

Corporate Governance

The Board of Directors and Management are committed to principles of corporate governance consistent with prudent enhancement and management of **shareholder value**. These principles emphasize transparency, accountability and independence. Set out below are those principles of corporate governance as adopted by the Company.

The Board

The Board is composed of the Group Non-Executive Chairman, the Group Executive Managing Director, four executive directors and six non-executive directors (of whom four are independent), whose biographical details and relevant relationships among them are set out in the Directors and Senior Management section on pages 34 to 37.

In order to reinforce their respective independence, accountability and responsibility, the role of the Group Chairman is separate from that of the Group Managing Director. Their respective responsibilities are clearly

established and defined by the Board in writing. The Group Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures, whilst the Group Managing Director, supported by the executive directors, is responsible for managing the Group's business, including the implementation of major strategies and initiatives adopted by the Board.

The Non-executive Directors (the majority of whom are independent), who offer diversified industry expertise, serve the important function of advising the management on strategy development and ensuring that the Board maintains high standards of financial and other mandatory reporting as well as providing adequate checks and balances for safeguarding the interests of shareholders and the Company as a whole. The Board has received from each independent non-executive director a written annual confirmation of their independence and satisfied their independence up to the approval date of this report in accordance with the Listing Rules of The Stock Exchange of Hong Kong Limited.



The Board meets regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. The Board has reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on directors' appointment or reappointment, approval of major capital transactions and other significant operational and financial matters. Board meetings are scheduled one year in advance to facilitate maximum attendance of directors. The meeting agenda is set by the Group Non-Executive Chairman in consultation with members of the Board. All directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. During 2005, a separate meeting was held between the Group Chairman and all the non-executive directors (including independent non-executive directors) to address business issues and other concerns. Forming part of the continuous professional development programme for directors, a Board meeting was held in New Delhi in 2005 for updating directors on the macroeconomic and sourcing environment of India that are relevant to the Group. Written procedures are also in place for directors to seek independent professional advice in performing their directors' duties at the Company's expense. No request was made by any director for such independent professional advice in 2005.

The Board has established four committees with specific responsibilities as described below. Major matters that are specifically delegated by the Board to management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, monitoring of operating budgets, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Our Group Chief Compliance Officer and Chief Operating Officer/Chief Financial Officer also attend all Board meetings to advise on corporate governance, risk management, statutory compliance, mergers and acquisitions, and accounting and financial matters. The Board held four regular meetings in 2005 and the average attendance rate was 94%.

Under the Company's bye-laws, one-third of the directors, who have served longest on the Board, must retire, thus becoming eligible for re-election at each Annual General Meeting. As such, no director has a term of appointment longer than three years. To further enhance accountability, any further reappointment of an independent non-executive director who has served the Company's Board for more than nine years will be subject to separate resolution to be approved by shareholders.

The Company has arranged for appropriate liability insurance since 2002 to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Corporate Governance (continued)

The attendance rates of individual members at Board and Committee meetings in 2005 are detailed in the following table:

Attendance of Board and Committee members for Year 2005

	No. of meetings ● attended / ○ held				
	Board	Nomination Committee	Audit Committee	Risk Management Committee	Compensation Committee
Non-executive Directors					
Dr Victor FUNG Kwok King ¹	●●●●	●	●●●●	●●●	●●●●
Mr LAU Butt Farn	●●●●				
Mr Leslie BOYD	●●●●		●●●●		
Independent Non-executive Directors					
Mr Paul Edward SELWAY-SWIFT ²	●●●●	●	●●●●		
Mr Allan WONG Chi Yun ³	○●●●		○●●●		○●●●
Professor Franklin Warren McFARLAN	●●●●		●●●●		●●●●
Mr Makoto YASUDA	○●●●	●	○●●●		
Executive Directors					
Dr William FUNG Kwok Lun	●●●●			●●●	
Mr Bruce Philip ROCKOWITZ	●●●●			●●●	
Mr Henry CHAN	●●●●				
Mr Danny LAU Sai Wing	●●●●				
Ms Annabella LEUNG Wai Ping	○●●●				
Group Chief Compliance Officer					
Mr James SIU Kai Lau				○●●	
Chief Operating Officer and Chief Financial Officer					
Mr Robert Ernest ADAMS				●●●	
Average attendance rate	94%	100%	92%	93%	92%
Dates of meeting	22/03/2005	12/12/2005	22/03/2005	23/02/2005	22/03/2005
	12/05/2005		12/05/2005	23/07/2005	12/05/2005
	11/08/2005		11/08/2005	06/10/2005	11/08/2005
	12/12/2005		12/12/2005		12/12/2005
1: Chairman of Nomination Committee and Risk Management Committee					
2: Chairman of Audit Committee					
3: Chairman of Compensation Committee					
Note: All Committee chairmen have attended Annual General Meeting held on 12 May 2005.					

