

CORPORATE GOVERNANCE REPORT 公司管治報告

Corporate Governance Practices

The Company is committed to maintaining and ensuring a standard of corporate governance that is consistent with market practices. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (“Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange of Hong Kong Limited (“Stock Exchange”) for the year ended 31 December 2006 except for code provision E.1.2. Code provision E.1.2 stipulates that the Chairman of the board of directors should attend the annual general meeting. The Chairman of the board of directors did not attend the annual general meeting of the Company held on 25 May 2006. The Chairman will endeavor to attend all future annual general meetings of the Company unless unexpected or special circumstances preventing him from doing so.

The Company will continuously review and improve its corporate governance practices to ensure that business activities and decision-making processes are regulated in a proper and prudent manner.

The following summarizes the Company’s key corporate governance practices.

Board of Directors

The board of directors (“Board”), led by the Chairman, steers the Group’s business direction. The management, led by the Managing Director, i.e. the Chief Executive is responsible for the Group’s management and operations. The division of responsibilities between the Chairman and the Managing Director are clearly established and set out in writing. The role of the Chairman and the Managing Director are separated and are performed by different persons to avoid concentration of authorities to one single person.

公司管治常規

本公司致力維持及確保符合市場慣例之一套企業管治標準。截至二零零六年十二月三十一日止年度，除守則條文E.1.2外，本公司已採納香港聯合交易所有限公司（「聯交所」）證券上市規則（「上市規則」）附錄十四所載之公司管治常規守則（「常規守則」）的原則，及已遵從所有適用之守則條文。常規守則條文第E.1.2條要求董事會主席應出席股東週年大會。董事會主席並無出席本公司於二零零六年五月二十五日召開之股東週年大會。主席將竭力出席本公司於未來召開的所有股東週年大會，除非出現不可預見或特殊情況導致其未克出席。

本公司將會不斷檢討及改善其公司管治常規，確保業務活動及決策過程受到適當及審慎之規管。

下文概括說明本公司的重要公司管制措施。

董事會

董事會（「董事會」）由董事會主席領導，負責帶領本集團的業務發展方向；管理層由董事總經理（即最高行政人員）領導，負責本集團的管理及運作。董事會主席和董事總經理的職責分工已被清楚界定並以書面列載；董事會主席及董事總經理的角色已區分並分別由不同人士擔任，以避免權力集中於單一人士。

CORPORATE GOVERNANCE REPORT 公司管治報告

Board of Directors (Continued)

The Board is responsible for formulating the Group's long-term strategies, setting business development goals, assessing the results of management policies, monitoring management's performance and ensuring the existence of an effective internal control system. The independent non-executive directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework.

The current Board of the Company comprises five executive directors, three non-executive directors and three independent non-executive directors which composition is set out in the section headed Corporation Information on page 3 and the biographies of the directors are set out on page 17 to 21.

Members of the Board possess the appropriate expertise and skills to discharge their duties. Save for the fact that Messrs. Chen Xiaozhou, Gu Jianguo and Chen Yongcun are also directors and/or senior officers within the group of China Cinda Asset Management Corporation, which is a substantial shareholder of the Company, there is no relationship between members of the Board, in terms of financial, business, family or other significant relationship.

During the year, Mr. Zhu Dengshan resigned as executive director and chairman of the Board due to his retirement on 13 February 2006. Mr. Cheung Chung Kiu resigned as executive director due to personal reason on 17 July 2006. Mr. Chen Xiaozhou was appointed executive director and was elected chairman of the Board on 13 February 2006. Messrs. Chen Xiaozhou, Hui Xiao Bing and Yuen Wing Shing, the executive directors of the Company were re-designated as non-executive directors with effect from 1 September 2006.

董事會 (續)

董事會負責制定本集團的長期策略、訂立業務發展目標、評估管理措施之成效、監察管理層之表現及確保存在有效的內部監控系統。獨立非執行董事則對確保及監察公司管治架構是否行之有效起著重要作用。

本公司現任董事會包括五名執行董事、三名非執行董事及三名獨立非執行董事，其成員組合載列於第3頁之公司資料部份而各董事的履歷詳載列於第17頁至21頁。

董事會各成員均具備適當的知識及才能以履行其職責。除陳孝周先生、顧建國先生及陳永存先生幾位同時亦是本公司之主要股東中國信達資產管理公司集團內的董事及／或高級職員外，董事會成員之間並不存在任何關係，包括財務、業務、家屬或其他重大的關係。

