NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

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.

Prior to the formation of the Company, the businesses were carried on by the operating departments, subsidiaries and jointly controlled entities (hereinafter collectively referred to as the "Predecessor Entities") of Beijing Capital International Airport (hereinafter referred to as the "Parent Company"). The Parent Company underwent a group restructuring (the "Restructuring") in preparation for an offering of the Company's shares. Pursuant to the Restructuring, the Company issued 100% of its domestic shares in exchange for the assets, liabilities, equity interests in certain jointly controlled entities, and the business of operating the Beijing Airport and related commercial businesses previously owned by the Parent Company and its subsidiaries. The Company and its subsidiaries are hereinafter collectively referred to as the "Group". The Parent Company retained the ownership of certain assets, liabilities and businesses not assumed by the Company, including units providing power and water supply, emergency medical services, repairs and maintenance services, staff quarters, certain social services such as health care, education, training, public security and other ancillary services, and certain subsidiaries engaged in the hotel and beverage business. The Parent Company is under the direct supervision and control of General Administration of Civil Aviation of China ("CAAC"), a ministry-level body under the direct supervision of the State Council of the PRC responsible for the administration and development of the civil aviation industry in the PRC.

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 Limited on 1 February 2000.

The principal activities of the Group are the ownership and operation of the Beijing Airport and the provision of related services.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below:

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of buildings and runways and trading investments.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

In 2002, the Group and the Company began to account for their defined benefit pension and post-retirement benefit costs of the employees in accordance with IFRS 19 "Employee Benefits". This has been accounted for as a prior period adjustment, the effect of which is set out in note 28.

In 2001, the Group adopted IFRS 39 "Financial Instruments: Recognition and Measurement". The financial effect of adopting the standard was reported in the previous year's financial statements.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Group accounting

(1) Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. See note 2 (f) below for the accounting policy on goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the accounting policies adopted by the Group.

(2) Associated companies

Investments in associated companies are accounted for by the equity method of accounting. Under this method, the Company's share of the post-acquisition profits or losses of associated companies is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. Associated companies are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investments in associated companies includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses in an associated company equals or exceeds its interests in the associated companies, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of associated companies.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting *(Continued)*

(3) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. Under this method the Group includes its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows in the relevant components of the financial statements.

The Group recognises the portion of gains or losses on the sale of assets or provision of services to jointly controlled entities that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from jointly controlled entities that result from the purchase of assets or services by the Group from jointly controlled entities until the Group resells the assets or services to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

(c) Foreign currency translation

(1) Measurement currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "measurement currency"). The consolidated financial statements are presented in Renminbi ("Rmb"), which is the measurement currency of the parent.

(2) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses, resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Buildings and runways are stated at revalued amounts, based on valuations by external independent valuers conducted at least every five years or sooner if considered necessary by the directors, less accumulated depreciation and accumulated impairment losses. In the intervening years, the directors review the carrying amounts of the buildings and runways and adjustment is made where there has been a material change. All other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Increases in the carrying amount arising on revaluation of buildings and runways are credited to revaluation surplus reserve in the shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus reserve; all other decreases are charged to the income statement.

Depreciation is calculated on the straight-line method to write off the cost or revalued amount less accumulated impairment losses of each asset to their residual value of 3%-10% over their estimated useful life as follows:

Buildings and improvements	15-35 years
Runways	30 years
Plant and equipment	8-15 years
Motor vehicles	6-8 years
Furniture, fixtures and other equipment	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit. When revalued assets are sold, the amounts included in revaluation surplus reserve are transferred to retained earnings.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Assets under construction represent buildings under construction and plant and machinery pending installation and are stated at cost. This includes the cost of construction, costs of plant and equipment and other direct costs plus cost of borrowings (including interest charges and exchange differences arising from foreign currency borrowings to the extent these exchange differences are regarded as an adjustment to interest costs) used to finance these projects during the period of construction or installation and testing. Assets under construction are not depreciated until such time as the relevant assets are completed and ready for their intended use.

(e) Land use rights

Cost of land use rights is recognised as an expense on the straight-line basis over the duration of the land use rights of 40 to 50 years.

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition.

Goodwill is amortised using the straight-line method over its estimated useful life of seven years. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies.

At each balance sheet date the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets

Expenditures to acquire utilisation rights of utilities facilities, software and software use rights are capitalised and amortised using the straight-line method on their useful lives, but not exceeding 20 years. Intangible assets are not revalued.

(h) Impairment of long lived assets

Property, plant and equipment and other non-current assets, including goodwill and intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(i) Investments

The Group classified its investments into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments and included in current assets. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale and are included in non-current assets unless management has the express intention of holding the investments for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) Investments *(Continued)*

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and available-for-sale investments are subsequently carried at fair value. Held-to-maturity investments are carried at amortised cost using the effective yield method. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. The fair value of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

(j) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(1) The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(2) The Group is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Inventories

Inventories consist mainly of merchandise for resale, spare parts and consumable items. Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Net realisable value of spare parts and consumable items is the expected amount to be realised from use, whereas that of merchandise for resale is the estimated selling price in the ordinary course of business, less the costs of completion and marketing and distribution expenses.

(l) Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in the current liabilities on the balance sheet.

(n) Temporary cash investments

Temporary cash investments which are cash invested in fixed-term deposits with original maturities ranging from more than three months to one year are carried at cost.

(o) Share capital

(1) Ordinary shares with discretionary dividends are classified as equity.

(2) Incremental external costs directly attributable to the issue of new shares, other than in connection with business combination, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

(q) Taxation

The Group provides for taxation on the basis of the results for the year as adjusted for items which are not assessable or deductible for income tax purposes. Taxation of the Group is determined in accordance with relevant tax rules and regulations applicable in the jurisdictions where the Group operates.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits

(1) Pension obligations

The Group has various pension schemes in accordance with the requirements and practices in the PRC in which it operates.

For defined contribution plans, the Group participates in employee retirement schemes regarding pension and medical benefits required under existing PRC legislation. The Group's obligations include contributions to a defined contribution retirement plan administered by a government agency determined at a certain percentage of the salaries of the employees and contributions to a supplementary pension fund of a fixed monthly amount per employee. The regular contributions, which are charged to the income statement on an accrual basis, constitute net periodic costs for the year in which they are due and as such are included in staff costs. Once the contributions have been paid, the Group has no further payment obligations.

For defined benefit plans, the Company and certain of its subsidiaries provide pension subsidies to its retirees. The payment is calculated based on a number of factors, including position, number of years of service, technical ability, etc and includes various categories of allowances. In 2002, the Group began to account for its defined benefit pension costs in respect of pension subsidies in accordance with IFRS 19 "Employee Benefits". This has been accounted for as a prior period adjustment, details of which are set out in note 28. The liability in respect of defined benefit pension costs is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains and losses and past service cost. The defined benefit obligation is calculated on an actuarial basis and recognised over the employees' service period by using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income statement in the year in which they occur.

Defined benefit pension costs recognised in the income statement, include, if applicable, current service cost, interest cost and actuarial gains and losses.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits *(Continued)*

(2) Other post-retirement benefit obligations

The Company and certain of its subsidiaries provide post-retirement medical benefits to the retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age. In 2002, the Group began to account for its post-retirement benefit costs in respect of medical benefits in accordance with IFRS 19 "Employee Benefits". This has been accounted for as a prior period adjustment, details of which are set out in note 28. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension costs.