In 2005, the Group's commitment to excellence and **high standards in corporate governance practices continued to earn market recognition from different stakeholders** including bankers, analysts and institutional investors as follows:

- For the fourth consecutive year since 2002, the **Gold Award** in the Hang Seng Index Category of the **Best Corporate Governance Disclosure Awards 2005** organised by the Hong Kong Institute of Certified Public Accountants;
- Included as one of the "Top Quartile Companies" in Hong Kong with the highest corporate governance score surveyed by CLSA and Asian Corporate Governance Association;
- Highly Commended – Best Corporate Governance Awards 2005 by *Investor Relations* magazine

Board Committees

The Board has established the following committees (all chaired by non-executive directors) with defined terms of reference (available to shareholders upon request), which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the Listing Rules: the Nomination Committee, the Audit Committee, the Risk Management Committee and the Compensation Committee. Minutes of all committees meetings are circulated to all Board members. To further reinforce independence, the Nomination, Audit and Compensation Committees have been structured to include a majority of independent non-executive directors since 2003.



Nomination Committee

The Nomination Committee was established in August 2001 and is chaired by the Group Non-Executive Chairman to make recommendations to the Board on the appointment of directors, evaluation of board composition and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The Nomination Committee carries out the process of selecting and recommending candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary. There was no nomination of directors to fill board vacancies in 2005. The Nomination Committee met once in 2005 (with an attendance rate of 100%) to review and recommend the reappointment of retiring directors for shareholders' approval at the Annual General Meeting.

Audit Committee

The Audit Committee was established in 1998 to review the Group's financial reporting, internal controls and corporate governance issues and make relevant recommendations to the Board. The Audit Committee is chaired by an independent non-executive director since 2003 and the majority of the Committee members are independent non-executive directors. All Committee members possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met four times in 2005 (with an average attendance rate of 92%) to review with senior management and the Company's internal and external auditors the Group's significant internal controls and financial matters as set out in the Committee's terms of reference. The Committee's review covers the audit plans and findings of internal and external auditors, external auditor's independence, the Group's accounting principles and practices, listing rules and statutory compliance, internal controls, risk management and financial reporting matters (including the interim and annual accounts for the Board's approval).

During the year, all Committee members have completed a detailed questionnaire on best practices for effective running of an audit committee. The result of the review indicated that the Audit Committee was operating effectively.

Under the Group's "whistleblowing" policy, employees can report any concerns, including misconduct, impropriety or fraud in financial reporting matters and accounting practices, to either senior management or the Audit Committee through our Group Chief Compliance Officer in confidence and without fear of recrimination. Any shareholders or stakeholders can also report similar concerns by writing in confidence to our Group Chief Compliance Officer at the Company's business address in Hong Kong. In 2005, no incident of fraud or misconduct was reported from employees, shareholders or stakeholders that have material effect on the Company's accounts and overall operations.

External Auditors' Independence

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. In addition, the external audit engagement partner is subject to periodical rotation, and the nature and ratio of annual fees to external auditors for non-audit services and for audit services are subject to scrutiny by the Audit Committee (refer to details of fees to auditors on page 82 of the accounts). A policy of non-audit services from external auditors was established since 2004. Such policy includes prohibition of specified non-audit services. Other non-audit services, with a fee above a threshold endorsed by the Audit Committee, that are considered not to affect the independence of our external auditors require prior approval of Audit Committee. In addition, a policy restricting the employment of employees or former employees of external auditors at senior executive and financial positions with the Group has also been in place. Prior to the commencement of the audit of 2005 accounts of the Company, the **Committee received written confirmation from the external auditors on their independence and objectivity** as required under the Professional Ethics Statement 1.203A "Independence for Assurance Engagements" issued by the Hong Kong Institute of Certified Public Accountants.

