Notes to the Financial Statements

(Amounts expressed in Rmb unless otherwise stated)

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES

Beijing Capital International Airport Company Limited (the "Company") was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 15th October, 1999, to take over and operate the International Airport in Beijing ("Beijing Airport"), the PRC and certain ancillary commercial businesses. Prior to the formation of the Company, the businesses were carried on by the operating departments, subsidiaries and joint ventures (hereinafter collectively referred to as the "Predecessor Entities") of Beijing Capital International Airport (hereinafter referred to as the "Parent Company"). The Parent Company underwent a group restructuring (the "Restructuring") in preparation for an offering of the Company's shares (the "Offering"). Pursuant to the Restructuring, the Company issued 100% of its Domestic Shares in exchange for the assets, liabilities, equity interests in certain joint ventures, and the business of operating the Beijing Airport and related commercial businesses previously owned by the Parent Company and its subsidiaries. The Company, its joint ventures and subsidiary are hereinafter collectively referred to as the "Group". The Parent Company retained the ownership of certain assets, liabilities and businesses not assumed by the Company, including units providing power and water supply, emergency medical services, repairs and maintenance services, staff quarters, certain social services such as health care, education, training, public security and other ancillary services, and certain subsidiaries engaged in the hotel and beverage business. The Parent Company is under the direct supervision and control of Civil Aviation Administration of China ("CAAC"), a ministry-level body under the direct supervision of the State Council of the PRC responsible for the administration and development of the civil aviation industry in the PRC. A significant portion of the transactions undertaken by the Group before the Company's incorporation were effected on terms determined by CAAC and other PRC authorities.

On 27th January, 2000, 1,346,150,000 H shares in the Company of Rmb1.00 each were issued to the public at HK$1.87 per share and such shares were listed on the Stock Exchange of Hong Kong Limited on 1st February, 2000.

As at 31st December, 2000, the Group and the Company had 3,045 and 1,443 employees, respectively (1999: 2,986 and 1,422 employees).

The principal activities of the Group are the ownership and operation of an international airport and the provision of related services.

As at 31st December, 2000, the Company had equity interests in the following joint ventures and subsidiary:

Name	Place and date of incorporation	Percentage of equity interest held	Issued and fully paid capital	Principal activities
			('000)	
Beijing Aviation Ground Services Co., Ltd. ("BGS")	Beijing, PRC 18th August, 1994	60%	US$9,900	Airport ground handling services
Beijing Airport Inflight Kitchen Ltd. ("BAIK")	Beijing, PRC 27th April, 1993	60%	US$24,000	Air catering services
Beijing Airport Foods Service Co., Ltd. ("BAFS")	Beijing, PRC 31st December, 1986	50%	Rmb27,000	Operation of restaurants and shops
Beijing Bowei Airport Support Limited ("Bowei")	Beijing, PRC 26th August, 1999	60%	US$4,200	Provision of repair and maintenance services for airport related facilities

The above joint ventures and subsidiary are Sino-foreign equity joint ventures enterprises incorporated in the PRC. The Company's profit and loss sharing from these joint ventures corresponds to its equity interest percentages. BAIK, BGS and BAFS are considered joint ventures for International Accounting Standards ("IAS") reporting purposes because their strategic operating, investing and financing activities are jointly controlled by the Company and the respective joint venture partners. Bowei is considered a subsidiary for IAS reporting purposes because the Company has control over such activities of Bowei.

The aggregate amounts of assets, liabilities, revenues and expenses related to the Group's interest in the three joint ventures are summarised as follows:

	As at 31st December,	
	2000	1999
	Rmb'000	*Rmb'000*
Current assets	98,898	80,621
Non-current assets	109,816	113,028
Current liabilities	29,594	17,876
Non-current liabilities	86	73

	As at 31st December, 2000	1999
	Rmb'000	*Rmb'000*
Revenues	173,438	138,595
Expenses	164,406	130,030

2. BASIS OF PRESENTATION

The Restructuring was accounted for as a reorganisation of the Group as a continuing operation and accordingly, the consolidated financial statements have been prepared as if the current structure of the Group had been in existence throughout the year ended 31st December, 1999, rather than from the date on which the Restructuring was completed. The Company's directors are of the opinion that the consolidated financial statements prepared on this basis present fairly the consolidated results of operations, cash flows and the state of affairs of the Group as a whole. Therefore, the net profit for the year ended 31st December, 1999 includes the consolidated results of operations before the Restructuring.

In accordance with regulations promulgated by the Ministry of Finance of the PRC and CAAC, the Company and the Predecessor Entities are required to collect on behalf of CAAC a civil airport management and construction fee ("Airport Fee"), subject to certain exemptions, from each outbound passenger (Rmb50 per domestic passenger and Rmb70 per international passenger).

Prior to the Restructuring, pursuant to these regulations, CAAC refunded 50% of the fee collected to the Predecessor Entities as equity investments in the Predecessor Entities, and its use was restricted for the construction of facilities at the Beijing Airport. Such refund was not subject to business tax and enterprise income tax.

Subsequent to the Restructuring and incorporation of the Company on 15th October, 1999, the refundable portion of the fee is paid to the Company rather than to the Predecessor Entities. The Company now receives the refundable portion of the fee as revenue without restrictions on its usage. Such fee revenue received by the Company is now subject to business tax and enterprise income tax.

The historical consolidated financial statements for the year ended 31st December, 1999 were prepared on the following basis:

(i) For the period from 1st January, 1999 to 14th October, 1999, the Airport Fee refunded to the Predecessor Entities was recorded as an increase in equity.

(ii) For the period from 15th October, 1999 to 31st December, 1999, the Airport Fee refunded to the Company was recorded as revenue.

On the above basis, the Group's historical consolidated financial statements for the year ended 31st December, 1999 are not representative of its current and future results of operations, since the Airport Fee refunded was only recorded as revenue for the period from 15th October, 1999 to 31st December, 1999.

