

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30TH JUNE, 2001 (UNAUDITED)

## 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 pursuant to a group restructuring (the "Restructuring") in preparation of an offering of the Company's shares. 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 on 1st February, 2000.

As at 30th June, 2001, 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 ('000)	Principal activities
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 Ltd. ("Bowe")	Beijing, PRC 26th August, 1999	60%	US\$4,200	Provision of repair and maintenance services for airport related facilities

The Company, its joint ventures and subsidiary are hereinafter collectively referred to as the "Group".

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

## 2. BASIS OF PRESENTATION

The unaudited condensed consolidated statement of income includes 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 income and expenses of a joint venture is consolidated on a line-by-line basis with similar items in the condensed consolidated 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 unaudited condensed consolidated financial statements are prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Committee and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The principal accounting policies adopted for the preparation of the unaudited condensed consolidated financial statements as at and for the six months ended 30th June, 2001 are consistent with those adopted for the preparation of the financial statements as at and for the year ended 31st December, 2000, except that financial instruments are recognised and measured in accordance with IAS 39, which is effective from 1st January, 2001.

In accordance with IAS 39, after initial recognition of a financial asset or financial liability at cost, the Company, its joint ventures and subsidiary measure each major class of financial instruments at either the reliable fair value or amortised cost according to the classification of the financial instruments. Regular way purchases and sales of financial assets are accounted for at trade date.

Short-term investments, which represent investments made by a financial institution in the PRC on behalf of the Group in securities that are traded in the PRC capital markets, are classified as financial assets held for trading. Their fair value is determined based on quoted market prices at the balance sheet date. The gains or losses arising from changes in the fair value subsequent to initial recognition are included in net profit or loss for the period. For the six months ended 30th June, 2001, gain or loss arising from change in the fair value of short-term investments held for trading was not material.

Financial liabilities carried on the balance sheet mainly include bank loans. All these loans are carried at amortised cost.

The financial effects of adopting IAS 39 did not have a significant impact on the opening balances of the unaudited condensed consolidated financial statements.

### **4. ACCOUNTS RECEIVABLE, NET**

Accounts receivable comprised:

<b>As at 30th June, 2001</b>	<b>As at 31st December, 2000</b>
<b>RMB'000</b>	<b>RMB'000</b>

Accounts receivable	473,927	429,549
Provision for doubtful accounts	(5,191)	(5,285)
Accounts receivable, net	468,736	424,264

As at 30th June, 2001 and 31st December, 2000, the aging analysis of accounts receivable were as follows:

	<b>As at 30th June, 2001 RMB'000</b>	<b>As at 31st December, 2000 RMB'000</b>
Aging		
Within one year	446,921	429,549
Between one to two years	27,006	-
	473,927	429,549

## 5. BALANCES WITH RELATED PARTIES

As at 30th June, 2001 and 31st December, 2000, balances with related parties comprised:

### (a) Due from related parties

	<b>As at 30th June, 2001 RMB'000</b>	<b>As at 31st December, 2000 RMB'000</b>
Singapore Airlines Limited ("SAL")	7,504	14,837
Foreign joint venture partner in BGS	25,919	17,919
Foreign joint venture partner in BAIK	1,391	1,391
Joint venture partners in BAFS	3,767	4,271
Total	38,581	38,418

### (b) Due to related parties

	<b>As at 30th June, 2001 RMB'000</b>	<b>As at 31st December, 2000 RMB'000</b>
Singapore Airport Terminal Services (Private) Limited ("SATS")	5,914	6,872
Beijing Capital Airport Group Corporation ("Parent Company")	162,000	192,870

Total	167,914	199,742
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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 13 below.

## **6. RESERVES**

In accordance with the relevant laws and regulations of the PRC and the company's Articles of Association, the Company is required to appropriate 10% of its profit after taxation, determined based on the financial statements prepared in accordance with the PRC accounting standards and regulations ("PRC GAAP") to the statutory surplus reserve fund and 5% to 10% to the statutory public welfare fund, and on an optional basis, the discretionary surplus reserve fund.