The Committee is satisfied with the findings of their review of the audit fees, process and effectiveness, independence and objectivity of PricewaterhouseCoopers and has recommended to the Board their reappointment in 2006 as the Company's external auditors at the forthcoming Annual General Meeting.

Risk Management Committee

The Risk Management Committee was established in August 2001 to review the Group's risk management and internal control systems and make relevant recommendations to the Board. The Committee reports to the Board in conjunction with the Audit Committee. The Risk Management Committee met three times in 2005

(with an average attendance rate of 93%) to review risk management procedures pertinent to the Group's significant investments and operations.

Compensation Committee

The Compensation Committee was formed in 1993 and is being chaired by an independent non-executive director. The Committee's responsibility is approving the remuneration policy for all directors and senior executives, including the annual allocation of share options to employees under the Company's Employee Share Option Scheme. It annually reviews the existing remuneration policy. The Compensation Committee met four times in 2005 (with an average attendance rate of 92%) to review and approve the directors' and senior executives' remuneration for 2005 including the granting of share options and to discuss the implications of expensing share options in the Company's profit and loss account from 2005 onwards.

Remuneration Policy for Executive Directors

The primary goal of the remuneration policy on executive remuneration packages is to enable Li & Fung to retain and motivate executive directors by linking their compensation with performance as measured against corporate objectives. Under the policy, a director is not allowed to approve his own remuneration.

The principal elements of Li & Fung's executive remuneration package include basic salary, discretionary bonus without capping and share option. In determining guidelines for each compensation element, Li & Fung refers to remuneration surveys conducted by independent external consultants on companies operating in similar businesses.

Basic Salary

The Group Managing Director annually reviews and approves the basic salary of each executive director in accordance with the Group's remuneration policy. Under the service contracts between the Group and the Group Managing Director as disclosed under Directors' Service Contracts section on page 46, the Group Managing Director is entitled to an aggregate fixed basic salary which is subject to annual review by the Committee without his attendance.

Discretionary Bonus

Li & Fung implements a **performance-based discretionary bonus scheme** for each executive director (excluding the Group Managing Director). Under this scheme, the computation of discretionary bonus (without capping) is based on measurable performance contributions of business units headed by the respective executive directors. The Group Managing Director is entitled to a profit share of the Company's consolidated results after adjustment of interest, tax and minority interests under the above service contracts between the Group and the Group Managing Director.

Share Option

The Committee approves all grants of share options under the Company's approved share option scheme to executive directors, with regard to their individual performances and achievement of business targets in accordance with the Company's objectives of **maximizing long-term shareholder value**.

Remuneration Policy for Non-Executive Directors

The remuneration, comprising directors' fees, of non-executive directors is subject to annual assessment with reference to remuneration surveys conducted by independent external consultants and recommendation by the Committee for shareholders' approval at the Annual General Meeting. Reimbursement is allowed for out-of-

pocket expenses incurred in connection with the performance of their duties including attendance at Company meetings.

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 the **Company's Code of Conduct and Business Ethics for all directors and staff**. For ease of reference and as a constant reminder, a copy of the latest guidelines is posted in the Company's internal electronic Bulletin Board to be accessible by all staff.

Directors' Securities Transactions

The Group has adopted stringent procedures governing directors' securities transactions in compliance with the Model Code as set out in Appendix 10 of the Listing Rules. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code. Specific confirmation has been obtained from directors and relevant employees to confirm compliance with the Model Code and the aforementioned guidelines respectively for 2005. No incident of non-compliance was noted by the Company in 2005.

Directors' and Senior Management Interests

Details of directors' interests in the shares of the Company are set out in the Report of the Directors section on pages 47 to 49. The shares held by each member of senior management are less than 0.20% of the issued share capital of the Company for the year ended 31 December 2005.

Directors' and Auditors' Responsibilities for Accounts

The Directors' responsibilities for the accounts are set out on page 51, and the responsibilities of the external auditors to the shareholders are set out on page 52.

Internal Control and Risk Management

The Board is responsible for maintaining a sound and effective system of internal controls in Li & Fung and for reviewing its effectiveness through the Audit Committee. Such system is designed to manage the risk of failure to achieve corporate objectives. It aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Board has delegated to executive management the implementation of such systems of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures.