In order to achieve comparability and consistency, the consolidated statement of income for the year ended 31st December, 1999 has also been prepared on an adjusted basis with the Airport Fee refunded to the Predecessor Entities prior to the incorporation of the Company shown as revenue instead of as capital contributions. In addition, since the portion of Airport Fee refunded prior to the incorporation of the Company was not subject to business tax and enterprise income tax and there were no related tax transactions and liabilities, the taxation effect attributable to the Airport Fee is shown as an adjustment to the adjusted consolidated statement of income in determining "adjusted net profit (after taking into account the taxation effect on Airport Fee)".

The consolidated statements of income include the results of operations of the Company, its joint ventures and subsidiary. Interests in joint ventures are accounted for using proportionate consolidation whereby the Company's share of each of the assets, liabilities, income and expenses of a joint venture is consolidated on a line-by-line basis with similar items in the consolidated balance sheet and statement of income. All material intra-group accounts and transactions among the Company, its joint ventures and subsidiary have been eliminated on consolidation.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Company, its joint ventures and subsidiary are as follows:

(a) General

The accompanying financial statements are prepared in accordance with IAS issued by the International Accounting Standards Committee ("IASC").

(b) Basis of presentation

The accompanying financial statements are prepared under the historical cost convention, except for buildings and runways carried at revalued amount (Note3(d)).

(c) Principles of consolidation

The consolidated financial statements of the Group include those of the Company and its subsidiary and also incorporate the Group's interests in joint ventures on the basis set out in Note 3(e) below.

The purchase method of accounting is used for acquired businesses. Results of operations of a subsidiary are included in the consolidated financial statements from the date of acquisition. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and statement of income.

All significant intra-group balances and transactions, including intra-group profits and unrealised profits and losses, are eliminated upon consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(d) Property, plant and equipment and land use rights

Property, plant and equipment, other than buildings and runways, are stated at cost less accumulated depreciation and accumulated impairment loss. The initial cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are recognised as expenses in the period in which they are incurred. In situations where such expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of the assets beyond their originally assessed standard of performance, the expenditures are capitalised as an additional cost of the assets.

Buildings and runways are stated at revalued amounts less accumulated depreciation and accumulated impairment loss.

Any increase in valuation of buildings and runways is credited to the revaluation surplus in equity; any decrease is first offset against an increase on earlier valuation in respect of the same property and is thereafter charged to the statement of income. An increase on revaluation directly related to a previous decrease in carrying amount for the same investment that was recognised as an expense, is credited to income to the extent that it offsets the previously recorded decrease. Upon the disposal of revalued property, the realised portion of the revaluation surplus is transferred from the valuation surplus directly to retained earnings.

All land in the PRC is state-owned and no individual land ownership right exists. However, the Company has acquired the rights to use certain land for its operations (see Note 4(b)). Land use rights are stated at cost less accumulated amortisation and accumulated impairment loss. Amortisation of land use right is calculated on a straight-line basis over the duration of the land use rights.

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the cost or revalued amount of each asset over its expected useful life, after taking into account the estimated residual value of 3% of cost or revaluation. The expected useful lives are as follows:

Buildings and improvements	15-35 years
Runways	30 years
Plant and equipment	8-15 years
Motor vehicles	6-8 years
Furniture, fixtures and other equipment	5 years

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation and amortisation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income.

Assets under construction represent buildings under construction and plant and machinery pending installation and are stated at cost. This includes the costs of construction, costs of plant and equipment, and costs of borrowings (including interest charges and exchange differences arising from foreign currency borrowings) used to finance these projects during the period of construction or installation and testing (see Note 3(m) below). No provision for depreciation is made on assets under construction until such time as the assets are completed and put into operational use.

(e) Investments in joint ventures and subsidiary

A joint venture is a venture undertaken by two or more parties whose rights and obligations with respect to the venture are specified in a joint venture agreement. No single venturer is in a position to control unilaterally the activity of the venture.

In the consolidated financial statements, investments in joint ventures are accounted for using the proportionate consolidation whereby the Company's share of each of the assets, liabilities, income and expenses of a joint venture is consolidated on a line-by-line basis with similar items in the consolidated balance sheet and statement of income. An assessment of interests in joint ventures and other ventures is made when there are indications that the assets have been impaired or impairment losses recognised in prior years no longer exist.

A subsidiary is a company which the Company controls. Control exists when the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from its activities. The consolidated financial statements of the Group include the financial statements of Bowei from the date of acquisition.

In the Company's financial statements, investments in joint ventures and subsidiary are accounted for using the equity method. An assessment of investments in joint ventures and subsidiary is performed when there is an indication that the asset has been impaired or impairment losses recognised in prior years no longer exist.

All intra-group balances and transactions have been eliminated upon consolidation.

(f) Cash and cash equivalents

Cash represents cash on hand and deposits with banks or other financial institutions which are repayable on demand.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(g) Temporary cash investments

Temporary cash investments represent cash invested in fixed-term deposits with original maturities ranging from more than three months to one year, and are stated at cost.

(h) Receivables

Receivables are stated at face value, after provision for doubtful accounts.

(i) Short-term investments

Short-term investments consist of investments made by a financial institution in the PRC on behalf of the Group in securities that are traded in the PRC capital markets and are not generally intended to be retained on a long-term basis (see Note 8). Short-term investments are stated at the lower of aggregate cost and market value. Income received on these short-term investments is reported as investment income. On disposal of such an investment, the difference between the net proceeds and the carrying amount is included in the statement of income.

(j) Inventories

Inventories consist mainly of merchandise for resale, spare parts and consumable items. Inventories are stated at the lower of cost (weighted-average cost method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, marketing and distribution.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Provisions

A provision is recognised when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(l) Foreign currency translation

The Group maintains its books and records in Rmb, which is not freely convertible into foreign currencies. Transactions denominated in other currencies are translated into Rmb at exchange rates quoted by the People's Bank of China (the "PBOC") prevailing at the dates of the transactions. Monetary assets and liabilities denominated in other currencies are re-translated into Rmb at exchange rates quoted by the PBOC prevailing at the balance sheet date. Non-monetary assets and liabilities in other currencies are translated at historical rates. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods, other than those capitalised as a component of borrowing costs (see Note 3(m) below), are recognised in the statement of income in the period in which they arise.