(3) Bonus entitlements

A liability for employee benefits in the form of bonus entitlements is recognised in other payables when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

— there is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or

— past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined before the time of issuing the financial statements.

Liabilities for bonus entitlements are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

Revenues are shown net of value-added tax, if applicable, and are recognised on the following bases:

(1) Airport fee is recognised upon receipt from outbound passengers when departing from the airport.

(2) Aeronautical revenues other than airport fee are recognised when the related airport services are rendered.

(3) Revenues from duty free shops and other shops, air catering, restaurants and lounges are recognised upon delivery of goods and/or when title is passed to customers, or upon rendering of services.

(4) Rental income is recognised on the straight-line basis over the lease periods.

(5) Advertising income is recognised on the straight-line basis over the period of display of the advertisements.

(6) Car parking fees are recognised when the parking services are rendered.

(7) Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

(u) Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Segment reporting

The Group conducts its business within one business segment - the business of operating an airport and provision of related services in the PRC. No segment income statement has been prepared by the Group during the years ended 31 December 2002 and 2001. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

(w) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(x) Comparatives

Where necessary, comparative figures have been reclassified and restated to conform with changes in presentation in the current year.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group and the Company conduct their operations in the PRC and accordingly are subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

(1) Foreign exchange risk

The Group's businesses are principally conducted in Rmb, except that purchases of certain equipment, goods and materials and payment of consulting fee are in US dollars. Dividends to shareholders holding H Shares are declared in Rmb and paid in Hong Kong dollars. As at 31 December 2002, all of the Group's assets and liabilities were denominated in Rmb except that cash and cash equivalents of approximately Rmb293,712,000 (2001: Rmb259,784,000), trade and other payables of approximately Rmb38,969,000 (2001: Rmb40,403,000) and long-term bank loans of approximately Rmb31,728,000 (2001: Rmb23,204,000) were denominated in foreign currencies, principally in US dollars, HK dollars and Japanese yen. Fluctuation of the exchange rates of Rmb against foreign currencies could affect the Group's results of operations.

(2) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The interest rates and terms of repayment of the bank loans of the Group and the Company are disclosed in note 25.

(3) Credit risk

The extent of the Group's credit exposure is represented by the aggregate balance of temporary cash investments, trading investments, accounts receivable and due from related parties. The maximum credit risk exposure in the event that other parties fail to perform their obligations under these financial instruments was approximately Rmb1,042,878,000 and Rmb903,011,000 as at 31 December 2002 and 2001 respectively.

Counter parties to financial instruments mainly consist of state-owned banks in the PRC, a financial institution in the PRC and a large number of airlines and related parties. The Group does not expect any counter parties to fail to meet their obligations.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(4) Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its construction commitments. The amount of undrawn credit facilities at the balance sheet date are disclosed in note 25.

Any excess cash is invested mostly in temporary cash investments with maturities between 3 to 12 months and trading investments (see note 22).

(b) Fair value estimation

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

4 REVENUE AND SEGMENT INFORMATION

The Group conducts its business within one business segment - the business of operating an airport and provision of related services in the PRC. The Group's chief decision maker for operation is considered to be the Group's general manager. The information reviewed by the general manager is identical to the information presented in the consolidated income statement. No segment income statement has been prepared by the Group during the year ended 31 December 2002. The Group also operates within one geographical segment because its revenues are primarily generated and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

Analysis of revenue by category	**2002**	2001
Aeronautical:		
Passenger charges	**539,743**	526,327
Aircraft movement fees and related charges	**423,789**	306,796
Airport fee	**361,921**	318,523
Ground handling facilities charge	**196,582**	185,891
Ground handling services income	**118,350**	101,131
Total aeronautical revenues	**1,640,385**	1,438,668
Less: Business taxes and levies	**(49,212)**	(43,160)
Net aeronautical revenues	**1,591,173**	1,395,508
Non-aeronautical:		
Retailing	**287,254**	230,622
Air catering	**63,064**	58,102
Rental and others	**172,599**	154,856
Restaurant income	**51,349**	25,013
Advertising	**77,693**	66,519
Car parking	**36,925**	30,389
Repairs and maintenance services	**15,923**	7,569
Total non-aeronautical revenues	**704,807**	573,070
Less: Business tax and levies	**(29,244)**	(24,967)
Net non-aeronautical revenues	**675,563**	548,103
Revenues, net of business taxes and levies	**2,266,736**	1,943,611

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

5 PROFIT FROM OPERATIONS

The following items have been included in arriving at profit from operations:

	2002	2001
Depreciation on property, plant and equipment		
— owned assets	**439,488**	419,104
— owned assets leased out under operating leases	**6,180**	1,163
Impairment of property, plant and equipment (included in other costs)		
— impairment losses	**–**	774
Loss on disposal of property, plant and equipment	**2,311**	5,631
Repairs and maintenance expenditure on property, plant and equipment	**89,418**	74,402
Amortisation of intangible assets (included in other costs)	**2,944**	1,168
Amortisation of goodwill (included in other costs)	**103**	27
Operating lease rentals payable		
— buildings	**12,099**	10,057
— equipment	**2,419**	2,419
— land use rights	**11,837**	11,837
Trade receivables		
— impairment charge for bad and doubtful debts	**912**	7,308
Staff costs (note 7)	**264,752**	200,526
Auditors' remuneration	**2,566**	2,566

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

6 FINANCE COSTS – NET

	2002	2001
Interest expenses:		
— bank loans repayable within five years	**(31,982)**	(26,388)
— bank loans repayable after five years	**(85,555)**	(121,901)
Interest income	**16,076**	24,362
Exchange (loss) / gains	**(5,716)**	1,483
	(107,177)	(122,444)

7 STAFF COSTS

	2002	2001
Wages and salaries	**166,341**	130,738
Provision for staff welfare	**15,501**	17,566
Housing fund (note 29)	**9,102**	7,554
Housing subsidies (note 29)	**14,340**	5,000
Pension costs – statutory pension (note 28)	**13,024**	9,979
Pension costs – supplementary pension (note 28)	**3,500**	3,015
Cost of post-retirement pension subsidies (note 28)	**8,272**	7,242
Cost of post-retirement medical benefits (note 28)	**1,978**	1,597
Others	**32,694**	17,835
	264,752	200,526

As at 31 December 2002, the Group and the Company had 3,406 and 1,698 (2001: 3,161 and 1,665) employees respectively.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

8 DIRECTORS', SENIOR EXECUTIVES' AND SUPERVISORS' EMOLUMENTS

	2002	2001
Directors' emoluments		
Fees	**—**	—
Salaries and other benefits	**248**	220
Bonuses	**179**	131
Retirement scheme contributions	**33**	21
	460	372
Supervisors' emoluments		
Salaries and other benefits	**60**	54
Bonuses	**44**	32
Retirement scheme contributions	**5**	4
	109	90

For the years ended 31 December 2002 and 2001, the annual emoluments paid to each of the directors and supervisors (including the five highest paid employees) fell within the band from Rmb nil to Rmb1 million.

