

Corporate Governance Report



Haitian International Holdings Limited (the “Company”) recognises the importance of good corporate governance to its healthy growth, thus has devoted much efforts into formulating the best corporate governance practices that agree with its business needs. The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG code. The directors of the Company (“Directors”) consider that since the listing of the shares of the Company on the Main Board of the Stock Exchange on 22 December 2006 (“Listing Date”), the Company has complied with the code provisions of the CG Code.

Board of Directors

The board of Directors (the “Board”) comprises 6 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors. The Board has a balance of skill and experience and a balanced composition of Executive and Non-Executive Directors and is responsible to formulate overall strategy of the Group, monitor its operational and financial performance and oversight of the management of the Company’s business and affairs. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management of the Company. The biographies and relevant relationships amongst them are set out in the Directors and Senior Management Section of this annual report.

The Chairman and the Chief Executive Officer of the Company are Mr. Zhang Jingzhang and Mr. Zhang Jianming respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals. It is aimed at striking a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established and set out in writing.

The Non-executive Directors, with diversified industry expertise but not involved in the day-to-day management of the Group, serve the important function of advising the management on strategic development, and ensure that the Board maintains high standards of financial and other mandatory reporting as well as provide adequate checks and balances for safeguarding the interests of the Company and the shareholders of the Company as a whole. The Company has received annual confirmations of independence from all existing Independent Non-executive Directors and considers them independent, in accordance with the Rule 3.13 of the Listing Rules.

Each Director (including the Non-executive Director) has a term of office of three years which commenced on 22 December 2006.

Board Meetings

It is intended that the Board should meet regularly for at least four times a year, i.e. at approximately quarterly intervals. Special meetings of the Board will be convened if the situation requires so. For the year ended 31 December 2006, the Board convened a total of two Board meetings after incorporation of the Company on 13 July 2006, and the individual attendance record of the Directors is tabulated as follows:

	Attendance
Executive Directors	
Mr. Zhang Jingzhang (<i>Chairman</i>)	2/2
Mr. Zhang Jianming	2/2
Mr. Zhang Jianguo	2/2
Mr. Zhang Jianfeng	2/2
Mr. Guo Mingguang	2/2
Ms. Chen Ningning	2/2
Non-executive Director	
Mr. Hu Guiqing	2/2
Independent Non-executive Directors	
Mr. Pan Chaoyang	2/2
Mr. Gao Xunxian	2/2
Mr. Dai Xiangbo	2/2

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, the Company confirms that the Directors complied with the required standard set out in the Model Code from the Listing Date to 31 December 2006.

Nomination of Directors

The Company has not set up any nomination committee. In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

Audit Committee

The Audit Committee was established on 5 December 2006 to review the Group's financial reporting, internal controls and corporate governance issues and to make relevant recommendations to the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Dai Xiangbo (Chairman of the Committee), Mr. Pan Chaoyang and Mr. Gao Xunxian. All committee members possess appropriate industry and financial expertise to advise on the above matters.

The Audit Committee shall meet at least twice a year and the senior management and a representative of the external auditor of the Company shall normally be invited to attend the meetings to discuss the significant internal and external audit findings, the audit plans, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the financial statements before recommending them to the Board for approval).

After the listing of the Company's shares on the Stock Exchange on 22 December 2006, there was one meeting held by the Audit committee on 8 April 2007 with an attendance rate of 100%. The Audit Committee reviewed the Group's result for the year ended 31 December 2006.

Remuneration Committee

The Remuneration Committee was established on 5 December 2006, comprising the chief executive officer, Mr. Zhang Jianming (Chairman of the Committee) and Independent Non-executive Directors, namely Mr. Pan Chaoyang and Mr. Gao Xunxian. After the listing of the Company's shares on the Stock Exchange on 22 December 2006, there was one meeting held by the Remuneration Committee on 10 April 2007 with an attendance rate of 100%. Remuneration Committee is responsible to review the policy for remuneration of the Directors and other senior management of the Group. The Group's policy for remuneration (including basic salary and performance bonus) of the Directors and other senior management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice.

Internal Control

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. In 2006, the Board has conducted a review with the management of the effectiveness of the system of internal control of the Company and its subsidiaries and considered that the internal control system is effective.

Directors' and Auditor's Acknowledgement

The Board acknowledge their responsibility for preparing the accounts of the Company are in accordance with statutory requirements and applicable accounting standards. The management provides all relevant information and records to the Board which enable it to prepare the accounts and to make above assessments.

The statement of the auditors of the Company on their reporting responsibilities on the financial statements of the Group is set out in the Auditor's Report on page 33.

Auditor's Remuneration

During the year, the auditor of the Company, PricewaterhouseCoopers, charged RMB2,580,000 for audit services.

Investor Relations and Shareholders' Communication

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analysts' briefings, road shows, participating in investors' conferences and making corporate presentations during the conferences, arranging company visits to the Company and maintaining regular meetings with institutional shareholders and analysts.

The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 21 days before the meeting and such notice is also published in at least one English newspaper and one Chinese newspaper circulated in Hong Kong, and will also be made available on the Stock Exchange's website.



The Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meeting.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are provided for in the Articles. Details of such rights and procedures are included in the relevant circulars to shareholders and will be explained during the proceedings of meetings where appropriate. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained. Poll results will be published in the newspapers on the business day following the shareholders' meeting and posted on the website of the Stock Exchange.

As a channel to further promote effective communication, the Company maintains a website (www.haitianinter.com) to disseminate the Company's announcements and other relevant financial and non-financial information electronically on a timely basis.