(m) Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use, in which case they are capitalised as part of the cost of that asset. Capitalisation of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalised at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

(n) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, restricted cash, temporary cash investments, short-term investments, due from and to related parties, trade and other receivables and payables, loans and borrowings. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies above.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(o) Pension scheme

The Group is required under existing PRC legislation to provide certain staff welfare and retirement benefits to its employees. The Group's obligations include contributions to a defined contribution retirement plan administered by a government agency determined at a certain percentage of the salaries of the employees and, effective from 21st December, 1999, contributions to a supplementary pension fund of a fixed monthly amount per employee. The Group accounts for these contributions on the accrual basis.

(p) Revenue and income recognition

Revenue and income are recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues are shown net of value-added tax and are recognised on the following bases:

* Airport Fee is recognised upon receipt from outbound passengers when departing from the airport;

* aeronautical revenues other than Airport Fee are recognised when the related airport services are rendered;

* revenues from duty free shops and other shops, air catering of BAIK and restaurants and lounges are recognised upon delivery of goods and/or when title is passed to customers, or upon rendering of services;

* rental income is recognised on the straight-line basis over the lease periods;

* advertising income is recognised on the straight-line basis over the period of display of the advertisements;

* car parking fees are recognised when the parking services are rendered; and

* interest income from deposits placed with banks and other financial institutions is recognised on a time proportion basis that takes into account the effective yield on the assets.

(q) Operating leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term.

(r) Taxation

Taxation of the Group is based on the tax laws and regulations applicable to PRC enterprises. The Group provides for enterprise income tax on the basis of its profit for financial reporting purposes, adjusted for income and expense items that are not assessable or deductible for enterprise income tax purposes.

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying account of its assets and liabilities.

Deferred tax assets and liabilities are recognised regardless of when the temporary difference is likely to reverse. Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Other tax liabilities are provided in accordance with the regulations issued by the PRC government authorities.

(s) Impairment of assets

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income for items of property, plant and equipment and land use rights carried at cost, and treated as a revaluation decrease for buildings and runways that are carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if that is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income or as a revaluation increase.

(t) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(u) Subsequent events

Post-year-end events that provide additional information about the Group's or the Company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

(a) Property, plant and equipment, net

Movements in property, plant and equipment of the Group were:

The Group

	2000							1999
	Buildings and improvements Rmb'000	Runways Rmb'000	Plant and equipment Rmb'000	Motor vehicles Rmb'000	Furniture, fixtures and other equipment Rmb'000	Assets under construction Rmb'000	Total Rmb'000	Total Rmb'000 (Note 28)
Cost or valuation								
Beginning of year	5,007,893	765,742	1,763,553	198,722	19,042	51,606	7,806,558	6,585,625
Revaluation adjustment	-	-	-	-	-	-	-	(4,601)
Additions	251,312	331	11,224	6,345	5,520	445,843	720,575	1,220,799
Transfer from assets under construction	32,887	436,240	3,334	9,922	2,262	(484,645)	-	-
Acquisition of Bowei	-	-	-	-	-	-	-	7,390
Disposals	(11,893)	-	(989)	(2,117)	(1,464)	-	(16,463)	(2,655)
End of year	5,280,199	1,202,313	1,777,122	212,872	25,360	12,804	8,510,670	7,806,558
Accumulated depreciation								
Beginning of year	(34,441)	(350,271)	(121,479)	(98,063)	(5,293)	-	(609,547)	(681,862)
Revaluation adjustment	-	-	-	-	-	-	-	237,028

Charge for the year	(189,033)	(11,446)	(160,359)	(31,034)	(14,411)	-	(406,283)	(167,135)
Written back on disposals	6,410	-	536	1,708	442	-	9,096	2,422
End of yea	(217,064)	(361,717)	(281,302)	(127,389)	(19,262)	-	(1,006,734)	(609,547)
Net book value								
End of year	5,063,135	840,596	1,495,820	85,483	6,098	12,804	7,503,936	7,197,011
Beginning of year	4,973,452	415,471	1,642,074	100,659	13,749	51,606	7,197,011	5,903,763

Movements in property, plant and equipment of the Company were:

The Company

		2000						1999
	Buildings and improvements Rmb'000	Runways Rmb'000	Plant and equipment Rmb'000	Motor vehicles Rmb'000	Furniture, fixtures and other equipment Rmb'000	Assets under construction Rmb'000	Total Rmb'000	Total Rmb'000 (Note 28)
Cost or valuation								
Beginning of year	4,936,151	765,742	1,739,552	119,280	12,377	51,447	7,624,549	6,402,101
Revaluation adjustment	-	-	-	-	-	-	-	12,852
Additions	250,660	331	10,164	4,753	4,148	434,693	704,749	1,211,694
Transfer from assets under construction	31,022	436,240	2,124	440	-	(469,826)	-	-
Disposals	(11,420)	-	(244)	(459)	(953)	(3,578)	(16,654)	(2,098)
End of year	5,206,413	1,202,313	1,751,596	124,014	15,572	12,736	8,312,644	7,624,549
Accumulated depreciation								
Beginning of year	(25,196)	(350,271)	(114,147)	(47,442)	(1,973)	-	(539,029)	(614,193)
Revaluation adjustment	-	-	-	-	-	-	-	229,161
Charge for the year	(185,241)	(11,446)	(157,573)	(18,413)	(13,289)	-	(385,962)	(155,757)
Written back on disposals	6,338	-	54	220	149	-	6,761	1,760
End of year	(204,099)	(361,717)	(271,666)	(65,635)	(15,113)	-	(918,230)	(539,029)
Net book value								
End of year	5,002,314	840,596	1,479,930	58,379	459	12,736	7,394,414	7,085,520
Beginning of year	4,910,955	415,471	1,625,405	71,838	10,404	51,447	7,085,520	5,787,908

On 30th November, 1999, the buildings, runways and assets under construction of the Group were valued by Sallmanns (Far East) Limited (the "Valuer"), a qualified independent professional valuer in Hong Kong, using a fair market value approach and a depreciated replacement cost approach. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised, in accordance with current construction costs for similar property in the locality, less depreciation whether arising from physical, functional or economic causes. The Valuer assumed that the buildings, runways and assets under construction will be used for the purposes for which they are presently used and did not consider alternative uses. The carrying amount of the buildings, runways and assets under construction that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation and impairment losses is approximately Rmb5,004,591,000 (1999: Rmb5,193,019,000). A net valuation surplus of approximately Rmb232,427,000 (net of a valuation deficit of approximately Rmb9,585,000 on certain buildings) resulted from the revaluation and was recorded in the Group's financial statements. Additional depreciation on the revaluation surplus was approximately Rmb7,503,000 and Rmb829,000 in 2000 and 1999, respectively.