Details of emoluments paid to the five highest-paid individuals (including four directors and one supervisor) were:

	2002	2001
Basic salaries and allowances	**308**	274
Bonuses	**223**	163
Retirement benefits	**38**	25
	569	462
Number of directors	**4**	4
Number of supervisor	**1**	1
	5	5

During the year, no emolument was paid to the five highest-paid individuals (including directors and supervisor) as an inducement to join or upon joining the Company or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

9 TAXATION

Enterprise income tax

Taxation in the income statement represents provision for PRC enterprise income tax.

Under PRC income tax law, except for certain exemption available to certain Company's jointly controlled entities, the entities within the Group are subject to enterprise income tax at a rate of 33% (2001: 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.

Pursuant to the approval documents issued by Beijing State Tax Bureau, a jointly controlled entity has been granted full exemption from enterprise income tax and another jointly controlled entity enjoys a preferential tax rate of 12% in 2002 respectively.

Pursuant to the approval documents issued by Beijing Local Tax Bureau, a jointly controlled entity has been granted full exemption from local income tax from 2002 to 2006 and a 50% reduction from 2007 to 2011 and another jointly controlled entity has been granted full exemption from local income tax for 2002 and a 50% reduction in local income tax from 2003 to 2007.

	2002	2001
Current tax	**259,855**	193,690
Deferred tax (note 26)	**(15,600)**	(4,003)
	244,255	189,687

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

9 TAXATION *(Continued)*

Enterprise income tax *(Continued)*

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the effective income tax rate as follows:

	2002	2001
Profit before taxation	**754,966**	587,448
Tax calculated at a tax rate of 33% (2001: 33%)	**249,139**	193,858
Effect of tax holidays	**(13,701)**	(8,646)
Effect of current year losses of subsidiaries	**5,173**	1,222
Utilisation of accumulated tax losses of a subsidiary for which deferred tax asset was not previously recognised	**(569)**	–
Investment income not subject to tax	**(4,054)**	–
Expenses not deductible for tax purposes	**8,267**	3,253
Tax charge	**244,255**	189,687

Business taxes

The Group is subject to business taxes on its service revenues at the following rates:

Aeronautical revenues	3% of service revenue
Non-aeronautical revenues	5% of rental income, advertising income, car parking fee income and repairs and maintenance service income

Value-added tax ("VAT")

Output VAT is levied at a general rate of 17% on the selling price of goods and services. Input VAT paid on purchases of goods and services can be used to offset the output VAT to determine the net VAT payable.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of Rmb506,817,000 (2001: Rmb395,936,000).

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the year.

	2002	2001
Net profit (Rmb '000)	**506,817**	395,936
Weighted average number of ordinary shares in issue (thousands)	**3,846,150**	3,846,150
Basic earnings per share (Rmb per share)	**0.13**	0.10

No diluted earnings per share is presented as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2002 and 2001.

12 DIVIDENDS

	2002	2001
Dividend declared		
Interim dividend	**67,615**	58,385
Interim dividend per share (Rmb)	**0.01758**	0.01518
Dividend proposed		
Final dividend	**207,846**	131,692
Final dividend per share (Rmb)	**0.05404**	0.03424

At the Board of Directors' meeting held on 9 April 2003, the directors proposed a final dividend in respect of 2002 of Rmb0.05404 per ordinary share amounting to a total dividend of Rmb207,846,000. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings for the year ending 31 December 2003. Total dividends declared in respect of 2001 and 2000 were Rmb190,077,000 (interim dividend and final dividend of Rmb58,385,000 and Rmb131,692,000 respectively) and Rmb219,461,000 (interim dividend and final dividend of Rmb62,923,000 and Rmb156,538,000 respectively) respectively.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

13 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group were:

	Buildings and improvements	Runways	Plant and equipment	Motor vehicles	Furniture, fixtures and other equipment	Assets under construction	2002 Total	2001 Total
Cost or valuation								
Beginning of year	5,634,400	918,416	1,742,096	221,163	70,084	37,978	8,624,137	8,510,670
Additions	11,013	–	11,053	5,437	3,266	160,784	191,553	132,956
Acquisition of an additional equity interest in a subsidiary	–	–	–	–	–	–	–	4,915
Transfer	97,906	–	5,026	8,333	8,148	(119,413)	–	–
Disposals	(5,836)	–	(10,899)	(12,855)	(488)	–	(30,078)	(24,404)
Others	–	(7,093)	–	–	–	–	(7,093)	–
End of year	5,737,483	911,323	1,747,276	222,078	81,010	79,349	8,778,519	8,624,137
Accumulated depreciation and impairment losses								
Beginning of year	405,470	387,435	439,302	146,144	34,474	–	1,412,825	1,006,734
Charge for the year	189,026	32,130	185,286	22,936	16,290	–	445,668	420,267
Acquisition of an additional equity interest in a subsidiary	–	–	–	–	–	–	–	1,099
Impairment losses	–	–	–	–	–	–	–	774
Disposals	(3,652)	–	(8,826)	(9,479)	(412)	–	(22,369)	(16,049)
End of year	590,844	419,565	615,762	159,601	50,352	–	1,836,124	1,412,825
Net book value								
End of year	5,146,639	491,758	1,131,514	62,477	30,658	79,349	6,942,395	7,211,312
Beginning of year	5,228,930	530,981	1,302,794	75,019	35,610	37,978	7,211,312	7,503,936

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Movements in property, plant and equipment of the Company were:

	Buildings and improvements	Runways	Plant and equipment	Motor vehicles	Furniture, fixtures and other equipment	Assets under construction	2002 Total	2001 Total
Cost or valuation								
Beginning of year	5,556,579	918,416	1,713,255	130,073	57,591	37,055	8,412,969	8,312,644
Additions	3,655	–	8,424	1,833	1,149	154,246	169,307	124,151
Transfer	97,113	–	4,968	2,653	8,090	(112,824)	–	–
Disposals	(5,808)	(7,093)	(10,845)	(10,470)	(300)	–	(34,516)	(23,826)
End of year	5,651,539	911,323	1,715,802	124,089	66,530	78,477	8,547,760	8,412,969
Accumulated depreciation and impairment losses								
Beginning of year	388,156	387,435	426,305	76,472	28,685	–	1,307,053	918,230
Charge for the year	177,109	32,130	181,521	17,491	14,371	–	422,622	403,582
Impairment losses	–	–	–	–	–	–	–	774
Disposals	(3,638)	–	(8,798)	(7,332)	(213)	–	(19,981)	(15,533)
End of year	561,627	419,565	599,028	86,631	42,843	–	1,709,694	1,307,053
Net book value								
End of year	5,089,912	491,758	1,116,774	37,458	23,687	78,477	6,838,066	7,105,916
Beginning of year	5,168,423	530,981	1,286,950	53,601	28,906	37,055	7,105,916	7,394,414

Leased assets, where the Group is a lessor, comprise buildings leased to third parties under operating leases with cost and accumulated depreciation as follows:

	2002	2001
Cost	**176,025**	222,661
Accumulated depreciation	**(18,479)**	(16,182)
Net book amount	**157,546**	206,479

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

On 30 November 1999, the buildings, runways and assets under construction of the Group were valued by Sallmanns (Far East) Limited (the "Valuer"), a qualified independent professional valuer in Hong Kong, using a fair market value approach and a depreciated replacement cost approach.

