

ANRONG (HONG KONG) CREDIT RATINGS COMPANY LIMITED

Code of Conduct for Credit Rating Services

Introduction

1. This Code applies to AnRong (Hong Kong) Credit Ratings Company Limited (ARHK), which is 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 Securities and Futures Commission (“General Code of Conduct”) issued by SFC in April 2001.

3. For the purposes of this Code:

(1) “ARHK” means AnRong (Hong Kong) Credit Ratings Company Limited, which is licensed or registered to carry on business in Type 10 regulated activity;

(2) “CRA” means a “licensed corporation” or “registered institution” (as defined in Part 1 of Schedule 1 of the SFO), which is licensed or registered to carry on business in Type 10 regulated activity;

(3) “ratings” has the same meaning as “credit ratings” (as defined in Schedule 5 of the SFO);

(4) “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;

(5) “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 or preferred securities or the person (other than an individual) agreeing to provide credit; and

(6) Structured finance products (structured finance products) refer to securities or money market instruments issued by a group of assets or as part of any asset collateral or mortgage-backed securities transaction.

Part 1 – Quality And Integrity Of The Rating Process

Quality of the Rating Process

4. ARHK shall adopt 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. This function shall be independent of the business lines that are principally responsible for rating various classes of rating targets. The findings of any such review shall be comprehensively recorded in a written report, a copy of which can be provided to the SFC forthwith upon its request. ARHK should take appropriate measures to address any deficiencies identified during the course of any such review.

5. ARHK 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 ARHK can determine a credible credit rating for it, ARHK shall not issue a credit rating.

6. ARHK shall structure its rating teams to promote continuity and avoid bias in the rating process. Where applicable, in view of ARHK's staffing resources, ARHK's 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

7. ARHK shall ensure that adequate personnel and financial 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 ARHK shall monitor, on an ongoing basis, and update the rating by:

- (1) Reviewing, at least annually, the rating target's creditworthiness;
 - (2) 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 method requiring revision or termination;
- and
- (3) Updating the rating on a timely basis, as appropriate, based on the results of such review.

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

9. ARHK shall use separate analytical teams in Hong Kong or elsewhere within its group of companies, 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.

10. Where a rating is made available to the public, ARHK shall in a timely manner publicly announce (or ensure that its affiliate publicly announces) if the rating is discontinued and include full reasons for such discontinuation. Where a rating is provided only to subscribers, ARHK should in a timely manner announce (or ensure that its affiliate announces) to such subscribers if the rating is discontinued and include full reasons for such discontinuation. In both cases, ARHK shall ensure that continuing publications of the discontinued rating indicate the date the rating was last updated, the fact that the rating is no longer being updated and include full reasons for its discontinuation.

11. ARHK shall ensure that any "private rating" (prepared by ARHK 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 or 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 ARHK providing a private rating, ARHK shall by prior written agreement entered into between it and the rated entity, prohibit the rated entity from disseminating such rating, or permitting its dissemination, to the public.

Integrity of the Rating Process

12. ARHK and its representatives shall deal fairly and honestly with issuers, investors, other market participants, and the public.

13. Representatives of ARHK shall maintain high standards of integrity, and ARHK shall not employ individuals with demonstrably compromised integrity.

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

15. ARHK shall not allow its representatives who are involved in the rating process from making proposals or recommendations regarding the design of structured finance products rated by ARHK.

16. ARHK shall institute policies and procedures that clearly specify a person responsible for compliance by ARHK and its employees with the provisions of this Code and with any law, rules, regulations, codes or other requirements which apply to ARHK and are issued, administered or enforced by the SFC or any other regulatory authority or agency. This person's reporting lines and compensation shall be independent of ARHK's rating operations.

17. ARHK shall institute policies and procedures requiring its representatives and employees, upon becoming aware that another representative, employee or entity under common control with ARHK is engaging, or has engaged, in conduct that is illegal, unethical or contrary to this Code, to report such information immediately to the

individual in charge of compliance (“compliance officer”) or a responsible officer of ARHK, as appropriate, so that proper and appropriate action may be taken. ARHK’s representatives and employees are not necessarily expected to be experts in the law. Nonetheless, they are expected to report such activities as a reasonable person in their position would question or be concerned over. ARHK 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 ARHK and are issued, administered or enforced by the SFC or any other regulatory authority or agency, and by ARHK’s own rules, guidelines or codes. ARHK shall not retaliate, and should prohibit 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

18. ARHK shall neither forbear nor refrain from preparing or revising any rating based on the potential effect (economic, political, or otherwise) on ARHK, a rated entity, an investor, or other market participant.

