- the committee memo and minutes
- the press releases and the rating reports (if applicable).

The electronic files should be saved in identifiable folders in a shared server not accessible by people other than the analysts.

Emails

Analysts should use Lianhe Global email addresses for all email correspondence in the performance of their duties.

Also, analysts are not allowed to use Lianhe Global email addresses for personal email correspondence. Non-work related emails received through Lianhe Global email addresses should be deleted upon receipt.

Primary and secondary analysts may keep e-mails relevant to the rating methodology development and rating analysis in identifiable folders on a shared drive accessible only by the analysts.