If buildings and runways were stated on the historical cost basis, the net book value would be Rmb4,958,650,000 and Rmb448,322,000 respectively as at 31 December 2002 (2001: Rmb5,039,186,000 and Rmb489,449,000 respectively).

The revaluation surplus of approximately Rmb229,862,000 (net of deferred taxation) was recorded in the Group's financial statements. Additional depreciation on the revaluation surplus was approximately Rmb7,503,000 in 2002 (2001: Rmb7,503,000).

No interest and foreign exchange differences were capitalised to assets under construction for the years ended 31 December 2002 and 2001.

14 LAND USE RIGHTS

As at 31 December 2002, land use rights comprised:

	The Group		The Company	
	2002	2001	**2002**	2001
Cost	**278,933**	278,933	**261,015**	261,015
Accumulated amortisation	**(20,411)**	(14,168)	**(16,749)**	(11,529)
Net	**258,522**	264,765	**244,266**	249,486

The Company entered into an agreement with the Parent Company dated 16 November 1999 to lease the land use rights for the land on which the runways, taxiways, aprons and certain parking areas are situated, that the Parent Company leased from the Government of the PRC for a period of 50 years (for runways, taxiways and aprons) and 40 years (for certain parking areas) with provisions for early termination on specified circumstances, at an annual rental of Rmb5,594,000.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

15 GOODWILL

Goodwill arose from the acquisition of an additional 25% equity interest in Beijing Airport Foods Service Co., Ltd. ("BAFS"), a subsidiary.

	The Group and the Company	
	2002	2001
Cost		
At beginning of year	**769**	–
Addition	**–**	769
At end of year	**769**	769
Accumulated amortisation		
At beginning of year	**27**	–
Amortisation for the year	**103**	27
At end of year	**130**	27
Net book amount		
At end of year	**639**	742

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

16 INTANGIBLE ASSETS

Intangible assets comprised utilisation rights of utility facilities and software and software use rights which are amortised on a straight-line basis over 14.5 years and 3 years respectively.

	The Group					
	Utilisation rights of utility facilities		Software and software use rights		Total	
	2002	2001	**2002**	2001	**2002**	2001
Cost						
At beginning of year	**1,322**	1,322	**6,665**	5,666	**7,987**	6,988
Additions	**–**	–	**8,334**	999	**8,334**	999
At end of year	**1,322**	1,322	**14,999**	6,665	**16,321**	7,987
Accumulated amortisation						
At beginning of year	**289**	198	**2,153**	1,076	**2,442**	1,274
Amortisation for the year	**91**	91	**2,853**	1,077	**2,944**	1,168
At end of year	**380**	289	**5,006**	2,153	**5,386**	2,442
Net book amount						
At end of year	**942**	1,033	**9,993**	4,512	**10,935**	5,545

	The Company Software and software use rights	
	2002	2001
Cost		
At beginning of year	**4,479**	3,480
Additions	**7,232**	999
At end of year	**11,711**	4,479
Accumulated amortisation		
At beginning of year	**696**	348
Amortisation for the year	**2,106**	348
At end of year	**2,802**	696
Net book amount		
At end of year	**8,909**	3,783

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2002	2001
At beginning of year	**33,199**	12,720
Addition	**8,000**	5,907
Excess of the cost of acquisition over the value of the net assets acquired from the Parent Company	**(6,648)**	–
Transfer from investments in jointly controlled entities	**–**	13,222
Share of results before taxation	**5,914**	1,074
Share of taxation	**(8)**	276
Share of results after taxation	**5,906**	1,350
Dividend received	**(3,600)**	–
At end of year	**36,857**	33,199

18 INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	The Company	
	2002	2001
At beginning of year	**182,713**	179,034
Share of results before taxation	**38,090**	30,825
Share of taxation	**(3,622)**	(1,924)
Share of results after taxation	**34,468**	28,901
Dividend received	**(16,920)**	(12,000)
Transfer to investments in subsidiaries	**–**	(13,222)
At end of year	**200,261**	182,713

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

19 INVESTMENT IN AN ASSOCIATED COMPANY

	The Group and the Company	
	2002	2001
At beginning of year	**–**	–
Addition	**4,814**	–
Share of loss before and after taxation	**(16)**	–
At end of year	**4,798**	–

The associated company, Global Air Logistics Co., Ltd., is established in the PRC and is unlisted. The Group and the Company hold a 33% interest in the associated company.

20 INVENTORIES

	The Group		The Company	
	2002	2001	**2002**	2001
Raw materials	**9,985**	6,232	**–**	–
Merchandise for resale	**55,531**	57,567	**55,531**	57,567
Spare parts and consumable items	**30,422**	3,865	**30,421**	2,251
	95,938	67,664	**85,952**	59,818
Less: Provision for inventories	**(5,142)**	(2,303)	**(5,142)**	(2,303)
	90,796	65,361	**80,810**	57,515

At 31 December 2002, the carrying amounts of inventories that are carried at net realisable value amounted to approximately Rmb4,094,000 (2001: Rmb Nil).

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

21 RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2002	2001	**2002**	2001
Trade receivables	**447,686**	296,773	**414,012**	273,281
Less: Provision for impairment of receivables	**(4,211)**	(3,299)	**(4,211)**	(3,299)
Trade receivables – net	**443,475**	293,474	**409,801**	269,982
Receivables from contractors for returned construction materials	**9,736**	15,215	**9,736**	15,215
Prepayments	**5,170**	8,119	**3,103**	4,838
Receivables from related parties (note 38)	**12,621**	26,862	**11,925**	31,856
Interest receivable	**1,557**	1,557	**1,557**	1,557
Others	**28,719**	26,256	**27,724**	18,053
	501,278	371,483	**463,846**	341,501

At 31 December 2002, the aging analysis of the trade receivables was as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
Less than 1 year	**429,329**	294,754	**395,655**	271,262
1-2 years	**17,226**	888	**17,226**	888
2-3 years	**–**	1,131	**–**	1,131
Over 3 years	**1,131**	–	**1,131**	–
	447,686	296,773	**414,012**	273,281

The credit terms given to trade customers are determined on an individual basis with the normal credit period of 3 months.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

22 TRADING INVESTMENTS

Trading investments are classified as current assets because they are expected to be realised within twelve months of the balance sheet date. As at the year end, these unlisted trading investments are stated at their fair value.

During the year ended 31 December 2002, the Company recorded a loss amounting to approximately Rmb7,200,000 (2001: Gain of Rmb6,939,000) arising from the changes in the fair value of the trading investments traded during the year.

During the year ended 31 December 2002, the Group entered into an investment agreement with a trust investment company in PRC. According to the investment agreement, the trust investment company was entrusted to make investments on behalf of the Group in but not limited to projects relating to the construction of infrastructures. The trust investment company would receive a commission of 0.5% of the trust investment. The investment had a maturity of one year. Subsequent to the year end, the Group withdrew its investment and received the principal amount of the investment prior to its maturity. Accordingly, the investment has been stated at its recoverable amount as at 31 December 2002.

