

Corporate Governance

The Board of Directors is committed to principles of corporate governance consistent with prudent enhancement and management of **shareholder value**. These principles emphasize transparency, accountability and independence.

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 2003 are in line with those practices set out in the Company's 2002 Annual Report.

Nomination Committee

The Nomination Committee was established in August 2001 to make recommendations to the Board on the **appointment of directors** and the **management of board succession**. No meeting has yet been held in 2003, 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 has been established since 1998 to provide advice and recommendations to the Board. 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) – *Secretary*

The majority of the Committee members are independent non-executive directors. All Committee members possess appropriate industry and financial experience to advise on Company's matters.

The Audit Committee has met twice in 2003 (with an average attendance rate of 79%) to review with senior management and the Company's internal and external auditors the internal and external audit findings, the accounting principles and practices adopted by the Group, and to discuss auditing, internal control, risk management and financial reporting matters (including interim financial statements for the six months ended 30 June 2003 before recommending them to the Board for approval). In order to further enhance **independent reporting** by external auditors, part of the aforementioned meetings was attended only by independent non-executive directors and external auditors.

Risk Management Committee

The Risk Management Committee was established in August 2001 to review and make recommendations to the Board on the Group's **risk management** and **internal control** systems. The Committee reports to the Board in conjunction with the Audit Committee and it has met once in 2003 (with an attendance rate of 100%). 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 has been established since 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. The Compensation Committee has met once in 2003 (with an attendance rate of 100%) 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*

Code of Conduct and Business Ethics

The Group's **reputation capital** is built on its long established standards of ethics in conducting business. Guidelines of the Group's core business ethical practices as endorsed by the Board are set out in our Code of Conduct and Business Ethics for all directors and staff.

Internal Control

The internal control 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 directly 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 2003, 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 and Sustainability

The Group has developed a Supplier Code of Conduct to be observed by all its approved vendors around the globe. The Code is a set of rigorous labor, health and environmental standards based on national labor laws, International Labor Organisation (ILO)'s conventions and treaties, and international best practices.

The Group is a member of Business for Social Responsibility (BSR), an international organisation based in the US that promotes the respect for ethical values, people, community and the environment.

The Group is also a participant of the United Nation's Global Compact initiative that forms a platform for the promotion of human rights, labor welfare and the environment through the dissemination of good practices based on certain universal principles - the Nine Principles.

In 2003, the Company continues to be included as a component of the Dow Jones Sustainability World Indexes, the world's first global indexes tracking the performance of companies worldwide that lead their industry in three main dimensions of **corporate sustainability: social, economic and environmental responsibilities**.

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 and non-government advisory boards and professional associations promoting Hong Kong's exports, advance of international trade, community's quality-housing solutions 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 organized by leading charitable organizations.