19. ARHK and its representatives shall use care and professional judgment to maintain both the substance and appearance of independence and objectivity.

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

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

22. ARHK shall not carry on any ancillary business other credit rating, however, when any ancillary business be carried out in future, ARHK shall apply for approval from SFC. For the avoidance of doubt, ARHK 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.

23. ARHK 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 ARHK. 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

24. ARHK 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 (i) the ratings ARHK makes, or (ii) the judgment and analyses of the representatives who are involved in the preparation of ratings. ARHK's other code of conduct or internal guidelines should also state that ARHK will disclose such conflict avoidance and management measures.

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

26. ARHK shall publicly disclose the general nature of its compensation arrangements with rated entities, including:

(1) Where ARHK receives from a rated entity compensation unrelated to its ratings service, ARHK shall disclose the proportion that all such compensation constitutes against the total fees that ARHK, or its affiliate, receives from such rated entity for the provision of ratings services; and

(2) Where 5% or more of –

(I) ARHK's total annual revenue; or

(II) the combined annual revenue of ARHK and any affiliate of ARHK that carries out credit rating activities, is received from a single issuer, originator, arranger, client or subscriber and/or any affiliate of such issuer, originator, arranger, client or

subscriber, ARHK shall disclose the party or parties from which such revenue is received.

27. ARHK should encourage issuers and originators of structured finance products to publicly disclose all relevant information regarding these products so that investors and other CRAs can conduct their own analyses independently ARHK contracted by the issuers or originators to provide a rating. ARHK shall ensure that rating announcements include disclosure as to whether the issuer of a structured finance product has informed ARHK that it is publicly disclosing all relevant information about the product being rated or whether the information remains non-public.

28. ARHK shall ensure that it and its representatives and employees do not engage in any securities or derivatives trading giving rise to conflicts of interest with ARHK's rating activities, or which might reasonably be expected to give rise to such conflicts of interest.

29. In instances where rated entities (e.g. governments) have, or are simultaneously pursuing, oversight functions related to ARHK, ARHK shall use representatives to prepare and revise its ratings who are not the same individuals involved in its oversight issues.

Representatives' Independence

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

31. ARHK's other code of conduct or internal guidelines shall state that a representative will not be compensated or evaluated on the basis of the amount of revenue that ARHK derives from rated entities that the representative rates or with which the representative regularly interacts.

32. ARHK 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 its rating process.

33. ARHK's representatives who are directly involved in the rating process shall not initiate, or participate in, discussions regarding fees or payments with any entity they rate.

34. No representative or employee of ARHK shall prepare (or participate in or otherwise influence the determination of) a rating of any particular rating target if the representative or employee of ARHK:

(1) Owns securities or derivatives of the rated entity, other than holdings in collective investment schemes;

(2) 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 collective investment schemes;

(3) 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;

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

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

35. An ARHK's representative involved in the rating process (or his/her spouse, partner, minor children or any account controlled by the representative in which the representative has a beneficial interest) shall not buy or sell, or engage in any transaction involving, any securities or derivative based on securities issued, guaranteed, or otherwise supported by any entity within such representative's area of primary analytical responsibility, other than holdings in collective investment schemes.

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

37. Any representative of ARHK, who becomes involved in any personal relationship that creates the potential for any real or potential 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), shall be required to disclose such relationship to the compliance officer or responsible officer of ARHK who is designated for such purpose by ARHK's compliance policies.

38. ARHK shall establish policies and procedures for reviewing the past work of representatives who leave the employ of ARHK and join a rated entity 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 ARHK.

Part 3 – Responsibilities To The Investing Public and Rated Entities

Transparency and Timeliness of Ratings Disclosure

39. ARHK shall, in a timely manner, publicly disclose all ratings and updates of such ratings (or ensure that its affiliate does so), provided that this obligation shall not apply to “private ratings” within the meaning of paragraph 11 of this Code or to ratings that ARHK provides only to subscribers. In the case of ratings that are only provided to subscribers, ARHK shall, in a timely manner, disclose all such ratings and updates of such ratings to such subscribers (or ensure that its affiliate does so).