The Group operates within an established control environment, which is consistent with the principles outlined in *Internal Control and Risk Management – A Basic Framework* issued by the Hong Kong Institute of Certified Public Accountants. The scope of internal control for the Group relates to three major areas: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

The Group maintains a tailored governance structure with defined lines of responsibility and appropriate delegation of authority. This is characterized by the establishment of Operation Support Group, under the supervision of the Group's Chief Operating Officer, to centralize the function and control exercised over global treasury activities, financial and management reporting, and human resources functions and computer systems, and is supplemented by written policies and guidelines tailored to the need of respective business units in the countries where the Group operates.

The Group adopts a principle of minimizing financial risks. Details of the Group's financial risk management are set out in *Note 37* to the accounts on page 113.

Qualified personnel throughout the Group maintain and monitor these systems of controls on an ongoing basis. The Group's Internal Audit team within the **Corporate Governance Division**, under the supervision of our Group Chief Compliance Officer, independently reviews these controls and evaluates their adequacy, effectiveness and compliance. Our Group Chief Compliance Officer **reports major findings and recommendations to the Audit Committee** on a regular basis.

Based on the assessments made by senior management, the Group's Internal Audit team and the external auditors in 2005 and up to the approval date of the Company's 2005 Annual Report and accounts, the Audit Committee is satisfied that:

- the internal controls and accounting systems of the Group have been in place and function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the accounts are reliable for publication.
- there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group.

Compliance with the Code on Corporate Governance Practices

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2005.

Corporate Social Responsibility and Sustainability

Li & Fung has developed a Supplier Code of Conduct to be observed by its approved suppliers around the globe. The Code is a set of rigorous labor, health and environmental standards and expectations based on national labor laws, International Labor Organization (ILO)'s conventions and treaties, and international best practices. For example, suppliers are prohibited from hiring child or involuntary labor. They are also prohibited from practicing corporal punishment or any form of discrimination. The importance of environmental protection, occupational health and safety standards as well as compliance with the law is clearly stated in the Code. A copy of the Code is available at our corporate website (www.lifung.com).

In 2005, the Group has employed more than 80 in-house dedicated compliance staff worldwide to conduct supplier evaluations and monitor compliance of the Code among the suppliers that produce our customer's merchandises. The compliance division is organized independent of our sourcing/merchandising divisions and focuses on improving the suppliers' labor conditions and working standards.

The compliance division has targeted to conduct evaluations of those approved suppliers at least once in a 12-month cycle. In 2005, approximately 6,000 facility inspections and verification audits have been performed around the globe.

Aside from conducting supplier inspections and ongoing supplier verification audits, Li & Fung also provides systematic training both internally to its employees and externally to its vendors to equip them with awareness, knowledge and the necessary skills and tools they need to meet compliance requirements.

Li & Fung is a member of Business for Social Responsibility (BSR), an international US-based non-profit organization whose mission is to promote socially responsible business practices, innovation and collaboration that demonstrate

respect for ethical values, people, community and the environment. Li & Fung is also an active member of BSR's Labor Standards Working Group, a sector-specific working group that focuses on supply chain labor standards issues. The working group meets periodically to address common industry challenges and work on collaborative projects.

In 2005, the Group's Hong Kong and overseas offices in Taiwan and Vietnam renewed its "Chain of Custody" certification in trading of indoor and outdoor home-used wood products certified by The Forest Stewardship Council (FSC), an international non-profit organization based in Germany whose mission is to promote environmentally and socially responsible forest management worldwide. FSC Chain of Custody certification is independently verified and provides assurance to our committed customers that the forest products bearing the FSC trademark label were produced from certified well-managed forests in all stages of processing, manufacturing and distribution.

Li & Fung also enforces its customers' environmental purchasing policies with respect to recycling, package waste minimization and sustainable development initiatives. By making environmental considerations as an integral part of our business activities, the Group equates the environment to our other critical business considerations such as compliance, quality and value.

Li & Fung is also a participant in the United Nation's Global Compact initiative, which embraces and supports a set of core values in the areas of human rights, labor standards, the environment and anti-corruption. The initiative achieves this through the dissemination of good practices based on certain universal principles derived from international conventions and declarations – the Ten Principles. These cover the respect of and support for the protection of human rights, abstinence from human rights abuses, freedom of association, elimination of all forms of forced and child labor, elimination of discrimination in employment, promotion of environmental responsibility, and the elimination of corruption.