For the six months ended 30th June, 2001, approximately RMB17,208,000 and RMB17,208,000 (representing 10% and 10% of net profit determined under PRC GAAP) have been appropriated to the statutory surplus reserve fund and the statutory public welfare fund, respectively.

Because of the adoption of the revised IAS 10, "Events After the Balance Sheet Date", the dividend totaling RMB156,538,000 (RMB0.04070 per ordinary share) and appropriation of profit of RMB87,784,000 (20% of net profit after tax) to the discretionary surplus reserve fund that were proposed after 31st December, 2000 are treated as non-adjusting event and recorded in 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 GAAP and the amount determined under IAS. As at 30th June, 2001, the reserve available for distribution was RMB193,015,000 (as at 31st December, 2000: RMB302,310,000).

## **7. DIVIDENDS**

On 22nd August, 2000, the Board of Directors declared an interim dividend of RMB0.01636 per share, totaling approximately RMB62,923,000 for the six months ended 30th June, 2000. Such dividend distribution was approved by the shareholders in the general meeting dated 10th October, 2000.

On 23rd April, 2001, the Board of Directors proposed a final dividend of RMB0.04070 per share, totaling approximately RMB156,538,000, for the year ended 31st December, 2000. The proposed dividend distribution was approved by the shareholders in the general meeting dated 13th June, 2001.

On 27th August, 2001, the Board of Directors declared an interim dividend of RMB0.01518 per ordinary share based on 3,846,150,000 ordinary shares in issue as at 30th June, 2001, totaling approximately RMB58,385,000. In accordance with the revised IAS 10 "Event After the Balance Sheet Date", dividend proposed after the balance sheet date will be recorded in the Group's financial statements in the period in which the dividend is proposed

or declared.

## 8. ACCOUNTS PAYABLE

As at 30th June, 2001 and 31st December, 2000, substantially all of the accounts payable were aged within one year.

## 9. ADDITIONAL FINANCIAL INFORMATION ON BALANCE SHEET

As at 30th June, 2001, the net current assets of the Group amounted to approximately RMB1,058 million. On the same date, the total assets less current liabilities of the Group were approximately Rmb8,714 million.

## 10. REVENUES

Revenues are comprised of:

	For the six months ended 30th June,	
	2001	2000
	RMB'000	RMB'000
Aeronautical:		
Passenger charges	248,086	208,451
Aircraft movement fees and related charges	141,555	125,338
Airport Fee	144,865	130,357
Ground handling facilities charge	85,383	78,431
Ground handling services income of BGS	54,246	49,156
Total aeronautical revenues	674,135	591,733
Non-aeronautical:		
Duty free and other shops	95,637	93,130
Air catering of BAIK	27,770	22,572
Rental	79,798	97,365
Restaurants and lounges	8,705	8,119
Advertising	32,258	30,375
Car parking	14,027	15,765
Total non-aeronautical revenues	258,195	267,326
Total revenues	932,330	859,059

## 11. PROFIT BEFORE TAXATION

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

	<b>For the six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest expense on borrowings	77,843	96,453
Interest income	(14,795)	(52,280)
Interest expenses, net	63,048	44,173
Exchange gain	(1,175)	(42,288)
Depreciation of property, plant and equipment	205,443	195,089
Amortisation of land use right	3,121	3,163

## **12. TAXATION**

### **Enterprise Income Tax**

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 period 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 period in which those temporary differences are expected to be recovered or settled.

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

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.

As at 30th June, 2001, the Company had not received any notification from the relevant tax authorities in respect of any material change in the present tax rates applicable to the entities within the Group.