23 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2002	2001	**2002**	2001
Cash at bank and in hand	**173**	97	**25**	9
Short term bank deposits	**1,179,021**	1,249,047	**1,061,736**	1,155,989
	1,179,194	1,249,144	**1,061,761**	1,155,998

The effective interest rate on short term bank deposits was 0.825% - 1.98% (2001: 0.825% - 1.98%) and these deposits have maturities ranging from one to three months.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

24 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2002	2001	**2002**	2001
Trade payables	**93,961**	92,890	**81,729**	86,303
Payables to related parties (note 38)	**22,571**	–	**39,612**	4,650
Payroll and welfare payable	**66,154**	46,634	**52,001**	36,309
Airport fee and tourism development fund payable	**32,127**	27,783	**32,127**	27,783
Interest payable	**2,555**	3,566	**2,555**	3,566
Receipts on behalf of Air China	**15,684**	22,208	**15,684**	22,208
Receipts on behalf of North China Air Traffic Control Bureau	**129,767**	62,436	**129,767**	62,436
Adjustment fee payable	**42,631**	42,631	**42,631**	42,631
Advertising customer advances	**41,114**	24,451	**41,114**	24,451
Refundable deposits	**4,474**	9,830	**4,474**	9,830
Consulting fee payable	**10,042**	12,816	**10,042**	12,816
Planting fee payable	**1,320**	1,267	**1,320**	1,267
Receipts on behalf of International Air Transport Association	**2,004**	1,051	**–**	–
Maintenance fee payable	**3,034**	3,950	**3,034**	3,950
Material cost payable	**–**	2,836	**–**	2,836
Payable for acquisition of an additional equity interest in a subsidiary	**–**	3,912	**–**	–
Other payables	**62,510**	37,734	**43,471**	23,164
	529,948	395,995	**499,561**	364,200

As at December 2002 and 2001, all trade payables were aged within one year.

In accordance with regulations promulgated by the Ministry of Finance of the PRC and CAAC, the Company is required to collect on behalf of CAAC civil airport management and construction fee ("Airport Fee"), subject to certain exemptions, from each outbound passenger (Rmb50 per domestic passenger and Rmb70 per international passenger), CAAC refunds 50% of the fee collected to the Company as revenue. Tourism development fund (Rmb20 per passenger) is collected together with the Airport Fee from each outbound international passenger on behalf of and payable to the PRC government after deducting certain handling charges.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

25 BANK LOANS (UNSECURED)

Short term bank loans (unsecured)

As at 31 December 2002, the Group and the Company had short term bank borrowings granted by various banks amounting to approximately Rmb300,000,000 (2001: Rmb300,000,000). These borrowings bear interest of 4.536% - 4.779% (2001: 5.022% - 5.265%) per annum. As at 31 December 2002 and 2001, all the short term bank borrowings were unsecured.

Long term bank loans (unsecured)

As at 31 December 2002, substantially all of the bank borrowings were borrowed by the Group and the Company to finance the construction of an airport terminal, the related premises and facilities and were guaranteed by CAAC.

As at 31 December 2002, loans of approximately Rmb1,218,000,000 (2001: Rmb1,860,000,000) denominated in Rmb bear interest at commercial rates ranging from 5.7% to 6.2% per annum (2001: 5.9% - 7.6% per annum) with maturities through 2008 (2001: through 2011). As at 31 December 2002, loans of approximately 456,092,000 Japanese yen (equivalent of Rmb31,728,000) (2001: 364,453,000 Japanese yen (equivalent of Rmb23,204,000)) denominated in Japanese yen were extended by the China Import and Export Bank at interest rates ranging from 2.3% to 2.6% (2001: 2.3% to 2.6%) per annum with maturities through 2011.

The Group's and Company's bank borrowings were repayable as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
Within one year	**210,000**	220,000	**210,000**	220,000
In the second year	**230,000**	257,000	**230,000**	257,000
In the third to fifth year	**748,000**	960,000	**748,000**	960,000
After five years	**61,728**	446,204	**61,728**	446,204
	1,249,728	1,883,204	**1,249,728**	1,883,204
Less: Amounts due within one year included in current liabilities	**(210,000)**	(220,000)	**(210,000)**	(220,000)
	1,039,728	1,663,204	**1,039,728**	1,663,204

As at 31 December 2002, the Group and the Company had unused loan facilities (denominated in Japanese yen) totalling approximately Rmb409 million (2001: approximately Rmb379 million).

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

26 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33% (2001: 33%).

The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
At beginning of year	**18,336**	14,333	**12,338**	8,795
Credited to net profit (note 9)	**15,600**	4,003	**14,666**	3,543
Acquisition of a subsidiary	**4,093**	–	**–**	–
At end of year	**38,029**	18,336	**27,004**	12,338

The movement in deferred tax assets and liabilities of the Group and Company during the year is as follows:

Deferred tax assets	**Defined benefit pension and post-retirement benefit obligations (1)**	**Other temporary differences (2)**	**The Group 2002 Total**	2001 Total	**Defined benefit pension and post-retirement benefit obligations (1)**	**Other temporary differences (2)**	**The Company 2002 Total**	2001 Total
Beginning of year	32,078	–	**32,078**	29,315	26,080	–	**26,080**	23,777
Credited to net profit	3,181	9,716	**12,897**	2,763	2,247	9,716	**11,963**	2,303
Acquisition of a subsidiary	4,093	–	**4,093**	–	–	–	**–**	–
End of year	39,352	9,716	**49,068**	32,078	28,327	9,716	**38,043**	26,080

Deferred tax liabilities	**Fair value gains (3)**	**Valuation surplus (4)**	**The Group 2002 Total**	2001 Total	**Fair value gains (3)**	**Valuation surplus (4)**	**The Company 2002 Total**	2001 Total
Beginning of year	2,376	11,366	**13,742**	14,982	2,376	11,366	**13,742**	14,982
Credited to net profit	(2,376)	(327)	**(2,703)**	(1,240)	(2,376)	(327)	**(2,703)**	(1,240)
End of year	–	11,039	**11,039**	13,742	–	11,039	**11,039**	13,742

26 DEFERRED INCOME TAXES *(Continued)*

(1) The Group and the Company provides defined benefit pension and post-retirement medical benefits ("post-retirement benefits") to its retired employees. The post-retirement benefits, though payable in the future, are recognised in the current period when the employees rendered services. The Group and the Company recognised a deferred tax asset arising from the recognition of the provision for these post-retirement benefits.

(2) Other temporary differences arose from differences between the tax bases of various assets and liabilities and their carrying amounts in the financial statements.

(3) Trading investments stated at fair value have different tax base and carrying amount in the financial statements because revaluation is only undertaken for accounting purposes.

(4) The Group and the Company recognised a deferred tax liability arising from the initial recognition of assets and liabilities acquired from the Parent Company pursuant to the Restructuring in 1999. The initial recognition of buildings and runways completed and under construction upon Restructuring was based on valuations performed by the Valuer. The result of the valuation was a non-tax deductible surplus of approximately Rmb36,819,000 (after deducting tax deductible internal valuation surplus). The deferred tax liability of Rmb12,150,000 relating to this temporary difference was recorded in 1999, with a corresponding adjustment to the share premium that had been recorded to reflect the revaluation surplus when the assets were acquired.

