

# Corporate Governance Report

The Company is committed to consistently practicing a high level of corporate governance, so as to enhance corporate shareholders' value as well as to protect and safeguard interests of all corporate stakeholders. In recognition of its effort in strengthening corporate governance, the Board has achieved relevant awards within the year and such information is disclosed in "Awards 2006" in the Annual Report.

## Corporate Governance Practice

The Board has always been implementing corporate strategy while guided by the principles of corporate governance, to collaborate with the Management of the Company to create value for corporate stakeholders. To maintain sound corporate governance, the Company has strictly complied with the applicable laws and regulations of the jurisdiction where it operates, the rules and guidelines of regulatory bodies such as The Stock Exchange of Hong Kong Limited, and to make reference to the best international practice and principles applicable to the Company to review and improve the level of corporate governance of the Company.

The Company has complied with all the provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules throughout the year, except for the deviations from Code Provisions A.2.1, A.4.1 and A.4.2 set out in detail below.

Code Provision A.2.1 – This Code Provision stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The roles of the Chairman and Chief Executive of the Company are performed by the same individual, Mr. Kong Qingping.

The Board of the Company comprises experienced and high caliber individuals who will meet regularly to consider major matters affecting the operations of the Company. The balance of power and authority is ensured by the operations of the Board and the Board considers that the current structure will not impair the balance of power and authority between the Board and the Management of the Company. Instead, the Board believes that the existing structure will facilitate communications between the Board and the Management, enabling the Company to make and implement decisions in an efficient manner.

Code Provision A.4.1 – This Code Provision stipulates that non-executive directors should be appointed for a specific term, subject to re-election.



Mr. Kong Qingping, Chairman and Chief Executive of the Group was accredited Directors Of The Year 2006 – Executive Directors award.

Code Provision A.4.2 – This Code Provision stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Articles of Association of the Company ("Articles") provides that any director appointed to fill a casual vacancy shall hold office only until the next following annual general meeting ("AGM") of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at such meeting. The Articles further provides that at each AGM, one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that no director holding office as Executive Chairman or as a Managing Director shall be subject to retirement by rotation or taken into account in determining the number of directors to retire.

Though the independent non-executive directors of the Company have not been appointed for a specific term, they are subject to retirement and re-election in accordance with the Articles.

To comply with Code Provision A.4.1 and A.4.2, an internal mechanism has been adopted by the Company whereby (1) the newly appointed director will retire and eligible for re-election at the next following AGM or the extraordinary general meeting held before the next following AGM; and (2) any director (including Executive Chairman or Managing Director), who is not required to retire by rotation at the AGM in the third year since his appointment or last election, will be reminded to retire from office voluntarily.

## Model Code for Directors' Share Dealing

The Company has adopted a set of model code for directors' share dealing on terms no less exacting than those set out in Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Rules Governing the Listing of Securities ("Securities Code"). Directors receive a set of Securities Code when they are newly appointed. All directors have confirmed, following enquiry made by the Company, that they have complied with the required standards set out in the Securities Code throughout the year ended 31 December 2006.

## Board of Directors

The Board of the Company comprises ten directors, including seven executive directors (Mr. Kong Qingping, Mr. Cui Duosheng, Mr. Hao Jian Min, Mr. Wu Jianbin, Mr. Xiao Xiao, Mr. Chen Bin and Mr. Wang Man Kwan, Paul), and three independent non-executive directors (Dr. Li Kwok Po, David, Mr. Lam Kwong Siu and Mr. Wong Ying Ho, Kennedy). The changes in board member after the report date and before the despatch date of the annual report are set out in the notes to "Board of Directors, Honourable Chairman and Committees" on page 2.

All executive directors, except independent non-executive directors, serve full-time managing the affairs of the Company. The Board has three independent non-executive directors, one of which possess the relevant professional qualification and experience or related expertise in accounting or financial management, which is in full compliance with the requirements set out in Rules 3.10(1) and 3.10(2) of the Listing Rules. All independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules.



The Board of Directors of the Group received the Directors Of The Year Awards 2006 for its outstanding performance in the year.

## Board meetings

The Board of the Company held four meetings in 2006 with an average attendance rate of 72.5%. Attendance of each director is set out below:

Name of director	Number of meetings held	Number of meetings attended	Attendance rate
<b>Executive Directors</b>			
Mr. Kong Qingping (Chairman and Chief Executive)	4	4	100%
Mr. Cui Duosheng (Vice Chairman)	4	0	0%
Mr. Hao Jian Min (Vice Chairman)	4	3	75%
Mr. Wu Jianbin	4	4	100%
Mr. Xiao Xiao	4	4	100%
Mr. Chen Bin (appointed on 23 November 2006)	0*	N/A	N/A
Mr. Wang Man Kwan, Paul	4	3	75%
<b>Non-executive Director</b>			
Mr. Cheung Shiu Kit (passed away on 20 February 2007)	4	2	50%
<b>Independent Non-executive Directors</b>			
Dr. Li Kwok Po, David	4	3	75%
Mr. Lam Kwong Siu	4	3	75%
Mr. Wong Ying Ho, Kennedy	4	3	75%

\* Number of meetings convened after the date of appointment

The Board convened meetings on a regular basis. The date of each meeting is decided in advance and notices of at least 14 days is given so that most of the directors entitled to attend the meetings have the chance to attend such meetings in person and have sufficient time to propose matters for inclusion in the agenda. To ensure that all directors are properly informed on matters to be discussed at each meeting, documents in relation to the meeting are sent to each director at least three days prior to the meeting.