## **13. RELATED PARTY TRANSACTIONS**

The following is a summary of significant transactions carried out with related parties in the ordinary course of business for the six months ended 30th June, 2001 and 2000:

	<b>For the six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Transactions with the Parent Company:		
Provision of security services to the Parent Company and its units, subsidiaries and affiliates	63	90
Leasing of office space from the Parent Company	3,300	3,300
Leasing of training center from the Parent Company	1,119	1,119
Leasing of premises to a subsidiary of the Parent Company	4,320	4,318
Provision of utilities and power supply by the Parent Company	69,684	69,566
Share of aircraft movement fees paid to the Parent Company, for the provision of emergency medical services by the Parent Company	31,285	19,843
Provision of maintenance and repair services by the Parent Company	11,264	6,875
Provision of sewage processing services to the Parent Company	206	129
Leasing of land use right from the Parent Company	2,797	2,797
Leasing of office equipments and vehicles from the Parent Company	1,210	1,210
Provision of staff transportation by the Parent Company	582	597
Provision of nursery services by the Parent Company	1,421	1,421
Transactions with SAL, parent company of SATS, foreign joint venture partner in BAIK and BGS:		
Ground handling services income	7,138	6,318

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):

	<b>For the six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Rental income from BAFS	2,703	2,573
Share of ground handling services income from BGS	4,818	4,216

Rental income from BGS for leasing of counters, premises and office space	10,561	10,202
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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.

	<b>For the six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Transactions between BGS and SAL:		
Income from ground handling services provided to SAL	8,703	6,861
Charges by SAL for the use of Cargo Departure Documentation System and Departure Control System	953	779
Transactions between BAIK and SAL:		
Income from air catering services to SAL	4,910	4,912
Charges by SAL for use of Kriscom System	27	22
Transactions between BAIK and SATS:		
Purchase of materials from SATS	27	11

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.

#### **14. EARNINGS PER SHARE**

The calculation of earnings per share for the six months ended 30th June, 2001 is based on the net profit for the six months attributable to shareholders of RMB194,681,000 divided by 3,846,150,000 ordinary shares in issue during the period.

The calculation of basic earnings per share for the six months ended 30th June, 2000 is based on the weighted average number of 3,733,970,833 ordinary shares in issue during the period.

No diluted earnings per share was presented as there were no potential dilutive ordinary shares outstanding during the six months ended 30th June, 2001 and 2000.

#### **15. 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 30th June, 2001 and 31st December, 2000, the Group had the following outstanding capital commitments not provided for in the financial statements:

	<b>As at 30th June, 2001 RMB'000</b>	<b>As at 31st December, 2000 RMB'000</b>
Authorised and contracted for	-	-
Authorised but not contracted for	31,343	134,978
	31,343	134,978

**(b) Operating lease commitments:**

As at 30th June, 2001 and 31st December, 2000, the Group had commitments to make future minimum lease payments under operating leases for each of the following periods:

	<b>As at 30th June, 2001</b>		
	<b>Land and buildings RMB'000</b>	<b>Other leases RMB'000</b>	<b>Total RMB'000</b>
Within one year	13,313	2,419	15,732
Between one and five years	24,301	706	25,007
Over five years	242,875	-	242,875
	280,489	3,125	283,614

	<b>As at 31th December, 2000</b>		
	<b>Land and buildings RMB'000</b>	<b>Other leases RMB'000</b>	<b>Total RMB'000</b>
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

**16. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Cash flows (used in)/provided by investing and financing activities included the following:

	<b>For the six months ended 30th June,</b>	
	<b>2001</b>	<b>2000</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Investing activities:		
Purchase of property, plant and equipment	(90,201)	(380,753)
Decrease (increase) in short-term investments	200,000	(300,000)
Financing activities:		
Net proceeds from issuance of H shares	-	2,769,886
Drawdown of:		
- Short-term bank loans	200,000	100,000
- Long-term bank loans	20,357	34,769
Repayment of:		
- Short-term bank loans	(100,000)	-
- Long-term bank loans	(28,000)	(301,655)

## **17. PRIOR PERIOD COMPARATIVES**

Certain comparative figures for the six months ended 30th June, 2000 have been reclassified to conform to the current period's presentation.