

**BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LTD :
AN INVESTMENT FOR PATRIOTS, ONLY**

The Company claims that neither it nor any of its subsidiaries has any litigation pending, or even threatened, by anybody or any company.

But, then again, who would dare to sue an enterprise, owned and operated by the Government of the People's Republic of China (PRC)?

Beijing Capital International Airport Company Ltd, one of the latest candidates, looking for a listing on The Stock Exchange of Hongkong Ltd, makes this above paraphrased statement at Page IX-15 of Appendix IX, some 300 pages from Page One, which states that this Company is pitching a New Issue and Placing of 1,346,150,000 shares (subject to adjustment) at an Issue Price of \$HK2.68 per share.

For subscribers, who like to do their sums, Beijing Capital International Airport is looking to raise as much as about \$HK3,607,682,000 – if it can.

That is a lot of money – especially for an enterprise that has an appalling track record since 1996, considering that it operates the only airport in the Capital City of the PRC.

The following is an extract of some of the Company's Trading Record, taken from Page 11 of the Prospectus:

	Year Ended December 31			
	1996	1997	1998	Nine Months to September 30, 1999
	<i>(All Figures Are Denominated In Renminbi '000)*</i>			
Total Aeronautical Revenues	922,398	998,868	1,093,743	824,924
Total Non-Aeronautical Revenues	245,184	292,982	271,257	206,972
Operating Profit	803,049	830,254	895,477	654,578
Interest Income (Expenses) Net	1,165	(18,126)	(20,148)	(19,541)
Other Income (Expenses) Net	7,015	4,269	7,953	(4,713)
Profit Before Taxation	811,229	816,397	883,282	630,324
Taxation	(192,959)	(186,104)	(203,009)	(156,570)
Adjusted Net Profit (After Taking Into Account The Taxation Effect on Airport Fee)	538,740	545,747	594,907	409,011

* One Hongkong dollar is equal to about 1.06 renminbi

For the 1999 Financial Year, ended December 31, Beijing Capital International states that the *'Estimated combined profit after taxation and minority interests but before extraordinary items ... not less than RMB490 million.'*

From the above, it would appear that the annual increases in the Bottom Line for the Track Record Period are as follows:

1. For the 1996-1997 period --- 1.30 percent
2. For the 1997-1998 period --- 9.00 percent
3. For the 1998-1999 period --- Negative Growth since the Company is forecasting a Net Profit which is 104.91 million renminbi less than the 1998 Year's Net Profit

In a monopoly situation as, clearly, this Company enjoys, this is a terrible track record.

The net proceeds, to be raised in this exercise, expected to be between \$HK3.11 billion and \$HK3.54 billion, is earmarked for the following purposes:

1. \$HK394 million to help to finance part of the remaining construction costs, associated with Terminal Two at Beijing Airport;
2. \$HK503 million to help to finance renovation of Terminal One;
3. \$HK315 million to help to finance the construction of the Cross-Field Taxiway;
4. \$HK146 million to help to finance the cost of rehabilitating the West Runway;
5. \$HK1,456 million to retire some debt; and,
6. Between \$HK300 million and \$HK730 million to become part of the General Working Capital Account.

The Net Assets of Beijing Capital International, as at September 30, 1999, were said to be about 3.08 billion renminbi, with cash and cash equivalents, standing at about 739.32 million renminbi, and with accounts receivable and amounts, due from related parties, standing at about 411.04 million renminbi.

Property, plant and equipment have been valued at about 7.07 billion renminbi, Page I-16 of Appendix I of the Prospectus states.

Against this, Page I-19 of Appendix I states that there are Long-Term Bank Loans, amounting to about 4.12 billion renminbi, of which *'a significant portion of the bank loans were borrowed by the Parent Company (Beijing Capital Airport Group Corporation, an enterprise established in the PRC and the controlling shareholder of the Beijing Capital International) to finance the construction of the new airport terminal and the related premises and facilities and were guaranteed by CAAC (General Administration of Civil Aviation of China, also known as Civil Aviation Administration of China) and Aviation Clearing Centre (Accounting Centre of Civil Aviation, a PRC, State-owned enterprise, established in the PRC with the function of undertaking the settlement of funds on behalf of airports, airlines and relevant PRC Government Authorities).*

With regard to the repayment of these loans, the following page of the Prospectus states the repayment schedule:

Balances due:	<u>Renminbi '000</u>
Within one year	75,000
In the second year	215,000
In the third to the fifth years	998,593
In more than five years	<u>2,907,895</u>
Total long term loans	<u>4,196,488</u>
Less: Amounts due within one year included in current liabilities	<u>75,000</u>
	<u>4,121,488</u>

From the above financial commitments, one must wonder from where Beijing Capital International would be able to find the funds to retire its debt, given the past 4 Financial Years' history of Net Profits.

Further, what kind of Management is there in Beijing Capital International, Management that commits itself to a debt burden, equal to about 57.21 percent of Gross Assets (Fixed Assets, plus Other Assets and Net Current Assets)?

The answer, of course: A PRC, State-run-and-operated enterprise.

In view of its heavy debt burden, and notwithstanding any other considerations, the requirements of the PRC State, no doubt, will always take [CLICK TO ORDER FULL ARTICLE](#)

