

Corporate Governance

For the year ended 31 December 2004, the board of directors of the Company has complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules.

To comply with the requirements from the latest version of the Listing Rules, the Company will incorporate "Corporate Governance Report" in its interim report and annual report starting from 2005 interim report.

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 2004, the Board of Directors comprised three Independent Non-executive Directors, and the Company has received the Confirmation of Independency which is required by the Listing Rules of HKSE from these three Independent Non-executive directors before the disclosure of the annual report and the Company has confirmed their independency as required in accordance with the Listing Rules of HKSE. At the present, one third of the members of the Board of Directors are Independent Non-executive Directors. The Independent Non-executive Directors and Non-executive Directors of the Company are influential persons; they are well-experienced in the aviation industry in either domestic or international area, as well as in corporate governance, finance and laws, which are of crucial importance to the healthy and sustainable growth of the Company.

In 2004, the Company held four physical Board meetings for discussion of the annual results of 2003, the interim results of 2004 and some important issues including change of directors, change of international auditors and change of management system. 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 organised by the Company, and would make timely response to the questions and comments raised by public investors, fund managers and analysts.

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 the Independent Non-executive Directors Mr. Xu Bailing is the chairman.

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

In 2004, the Audit Committee reviewed the connected transaction of the Company, and made independent opinions regarding these connected transactions (including the cap amounts of the connected transaction during 2005 – 2007) and account receivables of the Company. The Audit Committee Meeting was held on 21 March 2005 and the committee reviewed the performance of the Group and presented opinions and recommendations to the Board of Directors.

Supervisory Committee

The Supervisory Committee shall be responsible for monitoring the Board of Directors and its members, CEO 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. And the members of the Supervisory Committee would also attend the Board Meeting.

In 2004, two Supervisory Committee's meetings were convened for reviewing the 2003 annual report and 2004 interim report respectively and had performed its duties in relation to the supervision of the performance of the Board of Directors and its members, CEO and other senior management.

Chief Executive Officer

In 2004, the Board of Directors of the Company has created the position of Chief Executive Officer (CEO) in charge of the integrated operation of the Company to improve the function of the management.

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.

Public Float Requirement

As to the date of publication, from the public information held by the Company and the knowledge from the directors, the Public Float was 226,913,000 H shares, which contributes 47.95% of total shares. This satisfies the minimum requirement of 8.08 in the Listing Rules regarding the Public Float.