Deferred income tax assets are recognised for tax loss carry forward to the extent that the realisation of the related tax benefit through the future taxable profit is probable.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

26 DEFERRED INCOME TAXES *(Continued)*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The amounts shown in the balance sheets of the Group and the Company include the following:

	The Group		The Company	
	2002	2001	**2002**	2001
Deferred tax assets to be recovered after more than 12 months	**34,686**	12,452	**24,595**	7,388

27 INCOME TAX AND OTHER TAXES PAYABLE

Income tax and other taxes payable comprised:

	The Group		The Company	
	2002	2001	**2002**	2001
Business tax	**32,230**	34,445	**30,849**	33,725
City construction tax	**1,275**	1,234	**1,255**	1,234
Property tax	**8,247**	13,805	**8,247**	13,805
Value-added tax	**908**	858	**762**	520
Enterprise income tax	**142,924**	119,516	**140,745**	120,346
Total	**185,584**	169,858	**181,858**	169,630

28 PENSIONS AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS

All of the Group's full-time Chinese employees are covered by a state-sponsored pension scheme and are entitled to an annual pension at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the state-sponsored retirement plan at a rate of 17.5% and 16% of the employees' salaries in 2002 and 2001 respectively.

In addition to the government-regulated pension fund described above, a supplementary defined contribution pension plan managed by an independent insurance company has been provided at the discretion of the Group's management, to which the Group is required to make a fixed monthly contribution for each employee. Any contributions forfeited by the Group relating to employees who leave the plan will not be used to reduce the Group's contributions for other employees. There were no vested benefits attributable to past services upon adoption of the plan.

Obligations in respect of the state-sponsored pension scheme and the supplementary defined contribution pension plan of Rmb8,265,000 (2001: Rmb4,387,000) and Rmb469,000 (2001: Rmb584,000) respectively are included under current liabilities.

Apart from the above, the Company and certain of its subsidiaries also provides pension subsidies and medical benefits to their retired employees. Based on the assessment and in accordance with the requirements of IFRS 19, "Employee Benefits", the Group estimated that, as at 31 December 2002, provisions of Rmb119,247,000 and Rmb85,840,000 are required to cover the future related obligations of the Group and the Company respectively. Prior period adjustments have been made to account for such defined benefit pension and post-retirement medical benefit obligations.

The retrospective adjustments resulted in an increase in defined benefit pension and post-retirement benefit obligations of the Group as at 1 January 2002 and 1 January 2001 of Rmb97,206,000 and Rmb88,837,000 respectively, a reduction in the share premium of the Group as at 1 January 2002 and 2001 of Rmb43,355,000; a reduction in the retained earnings of the Group as at 1 January 2002 and 1 January 2001 of Rmb16,902,000 and Rmb11,668,000 respectively and a reduction in the net profit of the Group for the years ended 31 December 2002 and 2001 of Rmb5,782,000 and Rmb5,234,000 respectively.

The retrospective adjustments also resulted in an increase in defined benefit pension and post-retirement benefit obligations of the Company as at 1 January 2002 and 1 January 2001 of Rmb79,030,000 and Rmb72,054,000 respectively, a reduction in share premium of the Company as at 1 January 2002 and 2001 of Rmb43,355,000, a reduction in retained earnings of the Company as at 1 January 2002 and 1 January 2001 of Rmb16,902,000 and Rmb11,668,000 respectively and a reduction in the profit of the Company for the years ended 31 December 2002 and 2001 of Rmb5,782,000 and Rmb5,234,000 respectively.

The Group provides no other retirement benefits than those described above.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

28 PENSIONS AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

The amounts recognised in the income statement were as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
Statutory pension (note 7)	**13,024**	9,979	**5,824**	3,626
Supplementary pension (note 7)	**3,500**	3,015	**3,500**	3,015
Pension subsidies (note 7)	**8,272**	7,242	**5,880**	5,965
Medical benefits (note 7)	**1,978**	1,597	**1,312**	1,322
	26,774	21,833	**16,516**	13,928

The breakdown of retirement benefit obligations were as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
Statutory pension	**8,265**	4,387	**8,265**	4,387
Supplementary pension	**469**	584	**469**	584
Pension subsidies	**99,808**	81,428	**71,943**	66,411
Medical benefits	**19,439**	15,778	**13,897**	12,619
	127,981	102,177	**94,574**	84,001
Less: Amounts due within one year included in current liabilities	**(9,344)**	(5,439)	**(9,116)**	(5,282)
	118,637	96,738	**85,458**	78,719

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

28 PENSIONS AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

Post-retirement pension subsidies

The amounts recognised in income statement were as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
Current service costs	**4,511**	3,955	**3,369**	3,296
Interest costs	**3,762**	3,056	**2,717**	2,489
Net actuarial (gains)/losses recognised during the year	**(1)**	231	**(206)**	180
Total, included in staff costs (note 7)	**8,272**	7,242	**5,880**	5,965

Movement in the liability recognised in the balance sheet:

	The Group		The Company	
	2002	2001	**2002**	2001
At beginning of year	**81,428**	74,607	**66,411**	60,731
Liabilities acquired	**10,654**	–	**–**	–
Total expense – as shown above	**8,272**	7,242	**5,880**	5,965
Benefits paid	**(546)**	(421)	**(348)**	(285)
At end of year	**99,808**	81,428	**71,943**	66,411

The principal actuarial assumptions used were as follows:

	2002	2001
Discount rate	**4%**	4%
Future salary increases	**1.5%**	1.5%
Future pension increases	**0%**	0%

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

28 PENSIONS AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

Post-retirement medical benefits

In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in medical costs of 5% per year (2001 : 5%), including a 4% (2001: 4%) per annual age increase.

The amounts recognised in the income statement were as follows:

	The Group		The Company	
	2002	2001	**2002**	2001
Current service costs	**847**	732	**646**	617
Interest costs	**717**	583	**517**	465
Net actuarial losses recognised during the year	**414**	282	**149**	240
Total, included in staff costs (note 7)	**1,978**	1,597	**1,312**	1,322

Movement in the liability recognised in the balance sheet:

	The Group		The Company	
	2002	2001	**2002**	2001
At beginning of year	**15,778**	14,228	**12,619**	11,323
Liabilities acquired	**1,747**	–	**–**	–
Total expenses	**1,978**	1,597	**1,312**	1,322
Benefit payments	**(64)**	(47)	**(34)**	(26)
At end of year	**19,439**	15,778	**13,897**	12,619

29 HOUSING FUND

In accordance with the PRC housing reform regulations, the Group is required to make contributions to the State-sponsored housing fund at 10% of the specified salary amount of its full-time Chinese employees. At the same time, the employees are required to make a contribution equal to the Group's contributions out of their payroll. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. For the year ended 31 December 2002, the Group's contribution to the housing fund was approximately Rmb9,102,000 (2001: Rmb7,554,000). In addition, during the year ended 31 December 2002, the Company provided Rmb14,340,000 (2001: Rmb5,000,000) to its employees as cash housing subsidies and the amount has been charged to the income statement. These cash housing subsidies are determined based on a number of factors, including the position, length of service and technical ability of the employees concerned, as well as the staff quarters that the employees had already obtained from the Predecessor Entities prior to the incorporation of the Company and currently occupy.