No interest and foreign exchange differences were capitalised to assets under construction for the year ended 31st December, 2000 (1999: Rmb144 million). The capitalised interest rates varied from 2.3% to 10% per annum during the year ended 31st December, 1999.

(b) Land use rights, net

Prior to the incorporation of the Company, substantially all of the buildings and runways of the Predecessor Entities were constructed on land, the use rights for which were allocated by the Government of the PRC at no cost to the Predecessor Entities.

Pursuant to an approval document issued by the Ministry of Land and Resources of the PRC dated 30th September, 1999, the land use rights for a period of 50 years for the land on which the building are situated were contributed to the Company upon incorporation of the Company. These land use rights were acquired by the Parent Company from the Government of the PRC and contributed into the Company for 104.5 million Domestic Shares with par value of Rmb1.00 each held by Parent Company on behalf of the Government of the PRC. Upon incorporation of the Company, these land use rights, together with the related levies, were recorded in the financial statements of the Group and the Company at Rmb261,015,000, being the cost to the Parent Company, which was determined with reference to a valuation performed by a qualified independent land valuer in the PRC.

The Company also entered into an agreement with the Parent Company dated 16th November, 1999 to lease the land use rights for the land on which the runways, taxiways, aprons and certain parking areas are situated, that the Parent Company leased from the Government of the PRC of a period of 50 years (for runways, taxiways and aprons) and 40 years (for certain parking areas) with provisions for early termination on specified circumstances, at an annual rental of Rmb5,594,000.

As at 31st December, land use rights, net comprised:

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
		(Note 28)		(Note 28)
Cost	278,933	278,933	261,015	261,015
Accumulated amortisation	(7,923)	(1,638)	(6,308)	(1,046)
Net	271,010	277,295	254,707	259,969

Based on its most recent analysis, the Group believes that there was no impairment of its property, plant and equipment and land use rights as at 31st December, 2000.

5. ACCOUNTS RECEIVABLE, NET

As at 31st December, accounts receivable comprised:

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Accounts receivable	429,549	380,495	404,601	356,332
Provision for doubtful accounts	(5,285)	(2,327)	(5,285)	(2,327)
Accounts receivable, net	424,264	378,168	399,316	354,005

As at 31st December, 2000 and 1999, substantially all of the accounts receivable were aged within one year.

6. BALANCES WITH RELATED PARTIES

As at 31st December, balances with related parties comprised:

(a) Due from related parties

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Singapore Airlines Limited ("SAL")	14,837	4,786	14,837	4,786
Foreign joint venture partner in BGS	17,919	8,418	-	-
Foreign joint venture partner in BAIK	1,391	1,391	-	-
Joint venture partners in BAFS	4,271	6,720	-	-
BGS	-	-	33,892	17,128
BAIK	-	-	-	1,832
BAFS	-	-	8,495	17,480

Bowei	-	-	1,310	58
Total	38,418	21,315	58,534	41,284

(b) Due to related parties

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Singapore Airport Terminal Services (Private) Limited ("SATS")	6,872	810	-	-
BAIK	-	-	1,496	-
Parent Company	192,870	527	192,056	-
Total	199,742	1,337	193,552	-

Amounts due from/to related parties are unsecured, non-interest bearing and generally repayable within twelve months. The balances primarily arose from the related party transactions as shown in Note 17 below.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

As at 31st December, prepayments and other current assets comprised:

	The Group		The Company	
	2000	1999	**2000**	1999
	Rmb'000	*Rmb'000*	***Rmb'000***	*Rmb'000*
Deposits for imported equipment	-	3,634	-	3,634
Advances to banks to exchange foreign currencies	-	20,010	-	20,010
Receivables from contractors for returned construction materials	42,900	-	42,900	-
Prepayments	8,868	-	8,098	-
Interest receivable	8,015	-	8,015	-
Other	32,235	9,018	24,670	6,224
Total	92,018	32,662	83,683	29,868

8. SHORT-TERM INVESTMENTS

The Group entered into certain investment agreements with a financial institution in the PRC. According to the investment agreements, the financial institution would make investments on behalf of the Group and such investments must be invested in securities issued by or guaranteed by the Government of the PRC and approved by the Group. The financial institution receives commissions according to the investment returns. The investments have original maturities of at least one year but can be withdrawn by the Group upon 20 days' notice before the maturity dates. The directors estimate that the aggregate fair value of the short-term investments as at December 31, 2000 was approximately Rmb629 million.

9. SHARE CAPITAL

	2000		1999	
	Number of shares Rmb'000	Nominal Value Rmb'000	Number of shares Rmb'000	Nominal Value Rmb'000
Authorised (shares of Rmb1.00 each)	3,846,150	3,846,150	3,846,150	3,846,150
Issued and credited as fully paid (shares of Rmb1.00 each)	3,846,150	3,846,150	2,500,000	2,500,000

On 15th October, 1999, the date of incorporation of the Company and the effective date of the Restructuring, 2,500,000,000 Domestic Shares were issued to the Parent Company and credited as fully paid in consideration for the assets and liabilities of the businesses transferred to the Company from the Predecessor Entities.

On 27th January, 2000, 1,346,150,000 H shares in the Company of Rmb1.00 each were issued to the public at HK$1.87 per share and such shares were listed on the Stock Exchange of Hong Kong Limited on 1st February, 2000. The holders of H shares and Domestic Shares, with minor exceptions, are entitled to the same economic and voting rights.

