



北京首都國際機場股份有限公司

Beijing Capital International Airport Company Limited

(a Sino - foreign joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 0694)

2007 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “Board”) of Beijing Capital International Airport Company Limited (the “Company”) is pleased to announce the unaudited financial position and operating results of the Company as at 30 June 2007 and for the six months ended 30 June 2007, which have been reviewed by the audit committee of the Company (the “Audit Committee”), together with the unaudited comparative figures for the corresponding period of 2006 as follows:

UNAUDITED CONDENSED BALANCE SHEET

As at 30 June 2007

	Unaudited As at 30 June 2007	Audited As at 31 December 2006
Note	Rmb'000	Rmb'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,996,943	8,213,966
Land use rights	220,768	223,380
Intangible assets	25,081	12,123
Investment in associates	26,495	26,674
Deferred income tax assets	23,693	21,172
Total non-current assets	8,292,980	8,497,315

Current assets

Inventories		12,671	13,934
Trade and other receivables	5	3,013,660	3,400,377
Cash and cash equivalents		1,364,367	152,818

Total current assets

4,390,698	3,567,129
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Total assets

12,683,678	12,064,444
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EQUITY**Capital and reserves attributable
to the Company's equity holders**

Share capital		4,046,150	4,046,150
Share premium		3,032,824	3,032,824
Statutory and discretionary reserves	11(a)	1,611,475	1,408,155
Retained earnings		1,352,522	1,346,210

Total equity

10,042,971	9,833,339
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LIABILITIES**Non-current liabilities**

Retirement benefit obligations		46,624	46,624
Deferred income		12,647	14,354

Total non-current liabilities

59,271	60,978
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Current liabilities

Trade and other payables	6	1,336,540	1,318,273
Notes payable	7	1,062,781	531,057
Current income tax liabilities		180,712	319,394
Current portion of retirement benefit obligations		1,403	1,403

Total current liabilities

2,581,436	2,170,127
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Total liabilities

2,640,707	2,231,105
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Total equity and liabilities

12,683,678	12,064,444
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Net current assets

1,809,262	1,397,002
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Total assets less current liabilities

10,102,242	9,894,317
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UNAUDITED CONDENSED INCOME STATEMENT

For the six months ended 30 June 2007

		Unaudited	
		For the six months ended 30 June	
		2007	2006
	Note	Rmb'000	Rmb'000
Revenues			
Aeronautical	4	1,225,673	1,084,160
Non-aeronautical	4	436,954	349,971
		<u>1,662,627</u>	<u>1,434,131</u>
Business tax and levies			
Aeronautical		(39,712)	(32,525)
Non-aeronautical		(26,361)	(23,112)
		<u>(66,073)</u>	<u>(55,637)</u>
Operating expenses			
Depreciation and amortisation		(276,934)	(243,410)
Aviation safety and security			
guard expenses		(115,030)	(82,946)
Utilities and power		(103,200)	(93,447)
Staff costs		(80,269)	(26,395)
Repairs and maintenance		(63,259)	(70,509)
Greening and environmental maintenance		(40,845)	(38,120)
Real estate and other taxes		(27,585)	(25,040)
General, administrative and other expenses		(40,232)	(32,496)
		<u>(747,354)</u>	<u>(612,363)</u>
Other gains	9	<u>1,388</u>	<u>53,192</u>

Operating profit	8	850,588	819,323
Finance costs		(4,989)	(12,613)
Share of profit of associates		<u>209</u>	<u>143</u>
Profit before income tax		845,808	806,853
Income tax expense	10	<u>(279,144)</u>	<u>(251,683)</u>
Profit for the period		<u><u>566,664</u></u>	<u><u>555,170</u></u>
Attributable to:			
Equity holders of the Company		<u><u>566,664</u></u>	<u><u>555,170</u></u>
Earnings per share for profit attributable to the equity holders of the Company, expressed in Rmb per share			
– basic and diluted (Rmb)	12	<u><u>0.14</u></u>	<u><u>0.14</u></u>

