

Chairman's Statement

To shareholders:

I am pleased to announce the 2001 financial and operational results of Beijing Capital International Airport Company Limited (the "Company"), its joint ventures and subsidiaries (together the "Group").

Financial Results

For the fiscal year ended 31 December 2001, the Group recorded an operating revenue of Rmb2,011,738,000, representing an increase of 10.0% over the previous year; and the net profit was Rmb401,170,000, representing a decrease of 17.0%. Had the affect of the exchange income on the net profit been excluded, the net profit of the Group in 2001 would have increased by 11.3% over the previous year.

The earnings per share of the Group were Rmb0.1043 in 2001.

The board of directors of the Company (the "Board") recommends the payment of a final dividend of Rmb0.03424 per share for the year of 2001. Such dividend will be paid after approval by the annual general meeting of the Company. Together with the interim dividend of Rmb0.01518 per share, which was paid on 18 October 2001, total dividend for the year was Rmb0.04942 per share.

Operating results

In 2001, the economies slowed down globally, and in particular, the September 11th terrorist attack in the United States struck a heavy blow to the world aviation industry, and made it face tremendous pressure in operations. The development of certain businesses of the Group was affected by these factors. But in reliance on the steady growth of China's economy, the Group's operations still recorded good results for the whole year. In 2001, the aircraft movements at the Beijing Airport reached 221,850, representing an increase of 18.5% over the previous year; the passenger throughput reached 24,176,495, an increase of 11.5%; and the freight and mail throughput reached 591,195 tons, an increase of 6.1%. At present, the Beijing Airport is the busiest airport in the mainland of the PRC, and in terms of the passenger throughput and the freight and mail throughput, the Beijing Airport is also one of the busiest airports in the world. The steady growth of the aeronautical business gave potent support to the growth of the Group's aeronautical revenues. In 2001, the Group's aeronautical revenues totalled Rmb1,438,668,000, representing an increase of 10.8% over the previous year.



Mr. Li Peiying, Chairman



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In 2001, the Group endeavored to further develop its non-aeronautical business, and its non-aeronautical revenues totalled Rmb573,070,000, representing an increase of 8.0% over the previous year. The global economic slowdown led to a slower growth in the international passenger throughput as well as a lower level of passengers' purchasing power. Furthermore, some of the Company's non-aeronautical charge standards were adjusted according to pricing guidelines issued by the relevant Chinese government departments. The growth rate of the non-aeronautical revenues of the Group was not as satisfactory as expected.

The Group always endeavors to fully improve the quality of its services, including the airport security protection, passenger/freight handling, and sanitary environment maintenance, etc. In 2001, the Beijing Airport passed a series of evaluations and certifications by official organisations, with the result that our sustained efforts have received professional recognition:

- Passed the evaluation on airport security system made by the General Administration of Civil Aviation of China ("CAAC") in October;
- Passed the inspection and evaluation by CAAC, and was designated as a National Civilised Airport;
- Passed the inspection and evaluation by the World Health Organisation and the State General Administration of the PRC for Quality Supervision and Inspection and Quarantine, and was designated as an International Sanitary Airport.

The Company continued to maintain good co-operations with its strategic consultant, the ADP Management, in 2001. The strategic consultant has given many valuable advices based on its research and analysis on various aspects of the Beijing Airport including the development of transfer function, operation of the duty free shops, and control of the power consumption. Most advices have already been or are being put into action, and are expected to generate positive effect on the Group's business development. Besides, management of the Company continued to take training provided by the strategic consultant as planned, so as to further improve its management.

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Mid-to-Long Term Strategy

In order to achieve the long-term and continuous growth of the Company's business, the Company has confirmed establishing transit hub and implementing outward expansion as its basic strategies of the Company for its mid-to-long term development.

The Company understands that the establishment of a transit hub will optimise the flight structure of the Beijing Airport and improve its functions, and will lead to substantial increase in flight and passenger flow and directly increase the aeronautical revenues of the Company. Therefore, a transit hub is a strategic focus of the Company in the future. With the assistance of the strategic consultant and other professional institutions, we have already conducted certain research on the implementation of its strategy and have communicated and discussed with the base airlines, the customs and the immigration control authorities, etc., to jointly develop the transfer function of the Beijing Airport. At present, the workflows of domestic transfer and international transfer have already been reconstructed, and the workflows between domestic and international flights is expected to be accomplished in current year.