10. APPROPRIATIONS AND DISTRIBUTION OF PROFIT

In accordance with the regulations of CAAC, the Predecessor Entities were required to appropriate a portion of their profit to CAAC on an annual basis in the form of an "Adjustment Fee". This appropriation, amounting to Rmb102,095,000, was calculated at 15% of aeronautical revenues (excluding Airport Fee) for the period from 1st January, 1999 to 14th October, 1999. Effective 15th October, 1999, the Group is no longer required to make this annual profit appropriation. There was no other form of profit distribution during the period from 1st January, 1999 to 14th October, 1999.

According to the articles of association of the Company, subsequent to its incorporation, when distributing the net profit of each year, the Company shall set aside 10% of its profit after tax (based on the Company's local statutory accounts) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's registered capital), and 5% to 10% for the statutory public welfare fund and on an optional basis, the discretionary surplus reserve fund. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends. The statutory public welfare fund can only be utilized on capital items for the collective benefits of the Company's employees. Title to these capital items will remain with the Company. This fund is non-distributable other than in liquidation.

For the year ended December 31, 2000, the Board of Directors proposed appropriations of 10%, 10% and 20% of profit after tax (1999: 10%, 10% and 20% respectively) determined under PRC accounting standards, of RMB43,893,000, RMB43,892,000 and Rmb87,784,000 (1999: Rmb2,114,000, RMB2,113,000 and RMB4,226,000 for the period from 15th October, 1999 to 31st December, 1999), to the statutory surplus reserve fund, the statutory public welfare fund and the discretionary surplus reserve fund, respectively.

Because of the adoption of the revised IAS 10, "Events After the Balance Sheet Date", the appropriation of profit of Rmb4,226,000 (20% of profit after tax) to the discretionary surplus reserve fund that was proposed after 31st December, 1999 is treated as non-adjusting event and recorded in 2000. The proposed profit appropriation of Rmb87,784,000 (20% of profit after tax) to the discretionary surplus reserve fund for the year ended 31st December, 2000 is subject to shareholders' approval at the next general meeting and will be recorded in the financial statements for the year ending 31st December, 2001.

According to the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the PRC accounting standards and the amount determined under IAS. As at 31st December, 2000, the reserve available for distribution was approximately Rmb302,310,000 (1999: Rmb14,072,000, as restated.)

11. BORROWINGS

(a) Short-term borrowings

As at December 31st 2000, the Group and the Company had short-term bank loans granted by various banks amounting to approximately Rmb400 million, which were secured by bank deposits of approximately Rmb318 million of the Group and the Company. These loans bear interest of 5.265% per annum.

(b) Long-term borrowings

As at 31st December, 2000, substantially all of the bank loans were borrowed by the Group and the Company to finance the construction of a new airport terminal and the related premises and facilities and were guaranteed by CAAC. As at 31st December, 2000, all long-term bank loans were denominated in Rmb (1999: approximately Rmb1,742,809,000, Rmb248,388,000 and Rmb2,225,000,000 of these loans were denominated in Japanese yen, US dollar and Rmb, respectively).

Approximately Rmb442,000,000 (1999: Rmb442,000,000) of these loans were granted by the State Development Bank at a preferential rate of 5.9% per annum with maturities through 2011 (1999: 5.9%). All other loans bear interest at commercial rates ranging from 6.2% to 7.6% per annum with maturities through 2008 (1999: 6.2%-7.6%). As at 31st December, 1999, approximately 21,533,972,000 Japanese yen (equivalent of Rmb1,742,809,000) of these loans were extended by the China Import and Export Bank at preferential rates ranging from 2.3% to 2.6% per annum. Such Japanese yen denominated loans were fully repaid in 2000.

The repayment schedule of the long-term bank loans is as follows:

	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Within one year	140,000	76,656	140,000	75,000
Between one and two years	220,000	237,000	220,000	237,000
Between two and five years	877,000	1,157,593	877,000	1,157,593
Over five years	763,000	2,821,604	763,000	2,821,604
Total long-term bank loans	2,000,000	4,292,853	2,000,000	4,291,197
Less: Amounts due within one year included in current liabilities	(140,000)	(76,656)	(140,000)	(75,000)
	1,860,000	4,216,197	1,860,000	4,216,197

As at 31st December, 2000, the Group and the Company had unused loan facilities (denominated in Japanese yen) totalling approximately Rmb462 million (1999: approximately Rmb596 million).

12. DEFERRED TAXATION

For the year ended 31st December, 1999, the Group and the Company recognised a deferred tax liability arising from the initial recognition of assets and liabilities acquired from the Parent Company pursuant to the Restructuring. The initial recognition of the land use rights and buildings completed and under construction upon Restructuring was based on valuations performed by valuers. The result of the valuation was a non-tax deductible surplus of approximately Rmb36,819,000 (after deducting tax deductible internal valuation surplus). The deferred tax liability of Rmb12,150,000 relating to this temporary difference was recorded in 1999, with a corresponding adjustment to the share premium that had been recorded to reflect the revaluation surplus when the assets were acquired.

13. ACCOUNTS PAYABLE

As at 31st December, 2000 and 1999, substantially all accounts payable were aged within one year.

14. ACCRUED LIABILITIES AND OTHER PAYABLES

As at 31st December, accrued liabilities and other payables comprised:

	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Payroll and welfare payable	31,423	3,692	20,977	642
Tourism development fund payable	3,410	2,773	3,410	2,773
Interest payable	3,947	10,156	3,947	10,156
Receipts on behalf of Air China	8,292	21,483	8,292	21,483
Receipts on behalf of CAAC	78,419	45,318	78,419	45,318
Adjustment fee payable	42,631	42,631	42,631	42,631
Advertising customer advances	19,934	18,923	19,934	18,923
Refundable deposits payable	2,016	1,240	2,016	1,240
Consulting fee payable	23,258	-	23,258	-
Other	37,990	46,289	25,344	38,495
Total	251,320	192,505	228,228	181,661

Tourism development fund (Rmb20 per passenger) is collected together with the Airport Fee from each outbound international passenger on behalf of and payable to the PRC government after deducting certain handling charges.