年內，朱登山先生因為退休緣故，已於二零零六年二月十三日辭任執行董事以及董事會主席之職務。張松橋先生因私人理由於二零零六年七月十七日辭任執行董事之職務。陳孝周先生於二零零六年二月十三日獲委任為執行董事並獲推選為董事會主席。本公司的執行董事陳孝周先生、惠小兵先生及袁永誠先生從二零零六年九月一日起調任為非執行董事。

CORPORATE GOVERNANCE REPORT 公司管治報告

Board of Directors (Continued)

To assist the Board in discharging its duties and to fulfil the requirement of the Code, two standing board committee are set up under the Board: the Audit Committee and the Remuneration Committee. When it become necessary, the Board will set up ad hoc board committee to handle specific issues and report back to the Board.

The Board considers that each independent non-executive director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. In addition, the independent non-executive directors are explicitly identified in all corporate communications.

All directors are regularly updated on governance and regulatory matters. There is an established procedure for directors to obtain independent professional advice, which expenditure will be paid by the Company, in the furtherance of their duties.

The full board will meet at least four times throughout a year to review the overall strategy and to monitor the operation as well as the financial performance of the Group. Notice of at least 14 days will be given to all directors for all full board meetings and the directors can include matters for discussion in the agenda if necessary. Agenda and the accompanying board papers in respect of full board meetings are sent out in full to all directors not less than three days before the meeting. Minutes of full board meetings and meetings of board committee are properly kept and all directors have access to board papers and the related materials.

董事會 (續)

為協助董事會履行其職責以及為符合常規守則的規定，董事會下設二個常設附屬委員會：審核委員會及薪酬委員會。在必要的時候，董事會還設立臨時附屬委員會負責專項工作，並向董事會匯報。

董事會認為每位獨立非執行董事均具有獨立的個性及判斷能力並且他們都符合上市規則所定明有關獨立性的特定標準。本公司已接獲每名獨立非執行董事根據上市規則第3.13條有關其獨立身份的年度確認函。此外，在所有公司通訊內，獨立非執行董事經已被明確識別。

全體董事均定期獲得有關管治及監管等事宜的更新資訊。董事可按照既定程序，尋求獨立專業意見以協助履行其責任，有關費用由本公司支付。

董事會每年最少召開四次全體董事會會議，檢討整體策略與監察本集團的經營與財務表現。就所有全體董事會會議，所有董事均獲發最少十四天的會議通知，如有需要，董事可加入討論事項於有關議程。全體董事會會議的議程及附連之董事會文件會在會議前的最少三天派發予所有董事。全體董事會會議及董事會委員會會議之會議記錄均適當保存，全體董事均有權查閱董事會會議之文件及相關資料。

CORPORATE GOVERNANCE REPORT 公司管治報告

Board of Directors (Continued)

董事會 (續)

During 2006, four full board meetings were held and the individual attendance of each director is set out below:

董事會於二零零六年內共召開四次全體董事會會議，每名董事的出席率詳列如下：

Name of director 董事姓名	Number of meetings attended 出席會議次數	Attendance rate 出席率
Zhu Dengshan 朱登山	0 out of 1 一次中出席零次	0%
Chen Xiaozhou 陳孝周	3 out of 3 三次中出席三次	100%
Hui Xiao Bing 惠小兵	3 out of 4 四次中出席三次	75%
Gao Jian Min 高建民	4 out of 4 四次中出席四次	100%
Liu Tianni 劉天倪	4 out of 4 四次中出席四次	100%
Gu Jianguo 顧建國	4 out of 4 四次中出席四次	100%
Chen Yongcun 陳永存	4 out of 4 四次中出席四次	100%
Cheung Chung Kiu 張松橋	1 out of 2 二次中出席一次	50%
Yuen Wing Shing 袁永誠	3 out of 4 四次中出席三次	75%
Chow Kwok Wai 周國偉	4 out of 4 四次中出席四次	100%
Kang Dian 康典	3 out of 4 四次中出席三次	75%
Zhang Lu 張璐	3 out of 4 四次中出席三次	75%
Hung Muk Ming 洪木明	3 out of 4 四次中出席三次	75%

According to Articles of Association of the Company, the Board has the power to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. All directors, including the Chairman, Vice Chairman and Managing Director, shall retire by rotation at least once every three years at annual general meetings and be eligible for re-election.

