

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2002

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 15 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 27 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 1 February 2000.

As at 30 June 2002, the Company had equity interests in the following joint ventures and subsidiaries:

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 18 August 1994	60%	US\$9,900	Airport ground handling services
Beijing Airport Inflight Kitchen Ltd. ("BAIK")	Beijing, PRC 27 April 1993	60%	US\$24,000	Air catering services
Beijing Airport Foods Service Co., Ltd. ("BAFS")	Beijing, PRC 31 December 1986	75%	Rmb27,000	Operation of restaurants and shops
Beijing Bowei Airport Support Ltd. ("Boweil")	Beijing, PRC 26 August 1999	60%	US\$4,200	Provision of repair and maintenance services for airport related facilities
Beijing Airport Huaxia Air Services Development Co., Ltd	Beijing, PRC 28 May 2002	80%	Rmb10,000	Provision of passenger lounge, storage, hotel information and cleaning services

The Company, its joint ventures and subsidiaries 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 financial statement includes those of the Company, its joint ventures and subsidiaries. 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 condensed consolidated financial statements. All material intra-group accounts and transactions among the Company, its joint ventures and subsidiaries 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 Board 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 30 June 2002 are consistent with those adopted for the preparation of the financial statements as at and for the year ended 31 December 2001.

4. HELD-TO-MATURITY INVESTMENTS

In accordance with an agreement signed between the Company and a PRC Trust and Investment Company (the "Trust Company"), the Company has entrusted Rmb350 million to the Trust Company to make investments in infrastructure projects in the PRC. The trust investment period is one year. The principal amount of the trust investments together with the returns thereon, after deducting a commission (calculated at 0.5% of the trust investments) and the direct management charges payable to the Trust Company, will be paid to the Company within three days of the maturity date.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable comprised:

	As at 30 June 2002 Rmb'000	As at 31 December 2001 Rmb'000
Accounts receivable	395,068	296,773
Provision for doubtful accounts	(3,734)	(3,299)
Accounts receivable, net	<u>391,334</u>	<u>293,474</u>

5. ACCOUNTS RECEIVABLE, NET *(Continued)*

As at 30 June 2002 and 31 December 2001, the aging analysis of accounts receivable were as follows:

	As at 30 June 2002 <i>Rmb'000</i>	As at 31 December 2001 <i>Rmb'000</i>
Aging		
Within one year	384,748	294,753
Between one to two years	10,320	2,020
	<u>395,068</u>	<u>296,773</u>

6. BALANCES WITH RELATED PARTIES

As at 30 June 2002 and 31 December 2001, balances with related parties comprised:

(a) Due from related parties

	As at 30 June 2002 <i>Rmb'000</i>	As at 31 December 2001 <i>Rmb'000</i>
Beijing Capital Airport Group Corporation ("Parent Company")	24,864	9,132
Singapore Airlines Limited ("SAL")	9,261	10,425
Singapore Airport Terminal Services Limited ("SATS")	619	75
Foreign joint venture partner in BGS	19,500	7,230
Total	<u>54,244</u>	<u>26,862</u>

(b) Due to a related party

	As at 30 June 2002 <i>Rmb'000</i>	As at 31 December 2001 <i>Rmb'000</i>
Foreign joint venture partner in BAIK	64	—

Amounts due from/to related parties are unsecured, non-interest bearing and payable on demand. The balances primarily arose from the related party transactions as shown in Note 13 below.

7. PROFIT APPROPRIATIONS

Dividends

On 27 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 30 June 2001, totalling approximately Rmb58,385,000.

On 18 April 2002, the Board of Directors declared a final dividend of Rmb0.03424 per ordinary share based on 3,846,150,000 ordinary shares in issue as at 31 December 2001, totalling approximately Rmb131,692,000. The proposed dividend distribution was approved by the shareholders in the general meeting dated 12 June 2002.

On 19 August 2002, the Board of Directors declared an interim dividend of Rmb0.01758 per ordinary share based on 3,846,150,000 ordinary shares in issue as at 30 June 2002, totalling approximately Rmb67,615,000.

Surplus reserve fund and statutory public welfare fund

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.

Because of the adoption of the revised IAS 10, "Events After the Balance Sheet Date", the dividend totalling Rmb131,692,000 (Rmb0.03424 per ordinary share) and appropriation of profit of Rmb76,024,000 (20% of net profit after tax) to the discretionary surplus reserve fund that were proposed after 31 December 2001 are treated as non-adjusting event and recorded in 2002.

For the six months ended 30 June 2002, approximately Rmb23,058,000 and Rmb23,058,000 (representing 10% and 10% of profit after tax determined under PRC GAAP) have been appropriated to the statutory surplus reserve fund and statutory public welfare fund, respectively.

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 30 June 2002, the reserve available for distribution was Rmb276,448,000 (As at 31 December 2001: Rmb282,800,000).

8. ACCOUNTS PAYABLE

As at 30 June 2002 and 31 December 2001, substantially all of the accounts payable were aged within one year.

9. ADDITIONAL FINANCIAL INFORMATION ON BALANCE SHEET

As at 30 June 2002, the net current assets of the Group amounted to approximately Rmb1,457 million. On the same date, the total assets less current liabilities of the Group were approximately Rmb8,773 million.