15. REVENUES

Revenues are comprised of:

	2000	1999	1999
	Rmb'000	Rmb'000 (Adjusted)	Rmb'000 (Historical)
Aeronautical:			
Passenger charges	457,912	412,051	412,051
Aircraft movement fees and related charges	273,522	219,598	219,598
Airport Fee (see Note 2)	287,561	247,174	55,211
Ground handling facilities charge	175,944	165,736	165,736
Ground handling services income of BGS	105,511	76,757	76,757
Total aeronautical revenues	1,300,450	1,121,316	929,353
Non-aeronautical:			
Duty free and other shops	213,378	154,125	154,125
Air catering of BAIK	49,560	37,358	37,358
Rental and others	166,622	63,303	63,303
Restaurants	9,984	23,051	23,051
Advertising	57,715	21,839	21,839

Car parking	30,738	16,199	16,199
Total non-aeronautical revenues	527,997	315,875	315,875
Total revenues	1,828,447	1,437,191	1,245,228

16. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging (crediting) the following:

	2000 Rmb'000	1999 Rmb'000
Interest expense on bank loans repayable within five years	64,746	32,684
Interest expense on bank loans repayable after five years	125,474	199,314
Less: amounts capitalised in assets under construction	-	(155,199)
Total interest expense	190,220	76,799
Interest income	(103,247)	(3,172)
Interest expenses, net	86,973	73,627
Exchange (gain) loss	(185,000)	200,613
Less: amounts capitalised as borrowing costs in assets under construction and property,plant and equipment	-	(143,523)
Exchange (gain) loss, net	(185,000)	57,090
Cost of goods and materials	144,654	109,922
Depreciation of property, plant and equipment	406,283	167,135
Amortisation of land use rights	6,285	1,561
Loss (gain) on disposal of property, plant and equipment	5,499	(5)
Provision for doubtful accounts	2,958	1,651
Contribution to retirement scheme	7,774	8,754
Contribution to supplemental pension plan	3,100	1,698
Provision for staff welfare	14,957	23,900
Operating lease charges (primarily for land, buildings and equipment)	17,236	7,148
Auditors' remuneration	1,967	1,784
Contribution to housing fund	5,663	2,128

17. TAXATION

Enterprise income tax

Taxation in the statement of income represents provision for PRC enterprise income tax.

Under PRC income tax law, except for certain preferences available to the Company's joint ventures and subsidiary, the entities within the Group are subject to enterprise income tax at a rate of 33% on the taxable income as reported in their statutory accounts which are prepared using the accounting principles and financial regulations applicable to PRC enterprises.

The reconciliation of the effective income tax rate to the statutory income tax rate in the PRC is as follows:

	2000	1999 (Adjusted)	1999 (Historical)
Statutory enterprise income tax rate	33.0%	33.0%	33.0%
Non-deductible permanent differences	1.5%	1.0%	1.4%
Taxation effect on Airport Fee (see Note 2)	-	(10.3%)	-
Other	0.4%	1.1%	0.6%
Effective tax rate	34.9%	24.8%	35.0%

Business taxes

The Group is subject to business taxes on its service revenues at the following rates:

Aeronautical revenues	3% of service revenue
Non-aeronautical revenues	5% of rental income, advertising income and car parking fee income

Value-Added Tax ("VAT")

Output VAT is levied at a general rate of 17% on the selling price of goods and services. Input VAT paid on purchases of goods and services can be used to offset the output VAT to determine the net VAT payable.

18. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The following is a summary of significant transactions carried out with related parties in the ordinary course of business for the years ended 31st December, 2000 and 1999:

	2000 Rmb'000	1999 Rmb'000
Transactions with Parent Company:		
Provision of security services to the Parent Company and its units, subsidiaries and affiliates	202	148
Leasing of office space from the Parent Company	6,600	4,675
Leasing of training center from the Parent Company	2,238	-
Leasing of premises to a subsidiary of the Parent Company	8,636	130
Provision of utilities and power supply by the Parent Company	145,673	55,822
Share of aircraft movement fees paid to the Parent Company, for the provision of emergency medical services by the Parent Company	42,689	37,854
Provision of maintenance and repair services by the Parent Company	11,376	-
Provision of sewage processing services to the Parent Company	1,406	-
Leasing of land use right from the Parent Company	5,594	-
Leasing of office equipments and vehicles from the Parent Company	2,419	-
Provision of staff transportation by the Parent Company	1,194	-
Provision of nursery services by the Parent Company	2,842	-
Transactions with SAL, parent company of SATS, foreign joint venture partner in BAIK and BGS:		
Ground handling services income	13,779	9,074

The following transactions were carried out with the Company's joint ventures (amounts shown below are after elimination of the Company's proportionate interests in these intra-group transactions):

	2000 Rmb'000	1999 Rmb'000
Provision of utilities to BAFS	-	
	541	
Rental income from BAFS	5,511	1,149
Share of income from the operation of VIP lounge by BAFS	-	2,987
Share of income from the operation of the first class lounges by BAFS	-	4,266
Share of ground handling services income from BGS	9,067	8,287
Rental income from BGS for leasing of counters, premises and office space	16,721	5,772

The following transactions were carried out by the Company's joint ventures with the Group's related parties. Amounts shown below represent the amounts attributable to the Group based on the Company's proportionate interests in those joint ventures.

	2000 Rmb'000	1999 Rmb'000
Transactions between BGS and SAL:		
Income from ground handling services provided to SAL	16,182	11,626
Charges by SAL for the use of Cargo Departure Documentation System and Departure Control System	939	1,815
Transactions between BGS and SATS:		
Acquisition of use right of Multi-Interaction System from SATS	2,186	-
Transactions between BAIK and SAL:		
Income from air catering services to SAL	9,526	8,918
Charges by SAL for use of Kriscom System	43	29
Transactions between BAIK and SATS:		
Purchase of materials from SATS	11	282

The directors of the Company are of the opinion that the above transactions were carried out in the ordinary course of business and on normal commercial terms.

In addition, on 28th December, 1999, the Company entered into an agreement with the Parent Company to acquire a 60% equity interest in Bowei for cash consideration of US$2.52 million.

19. DIRECTORS', SENIOR EXECUTIVES' AND SUPERVISORS' EMOLUMENTS

	2000 Rmb'000	1999 Rmb'000
Fees for executive directors	-	-
Fees for non-executive directors	-	-
Fees for supervisors	-	-
Other emoluments for executive directors:		
- basic salaries and allowances	176	156
- bonus	122	104
- retirement benefits	16	15
Other emoluments for non-executive directors	-	-
Other emoluments for supervisors	69	65

No director had waived or agreed to waive any emoluments during the year.

