

## **QUALITATIVE INFORMATION ON MANAGEMENT OF RISKS**

### ***Credit Risk Management***

Credit risk is the risk associated with possibility that the counterparty in a transaction may default. It arises from the lending and derivatives undertaken by the Company.

The Company's credit policy defines the credit extension criteria, the credit approval and monitoring processes, the loan provisioning policy. The Company maintains a tight control on loan assessments and approvals and will continue to exercise a conservative and prudent policy in granting loans in order to maintain a quality loan portfolio.

### ***Market Risk Management***

Market risk is the risk associated with changes in interest rates and foreign exchange rates and the net effect of such changes have on the Company's assets, liabilities and commitments, thus causing profits and losses.

The Company's policy to market risk is essentially the same as that disclosed in the Company's 2000/01 Annual Report. During the period, the Company traded in market risk related financial instruments mainly for hedging purposes. The market risk exposure from both on and off balance sheet activities was considered immaterial. Accordingly, quantitative market risk information is not disclosed.

### ***Liquidity Management***

The Company will ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund loan growth and to generate reasonable returns from available funds.

During the period, the Company closely monitors its liquidity position on a daily basis to ensure that the liquidity structure of the Company's assets, liabilities and commitments can meet its funding needs.

Adequate standby facilities are maintained to provide strategic liquidity to meet loan demand in the ordinary course of business.

### ***Capital Management***

The Company's policy is to maintain a strong capital base to support the development of the Company's business. During the period, the Company relies principally on internally generated capital as well as bank borrowings and overdrafts for the working capital. The funding position is monitored and reviewed regularly to ensure reasonable costs.