根據本公司章程，董事會有權委任任何人士擔任董事職務以填補空缺或增加董事會席位。所有董事（包括主席、副主席及董事總經理）須至少每三年一次輪流於股東週年大會上告退，但可膺選連任。

CORPORATE GOVERNANCE REPORT 公司管治報告

Board of Directors (Continued)

All independent non-executive Directors have been appointed for a specific term of service. They are also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Article 101 of the Company's Articles of Association.

Securities dealing by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code of conducts for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2006.

The Company has also adopted codes of conduct regarding securities transactions by relevant employees (as defined in the Code) on terms no less exacting than the required standard set out in the Model Code.

Audit Committee

The Company established an audit committee ("Audit Committee") in 1999. The composition and professional qualifications of the members of the Audit Committee complies with the requirements under Rules 3.21 of the Listing Rules. The Audit Committee has a written terms of reference that conform to the provision of the Code.

The current Audit Committee comprises three independent non-executive directors, namely Mr. Kang Dian (Committee Chairman), Mr. Zhang Lu and Mr. Hung Muk Ming. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the external auditors and the Company.

董事會 (續)

所有獨立非執行董事之委任設有固定任期。他們亦須根據本公司章程第101條規定於本公司週年大會輪值告退並重選連任。

董事進行證券交易

本公司已就本公司董事進行證券交易採納上市規則附錄十所載的《上市發行人董事進行證券交易的標準守則》(「標準守則」)作為董事進行證券交易的守則。董事會全體成員回應本公司的特別查詢時已確認，彼等在截至二零零六年十二月三十一日止年度內一直嚴格遵守標準守則所載之指定標準。

本公司就有關僱員(定義見常規守則)進行的證券交易，已採納不遜於標準守則所訂標準的行為守則。

審核委員會

本公司經已於一九九九年成立審核委員會(「審核委員會」)。審核委員會之組成及各成員的專業資格均符合上市規則第3.21條之要求。審核委員會的成文權責條款符合常規守則之條文。

本公司現任審核委員會由三位獨立非執行董事康典先生(委員會主席)、張璐先生及洪木明先生組成。審核委員會的主要責任包括審閱及監察本集團的財務匯報系統及內部監控程序、審閱本集團的財務資料，以及檢討本公司與外聘核數師的關係。

CORPORATE GOVERNANCE REPORT 公司管治報告

Audit Committee (Continued)

The Audit Committee meets at least two times each year to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's external auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the external auditors.

The Group's annual results for the year ended 31 December 2006 have been reviewed by the Audit Committee.

The Audit Committee together with the Directors has reviewed the internal control system of the Group and were satisfied that it is operating effectively and is appropriate for the Group for the time being.

During the year, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of director 董事姓名	Number of meetings attended 出席會議次數	Attendance rate 出席率
Kang Dian 康典	2 out of 2 兩次中出席兩次	100%
Zhang Lu 張璐	2 out of 2 兩次中出席兩次	100%
Hung Muk Ming 洪木明	2 out of 2 兩次中出席兩次	100%

審核委員會 (續)

審核委員會每年最少召開兩次會議，檢討向股東匯報的財務及其他資料、內部監控系統、風險管理及核數程序的效力及客觀性。審核委員會亦就其職權範圍內所涉及事宜上擔當董事會與本公司外部核數師之間的重要聯繫，並對外部核數師的獨立性及客觀性作出檢討。

本集團截至二零零六年十二月三十一日止之年度業績，已經審核委員會審閱。

審核委員會連同董事會已檢討了本集團的內部監控系統並且認為其運作有效並且就本集團而言，目前是合適的。

審核委員會年內共召開兩次會議，各成員之出席率詳列如下：

CORPORATE GOVERNANCE REPORT 公司管治報告

Remuneration Committee

The Company established a remuneration committee ("Remuneration Committee") in 2005 and adopted a written terms of reference which conform to the provisions of the Code. The current Remuneration Committee comprises two independent non-executive directors namely, Mr. Kang Dian (Committee Chairman) and Mr. Zhang Lu.

The principal duties of the Remuneration Committee are to ensure that there is no director or any of his associates is involved in deciding his own remuneration and that the Company has an equitable and competitive remuneration policy to attract and retain talent persons to serve the Company.

The remuneration package for each employee is structured according to his quality and qualification. The remuneration package will contain a combination or modification of some or all of the following four main components:

1. Basic salary

Basic salary ranges for each position are established with reference to the responsibilities and the duties attached to the position. The actual salary for the person filling the position is determined based on the experience and ability of the individual selected for the position.