In 2005, Li & Fung was again included, for the fifth consecutive year since 2001, 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 terms of corporate sustainability criteria. The inclusion acknowledges Li & Fung's continuing effort and consistent performance in three main dimensions of **corporate sustainability: social, economic and environmental responsibilities**. Li & Fung is also included for the first time as a constituent member of the FTSE4Good Index Series from FTSE Group (UK) recognizing Li & Fung's commitment to high corporate social responsibility standards.

Investor Relations and Communications

The Company continues to pursue a proactive policy of promoting investor relations and communications by maintaining regular meetings with institutional shareholders and analysts. Since 2004, webcasts of results presentations at press conference have also been made available at our corporate website (www.lifung.com). All shareholders have 21 days' notice of the Annual General Meeting at which directors and Committee Chairmen or members are available to answer questions. The results of the voting by poll are declared at the meeting and are published on the Company's website together with details of the meeting, including the time and venue and major resolutions. As a channel to further promote effective communication, the corporate website is maintained to disseminate Company announcements and presentations and shareholder information and other relevant financial and non-financial information (including a separate Corporate Governance section) electronically on a timely basis.

During 2005, the Board confirmed that there were no significant changes made in the Company's bye-laws affecting Li & Fung's reporting practices in this area. Details of the last shareholders' meeting, key calendar events for shareholders' attention and share information including market capitalization as of 31 December 2005 are set out in Information for Investors section on page 38 and our corporate website.

In 2005, Li & Fung's continuing commitment to enhancing investor relations and communications gained further recognition from the wider business community when the Company was awarded "Best Investor Relations in the Retail Sector" by *Euromoney* magazine.

Shareholders' Rights

Under the Company's bye-laws, in addition to regular Board meetings, directors of a company, on the requisition of shareholders of the Company holding not less than 10% of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company upon the passing of a special resolution by at least 21 days' written notice deposited to the registered office of the Company. The same procedure also applies to any proposal to be tabled at shareholders' meetings for adoption. To further enhance minority shareholders' rights, the Company has since 2003 adopted the policy of voting by poll for all resolutions put forward at Annual General Meeting and Special General Meeting.

Specific enquiries by shareholders requiring the Board's attention can be sent in writing to our Group Company Secretary at the Company's business address in Hong Kong. Other general enquiries can be directed to the Company through our Group's Investor Relations Manager, whose contact information is detailed on page 38.

Corporate Communications

In 2005, the Company held quarterly Policy Committee Meetings for senior executives to formulate company-wide policies and practices, and to report and discuss significant issues affecting the Group.

As part of Li & Fung's entrepreneurial corporate culture and business policy, semi-annual retreats, with active participation of the Group Chairman, the Group Managing Director, executive directors and senior managers of all business streams worldwide as well as guest speakers, are held in Hong Kong to create a sense of staff ownership of the Company's strategic objectives and to foster effective communications across the Group.

Corporate Governance (continued)

Senior executives also travel frequently to different country offices to reinforce staff commitment to Li & Fung's business culture and the Group's established corporate initiatives. Under the supervision of our Group Chief Compliance Officer, members of the Corporate Compliance Group (comprising Corporate Governance Division and Corporate Secretarial Division) **conducts regular interactive forums with staff members in Hong Kong and overseas to ensure that good corporate governance and company practices are reinforced and embedded in the Group's operations.**

The Company also publishes a regular newsletter to provide staff with reports on our Group's latest directives and initiatives and staff recreational activities.

Information Technology

Li & Fung adopts the latest mature information technology for enhancing efficiency and effectiveness in its external and internal communications. The IT infrastructure established by the Group includes the **sharing of dedicated Extranet sites with technologically advanced customers and other key partners** of the supply chain network, such as vendors and freight forwarders, to facilitate speedy dissemination of business information and better management of supply chain activities. In 2005, Li & Fung's IT infrastructure has been focused on improving our global infrastructure including shared applications, platforms and Extranet for connecting our supply chain partners more efficiently and closely. The Group has further strengthened the security measures in our worldwide offices in order to protect the company information.

Li & Fung's global sourcing network is **interlinked electronically through the Intranet for prompt sharing of information among employees worldwide.** In 2005, our Intranet connecting all worldwide offices is further upgraded to meet increasing data transfer requirements and communications needs. The Company has also established direct electronic linkage with regulatory bodies through the Internet to disseminate corporate information in a timely manner. The usage of the Internet has been

fully utilized for communication of electronic documents and information during 2005.