For the years ended 31st December, 2000 and 1999, the annual emoluments paid to each of the directors and supervisors (including the five highest paid employees) fell within the band from nil to Rmb1 million.

Details of emoluments paid to the five highest-paid individuals (mainly senior executives including directors) were:

	2000 Rmb'000	1999 Rmb'000
Basic salaries and allowances	218	193
Bonus	152	128
Retirement benefits	19	19
	389	340
Number of directors	4	4
Number of employees	1	1
	5	5

During the years ended 31st December, 2000 and 1999, no emolument was paid to the five highest-paid individuals (including directors and employees) as an inducement to join or upon joining the Predecessor Entities and the Company or as compensation for loss of office.

20. RETIREMENT BENEFITS

All of the Group's full-time Chinese employees are covered by a state-sponsored pension scheme, and are entitled to an annual pension at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the state-sponsored retirement plan at a rate of 14.5% and 13.0% of the employees' salaries in 2000 and 1999 respectively.

In addition to the government-regulated pension fund described above, effective 21st December, 1999, a supplementary defined contribution pension plan managed by an independent insurance company has been provided at the discretion of the Group's management, to which the Group is required to make a fixed monthly contribution for each employee. Any contributions forfeited by the Group relating to employees who leave the plan will not be used to reduce the Group's contributions for other employees. There were no vested benefits attributable to past services upon adoption of the plan.

Pension expenses for the years were as follows:

	2000 Rmb'000	1999 Rmb'000
Statutory pension	7,774	8,754
Supplementary pension	3,100	1,698
Total	10,874	10,452

The Group provides no other retirement benefits than those described above.

21. HOUSING FUND

In accordance with the PRC housing reform regulations, the Group is required to make contributions to the State-sponsored housing fund at 10% of the specified salary amount of its full-time Chinese employees. At the same time, the employees are required to make a contribution equal to the Group's contributions out of their payroll. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. For the year ended 31st December, 2000, the Group's contribution to the housing fund was approximately Rmb5,663,000 (1999: Rmb2,128,000).

In addition, it is the understanding between the Parent Company and the Company that (i) the Parent Company would continue to provide the housing benefits available to the Company's employees who were employees of the Predecessor Entities prior to the incorporation of the Company and (ii) the Company has no obligation to reimburse the Parent Company for any costs or losses incurred by the Parent Company relating to such housing benefits. As at 31st December, 2000, the Company did not own any staff quarters and the Company did not sell any staff quarters to its employees. As of the date of the approval of the financial statements, the Company does not have any formal scheme to provide cash housing subsidies to its employees.

22. DIVIDENDS

	2000 Rmb'000	1999 Rmb'000
Dividend declared before year end		
Interim dividend	62,923	-
Dividend per share (Rmb)	0.01636	-
Dividend proposed after year end (Note 32)		
Final dividend	156,538	-
Dividend per share (Rmb)	0.04070	-

23. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31st December, 2000 is based on the net profit for the year attributable to shareholders of Rmb483,487,000, divided by the weighted average number of 3,733,970,833 ordinary shares in issue during the year.

The calculation of basic earnings per share for the year ended 31st December, 1999 is based on 2,500,000,000 ordinary shares in issue. The 2,500,000,000 shares issued to the Parent Company on 15th October, 1999 are deemed to have been outstanding throughout the year ended 31st December, 1999.

No diluted earnings per share was presented as there were no potential dilutive ordinary shares outstanding during the years ended 31st December, 2000 and 1999.

24. COMMITMENTS

(a) Capital commitments:

Capital commitments primarily relate to the construction of and the equipment to be installed at the new airport terminal and other airport improvement projects. As at 31st December, 2000, the Group and the Company had the following outstanding capital commitments not provided for in the financial statements:

	Rmb'000
Authorised and contracted for	-
Authorised but not contracted for	134,978
	134,978

(b) Operating lease commitments:

As at 31st December, 2000, the Group and the Company had commitments to make future minimum lease payments under operating leases for each of the following periods:

	Land and buildings Rmb'000	Other leases Rmb'000	Total Rmb'000
Within one year	12,194	2,419	14,613
Between one and five years	28,151	2,117	30,268
Over five years	246,139	-	246,139
	286,484	4,536	291,020

25. NOTES TO STATEMENTS OF CASH FLOWS

(a) Reconciliation from profit before taxation to net cash generated from operating activities:

	2000 Rmb'000	1999 Rmb'000
Profit before taxation	741,483	466,743
Adjustments for:		
Depreciation and amortisation	412,568	168,696
Loss (gain) on disposals of property, plant and equipment, net	5,499	(5)
Provision for doubtful debts	2,958	1,651
Interest expenses, net	86,973	73,627
Exchange (gain) loss, net	(185,000)	57,090
Operating profit before working capital changes	1,064,481	767,802
(Increase) decrease in current assets:		
Accounts receivable	(49,054)	(101,023)
Inventories	(17,230)	(6,176)
Prepayments and other current assets	(51,341)	25,773
Due from related parties	(17,103)	19,265
Increase (decrease) in current liabilities:		
Accounts payable	34,070	(1,203)
Accrued liabilities and other payables	58,815	99,817
Due to related parties	119,039	(15,942)
Taxes payable	37,032	13,282
Deferred tax liabilities	(392)	-
Cash generated from operations	1,178,317	801,595

(b) Analysis of cash and cash equivalents

As at 31st December, cash and cash equivalents consisted of:

	As at 31st December			
	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cash				
Rmb	30	20	9	3
US dollar denominated	82	6	-	-
	112	26	9	3
Demand deposits				
Rmb	470,062	760,389	394,826	721,137
US dollar denominated	26,673	71,055	8,164	39,808
Hong Kong dollar denominated	96,477	-	96,477	-
Japanese yen denominated	429	-	-	-
	593,641	831,444	499,467	760,945
Total cash and cash equivalents	593,753	831,470	499,476	760,948

(c) Acquisition of a subsidiary

The Company acquired a 60% equity interest in Bowei from the Parent Company on 28th December, 1999 for cash consideration of Rmb20,863,499 (Rmb equivalent of US dollar 2.52 million) (see Note 18)

The net assets of Bowei were as follows:

	28th December, 1999
	Rmb'000
Assets	
Cash and cash equivalents	16,880
Due from related party	4,565
Other current assets	523
Property, plant and equipment	18,601
Liabilities	
Due to Parent Company	(2,630)
Other current liabilities	(60)

Net assets	37,879

(d) Major non-cash transaction

On 15th October, 1999, 2,500,000,000 Domestic Shares of Rmb1.00 each were issued to the Parent Company in consideration for the assets and liabilities of the business transferred to the Company from the Predecessor Entities (see Note 1).

