

CREDIT RATING PROCESS

Assignment of Analytical Team

The rating process typically takes six to eight weeks to complete. It starts with the rated entity (obligor) signing a credit rating service agreement with TRIS Rating. An analytical team comprising a Manager, a Lead Analyst, a Support Analyst, and an Industry Researcher will be assigned to perform the analytical work, and ensure the rating assignment is completed in accordance with the agreed timeline and TRIS Rating's rating procedures.

Information Gathering

The analytical team will send a list of information required for the rating exercise, which includes detailed information related to the obligor's business operation, organization structure, financials, historical performance and financial projections. Apart from the information received from the obligor, the analysts may also gather information from other reliable sources related to the operating environment and prospects of the relevant sector or industry.

Management Meeting

As part of the information gathering process, the analytical team will schedule an interview session with the obligor's senior management to obtain first-hand information on the company's business strategy and business operation. The analytical team may also meet with the managers of key departments to gather detailed information on business operation, and the board-level audit committee to evaluate the transparency of operation. In cases where the Group Rating Methodology is applied, a meeting with the senior management of the obligor's parent company will also be required to assess the significance the company's business operation in the context of overall group performance and business strategy.

Rating Assessment

The analytical team will assess the obligor's credit profile based on TRIS Rating's analytical framework and the relevant rating methodology, and all the gathered information on the obligor. All rating methodologies comprise the primary assessment on business risk profile and financial risk profile. The assessment on business risk profile will be based principally on the obligor's business strengths/weaknesses and competitiveness, whereas the assessment on financial risk profile will focus on the obligor's financial strengths/weaknesses, capital structure, and financial policy. Peer comparison is an important component across multiple aspects of the analysis. If the obligor is a subsidiary of a larger group of businesses, the scope of the analysis could be expanded to include an assessment of group credit profile, and the potential influences the group credit profile may have on the obligor's credit rating.

Rating Committee Decision

Based on the results of assessment and analysis, the analytical team will present to the Rating Committee the proposed credit rating on the obligor. The Rating Committee comprises between 5 to 7 members, which include an executive analytical manager as the chairperson of the committee, at least three other analytical managers who are not part of the analytical team, and the responsible manager of the assigned analytical team. A typical Rating Committee meeting starts with the lead analyst presenting the proposed rating to the committee, followed by an extensive session of questions and answers. The final rating will be decided by the Rating Committee's majority vote.

Response to Rating Result

For initial ratings, TRIS Rating will inform the obligor the rating result in the form of a formal letter and the draft rating report explaining the rationale and key considerations supporting the assigned rating. If the obligor agrees with the rating result, the obligor may choose to announce the rating to the public or keep it

private. If the obligor disagrees with the rating result, the obligor may choose to appeal against the rating result. To initiate an appeal, the obligor will be required to submit additional information for the Rating Committee's reconsideration on the rating outcome. However, unless there is crucial information that has not already been known to the Rating Committee, the appeal is unlikely to yield a different rating result. Rating appeal is allowed only for initial ratings.

Rating Announcement

If the obligor wishes to announce the assigned rating to the public, upon the receipt of written confirmation, TRIS Rating will publish the rating report on TRIS Rating's website and distribute a press release to the media and news agencies. Once the rating is made known to the public, TRIS Rating is obliged to announce all future rating updates on the credit without prior consent from the obligor. If the obligor wishes to keep the rating private, TRIS Rating will keep the rating confidential. Except for private ratings, an initial credit rating is typically announced to the public within five business days from the date TRIS Rating receives written confirmation from the obligor, or on the obligor's desired date.

Credit Monitoring

As long as the credit rating service agreement remains effective, TRIS Rating is obliged to monitor the credit rating. For the publicly announced ratings, TRIS Rating will conduct a full review on the credit annually and publish in the form of CreditNews which will be posted to the TRIS Rating's website and distributed to the media within 5 business days from the date TRIS Rating sends a letter to inform the obligor on the review result. In the case of a revision in ratings and/or rating outlook, the rating result will be published within three business days from the date TRIS Rating sends a letter to inform the obligor on the review result.

In addition to annual credit review, the rating will be continuously monitored and updated. In case there is an important event that may impact the creditworthiness of a publicly announced rated obligor or debt issue, TRIS Rating may publish a



“CreditAlert” as a warning to the public that some significant events have occurred that may affect the ratings; or a “CreditUpdate” if there is sufficient information to warrant an interim credit review of the rated obligors or issues. A “CreditUpdate” is also published to announce the credit rating of a new debt issue.

A “CreditAlert” will be published within 5 business days after the date the obligor informs the public about the occurring of event. A “CreditUpdate” is typically published within five business days after TRIS Rating sends a letter to inform the obligor on the credit review result. In the case of a revision in ratings and/or rating outlook, the rating result will be published within three business days from the date TRIS Rating sends a letter to inform the obligor on the credit review result.

Diagram of Initial Rating Process