The basic salary ranges are reviewed periodically by reference to the general market and by comparison to comparable positions at competitors in the relevant industry. The actual salaries of employees are reviewed annually and may be adjusted from time to time based on the cost of living and financial performance of the Company.

薪酬委員會

本公司已於二零零五年成立薪酬委員會（「薪酬委員會」），並已採納符合常規守則條文之成文權責條款。現任薪酬委員會由兩名獨立非執行董事康典先生（委員會主席）及張璐先生組成。

薪酬委員會的主要職責為確保沒有董事或其聯繫人士參與制定該董事自己的酬金以及本公司存在一套公平且具競爭性的薪酬政策以便吸引及挽留卓越的人才服務本公司。

每位員工的薪酬待遇按個別的質素與專業資格釐定。薪酬待遇由以下四大項目中其中一部分或全部組成，亦可能有所增減：

一. 基本薪金

基本薪金是按個別職位及責任而釐定。而擔任該職務的人士實際可得的基本薪金，則按個別受聘人士的經驗及能力而定。

基本薪金會定期參考一般市場及有關行業的競爭機構中同類職位的薪酬作出檢討。僱員的實際基本薪金則每年檢討，並可按生活成本及本公司的財務表現不時作出調整。

CORPORATE GOVERNANCE REPORT 公司管治報告

Remuneration Committee (Continued)

1. Basic salary (Continued)

Salaries are base compensation and not intended to reward performance, either individually or corporately. Performance is rewarded through the other components of the remuneration plan.

2. Incentive bonus

Incentive bonus is linked to individual and corporate performance. The incentive bonus for each employee is determined with reference to his position and his individual performance during the year.

3. Share option

Share options to purchase shares in the Company are granted to employees from time to time at the discretion of the Board, in order to retain valuable employees and to motivate future performance of the employees.

Share options granted to individual employees are determined with reference to their position, their performance and their ability to contribute to the overall success of the Group.

4. Other benefits

The Group offers other customary and/or mandatory benefits to employees, such as statutory retirement scheme, employee compensation and medical insurance, paid annual leaves and child education allowance, with reference to prevailing practices in relevant jurisdictions.

薪酬委員會 (續)

一. 基本薪金 (續)

薪金屬基本薪酬，並非按個別僱員或公司表現而作出的獎賞。薪酬政策中另有其他獎勵項目。

二. 獎勵性花紅

獎勵性花紅與個別僱員及公司表現掛鈎。每名僱員所得的獎勵性花紅會按其職位及年內表現而訂定。

三. 購股權

董事會可不時酌情向僱員授出購股權，以挽留有貢獻的員工並激勵員工繼續努力工作。

個別員工獲授的購股權數目會按其職位、表現及對公司整體成就所作的貢獻而釐定。

四. 其他福利

本集團亦會參考有關司法管轄權區的現行慣例向僱員提供慣常的及/或強制性的福利，如法定退休金計劃、勞工補償及醫療保險、有薪年假及子女教育津貼。

CORPORATE GOVERNANCE REPORT 公司管治報告

Remuneration Committee (Continued)

The committee meets regularly to review the Company's human resources matters and remuneration policy. During the year, the Remuneration Committee met one time and was attended by all committee members. The Remuneration Committee reviewed and approved the annual salary adjustments for year 2007 and the payment of discretionary performance bonus for the year ended 31 December 2006 after taking into consideration the results of the Group, the performance of the directors and senior management and the prevailing market practices.

During the year, no incentive payment was paid to any director in respect of his appointment and no compensation payment was paid to any director who ceased to hold his office. No director has ever forfeited any director fee during the year.

Details of the emoluments paid to all the directors are set out in note 10 to the consolidated financial statements.

Nomination Committee

The Group currently does not have a nomination committee. The Group will consider setting up one at the appropriate time.

Auditors' Remuneration

The Group's consolidated financial statements for the year ended 31 December 2006, were audited by Deloitte Touche Tohmatsu ("Deloitte") at a total fees of HK\$1.8 millions. The said audit fee was approved by the Audit Committee and endorsed by the Board. In addition, the Group also paid fees of not more than HK\$0.20 million in aggregate to Deloitte for the provision of taxation services during the year 2006.

The Audit Committee considers that the taxation services did not (in terms of the nature of the services and the amount of fees paid relative to the audit fees) affect the independence of Deloitte.

