

## MANAGEMENT DISCUSSION & ANALYSIS

For the six months ended 30 June 2002, the Group recorded total revenues of Rmb1,066,730,000, representing an increase of 14.4% over the same period of last year; the earnings before interests, taxation, depreciation and amortisation (EBITDA) of Rmb609,695,000, representing an increase of 12.9% over the same period of last year; a net profit of Rmb232,276,000, representing an increase of 19.3% over the same period of last year; and the earnings of Rmb0.06 per share (for the same period of last year: Rmb0.05 per share).

### 1. Aeronautical Business

During the first six months of this year, the traffic volumes at Beijing Airport maintained their growth at satisfactory rates despite of the fact that aircraft movements and passenger throughput were affected by several domestic and overseas air crash accidents in April and May as well as the strict control of air ticket discounts required by the General Administration of Civil Aviation of China ("CAAC"). In the first half of 2002, aircraft movements at Beijing Airport totalled 116,543, representing an increase of 11.3% over the same period of last year. Passenger throughput reached 12,540,175, representing an increase of 14.0%. Freight throughput was 308,837 tonnes, representing an increase of 11.5% (see the following table for details).

	For the six months ended 30th June		
	2002	2001	% Increase
Aircraft Movements	<b>116,543</b>	104,665	11.3%
Domestic	<b>91,107</b>	81,324	12.0%
International, Hong Kong & Macau	<b>25,436</b>	23,341	9.0%
Passenger Throughput	<b>12,540,175</b>	11,003,682	14.0%
Domestic	<b>8,842,537</b>	7,611,586	16.2%
International, Hong Kong & Macau	<b>3,697,638</b>	3,392,096	9.0%
Freight Throughput(Tonnes)	<b>308,837</b>	276,933	11.5%
Domestic	<b>174,040</b>	146,192	19.0%
International, Hong Kong & Macau	<b>134,797</b>	130,741	3.1%

The Group's aeronautical revenues reached Rmb748,137,000 in the first half of 2002, representing an increase of 11.6% over the same period of last year. Among them, passenger charges reached Rmb276,794,000, representing an increase of 11.6% over the same period of last year; aircraft movement fees and related charges reached Rmb164,406,000, an increase of 15.2%; Airport Fee reached Rmb165,248,000, an increase of 14.1%; and ground handling facilities charge reached Rmb94,107,000, an increase of 10.2%. As BGS, a joint venture of the Company, lost some of its airlines clients, the Group's ground handling services income decreased by 3.5% over the same period of last year, which was Rmb47,582,000.

## 2. Non-Aeronautical Business

In the first half of 2002, the Group's non-aeronautical revenues reached Rmb318,593,000, representing an increase of 21.6% over the same period of last year.

The Group further developed its business in duty free shops this year. 460 square meters of new duty free designer shops such as LANCEL, AIGNER and DUNHILL were opened, which introduced more internationally well-known brands to the customers at their choice. Furthermore, the Group successfully co-operated with the famous watch brand OMEGA to open in the terminal its first duty free specialty shop. In the first half of this year, the Group's revenue from duty free and other shops reached Rmb117,025,000, representing an increase of 22.4% over the same period of last year.

The rental revenue of the Group reached Rmb89,072,000 in the first half of this year, representing an increase of 7.8% over the same period of last year.

This year the Group retained a professional consultant to re-design its advertising business. The advertising spaces were enlarged and new contracts were signed. In the first half of this year, advertising revenue of the Group reached Rmb40,461,000, representing an increase of 25.4% over the same period of last year.

The increase of passenger throughput led to a steady growth of the car parking revenue of the Group. Meanwhile, the Group reduced its charge on long-stay parking since May 2002 to attract more stable long-stay customers. In the first half of this year, car parking revenue of the Group reached Rmb17,112,000, representing an increase of 22.0% over the same period of last year.

In the first half of 2002, the air catering revenue of the Group was Rmb28,965,000, representing an increase of 4.3% over the same period of last year.

Beijing Airport Foods Service Co., Ltd. (BAFS), one of the joint ventures of the Company, became a subsidiary of the Company in the second half of last year, and its revenues began to be consolidated into the financial statements of the Group. And also, BAFS enlarged its operating spaces of fast food restaurants and bars in the terminal. Therefore, the Group's revenue from restaurants recorded an increase of 83.8% over the same period of last year, reaching Rmb16,001,000.

Beijing Bowei Airport Support Limited, another subsidiary of the Company, made efforts to develop its business of providing repairs and maintenance services in areas outside Beijing Airport, and achieved good results. The Group's revenue from repairs and maintenance reached Rmb9,957,000, already higher than that in the whole year of 2001.

For the six months ended 30 June 2002, 29.9% of the Group's total revenues was contributed by non-aeronautical businesses (for the same period of last year: 28.1%).

### 3. Operating Costs

In the first half of 2002, operating costs of the Group totalled Rmb629,420,000, representing an increase of 11.2% over the same period of last year.

Depreciation costs of the Group reached Rmb209,004,000 in the first half of this year, maintained at the same level as that in the same period of last year.

The total staff cost of the Group reached Rmb114,002,000 in the first half of this year, representing an increase of 48.4% over the same period of last year. The reasons for this dramatic increase include the increase in welfares and benefits, such as new cash housing subsidies and lunch allowance to the employees in accordance with applicable government regulations, and the increase of the staff's salary in line with the performance of the Group.

With the increase of passenger throughput at Beijing Airport and the expansion of duty free shops, costs of goods and materials for the Group reached Rmb88,947,000 in the first half of this year, representing an increase of 18.1% over the same period of last year.

Costs of utilities and power of the Group reached Rmb74,291,000 in the first half of this year, representing an increase of 4.6% over the same period of last year.

The Group's costs of repairs and maintenance reached Rmb39,671,000 in the first half of this year, representing an increase of 6.9% over the same period of last year.

### 4. Gearing Ratio and Current Ratio

As at 30 June 2002, the gearing ratio of the Group was 27.2%, and as at 31 December 2001, the corresponding ratio was 28.6%. These ratios were computed by dividing the total amount of liabilities and minority interests by the total assets at the respective dates.

As at 30 June 2002, the current ratio of the Group was 256.9%, and as at 31 December 2001, the corresponding ratio was 207.5%. These ratios were computed by dividing the total current assets by total current liabilities at the respective dates.