

The Board of Directors (the “Board”), Supervisory Committee and Senior Management of the Company are committed to implementing effective corporate governance policies to ensure that all decisions are made in good faith and in accordance with the principles of transparency, fairness and integrity. With necessary and effective counterbalance, the Company continues to improve its corporate governance structure, so as to strengthen corporate monitoring and management to meet the expectation of its shareholders and related persons. In compliance with its Articles of Association, the Company has regulated its internal operations and provided information of the Company to market participants and regulatory authorities on timely, accurate, complete and true bases, aiming to enhance its corporate value.

## THE BOARD

The second Board of the Company comprises 15 Directors (refer to the section headed “Corporate Information” for the list of members of Directors), of which 4 are Executive Directors and 11 are Non-executive Directors (including 3 Independent Non-executive Directors). The terms of Directors will expire on December 4, 2006. The biographies of Directors are set out on pages 78 to 82. Each of the Directors has extensive experience in aviation, information technology or finance. The appointment of Independent Directors of the Company is in compliance with the requirements as set out in Rules 3.10(1) and 3.10(2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Each Director of the Company has fulfilled their duties in a conscientious, diligent and honest manner. In 2004, the Board convened three sessions and two meetings in written with average attendance of approximately 100 per cent.. At the Board meeting in August 2004, Mr. Ma Tiesheng was approved to resign from his office as Chairman due to work-related reasons, and Mr. Zhu Yong was unanimously elected as Chairman. Meanwhile, Mr. Zhu Yong was approved to resign from his position as General Manager of the Company, and Mr. Zhu Xiaoxing was appointed as the General Manager of the Company. Thereafter, at the Extraordinary General Meeting, Mr. Ma Tiesheng was approved to resign from his office as Director of the Company and Mr. Zhu Xiaoxing was elected as Director of the Company.

The three Independent Non-executive Directors of the Company, including Mr. Wu Jiawei, Mr. Chow Kwok Wah, James and Mr. Li Kwok Ming, Don, are in compliance with the independence requirement under the Listing Rules. They reconfirmed their respective independence in 2004. The three Independent Non-executive Directors consistently performed their duties in active and prudent manner. Based on the overall interests of the Company, the Independent Non-executive Directors, with their valuable professional experience, have provided guidance for the operation and management of the Company. Moreover, being the members of the Audit Committee and the Remuneration Committee of the Company, they have performed their duties in auditing connected transactions of the Company, supervising financial reporting procedures and reviewing internal control.

In Year 2004, the Directors fully complied with Appendix 10 of “Model Code for Securities Transactions by Directors of Listed Companies” of the Listing Rules.

In March 2004, in addition to the existing Audit Committee, the Strategic Committee and Remuneration Committee (refer to the section headed “Corporate Information” for the list of members) were established under the Board and work rules for respective committee were formulated.

### **STRATEGIC COMMITTEE**

The Strategic Committee of the Company was established in March 2004 and comprises six members, including Directors Cao Jianxiong, Zhu Yong, Wang Quanhua, Zhang Xueren, Rong Gang and Ding Weiping. Director Cao Jianxiong was appointed as the chief member (Chairman). In 2004, the Strategic Committee, accountable to the Board, held two meetings to consider the strategic development and investment projects of the Company. The average attendance of the Strategic Committee was more than 86 per cent..

### **REMUNERATION COMMITTEE**

The Remuneration Committee was established in March 2004 and comprises five members, 3 of which are Independent Non-executive Directors, namely Mr. Chow Kwok Wah, James, Mr. Wu Jiapei and Mr. Li Kwok Ming, Don and 2 of which are Non-executive Directors, namely Mr. Wang Quanhua and Mr. Yang Yatie. Mr. Chow Kwok Wah, James, Non-executive Director, was elected as the chief member (Chairman). Following its establishment, the Remuneration Committee has been drafting detailed working plans under its working rules, and will review the remuneration system along with the reforms in personnel, labor and allocation systems of the Company.

### **AUDIT COMMITTEE**

The existing Audit Committee of the Company was established on December 5, 2003 and comprises 3 Independent Non-executive Directors, namely Mr. Wu Jiapei, Mr. Chow Kwok Wah, James and Mr. Li Kwok Ming, Don. In March 2004, Mr. Wu Jiapei was appointed as the chief member (Chairman) of Audit Committee.

In 2004, the Audit Committee convened two meetings, with an attendance of 100 per cent. for both meetings. At the meetings, the Audit Committee considered the reports from the management of the Company and the auditors, reviewed the completeness, accuracy, and fairness of the financial statements of the Company, and reviewed issues such as internal control and financial reporting procedures. The Audit Committee was accountable to the Board.

---

## **SUPERVISORY COMMITTEE**

The Supervisory Committee was established in accordance with the PRC laws. Pursuant to the Articles of Association, the Supervisory Committee is responsible for reviewing the financial position of the Company and determining whether the operation and management decisions of the Board and senior management are in accordance with the relevant provisions of laws and regulations. The second Supervisory Committee of the Company was elected at the Extraordinary General Meeting held on December 5, 2003, with a term expiring on December 4, 2006. It comprises 8 supervisors (including 1 independent supervisor) with Ms. Li Xiaojun as Chairperson and Ms. Du Hongying as Vice Chairperson. The biographies of Supervisors are set out on pages 82 to 84.

In Year 2004, the second Supervisory Committee convened three meetings with an attendance of 100 per cent., at which decision-making procedures of the Directors and senior management of the Company were examined and the Supervisory Committee discharged its legal duties on a fair basis.

All supervisors of the Company fully complied with Appendix 10 of “Model Code for Securities Transactions by Directors of Listed Companies” of the Listing Rules.

## **RELATIONSHIP WITH SHAREHOLDERS**

Each Director fully understands that he is accountable to shareholders for the operations of the Group and therefore pays much attention to effective communication between the Board and the Company's shareholders. Shareholders' general meetings are the key channel of communication among Directors, Supervisors, senior management and shareholders. All Directors, Supervisors and senior management of the Company fully understand that they are obliged to attend the shareholders' general meetings, during which shareholders can raise questions regarding the operations and financial position of the Group. In Year 2004 the Company convened an Annual General Meeting and an Extraordinary General Meeting. The shareholdings held by shareholders who attended those meetings represented 99 per cent. of all issued shares of the Company in both meetings.

## **INFORMATION DISCLOSURE**

The Company has strictly complied with the requirements under the “Listing Rules” on disclosure of information, and has promptly and fairly disclosed to its shareholders and relevant parties all information relating to the Company which is discloseable to shareholders under the Listing Rules.

In 2004, the management of the Company had been closely keeping in touch with securities analysts and investors by teleconferences, international roadshows, interviews with investors and attending meetings held by investment banks. Meanwhile, the Company is committed to providing its latest news to shareholders through the Investor Relations section on its website ([www.travelsky.net](http://www.travelsky.net)), where announcements, interim and annual reports with detailed financial information and results of the Company are set out.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES**

In Year 2004, the Company fully complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules which was in force prior to 1 January 2005.