All directors have access to the Company Secretary and are entitled to secretarial services, so as to ensure full compliance with the procedures of Board meetings and all applicable rules. If the relevant corporate governance regulations have been changed, the Company Secretary will keep the Board updated of such changes.

Minutes of meetings of the Board and the subordinate committees are prepared and maintained by the Company Secretary. Drafts of the minutes of the meeting are sent to the directors who have attended the meeting for their comments within a reasonable time after each meeting, while the final version is filed for records. Minutes of Board Meetings and the subordinate committees are available for inspection by all directors. In order to perform their duties, the directors are entitled to seek independent professional advice, through the Chairman, at the Company's expense. In case of a significant shareholder or director is interested in a matter to be considered at a Board meeting, the Board will ensure that an adequate number of independent directors are involved in the consideration of the relevant resolutions, and the interested director will abstain from voting.

### Chairman and Chief Executive

The roles of the Chairman and the Chief Executive of the Company are not separated and are performed by Mr. Kong Qingping. Been elaborated on page 48 of Corporate Governance Practice of this report.

### Term of Engagement of Non-executive Directors

The independent non-executive directors of the Company have not been appointed for a specific term, but are subject to retirement and re-election in accordance with the Articles of Association of the Company which provides that at each AGM one-third of the directors for the time being or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. An internal mechanism has been adopted by the Company whereby a director, who in accordance with the Articles of Association of the Company is not subject to retirement by rotation at the AGM in the third year since his appointment or last election, will be reminded to retire from office voluntarily.

### Nomination Committee

The Board has established a nomination committee on 15 March 2006. The Nomination Committee comprises Mr. Kong Qingping, Chairman and Chief Executive of the Company, Mr. Cui Duosheng, Vice Chairman and executive director of the Company together with three independent non-executive directors of the Company, namely Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, and Mr. Wong Ying Ho, Kennedy, with Mr. Kong Qingping chairing the committee. The changes in committee member after the report date and before the



During the year, the Group and the Board carried out effective and efficient self-assessment in relation to macro-economic environment, operation of its business and risk management. Shown in the picture is the Company's 2006 Economic Analysis Meeting.

despatch date of the annual report are set out in the notes to "Board of Directors, Honourable Chairman and Committees" on page 2.

The Nomination Committee is mainly responsible for determining the policy for the nomination of directors and making recommendations to the Board on matters relating to the appointment or re-appointment of directors as well as reviewing the structure, sizes and composition of the Board and assessing the independence of independent non-executive directors. The Nomination Committee's specific terms of reference are posted on the Company's website.

The Nomination Committee has held two meetings in 2006 with an average attendance rate of 60% to discharge the above duties. Attendance of the respective directors is set out below:

Name of member	Number of meetings held	Number of meetings attended	Attendance rate
Mr. Kong Qingping	2	2	100%
Mr. Cui Duosheng	2	0	0%
Dr. Li Kwok Po, David	2	2	100%
Mr. Lam Kwong Siu	2	1	50%
Mr. Wong Ying Ho, Kennedy	2	1	50%

## Remuneration Committee

The Board has established a Remuneration Committee on 30 June 2005, comprising Mr. Cui Duosheng, Vice Chairman and executive director of the Company, together with three independent non-executive directors of the Company, namely Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, and Mr. Wong Ying Ho, Kennedy, with Mr. Cui Duosheng chairing the committee. The changes in committee member after the report date and before the despatch date of the annual report are set out in the notes to "Board of Directors, Honourable Chairman and Committees" on page 2.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management, determining the remuneration of all executive directors and senior management and making recommendations to the Board on the remuneration of non-executive directors. The Remuneration Committee's specific terms of reference are posted on the Company's website.

The Remuneration Committee held one meeting in 2006 with an attendance rate of 50% to discharge the above duties. Attendance of the respective directors is set out below:

Name of member	Number of meetings held	Number of meetings attended	Attendance rate
Mr. Cui Duosheng	1	0	0%
Dr. Li Kwok Po, David	1	1	100%
Mr. Lam Kwong Siu	1	0	0%
Mr. Wong Ying Ho, Kennedy	1	1	100%

## Audit Committee

The Board established an Audit Committee on 21 September 1999. The committee currently comprises three independent non-executive directors of the Company, namely Dr. Li Kwok Po, David, Mr. Lam Kwong Siu, and Mr. Wong Ying Ho, Kennedy, with Dr. Li Kwok Po, David, chairing the committee.