40. ARHK shall ensure that the policies for distributing its ratings and updates are publicly disclosed.

41. ARHK shall ensure that each of its ratings 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 rating 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 ARHK is rating such securities for the first time. Each rating announcement shall also indicate 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, ARHK ensure that this fact is explained in the ratings announcement. Such explanation should include a discussion of how the different methodologies and other important aspects were factored into the rating decision.

42. ARHK shall ensure that sufficient 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 a 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 ARHK used when making a rating decision ARHK 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 shall also be given as to whether the credit rating has been disclosed to the rated entity or to its related party and, following such disclosure, whether the credit rating has been amended before being issued.

43. ARHK 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.

44. Where ARHK rates a structured finance product, it should 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 provided 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 rating. ARHK shall also ensure disclosure of the degree to which it analyzes how sensitive a rating of a structured finance product is to changes in ARHK's underlying rating assumptions ARHK shall disclose, on a timely and ongoing 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 ARHK to provide a final rating. ARHK 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. ARHK 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.

45. ARHK shall differentiate ratings of structured finance products from traditional corporate bond ratings, preferably through a different rating symbology or by using an additional symbol which differentiates them from rating categories used for other rating targets. ARHK shall also disclose how this differentiation functions. ARHK shall clearly define a given rating symbol and apply it in a consistent manner for all types of debt securities and preferred securities to which that symbol is assigned.

46. ARHK shall assist investors in developing a greater understanding of what a credit rating is, and the limitations of the actual use of that credit rating. ARHK shall clearly indicate the attributes and limitations of each credit rating, and the limits to which ARHK verifies information provided to it by the rated entity.

47. When issuing or revising a credit rating, ARHK shall explain in its press releases and reports the key elements underlying the rating.

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

49. In order to promote transparency and to enable the market to best judge the performance of its ratings, ARHK shall, where sufficient historical data exists, publish information about the historical default rates of rating categories and about ratings transition frequency. In addition, ARHK shall disclose whether the default rates of

rating categories have changed over time. The information shall be sufficient to help interested parties understand the historical performance of each category, as well as whether rating categories have changed and, if so, how. It shall also help interested parties draw quality comparisons among ratings given by different CRAs. If the nature of a rating, or other circumstances, make an historical default rate inappropriate, statistically invalid, or otherwise likely to mislead the users of the rating, ARHK shall explain this. This information shall include verifiable and quantifiable historical information about the performance of its rating opinions, organized and structured, and, where possible, standardized, in such a way as to assist investors in drawing performance comparisons between different providers of credit rating services.

50. ARHK 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 ARHK had access to the accounts and other relevant internal documents of the rated entity or its related party. ARHK shall also disclose its policies and procedures regarding unsolicited ratings.

51. Because users of credit ratings rely on an existing awareness of ARHK's methodologies, practices, procedures and processes, ARHK shall fully and publicly disclose any material modification to its methodologies and significant practices, procedures, and processes. Where feasible and appropriate, disclosure of such material modifications shall be made prior to their going into effect. ARHK 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 are changed, ARHK shall immediately disclose the likely scope of credit ratings to be affected by using the same means of communication as was used for the distribution of the affected credit ratings.

The Treatment of Confidential Information

52. ARHK 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, ARHK and its representatives and employees shall not disclose confidential information in press releases, through research conferences, to future employers, or in conversations with investors, other issuers or other persons, or otherwise.

53. ARHK shall use confidential information only for purposes related to its rating activities or in accordance with any confidentiality agreements with the rated entity.

54. ARHK shall take all reasonable measures to protect all property and records belonging to it, or in its possession, from fraud, theft or misuse.

55. ARHK shall prohibit its representatives and employees 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.

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

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

58. ARHK 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. ARHK and its representatives and employees shall not share confidential information within ARHK, 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.

59. ARHK shall ensure that its representatives and employees do 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

60. ARHK shall disclose this Code to the public and describe how its provisions fully implement the provisions of this Code. ARHK 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.

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

62. ARHK shall publish in a prominent position on its home webpage links to:
(a) this Code; (b) a description of the methodologies it uses; and (c) information about ARHK's historic ratings performance data, or that of any of its affiliate that carries out credit rating activities.

63. ARHK shall ensure that details of the following information are available to the public on an annual basis:

- (1) Its internal control mechanisms designed to ensure the quality of its credit rating activities;
- (2) Its record-keeping policy; and
- (3) Its management and rating analyst rotation policy.