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## Corporate Governance

The Group strives to achieve high standards of corporate governance and has followed the module on “Corporate Governance of Locally Incorporated Authorized Institutions” under the Supervisory Policy Manual (CG-1) issued by the Hong Kong Monetary Authority in September 2001.

### Board of Directors and the Management

The Board is responsible for setting objectives and formulating long term strategies as well as managing the Group's overall business. It currently comprises ten Directors with a variety of different experience and professionalism. Among them, two are Executive Directors, while the remaining eight are Non-executive Directors. Of the eight Non-executive Directors, three are Independent Non-executive Directors whose indispensable function is to provide independent scrutiny. The Board meets regularly and four board meetings were held in the year with an average attendance rate of 92.5%. The Management, led by the Chief Executive, is responsible for formulating and implementing detailed programmes to effect the approved strategies and policies, and to provide detailed reports on the Group's performance to the Board on a regular basis to enable the Board to discharge its responsibilities effectively. In order to focus its attention on strategic and material issues that have significant impact on the Group's finances and long-term development, the Board has set up three committees to oversee the major areas of the Group. The details of the committees are given below:

### Executive Committee

The Executive Committee has been delegated with power directly from the Board to handle matters which require the Board's review during the adjournment of the Board. Its responsibilities include:-

- approving policies, implementing plans and management measures to effect the group-wide development strategies and business plans approved by the Board;
- reviewing the progress on implementation of the strategies and business plans;
- recommending strategic proposals to the Board for its consideration and approval; and
- approving the Group's rules and regulations according to the policies imposed by the supervisory authorities and the holding company.

The members of Executive Committee during the year were Mr. Xu Gang (Chairman), Mr. Ho Shiu Chuen<sup>1</sup> and Mr. Yuen Wai Keung<sup>2</sup>. All were Executive Directors of the Bank.

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## Corporate Governance (Continued)

### Audit Committee

The Audit Committee oversees the auditing activities of the Group and monitor compliance with approved policies and procedures, so that the effectiveness of financial reporting process and internal control systems of the Group can be assured. Its responsibilities include:-

- reviewing and monitoring the effectiveness of the internal control systems, the controls over financial risks and the procedures of financial reporting and auditing;
- assessing independently the effectiveness and efficiency of financial reporting system and its controlling mechanism, and the sufficiency of operating policies and system; and
- monitoring the operation of the Group to ensure the Group is running in compliance with the relevant laws and regulations.

The members of Audit Committee during the year were Mr. Lau Hon Chuen (Chairman), Mr. Lan Hong Tsung David, Mr. Lee Raymond Wing Hung. All were Non-executive Directors of the Bank. Among them, Mr. Lau Hon Chuen and Mr. Lan Hong Tsung David were Independent Non-executive Directors.

### Risk Management Committee

The Risk Management Committee oversees the risk management of the Group, to formulate the Group's risk management strategies, policies and procedures, and to monitor the implementation of those strategies, policies and procedures. Its responsibilities include:-

- assisting the Board to measure and monitor the risk exposures of the Group;
- recommending appropriate risk management strategies to the Board; and
- formulating risk management related policies such as risk management policies and authorities and duties delegation policy in accordance with the requirements set by the Board.

The members of the Risk Management Committee during the year were Mr. Cheung Yau Shing (Chairman), Mr. Lee Raymond Wing Hung, Mr. Xu Gang, Mr. Ho Shiu Chuen<sup>1</sup>, Mr. Chang Hsin Kang, Mr. Lau Hon Chuen and Mr. Yuen Wai Keung<sup>2</sup>. All were Directors of the Bank. Among them, Mr. Chang Hsin Kang and Mr. Lau Hon Chuen were Independent Non-executive Directors.

Notes:

1. Resigned as an Executive Director of the Bank and ceased to be members of the Executive Committee and Risk Management Committee with effect from 16 September 2008.
2. Appointed as an Executive Director of the Bank and members of the Executive Committee and Risk Management Committee with effect from 16 September 2008.