The directors acknowledged that their responsibilities for preparing the accounts and conducting reviews of the effectiveness of the system of internal control of the Company. In this respect, the Audit Committee was established. The main duties of the Audit Committee are:

- to appoint the external auditors and to review and monitor the independence, objectivity and effectiveness of the audit process in accordance with applicable standard;
- to review the financial information of the Company, monitor the integrity of financial statements, annual reports and accounts and interim reports of the Company, and to review significant opinions in respect of financial reporting contained in such statements and reports; and
- to examine and review matters such as the financial control, internal control and risk management system of the Company.

The Audit Committee's specific terms of reference are posted on the Company's website.



The Audit Committee held four meetings in 2006 with an average attendance rate of 83% to discharge the above duties. Attendance of the respective directors is set out below:

Name of member	Number of meetings held	Number of meetings attended	Attendance rate
Dr. Li Kwok Po, David	4	4	100%
Mr. Lam Kwong Siu	4	3	75%
Mr. Wong Ying Ho, Kennedy	4	3	75%

### Auditors' Remuneration

The Audit Committee of the Board monitors the audit and non-audit services rendered to the Company by its external auditors and ensures engagement in audit independence and objectivity of audit services.

During the year under review, the fees payable to Deloitte Touche Tohmatsu in respect of its audit and non-audit services provided to the Company was HK\$6,980,000 and HK\$8,000 respectively. Non-audit services comprise providing certificates to financial institutions.

### Interests in Shares Held by the Senior Management

Name of senior management	Number of shares held	Percentage of issued share capital (%) <sup>#</sup>
Mr. Zhu Yijian	640,000	0.009%
Mr. Dong Daping	0	0%
Mr. Luo Liang	0	0%
Mr. Ge Yafei	350,000	0.005%
Mr. Hu Ping	1,650,000	0.024%
Mr. Zhang Yi	180,000	0.003%
Mr. Qu Yonghai	0	0%
Mr. Zhu Rong Bin	0	0%

<sup>#</sup> The calculation of the percentage is based on the number of issued shares of the Company as at 31 December 2006 (i.e. 7,006,055,285 ordinary shares).

### Directors' Continuous Training

For any changes of information in relation to Listing Rules, each director of the Board would be timely notified, so as to fulfill director's duties and responsibilities properly.

During the year, training activities participated by members of the Board include:

- Executive directors participated in the briefing seminar offered by Hong Kong Exchange and Clearing Limited in regard to the subject of "the e-Submission System (ESS) Basic Functions on Publication – Related Matters".
- Training in insider dealing, connected transaction and directors' responsibilities.
- Training in Financial Risk Management.

### Investor Information

The information that the Company communicates with the investor community is independently disclosed in the Investor Relationship section of the Annual Report.

### Internal Control

The Board of the Company is responsible for the Company's internal control systems and risk management procedures, and for reviewing the effectiveness of the Company's internal control.

The Board conducted a review of the Company's internal control system for the year ended 31 December 2006, including financial, operational and compliance control, and risk management functions. The Board assesses the effectiveness of internal control by considering reviews performed by the Audit Committee, executive management and both internal and external auditors.

During the year under review, the Company has completed a number of major internal control and audit projects, through approaches of financial audit and economical assessment, organizational operation audit, and internal control review. Major internal control projects completed during the year are set out below:

<b>Financial &amp; Economical Assessment</b>	<b>Organizational Operation Audit</b>	<b>Internal Control Review</b>
1. Real Estate Operation Subsidiaries in Changchun, Suzhou, Nanjing and Xi'an	Finance Department of Head Office	Property Management Subsidiaries
2. Real Estate Projects: Gold Coast in Foshan, and Bellagio in Ningbo		

In addition to direct communications with shareholders at general meetings, the Company also encourages shareholders to give recommendations through various means as mentioned in the Company's website (URL: [www.coli.com.hk](http://www.coli.com.hk)), annual report and information release.

On behalf of the Board

**Kong Qingping**  
*Chairman & Chief Executive*

Hong Kong, 21 March 2007

The Board and Audit Committee regularly monitors the Company's audit and assessment of operations and risks as well as the follow-up actions agreed upon in response to recommendations in order to prevent risks, improve performance and efficiency of economic operations.

## Shareholders' Rights

The Company always follows the policy of disclosing corporate information to shareholders in a timely manner. In the company's AGM, the directors meet and communicate with shareholders.

The procedures of AGM is regularly reviewed to keep the Company in line with the best corporate governance practices. Circular of AGM is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The Chairman will explain again the procedures for demanding and conducting a poll prior to commencement of the meeting. Sufficient time will be allowed for the shareholders to raise questions and opinions.