

PROSPECTS FOR THE SECOND HALF OF 2001

We expect continued growth trend for the PRC economy and the airport industry in the second half of this year. China's imminent entry into WTO will create a more favourable environment for the development of the aviation industry. Benefiting from this, the aeronautical business of the Company is expected to grow steadily. Meanwhile, in order to implement the strategy of developing a transit hub at Beijing airport, the Company has undertaken the reconstruction of terminal facilities and improving operating flow, so as to achieve the transit function. Such reconstruction work is in progress.

In respect of non-aeronautical business, the Company will further expand the area of duty-free shop and other retail shops by 350 square metres as planned. We have rented out the commercial and advertising areas vacated by previous lessees, and are planning for further expansion of advertising area in the terminal. The Company plans to adjust the fee structure of car parking by lowering the fee standard for long-term parking, so as to attract more long-term clients and increase car parking revenues.

Following the signing of preliminary letters of intent for investments with certain airports in China last year, the Company has kept close contact with these airports. Discussions were held on their restructuring plans. The final decisions will be made in due course depending on their restructuring processes and the forecast operating results after restructuring.