

# CHAIRMAN'S STATEMENT



**Wang Zhanbin**  
Chairman

To shareholders:

I am pleased to announce the 2002 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 2002, the Group recorded an operating revenue of Rmb2,345,192,000, representing an increase of 16.6% over the previous year, and recorded a net operating revenue of Rmb2,266,736,000 representing an increase of 16.6% over the previous year. The net profit was Rmb506,817,000, representing an increase of 28.0% over the previous year.

The earnings per share of the Group were Rmb0.1318 in 2002, and they were Rmb0.1029 in 2001.

The board of directors of the Company (the "Board") recommends the payment of a final dividend of Rmb0.05404 per share for the year 2002. Such dividend will be payable after approval having been granted at the annual general meeting of the Company. Together with the interim dividend of Rmb0.01758, which was paid on 25 October 2002, the total dividend for the year was Rmb0.07162 per share. (Total dividend in 2001: Rmb0.04942 per share.)

## OPERATING RESULTS

In 2002, the air traffic volumes maintained a good increase. The aircraft movements for the whole year were 242,338, representing an increase of 9.2% over the previous year; passenger throughput reached 27,159,665, an increase of 12.3%; and the cargo throughput reached 669,347 tonnes, an increase of 13.2%. With all these volumes, Beijing Airport steadily maintained its leading position among all the airports in the mainland of the PRC, and in terms of passenger throughput and cargo throughput, Beijing Airport ranked the 26th and 25th in the world respectively.

The steady growth of air traffic volumes strongly stimulated the increase of the aeronautical revenues of the Group. Besides, General Administration of Civil Aviation of China ("CAAC") and other government departments jointly adjusted the aeronautical fee standards of airports in 2002, which took effect from September 2002. Such adjustment has resulted in a higher charge on domestic airlines, which caused the aeronautical revenues of the Group to increase further. In 2002, the gross revenues of the Group's aeronautical businesses were Rmb1,640,385,000, representing an increase of 14.0% over the previous year, and the net aeronautical revenues were Rmb1,591,173,000, representing an increase of 14.0% over the previous year.



We took every effort to expand the non-aeronautical businesses, and designed new development plans for retailing, advertisement and car parking businesses. We are pleased to see good results and a satisfactory increase of non-aeronautical revenues in return. The gross revenues of the Group's non-aeronautical businesses were Rmb704,807,000, representing an increase of 23.0% over the previous year, while the net non-aeronautical revenues were Rmb675,563,000, representing an increase of 23.3% over the previous year.

When our businesses grew steadily, we also enhanced our control on operational costs. In 2002, most of the costs remained stable, though the staff costs increased dramatically because of the adoption of new housing welfare policy according to the guidelines issued by the government as well as the increase in staff number, and the goods and material costs increased due to the expansion of our businesses. The Group's total costs were Rmb1,397,377,000 in 2002, representing an increase of 12.6% over the previous year, which is obviously lower than the increase in revenues.

## PROSPECTS

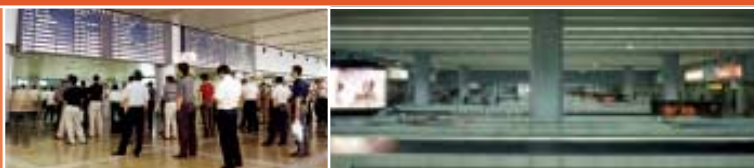
China's economy is expected to maintain a steady growth in 2003, and the aviation industry of China is expected to achieve healthy growth after its successful restructuring. We expect the traffic volumes at Beijing Airport will continue their growth for the whole year, though they might be affected by the emergence of SARS in certain areas. In order to deal with the growth of traffic volumes, we will further expand the handling capacity of the remote apron and improve certain working flows and facilities in Terminal Two so as to relieve the operational pressure on the existing facilities. At the same time, we will renovate Terminal One and re-open it in the next year to further expand the passenger handling capacity of Beijing Airport.

The Company will continue its endeavors in developing its non-aeronautical businesses, especially in increasing the revenues from retailing, advertising and car parking, so as to boost the contribution to the revenues made by non-aeronautical businesses.

With the assistance of a professional institute, the Company is applying for a full-scale certification under ISO9000 and ISO14000 standards series, and the work is expected to be fully completed within the year. This will lead the Company's service quality management as well as its environmental management to a higher level.

At the same time, the Company is assessing every position of the staff and is trying to determine the market value of these positions so that we can attract excellent personnel with a more reasonable salary system, and ensure supply of human resource to meet the Company's continuous development.

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With the assistance of IBM Business Consulting Services, the Company is designing its implementation plan for undertaking the strategies of the Company in the long run. The implementation plan includes an overall assessment of the strategies of the Company, the development of aeronautical business as well as non-aeronautical business, the improvement of business flows and management flows, and IT programs. The design and implementation of the plan will have substantial effects on the development of the Company in the near future.

In 2002, the Company maintained successful cooperation with ADP Management, its strategic partner, especially in preparation for the implementation of the hub strategy, long-term aeronautical development, commercial development and training. We will continue our steady and friendly partnership.

Considering the functional requirements by the traffic demand at Beijing area in the future as well as by the 2008 Beijing Olympics, we have devised a master plan for the third phase expansion of Beijing Airport. A new runway, a new passenger terminal and other necessary infrastructures are proposed to be constructed from 2004 to 2007 so as to obtain functional and traffic supports needed for the construction of an air transit hub. The master plan is still subject to final approval from government authorities. After obtaining the approval, we will consider various financing options, and will design an integrated financing plan to control the funding costs. Right now, the preparation work for the expansion project is in progress.

According to the restructuring plan of the civil aviation industry in China issued in 2002, the ownership of most domestic airports will be transferred from CAAC to local governments. It is expected that such work will be fully carried out later this year. This postponed the Company's plan of investing into other domestic airports. Considering the possible large amount of capital expenditures required by the expansion, we might adjust our investment plan to be more flexible based on the circumstances of these airports and of the Company. We are planning to achieve the cooperation with these airports by various means including direct investment as well as providing management services, so as to provide support to the construction of Beijing Airport into a transit hub. At present, we will continue our frequent communications with these airports, and will discuss the means of cooperation and the detailed implementation plan.

I sincerely appreciate the efforts made by all the staff of the Group and the support from all shareholders. The Group will grasp the business opportunities to further enhance the leading advantage of the Group in China and to present satisfactory returns to shareholders.

By order of the board of directors

**Wang Zhanbin**  
*Chairman*

Beijing, the PRC  
9 April 2003

# SERVING PEOPLE

## Day and Night

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