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

Unaudited							
Note	Attributable to equity holders of the Company					Minority	Total
						interests	equity
	Share capital	Share premium	Statutory and discretionary reserves	Retained earnings	Total		
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Balance at 1 January 2006	3,846,150	2,209,648	1,132,695	999,617	8,188,110	3,155	8,191,265
Profit for the period	—	—	—	555,170	555,170	—	555,170
Disposal	—	—	—	—	—	(3,155)	(3,155)
Dividends							
– 2005 final dividend	—	—	—	(319,577)	(319,577)	—	(319,577)
Transfer to statutory and discretionary reserves	—	—	173,800	(173,800)	—	—	—
Balance at 30 June 2006	<u>3,846,150</u>	<u>2,209,648</u>	<u>1,306,495</u>	<u>1,061,410</u>	<u>8,423,703</u>	<u>—</u>	<u>8,423,703</u>
Representing:							
Share capital and reserves	3,846,150	2,209,648	1,306,495	910,141	8,272,434	—	8,272,434
2006 declared interim dividend	11(b) <u>—</u>	<u>—</u>	<u>—</u>	<u>151,269</u>	<u>151,269</u>	<u>—</u>	<u>151,269</u>
Balance at 30 June 2006	<u>3,846,150</u>	<u>2,209,648</u>	<u>1,306,495</u>	<u>1,061,410</u>	<u>8,423,703</u>	<u>—</u>	<u>8,423,703</u>

Balance at 1 January 2007		4,046,150	3,032,824	1,408,155	1,346,210	9,833,339	—	9,833,339
Profit for the period		—	—	—	566,664	566,664	—	566,664
Dividends								
– 2006 final dividend		—	—	—	(357,032)	(357,032)	—	(357,032)
Transfer to statutory and discretionary reserves	11(a)	—	—	203,320	(203,320)	—	—	—
Balance at 30 June 2007		<u>4,046,150</u>	<u>3,032,824</u>	<u>1,611,475</u>	<u>1,352,522</u>	<u>10,042,971</u>	<u>—</u>	<u>10,042,971</u>
Representing:								
Share capital and reserves		4,046,150	3,032,824	1,611,475	1,185,740	9,876,189	—	9,876,189
2007 declared interim dividend	11(b)	—	—	—	166,782	166,782	—	166,782
Balance at 30 June 2007		<u>4,046,150</u>	<u>3,032,824</u>	<u>1,611,475</u>	<u>1,352,522</u>	<u>10,042,971</u>	<u>—</u>	<u>10,042,971</u>

NOTES

1. GENERAL INFORMATION

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 and listed on The Stock Exchange of Hong Kong Limited since 1 February 2000. The Company is majority owned by Capital Airports Holding Company, a state-owned enterprise established in the PRC (“CAHC” or the “Parent company”).

The Company is principally engaged in the ownership and operation of the international airport in Beijing (“Beijing Capital Airport”) and the provision of related services.

2. BASIS OF PREPARATION

The unaudited condensed financial information for the six months ended 30 June 2007 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” promulgated by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006, which were prepared in accordance with the International Financial Reporting Standards (“IFRS”).

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, as described in the annual financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2007.

- Amendment to IAS 1, 'Presentation of financial statements: Capital disclosures'
- IFRS 7, 'Financial instruments: Disclosures'
- IFRIC 7, 'Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies'
- IFRIC 8, 'Scope of IFRS2, Share-based Payment'
- IFRIC 9, 'Reassessment of Embedded Derivatives'
- IFRIC 10, 'Interim Financial Reporting and Impairment'

Management assessed the relevance of these new standards, amendments and interpretations with respect to the Company's operations and concluded the following amendments and interpretations are relevant to the Company:

- Amendment to IAS 1, 'Presentation of financial statements: Capital disclosures', effective for annual periods beginning on or after 1 January 2007. The Company would apply the disclosure requirements in IAS 1 in the annual financial statements for the year ending 31 December 2007.
- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. The Company would apply the disclosure requirements in IFRS 7 in the annual financial statements for the year ending 31 December 2007.
- IFRIC 10, 'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006. The Company has reviewed its assessment on impairment and concluded there is no significant effect on the unaudited condensed financial information.