Moreover, the Parent Company provides housing benefits to the Company's employees who were employees of the Predecessor Entities prior to the incorporation of the Company and the Company has no obligation to reimburse the Parent Company for any costs or losses incurred by the Parent Company relating to such housing benefits.

As at 31 December 2002 and 2001, the Group did not own any staff quarters and the Group had not sold any staff quarters to its employees.

30 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of the Group's and the Company's long term bank loans at 31 December 2002 approximated their fair values based on the prevailing borrowing rates available for loans with similar terms and maturities.

The fair value of cash and cash equivalents, trade receivables, other receivables, amounts due from and to related companies, trade payables, other payables and short term bank loans are not materially different from their carrying amounts.

Investments in subsidiaries, associated company and jointly controlled entities represent unquoted equity interests in companies established in the PRC. There is no quoted market price for such interests and accordingly a reasonable estimate of their fair value could not be made without incurring excessive costs.

Fair value estimates are made at specific point in time and are based on relevant market information. This estimate is subjective in nature and involves uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in valuation methods and assumptions could significantly affect the estimates.

31 CONTINGENCIES

The directors of the Company understand that certain villagers living in the vicinity of the airport have made complaints to the Beijing Municipal Government of the aircraft engine noise created by approaching and departing aircraft, and requested relocation and/or compensation. The directors of the Company also understand that the relevant government authorities have been involved in resolving these complaints.

As at the year end, the outcome is still pending. Any potential financial impact to the Group, if any, will depend on the final resolution of these complaints with the parties involved. The Group has no further information to ascertain any liability on its part and the extent of compensation payable, if any. No provision has been made in the financial statements for any costs to resolve this issue.

32 COMMITMENTS

Capital commitments

Capital commitments primarily relate to the construction of and the equipment to be installed at the airport terminal and other airport facilities upgrading projects. The Group and the Company had the following outstanding capital commitments not provided for in the financial statements:

	2002	2001
Authorised and contracted for	**1,798**	–
Authorised but not contracted for	**228,730**	21,170
Total	**230,528**	21,170

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

32 COMMITMENTS *(Continued)*

Operating lease commitments - where the Group and the Company are the lessee

The future aggregate minimum lease payments under non-cancellable operating leases of the Group and the Company are as follows:

	2002		
	Land use rights	**Buildings**	**Other assets**
Not later than 1 year	5,594	7,442	–
Later than 1 year and not later than 5 years	22,376	–	–
Later than 5 years	234,245	–	–
	262,215	7,442	–

	2001		
	Land use rights	**Buildings**	**Other assets**
Not later than 1 year	5,594	8,838	2,419
Later than 1 year and not later than 5 years	22,376	5,225	1,915
Later than 5 years	239,845	–	–
	267,815	14,063	4,334

Operating lease commitments - where the Group and the Company are the lessor

The future minimum lease payment receivables under non-cancellable operating leases for buildings are as follows:

	The Group		**The Company**	
	2002	2001	**2002**	2001
Not later than 1 year	**60,986**	73,063	**57,635**	53,842
Later than 1 year and not later than 5 years	**30,284**	64,540	**22,684**	57,866
Later than 5 years	**8,289**	9,540	**–**	–
	99,559	147,143	**80,319**	111,708

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

33 ORDINARY SHARES

	Number of shares (thousands)	**Ordinary shares (Rmb'000)**
At beginning and end of year	3,846,150	3,846,150

The total authorised number of ordinary shares is 3,846,150,000 shares (2001: 3,846,150,000 shares) with a par value of Rmb1 (2001: Rmb1) per share. All issued shares are fully paid.

34 REVALUATION SURPLUS

This relates to surplus on the revaluation of buildings and runways of the Group and the Company.

	2002	2001
At beginning and end of year	**229,862**	229,862

35 STATUTORY AND DISCRETIONARY RESERVES

In accordance with the relevant laws and regulations of the PRC and the Articles of Association of the Company, when distributing the net profit of each year, the Company shall set aside 10% of its profit after taxation (based on the Company's local statutory accounts) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's registered capital), and 5% to 10% for the statutory public welfare fund and, at the discretion of the directors, to the discretionary surplus reserve fund. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends. The statutory public welfare fund can only be utilised on capital items for the collective benefit of the Company's employees. Title to these capital items will remain with the Company. This fund is non-distributable other than in liquidation.

For the year ended 31 December 2002, the Board of Directors proposed appropriations of 10%, 10% and 20% of profit after tax (2001: 10%, 10% and 20%) respectively determined under PRC accounting standards of Rmb49,509,000, Rmb49,509,000 and Rmb99,018,000 (2001: Rmb38,012,000, Rmb38,012,000 and Rmb76,024,000) respectively to the statutory surplus reserve fund, the statutory public welfare fund and the discretionary surplus reserve fund respectively.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

35 STATUTORY AND DISCRETIONARY RESERVES *(Continued)*

The proposed profit appropriation of Rmb99,018,000 (20% of profit after tax) to the discretionary surplus reserve fund for the year ended 31 December 2002 will be recorded in the financial statements for the year ending 31 December 2003.

The discretionary surplus reserve fund of Rmb76,024,000 (2000: Rmb87,785,000) proposed for the year ended 31 December 2001 by the Board of Directors on 18 April 2002 was recorded in the Group's financial statements for the year ended 31 December 2002.

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 IFRS. As at 31 December 2002, the reserve available for distribution was approximately Rmb319,588,000 (2001: Rmb224,415,000).

36 MINORITY INTERESTS

	2002	2001
At begining of year	**17,620**	8,480
Acquisition	**(363)**	7,315
Share of net profit of subsidiaries	**3,894**	1,825
Dividend paid	**(2,400)**	–
At end of year	**18,751**	17,620

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of net profit to cash generated from operations

	2002	2001
Net profit	**506,817**	395,936
Adjustments for:		
Minority interests	**3,894**	1,825
Taxation	**244,255**	189,687
Depreciation	**445,668**	420,267
Amortisation of goodwill	**103**	27
Amortisation of land use rights	**6,243**	6,243
Amortisation of intangible assets	**2,944**	1,168
Impairment charge	**912**	8,082
Loss on sale of property, plant and equipment	**2,311**	5,631
Fair value losses / (gains) on trading investments	**7,200**	(6,939)
Share of loss of an associated company	**16**	–
Interest income	**(16,076)**	(24,362)
Interest expense	**117,537**	148,289
Exchange losses / (gains), net	**5,716**	(1,483)
Changes in deferred tax assets	**(19,693)**	(4,003)
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	**(25,435)**	(4,469)
Trade and other receivables	**(130,707)**	171,088
Payables	**188,322**	(172,660)
Income and other taxes payable	**15,726**	(40,120)
Defined benefit pension and post-retirement benefit obligations	**19,156**	9,885
Cash generated from operations	**1,374,909**	1,104,092

(b) In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2002	2001
Net book amount	**7,709**	8,355
Loss on sale of property, plant and equipment	**(2,311)**	(5,631)
Proceeds from sale of property, plant and equipment	**5,398**	2,724

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

38 RELATED PARTY TRANSACTIONS

The Company is controlled by Beijing Capital Airport Group Corporation (established in the People's Republic of China) which owns 65% of the Company's shares. The remaining 35% of the shares are widely held. The Directors consider Beijing Capital Airport Group Corporation, a PRC state-owned enterprise under the supervision of CAAC, to be the ultimate holding company.