10. REVENUES

Revenues are comprised of:

	For the six months ended 30 June	
	2002	2001
	Rmb'000	<i>Rmb'000</i> <i>(Note 19)</i>
Aeronautical:		
Passenger charges	276,794	248,086
Aircraft movement fees and related charges	164,406	142,726
Airport Fee	165,248	144,865
Ground handling facilities charge	94,107	85,383
Ground handling services income of BGS	47,582	49,314
	<hr/> 748,137	<hr/> 670,374
Total aeronautical revenues		
Non-aeronautical:		
Duty free and other shops	117,025	95,637
Air catering of BAIK	28,965	27,770
Rental and others	89,072	82,594
Restaurants	16,001	8,705
Advertising	40,461	32,258
Car parking	17,112	14,027
Repairs and maintenance services	9,957	965
	<hr/> 318,593	<hr/> 261,956
Total non-aeronautical revenues		
Total revenues	<hr/> 1,066,730	<hr/> 932,330

11. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2002 <i>Rmb'000</i>	2001 <i>Rmb'000</i>
Interest expenses on borrowings	61,588	77,843
Interest income	(7,582)	(14,795)
Interest expenses, net	54,006	63,048
Exchange loss (gain), net	2,331	(1,175)
Depreciation of property, plant and equipment	209,004	205,954
Operating lease charges	11,811	11,758

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 year 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 subsidiaries, 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.

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 30 June 2002 and 2001:

	For the six months ended 30 June	
	2002 Rmb'000	2001 Rmb'000
Transactions with Parent Company:		
Provision of security services to the Parent Company and its units, subsidiaries and affiliates	56	63
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	4,212	4,320
Provision of utilities and power supply by the Parent Company	69,630	69,684
Share of aircraft movement fees paid to the Parent Company, for the provision of emergency medical services by the Parent Company	25,299	23,600
Provision of maintenance and repair services by the Parent Company	—	11,264
Provision of sewage processing services to the Parent Company	232	206
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	427	582
Provision of nursery services by the Parent Company	1,882	1,421
Transactions with SAL, parent company of SATS, foreign joint venture partner in BAIK and BGS:		
Ground handling services income	7,211	7,138

13. RELATED PARTY TRANSACTIONS *(Continued)*

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):

	For the six months ended 30 June	
	2002 <i>Rmb'000</i>	2001 <i>Rmb'000</i>
Share of ground handling services income from BGS	5,031	4,818
Rental income from BGS for leasing of counters, premises and office space	8,318	10,561
Rental income from BAFS	—	2,703

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.

	For the six months ended 30 June	
	2002 <i>Rmb'000</i>	2001 <i>Rmb'000</i>
Transactions between BGS and SAL:		
Income from ground handling services provided to SAL	8,655	8,703
Charges by SAL for the use of Cargo Departure Documentation System and Departure Control System	481	953
Transactions between BAIK and SAL:		
Income from air catering services to SAL	4,904	4,910
Charges by SAL for use of Kriscom System	—	27
Transactions between BAIK and SATS:		
Purchase of materials from SATS	22	27

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 basic earnings per share for the six months ended 30 June 2002 is based on the net profit attributable to shareholders of Rmb232,276,000 (for the six months ended 30 June 2001: Rmb194,681,000) divided by the weighted average number of 3,846,150,000 (for the six months ended 30 June 2001: 3,846,150,000 shares) 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 period ended 30 June 2002 and 2001.

15. COMMITMENTS

Capital commitments:

Capital commitments primarily relate to the construction of and the equipment to be installed at the airport terminal and other airport improvement projects. As at 30 June 2002, the Group had the following outstanding capital commitments not provided for in the financial statements:

	<i>Rmb'000</i>
Authorised and contracted for	7,109
Authorised but not contracted for	10,820
	<u>17,929</u>

16. LEASES

Lessee - Operating Leases

The Group has various operating lease agreements for land, building, equipment and other facilities. Lease terms do not contain renewal options, escalation clauses and restrictions on the Group's activities concerning dividends, additional debt or further leasing. As at 30 June 2002, the Group and the Company had the following commitments to make future minimum lease payments under operating leases:

	Land and buildings <i>Rmb'000</i>	Other leases <i>Rmb'000</i>	Total <i>Rmb'000</i>
Within one year	9,188	907	10,095
Between one and five years	22,376	—	22,376
Over five years	237,049	—	237,049
	<u>268,613</u>	<u>907</u>	<u>269,520</u>

16. LEASES *(Continued)*

Lessor - Operating Leases

As at 30 June 2002, future minimum lease payments receivable under non-cancellable operating leases of the Group and the Company were as follows:

	<i>Building Rmb'000</i>
Within one year	65,725
Between one and five years	6,137
Over five years	8,914
	80,776

17. Supplementary Information to Unaudited Condensed Consolidated Statement of Cash Flows

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

	For the six months ended 30 June	
	2002	2001
	<i>Rmb'000</i>	<i>Rmb'000</i>
Investing activities:		
Purchase of property, plant and equipment	(55,792)	(90,201)
Decrease in investments held for trading	350,000	200,000
Increase in held-to-maturity investments	(350,000)	—
Financing activities:		
Drawdown of:		
- Short-term bank loans	—	200,000
- Long-term bank loans	8,456	20,357
Repayment of:		
- Short-term bank loans	(200,000)	(100,000)
- Long-term bank loans	(28,000)	(28,000)

18. SEGMENT INFORMATION

The Group operates in one business and geographic segment. Accordingly, no segment information is presented for the six months ended 30 June 2002.

19. PRIOR YEAR COMPARATIVES

Certain 2001 comparative figures have been reclassified to conform to the current period's presentation.