



CORPORATE GOVERNANCE

1. THE BOARD OF DIRECTORS

The Board of the Company for the first term was established on 15 October 1999, and its term expired on 12 June 2002, being the date of the annual general meeting of the Company. On the same day, the Board for the second term was elected by the shareholders of the Company. Except for Mr. Fang Youxin and Mr. Alan Falque who did not continue to act as director due to position transfer and retirement age respectively, all the remaining eight directors were re-elected as directors. At the same time, Mr. Dominique M. Pannier was elected as a director of the Company. As at 31 December 2002, the Board of the Company comprised nine directors, including five executive directors, a non-executive director and three independent non-executive directors.

Four meetings of the Board were held in 2002, and the average attendance rate of Board members stood at 94.4%. Eight of the members have attended all four board meetings.

The Board members provided considerable advice on issues of internal controls such as establishing internal audit department, strategic investments and status of the Group's audits in 2002.

In January 2003, Mr. Li Peiyong tendered his resignation as director of the Company because of a transfer in his position, and Mr. Qiao Xiangshan, Mr. Zhang Qingju and Mr. Jia Fugui tendered their resignations as directors of the Company respectively because they were approaching the age for retirement. An extraordinary general meeting of the Company was held on 18 March 2003, in which the resignations of Mr. Li Peiyong, Mr. Qiao Xiangshan, Mr. Zhang Qingju and Mr. Jia Fugui were approved, and Mr. Wang Jiadong was elected as an executive director of the Company, while Mr. Chen Guoxing, Mr. Zheng Hui and Mr. Wang Zengyi were elected as non-executive directors of the Company. At present, the Board of the Company comprises nine directors, including two executive directors, four non-executive directors and three independent non-executive directors.

2. AUDIT COMMITTEE

In accordance with the resolution of the Board for the first term on 10 January 2000, an Audit Committee has been established in compliance with the requirements of Paragraph 14 of the Code of Best Practice of the Listing Rules. On 12 June 2002, the Board for the second term made a resolution to keep the Audit Committee, and once again confirmed the authorities and the working procedures of the Audit Committee. At present, the Audit Committee of the Company comprises all the three independent non-executive directors of the Company.

The Audit Committee examines any matter relating to accounting principles, the accounting standards and methods adopted by the Group, and reviews internal control issues and financial reporting matters. Three Committee meetings were held in 2002 to review the results of 2001, interim results of 2002 and the internal financial controls of the Company respectively. The average attendance rate of the Committee stood at 89% in 2002.

On 27 March 2003, the Audit Committee reviewed the status of the Group's audits, internal controls and the audited annual financial statements ended 31 December 2002 prior to the board meeting.

3. RELATIONSHIP WITH SHAREHOLDERS

In order to keep the effectiveness of the communication with the shareholders of the Company, the column "Airport Information" has been set up in the website (www.bcia.com.cn) to provide the Chinese version of the annual reports and interim reports of the Company. Related documents to shareholders, circulars, announcements, annual reports and interim reports are available at the Secretariat to the Board of the Company on telephone number 8610- 6456 3064.

The annual reports and interim reports contain a full financial and operational review.

The annual general meeting (the "AGM") is the principal forum for communication between the Company and its shareholders. At the AGM, the shareholders can vote on each proposed resolution by a show of hands or on a poll. Every issue to be considered by the shareholders will be proposed at the AGM as separate resolutions. According to the articles of association of the Company, a resolution put to the vote of the meeting shall be decided on a poll if a poll is demanded by the chairman of the meeting, or by at least two shareholders present in person or by proxy for the time being entitled to vote at the meeting, or by any shareholder or shareholders (including proxy) holding individually or holding an aggregate of 10 percent or more of the shares carrying the right to vote at the meeting.

4. COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year ended 31 December 2002, the Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.