26. FINANCIAL INSTRUMENTS

As at 31st December, 2000, the carrying amounts of the Group's cash and cash equivalents, restricted cash, temporary cash investments, due from and to related parties, trade and other receivables and payables approximated their fair values because of the short maturity of these instruments. The estimated fair value of the short-term investments is disclosed in Note 8 above. The carrying amounts of the bank loans approximated their fair values based on borrowing rates currently available for bank loans with similar terms and maturities.

27. CONCENTRATION OF RISK

(a) Business risk

The Group and the Company conduct their operations in the PRC and accordingly are subject to special considerations and risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

Ten largest customers represented approximately 53% (1999: 45%) of the aeronautical revenues of the Group for the year ended 31st December, 2000.

(b) Interest risk

The interest rates and terms of repayment of the bank loans of the Group and the Company are disclosed in Note 11.

(c) Foreign currency risk

The Group has foreign currency risk as certain amounts of its cash and bank deposits, receivables, payables and due from and due to related parties are denominated in foreign currencies, principally the US dollar. In addition, dividends to shareholders holding H Shares are declared in Rmb and paid in Hong Kong dollar. Fluctuation of the exchange rates of Rmb against foreign currencies could affect the Group's results of operations.

(d) Credit risk

The extent of the Group's credit exposure is represented by aggregated balance of restricted cash, temporary cash investments, short-term investments, accounts receivable and due from related parties. The maximum credit risk exposure in the event that other parties fail to perform their obligation under these financial instruments was approximately Rmb1,487 million and Rmb464 million as at 31st December, 2000 and 1999, respectively.

Counterparties to financial instruments mainly consist of state-owned banks in the PRC, a financial institution in the PRC and a large number of airlines. The Group does not expect any counterparties to fail to meet their obligations. The Group has concentration of credit risk with these entities.

28. PRIOR YEAR ADJUSTMENT

In prior years, dividends and discretionary surplus reserve fund declared or proposed after the balance sheet date were recognised as a liability and a reserve as at the balance sheet date. Because of the adoption of the revised IAS 10 "Events After the Balance Sheet Date", conditions that arise after the balance sheet date are no longer treated as adjusting events. As a result, the final dividend and discretionary surplus reserve fund of Rmb156,538,000 and Rmb87,784,000 respectively for the year ended 31st December, 2000 proposed by the Board of Directors on 23rd April, 2001 will be recorded in the Group's financial statements for the year ending 31st December, 2001.

This change in accounting policy has been applied retrospectively with the result that the Group's retained earnings as at 31st December, 1999 were increased by Rmb4,226,000, being the amount of appropriation of profit into discretionary surplus reserve fund that was proposed after the balance sheet date. Comparative figures as at 31st December, 1999 have been restated to reflect this change in accounting policy.

Certain comparative figures have been reclassified to conform to the current year's presentation because management believes that current year's presentation can better reflect the Group's financial position and operating results.

29. NEW ACCOUNTING STANDARDS

The IASC issued IAS 39, Financial Instruments - Recognition and Measurement" and IAS 40, "Investment Property", in 1998 and 2000, respectively. Both standards will become effective for fiscal years beginning on or after 1st January, 2001. IAS 39 establishes standards for recognising, measuring and disclosing information about an enterprise's financial assets and financial liabilities, including accounting for hedging transactions. IAS 40 prescribes the accounting treatment for investment property. Management believes the effect of adopting IAS 39 and IAS 40 will not have a material impact on the Group's consolidated financial statements except that the short-term investments as described in Note 8 above would have to be stated at their fair value as at the balance sheet date.

30. CONTINGENCIES

The directors of the Company understand that certain villagers living in the vicinity of the airport have made complaints to the Beijing Municipal Government of the aircraft engine noise created by approaching and departing aircraft, and requested relocation and/or compensation. The directors of the Company also understand that the relevant government authorities have been involved in resolving these complaints.

The outcome of this matter and the potential financial impact to the Company, if any, will depend on the final resolution of these complaints with the parties involved. The Company has no further information to ascertain any liability on its part and the extent of compensation payable, if any. No provision has been made in the consolidated financial statements for any costs to resolve this issue.

31. ULTIMATE HOLDING COMPANY

The Directors consider Beijing Capital Airport Group Corporation, a PRC state-owned enterprise under the supervision of CAAC, to be the ultimate holding company.

32. SUBSEQUENT EVENTS

On 23rd April, 2001, the Board of Directors proposed a final dividend of Rmb0.04070 per share for the year ended 31st December, 2000, totaling approximately Rmb156,538,000 and an appropriation to the discretionary surplus reserve fund of approximately Rmb87,784,000 (20% of profit after tax) . The proposed dividend distribution and the appropriation to the discretionary surplus reserve fund are subject to shareholders' approval in their next meeting. Because of the adoption of the revised IAS 10, "Event After the Balance Sheet Date", the dividend and appropriation to the discretionary surplus reserve fund approved after the balance sheet date will be recorded in the Group's financial statements for the year ending 31st December, 2001 (Note 10).

33. ADDITIONAL FINANCIAL INFORMATION ON BALANCE SHEET

As at 31st December, 2000, the net current assets and total assets less current liabilities of the Group amounted to approximately Rmb870 million (1999: Rmb335 million) and Rmb8,653 million (1999: Rmb7,819 million), respectively.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 23rd April, 2001.