薪酬委員會 (續)

薪酬委員會定期召開會議審閱本公司的人力資源事宜及薪酬政策。於年內薪酬委員會召開了一次會議，委員會全體成員均有出席。薪酬委員會審閱並在經考慮過本集團的業績、董事及高級管理層的表現以及當前的市場情況，批准了二零零七年之年度薪金調整以及按表現酌情發放、截至二零零六年十二月三十一日止年度的花紅。

年內，本公司並無向新委任的董事支付任何激勵性款項亦無向辭任的董事支付任何補償款項。年內並無董事放棄收取其董事袍金。

年內所有董事支取的報酬詳情載列於綜合財務報表附註10。

提名委員會

本集團目前並無設立提名委員會，本集團將考慮於適當時候設立該委員會。

核數師酬金

本集團截至二零零六年十二月三十一日止年度綜合財務報表由德勤•關黃陳方會計師行(「德勤」)審核，核數費用總額為1,800,000港元。該項核數費用已獲得審核委員會批准並得到董事會背書認可。此外，本集團於二零零六年內亦有向德勤支付總額不多予200,000港元的稅務服務費用。

審核委員會認為該等稅務服務費用(就服務性質及相對於核數費用的數額而言)並沒有對德勤的獨立性構成影響。

CORPORATE GOVERNANCE REPORT 公司管治報告

Directors' Responsibility Statement

The Directors are responsible for the preparation of financial statements for each financial period, which give a true and fair view of the state of the affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2006, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the consolidated financial statements on the going concern basis. Up to the date of this report, the Directors are not aware of any material uncertainties that will seriously affect the going concern assumption of the Group.

The Directors are also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. The Directors also have general responsibilities for setting up an appropriate internal control system, which is mainly to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors have reviewed the internal control system of the Company and are satisfied that the internal control system is functioning properly.

董事的責任聲明

董事負責編制各會計期間的財務報表，該等財務報表真確地反映本集團於該期間的事務、業績及現金流量。編制截至二零零六年十二月三十一日止年度之綜合財務報表時，董事會已選取適用的會計政策，並貫徹應用；採用適當的香港財務報告準則及香港會計準則；作出審慎及合理的調整及估計；及按持續經營基準編制綜合財務報表。截至本報告日止，董事會並不獲悉任何將會嚴重地影響持續經營假設的重大不確定因素。

董事會亦負責保存適當的會計紀錄，使於任何時間合理準確地反映本集團的財務狀況。董事會亦有一般責任設立適當的內部監控系統，其主要目的為保障本集團資產與防止及揭發舞弊以及其他不當行為。董事已檢討過本公司的內部監控系統並認為本公司的內部監控系統行之有效。

CORPORATE GOVERNANCE REPORT 公司管治報告

Communication with Shareholders

The Company endeavours to maintain a high level of transparency in communicating with shareholders and investors at large. In order to enhance the transparency of shareholders' voting in general meeting, separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors and those resolutions were voted on by poll. The Company will engage external scrutineer to count the vote. The poll voting results will be published in the press, on the Stock Exchange's website and on the Company's website on the next following business day. In addition, procedures for demanding a voting by poll are laid down in the circular or annual report to be despatched to shareholders. Moreover, at the general meeting but before voting, the chairman of the meeting will explain to shareholders their right to demand a voting by poll and how to exercise such right.

The Company has also maintained a website at <http://www.silvergrant.com.hk> which enable shareholders, investors and the general public to have an open access to the information of the Company. Financial information and all corporate communications of the Company are made available on the Company's website and are updated regularly.

Shareholders who wish to raise any queries with the Board may write to the Company Secretary at Suite 4901, 49/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

與股東的溝通

本公司在與股東及大眾投資者溝通時，一直盡量保持透明度。為了加強股東大會上股東投票的透明度，本公司於股東大會上採取按點算股數的方式對所有涉及具體事項的決議案包括選舉個別董事等均分開進行議案表決。本公司會委任外部監票員進行點算股數工作，投票結果亦會於第二個工作日於報章刊登及上載於聯交所網頁及本公司的網頁。此外，有關要求按點算股數方式進行投票的程序也會詳列於寄給股東的通函或年報內。同時於股東大會舉行時但投票進行之前，會議主席會首先向股東解釋股東有權要求以點算股數方式投票的權利及如何行使該權利。

本公司亦設有網址 <http://www.silvergrant.com.hk>，提供公開渠道以供股東、投資者及公眾人士取得本公司之資料。本公司財務資料及所有的公司通訊已上載於本公司網站，並會定期更新。

倘若股東需要向董事會提出查詢，可隨時致函本公司的公司秘書，地址為：香港灣仔港灣道1號會展廣場辦公大樓49樓4901室。