

# Corporate Governance

## BOARD OF DIRECTORS

The Board of Directors shall perform its duties in an accountable manner and shall ensure the best interests of the Company. The functions of the Board of Directors shall include the review and approval of the Company's results and operations to be disclosed on a regular basis to the public, the review and approval of the Group's operating strategies, budget and the strategies in collaboration with international enterprises, as well as other major investments, application of funds and mergers and acquisitions with other enterprises. An Audit Committee under the Board of Directors was set up.

For the year ended 31 December 2003, the Board of Directors comprised two Independent Non-executive Directors. At the extraordinary general meeting convened on 19 January 2004, Mr. Xie Zhuang, a person with legal professional background was add as another Independent Non-executive Director to the Board of Director and thereafter, one third of the members of the Board of Directors are Independent Non-executive Directors. The majority of the Independent Non-executive Directors and Non-executive Directors of the Company are influential persons in the aviation industry in either domestic or international arena, and are well-experienced in company governance and/or industry policies. They are of crucial importance to the healthy and sustainable growth of the Company. Their opinions expressed in the meeting of the Board of Directors over the concerns of shareholders and investors are critical to the Board of Directors in evaluating the best interests of the shareholders.

In 2003, the Company held four physical Board meetings for discussion of important issues, inter alia, the results of 2002, the interim results of 2003, the phase II expansion of the airport and change of directorship. In addition to the aforesaid four Board meetings, other Board meetings were held through electronic communication devices.

The Board of Directors treasures the relationship with shareholders and investors. Executive Directors of the Company would attend the results announcement meeting with analysts organized by the Company, and would make timely response to the questions and comments raised by public investors, fund managers and analysts.

According to the Articles of Association of the Company, the terms of two Directors were expired during 2003 and were re-elected at the Company's extraordinary general meeting held on 19 January 2004. In addition, one Non-executive Director resigned and one Independent Non-executive Director was appointed to replace the resigned Director.

The Company Secretary shall report to the Board of Directors and shall be responsible for the compliance of the Board Meeting procedures and the relevant rules and regulations.

## AUDIT COMMITTEE

The Audit Committee under the Board of Directors comprises three Independent Non-executive Directors and two Non-executive Directors and is chaired by an Independent Non-executive Director.

The Audit Committee was established in September 2002. The duties of the Audit Committee are to review the appointment of auditor, to determine the auditors' fee, to monitor the work of external auditors and to review the financial reports of the Company and its internal financial control and reporting system.

## SUPERVISORY COMMITTEE

The Supervisory Committee shall be responsible for monitoring the Board of Directors and its members, general manager, deputy general manager and other senior management to prevent the abuse of power which could possibly affect the interests of shareholders, the Company and the staff, as well as for reviewing the financial information contained in the financial reports, business reports and profit distribution proposals to be proposed by the Board of Directors at the annual general meeting. And the members of the Supervisory Committee would also attend the Board Meeting.

In 2003, two Supervisory Committee's meetings were convened for reviewing the 2002 annual report and 2003 interim report respectively and had performed its duties in relation to the supervision of the performance of the Board of Directors and its members, general manager, deputy general manager and other senior management.

## CHIEF EXECUTIVE OFFICER

In 2003, the Board of Directors of the Company has created the position of Chief Executive Officer (CEO) and appointed Mr. Wang Zhen as the CEO in charge of the daily operation of the Company under the direct supervision of the Board of Directors.

## INVESTORS RELATIONS

The Company has engaged a professional financial public relations firm as the daily communication channel between investors and the Company. The financial public relations firm will answer the queries brought by investors and maintain active communications with investors and fund managers. The Company will publish the key operation data on a monthly basis and report the Company's latest development in relevant media and at the Company's website by means of press releases and announcements.