Apart from developing the aeronautical business at the Beijing Airport, we will also seek for outward expansion opportunities of selectively investing in other large or medium sized airports in China. Apart from achieving investment gains, we will utilise the Company's advantages of airport construction and operation to establish a network of aviation hubs, and to obtain a larger share in the aviation market. The Company has already signed letters of intent on establishing airport companies in joint ventures with airports in Chengdu, Dalian, Shenyang, Qingdao and Xi'an, respectively, and has discussed with them on their respective asset restructurings from time to time. Our intention to invest on those airports has now obtained CAAC's consent, and we have appointed a professional institution to assess the projects. We will further communicate with the local governments where these airports are located, and carry out the joint venture projects as soon as practicable.

Prospects for 2002

China's economy is expected to maintain a steady growth in 2002, and will continue to provide a good basis for the growth of the domestic aeronautical traffic. Year 2002 is the first year after China's entry into the World Trade Organisation and the global economy is expected to recover in the second half of the year. It is believed that these positive factors would increase the international traffic volumes at the Beijing Airport. Generally speaking, the aeronautical traffic volumes at the Beijing Airport will continue to show a good increase, and will support the growth of the aeronautical revenues of the Group.

The Company will consistently develop its non-aeronautical businesses. A new duty free shop will open soon in the terminal. But since the purchasing power of the international passengers is believed to be lower due to the economic slowdown, it is estimated that the growth rate of revenues from the duty free shops will basically remain at the same level as that of last year. The Company's new plan of advertising businesses is being implemented. We will re-design part of the car parking building to improve its efficiency in handling vehicle flow, and will also adjust the structure of car parking charges to attract more customers. At present, a majority of the properties in the terminal are leased out at a fixed rental price. Most of the tenancy contracts entered into between the Company and the lessees will expire by the end of September 2002, and the Company will then re-lease these spaces by way of open tender, and will adjust the charge structure. Part of the rentals will be pegged to the revenue of the lessees, providing an opportunity to increase the rental revenue of the Company.



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In view of a long-term development, the year of 2002 will be very important for the Group. The multiple opportunities and challenges that we are facing will have substantial impacts on the Company's future development.

To ensure an achievement of establishing the Beijing Airport a transit hub, and to meet functionality requirements of the 2008 Olympic Games, in 2001, the Company has finalised its master construction plan of the Beijing Airport for the next 5 to 8 years. Apart from renovating the Terminal 1, the Company plans to build a new runway, a new passenger terminal and other affiliated facilities before 2007, so as to increase the passenger handling capacity of the Beijing Airport to 60 million per year. In 2002, we will start to implement the master plan and to draw out the detailed construction plans for each project thereof.

Early this year, the PRC government approved and started implementing the reform and restructuring plan of the civil aviation industry in China. The reform and restructuring will make the Chinese civil aviation enterprises more flexible and competitive. According to the plan, major Chinese airlines will be restructured into three airline groups, while the ownership of most airports will be transferred to local governments based on the principle of territory. The implementation of the plan will bring both opportunities and challenges to the Group's business development, the establishment of transit hub and the investments in other domestic airports. We will further strengthen the communications and co-operations with relevant parties to facilitate the implementation of our strategies.

In March 2002, the Company reached an agreement with Air China and SHK Beijing Logistics Development Limited (a subsidiary of Sun Hung Kai Properties Co.), to establish a logistics company in form of a joint venture to develop logistics business in the area around the Beijing Airport. Currently, the project is in the process of obtaining an approval from the Ministry of Foreign Trade and Economic Co-operation before it can be carried out. I believe that this co-operation will also benefit the Company's development in the long run.

I sincerely appreciate the efforts made by all the staff of the Group and the support from all shareholders. I believe that as a result of the successful implementation of the Group's mid-to-long term development strategies, the Group will maintain and further expand its leading position in the PRC's airport industry.

By order of the Board of Directors

Li Peiying

Chairman of the Board of Directors

Beijing, the PRC

18 April 2002