The IT Division of Li & Fung (Trading) Limited has been certified in ISO 9001:2000 quality management system standards applicable to the provision of in-house IT products and services since the end of 2001.

Staff and Community

As a global Supply Chain Management service provider, Li & Fung recognizes that human capital is a key asset to the sustained growth and profitability of the Company. The Group therefore places due emphasis on resourcing, development and retention of our staff.

Talent Resourcing

Li & Fung has launched its annual Management Trainee Programme since 2003 with an aim to nurture young professional talents to accommodate the business growth of the Group. The programme is a structured career development and intensive training programme which consists of classroom training, job attachments, corporate projects and overseas exposure covering a wide range of management competencies and functional skills. The trainees are expected to assume managerial roles within the Company after successful completion of the programme.

In 2005, Li & Fung launched its first Merchandising Development Programme which targets to attract new blood to the Company and build up its merchandising resource pool. The programme is tailor made for new merchandising staff and covers a mix of practical skills-based, structured on-the-job training, factory attachments and e-learning modules.

Li & Fung adopts an equal opportunity policy in connection with human resource matters from selection and recruitment, through training and development, appraisal and promotion, compensation and benefits, redundancy and dismissal, and retirement without any form of discrimination on grounds such as race, marital status, sex, age and disability.

People Development and Retention

Li & Fung places due emphasis and investment on providing learning and development opportunities to our staff such that they are equipped with expected competencies and skills to effectively perform their roles and responsibilities. In this respect, the Group implements a policy of sponsoring staff to attend job-related training and self-improvement programmes. Management development programmes are also in place for senior employees. Contents of the Group's in-house programmes cover management skills, technical competencies, compliance and social ethics, business etiquette, language skills, occupational health and safety, and industry-related seminars for all levels of staff in our Group's Hong Kong and overseas offices.

Li & Fung also carried out a thorough review in 2005 on the job profiles of our key strategic job families on a global basis. Based on the review results, the Company can further develop more tailor-made and effective tools applicable to recruitment, training and development, performance management and succession planning purposes.

Apart from these development initiatives, Li & Fung has focused on providing adequate incentives and rewards to retain staff based on the evaluation of their performance and contributions. In 2005, the Group conducted a comprehensive compensation and benefits review for its Hong Kong head office and made further upgrades and adjustments of our staff benefits. Similar review is also planned for other overseas offices in the coming years.

Office Environment, Health and Safety

Li & Fung strives to be environmentally responsible by adopting good environmental practices in respect of office premises, equipment and consumption of resources, and by supporting practical measures and policies aiming to protect and preserve the environment of the countries where it operates. As an example, Li & Fung has been committed to assuring a healthy and clean working environment for employees by declaring its headquarters building in Hong Kong a non-smoking office since 1998.

In 2005, the Group established its Global Property Committee comprising of senior executives whose main responsibilities are to oversee the effective planning and management of the Group's global offices and warehousing facilities. The Committee also supervises the renovation of offices in order to maintain consistent office environment, health and safety standards, and corporate identity of the Group.

Community Involvement

Li & Fung and its offices, as an integral part of various communities where the businesses operate, contribute to the well-being of the societies and provide support to people in need. The Group endorses senior executives in accepting public offices, which currently include various government and non-government advisory boards and professional associations promoting Hong Kong's exports, the advancement of international trade, community quality-housing solutions and best corporate governance practices. Executives' participation includes serving on the Committee of the Hong Kong Exporters' Association, Hong Kong Trade Development Council, Hong Kong Export Credit Insurance Corporation and Hong Kong Housing Society, on the Corporate Governance Committee of the Hong Kong Institute of Certified Public Accountants, and as member on the Dual Filing Advisory Group of the Hong Kong Securities and Futures Commission.

Li & Fung 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. Activities in year 2005 included the Standard Chartered Hong Kong Marathon, blood donation for Hong Kong Red Cross, Discover Mai Po charity walk, and Hoi Ha Wan charitable event of World Wide Fund for Nature Hong Kong. The Group also registered its volunteer work team comprising the employees and their family members as a Volunteer Movement Participating Organization certified by Hong Kong Social Welfare Department. In 2005, for the fourth consecutive year since 2002, these efforts and contributions toward a better society were recognized by the "Caring Company Award" presented by The Hong Kong Council of Social Service for the Group's caring culture and good corporate citizenship.