The following is a summary of significant transactions carried out with related parties in the ordinary course of business during the year:

	2002	2001
Transactions with Parent Company:		
Revenues:		
Leasing of premises to a subsidiary of the Parent Company	**4,967**	8,514
Provision of sewage processing services to the Parent Company	**591**	1,421
Provision of security services to the Parent Company and its units, subsidiaries and affiliates	**317**	185
Expenses:		
Provision of utilities and power supply by the Parent Company	**(142,450)**	(128,496)
Share of aircraft movement fees paid to the Parent Company, for the provision of emergency medical services by the Parent Company	**(58,793)**	(49,331)
Provision of maintenance and repair services by the Parent Company	**–**	(11,264)
Leasing of office space from the Parent Company	**(6,600)**	(6,600)
Leasing of land use rights from the Parent Company	**(5,594)**	(5,594)
Provision of nursery services by the Parent Company	**(3,765)**	(3,765)
Leasing of training centre from the Parent Company	**(2,238)**	(2,238)
Leasing of office equipment and vehicles from the Parent Company	**(2,018)**	(2,419)
Provision of staff transportation by the Parent Company	**–**	(1,125)
Construction management fee paid to the Parent Company	**(840)**	–

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

38 RELATED PARTY TRANSACTIONS *(Continued)*

On 24 October 2002, the Parent Company and the Company entered into an agreement whereby the Parent Company agreed to sell certain related assets and liabilities relating to its retailing business to the Company for a cash consideration of Rmb2,106,000.

	2002	2001
Transactions with Singapore Airlines Limited ("SAL"), parent company of Singapore Airport Terminal Services Limited ("SATS"), foreign joint venture partner in Beijing Airport Inflight Kitchen Ltd. ("BAIK") and Beijing Aviation Ground Services Co., Ltd. ("BGS"), jointly controlled entities of the Company:		
Ground handling services income	**14,386**	14,775

The following transactions were carried out with the Company's jointly controlled entities (amounts shown below are after elimination of the Company's proportionate interests in these intra-group transactions):

	2002	2001
Share of ground handling services income from BGS	**11,029**	9,587
Rental income from BGS for leasing of counters, premises and office space	**15,710**	12,652

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

38 RELATED PARTY TRANSACTIONS *(Continued)*

The following transactions were carried out by the Company's jointly controlled entities 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 jointly controlled entities.

	2002	2001
Revenues / (expenses)		
Income from ground handling services provided to SAL	**18,591**	17,523
Charges by SAL for the use of Cargo Departure Documentation System and Departure Control System	**(433)**	(371)
Transactions between BAIK and SAL:		
Income from air catering services to SAL	**10,645**	10,135
Charges by SAL for use of Kriscom System	**(122)**	(52)
Transactions between BAIK and SATS:		
Purchase of materials from SATS	**(40)**	(37)

The above transactions with related parties were entered into in accordance with the terms as set out in the agreements governing the transactions or as mutually agreed between the parties.

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

38 RELATED PARTY TRANSACTIONS *(Continued)*

Year-end balances with related parties

As at 31 December 2002, balances with related parties comprised:

	The Group		The Company	
	2002	2001	**2002**	2001
Receivables from related parties:				
Parent Company	**–**	9,132	**–**	9,862
SAL	**7,522**	10,425	**–**	–
SATS	**841**	75	**–**	–
Foreign joint venture partner in BGS	**4,258**	7,230	**–**	–
BGS	**–**	–	**8,436**	18,372
BAFS	**–**	–	**3,489**	3,622
Total	**12,621**	26,862	**11,925**	31,856

	The Group		The Company	
	2002	2001	**2002**	2001
Payable to related parties:				
Beijing Bowei Airport Support Limited, a subsidiary	**–**	–	**11,413**	4,650
Beijing Airport Huaxia Air Services Development Co., Ltd., a subsidiary	**–**	–	**6,067**	–
Parent Company	**22,571**	–	**22,132**	–
Total	**22,571**	–	**39,612**	4,650

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

39 INTERESTS IN SUBSIDIARIES

As at 31 December 2002, the Company had equity interests in the following subsidiaries, all of which are Sino-foreign equity joint ventures and operate in the PRC:

Name	Place and date of establishment	Percentage of equity interest held	Issued and fully paid capital *('000)*	Principal activities
Beijing Airport Foods Service Co., Ltd.	Beijing, PRC 31 December 1986	75%	Rmb27,000	Operation of restaurants and shops
Beijing Bowei Airport Support Limited	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

40 INTERESTS IN JOINTLY CONTROLLED ENTITIES

As at 31 December 2002, the Company had equity interests in the following jointly controlled entities, all of which are Sino-foreign equity joint ventures and operate in the PRC:

Name	Place and date of establishment	Percentage of equity interest held/ voting power/ profit sharing	Issued and fully paid capital *('000)*	Principal activities
Beijing Aviation Ground Services Co., Ltd.	Beijing, PRC 18 August 1994	60%	US$9,900	Airport ground handling services
Beijing Airport Inflight Kitchen Ltd.	Beijing, PRC 27 April 1993	60%	US$24,000	Air catering services

(In the notes all amounts are shown in thousands of Rmb unless otherwise stated)

40 INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The strategic operating, investing and financing activities of BAIK and BGS are jointly controlled by the Company and the respective joint venture partners.

The following aggregate amounts represent the Group's 60% share of the assets and liabilities and revenues and results of the two jointly controlled entities and are included in the consolidated balance sheet and income statement:

	2002	2001
Property, plant and equipment	**87,310**	87,333
Land use rights	**5,714**	6,268
Other long-term assets	**–**	1,673
Current assets	**135,236**	102,956
	228,260	198,230
Current liabilities	**(27,999)**	(15,517)
Net assets	**200,261**	182,713
Revenues	**184,977**	162,047
Profit before taxation	**38,090**	30,825
Taxation	**(3,621)**	(1,924)
Profit after taxation	**34,469**	28,901

There are no contingent liabilities relating to the Group's interests in the jointly controlled entities.

As at 31 December 2002, the two jointly controlled entities had 1,444 (2001: 1,367) employees.

41 SIGNIFICANT POST BALANCE SHEET EVENT

On 17 March 2003, the Parent Company and the Company entered into an agreement whereby the Parent Company agreed to sell and the Company agreed to purchase the following assets for a consideration of RMB203,706,952:

(1) the corridor linking Terminal 1 and Terminal 2 of the Beijing Airport;

(2) the fire prevention and fighting passage of Terminal 2 of the Beijing Airport;

(3) the platform for loading and unloading of passengers connecting Terminal 2 of the Beijing Airport; and

(4) the facilities and other sewage facilities connecting with the assets (1), (2) and (3) above.

42 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 9 April 2003.