

Corporate Governance

The Board of Directors is committed to principles of corporate governance consistent with prudent enhancement and management of shareholder value.

In order to reinforce independence, accountability and responsibility, the role of the Group Chairman is separate from that of the Group Managing Director. The Board has established the Nomination Committee, the Audit Committee, the Risk Management Committee and the Compensation Committee with defined terms of reference. All committees are chaired by non-executive directors.

Corporate governance practices adopted by the Company during the six-month period to 30 June 2002 are in line with those practices set out in the Company's 2001 Annual Report.

Nomination Committee

The Nomination Committee was established in 2001 to make recommendations to the Board on the appointment of directors and the management of board succession. The Committee meets as required and its current members include:

Dr Victor FUNG Kwok King – *Committee Chairman*
Mr Paul Edward SELWAY–SWIFT *
Dr William FUNG Kwok Lun

Audit Committee

The Audit Committee was established in 1998 to provide advice and recommendations to the Board. The majority of the Committee members are independent non-executive directors. Its current members include:

Dr Victor FUNG Kwok King – *Committee Chairman*
Mr Paul Edward SELWAY–SWIFT *
Mr Allan WONG Chi Yun *
Professor Franklin Warren McFARLAN *
Mr Leslie BOYD
Mr Makoto YASUDA *
Mr James SIU Kai Lau (Chief Compliance Officer)

The Audit Committee has met twice in 2002 (with an average attendance rate of 93%) to review with senior management and the Company's internal and external auditors the accounting principles and practices adopted by the Group and to discuss auditing, internal control and risk management and financial reporting matters (including interim financial statements for the six months ended 30 June 2002 before recommending them to the Board for approval). Part of the above two meetings was attended only by independent non-executive directors and external auditors.

Risk Management Committee

The Risk Management Committee was established in 2001 to review and make recommendations to the Board on the Group's risk management and internal control systems. The Committee met once in 2002 (with an attendance rate of 75%) and reports to the Board in conjunction with the Audit Committee. Its current members include:

Dr Victor FUNG Kwok King – *Committee Chairman*
Dr William FUNG Kwok Lun
Mr James SIU Kai Lau (Chief Compliance Officer)
Mr Frank LEONG Kwok Yee (Chief Financial Officer)

Compensation Committee

The Compensation Committee was established in 1993 with the responsibility of approving the remuneration policy for all directors and senior executives, including annual allocation of Share Options to employees under the Company's Employee Share Option Scheme. No meeting was held during 2002, and its current members include:

Mr Allan WONG Chi Yun * – *Committee Chairman*
Dr Victor FUNG Kwok King
Dr William FUNG Kwok Lun

* *independent non-executive director*

Internal Control

The internal controls and accounting systems of the Group are designed to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, that transactions are executed in accordance with management's authorisation and that the accounting records are reliable for preparing financial information used within the business or for publication and maintaining accountability for assets and liabilities. Qualified personnel throughout the Group maintain and monitor these internal accounting controls on an ongoing basis. The Group's Corporate Governance Division, under the supervision of the Group's Chief Compliance Officer, independently reviews these controls, evaluates their adequacy, effectiveness and compliance and reports to the Audit Committee.

Compliance with the Listing Rules

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six-month period to 30 June 2002, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules.

Corporate Social Responsibility

The Company has adopted and implemented a stringent Code of Conduct program for the Company’s approved suppliers and is currently a corporate member of Business for Social Responsibility (BSR), a US based organisation whose purpose is to foster high working standards amongst suppliers.

The Company supports the Global Compact initiative launched at United Nations Headquarters in July 2000, and fully endorsed its nine universal principles in the areas of human rights, labour standards and the environment.

Investor Relations and Communication

The Company continues to pursue a proactive policy of promoting investor relations and communication by maintaining regular meetings with institutional shareholders and analysts. In order to further promote effective communication, the Company maintains a website (www.lifung.com) to disseminate shareholder information electronically on a timely basis.

Community Service

The Company endorses senior executives in participating in community services and accepting public offices which currently include various government advisory boards and professional associations promoting Hong Kong’s exports, advance of international trade and best corporate governance practices.

The Company further provides institutional support in the form of sponsorships for universities and charitable support by direct donation or direct employee involvement in fundraising activities organised by leading charitable organizations.