Other amendments and interpretations are not relevant to the Company.

Certain new standards, amendments to standards and interpretations have been published that are not effective for the year ending 31 December 2007. The Company has not early adopted the above standards, amendments and interpretations in the unaudited condensed financial information but has already commenced an assessment of the related impact to the Company and it is not expected to have any significant financial impact on the Company's financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Company conducts its business within one business segment - the business of operating and managing an airport and provision of related services in the PRC. As the products and services provided by the Company are all related to the operation and management of an airport and subject to similar business risks, no segment information has been prepared by the Company during the six months ended 30 June 2007. The Company 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	For the six months ended 30 June	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Aeronautical:		
Passenger charges	393,230	347,234
Aircraft movement fees and related charges	478,704	426,191
Airport Fee	353,739	310,735
	1,225,673	1,084,160
Non-aeronautical:		
Concessions	282,530	207,760
Rentals	110,212	105,138
Car parking service	32,362	26,737
Others	11,850	10,336
	436,954	349,971
Total revenues	<u>1,662,627</u>	<u>1,434,131</u>

5. TRADE AND OTHER RECEIVABLES

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
Trade receivables (<i>note a</i>)	840,835	1,210,458
Less: Provision for impairment	(15,732)	(18,266)
	825,103	1,192,192
Prepayments	23,391	19,095
Prepayment to Parent Company (<i>note b</i>)	2,000,000	2,000,000
Receivables from related parties	148,829	151,369
Others	16,337	37,721
	3,013,660	3,400,377

(a) The aging analysis of the trade receivables was as follows:

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
Less than 1 year	834,931	1,202,995
1-2 years	5,904	7,463
	840,835	1,210,458

The credit terms given to trade customers are determined on an individual basis with the normal credit period between 3 to 6 months.

At 30 June 2007, the Company had fully collected the receivable balance of airport fee as at 31 December 2006 in the amount of Rmb664,816,000.

There is no concentration of credit risk with respect to other trade receivables, as the Company has a large number of customers, internationally dispersed.

- (b) This represents the prepayment to the Parent Company as part of the consideration payment for the acquisition of the extension to the existing facilities of the Beijing Capital Airport currently under construction (“Phase III Project”). The Company entered into an assets transfer agreement (the “Assets Transfer Agreement”) with CAHC on 26 October 2006 to acquire from CAHC the Phase III Project for a total consideration of approximately RMB 15.62 billion. As at 30 June 2007, the Company has yet to obtain approval from the relevant government authorities on certain condition precedent to the Assets Transfer Agreement, the above acquisition was not included in the financial statements as at 30 June 2007.

6. TRADE AND OTHER PAYABLES

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
Trade payables (note a)	4,184	6,900
Other payables		
Construction payable	418,063	511,090
Receipts on behalf of		
North China Air Traffic Control Bureau (note b)	103,006	101,483
Payroll and welfare payable	26,969	26,917
Housing subsidy payable to employees (note c)	12,843	13,388
Payable to related parties	174,167	196,840
Payable to CAHC (note d)	310,000	—
Dividend payable to parent company	—	98,325
Deposit received	17,766	18,624
Maintenance fee payable	68,758	89,346
Business tax payable	109,381	125,318
Other payables	91,403	130,042
	1,332,356	1,311,373
	1,336,540	1,318,273

- (a) All trade payables were aged within one year.
- (b) This represents the receipts received by the Company on behalf of North China Air Traffic Control Bureau on the service rendered for air traffic control, communication and weather, etc. The balance is payable on demand.
- (c) Housing subsidy payable to employees includes one-off housing subsidy which was received from CAHC and is to be paid to certain employees of the Company on behalf of CAHC in accordance with the PRC housing reform regulations and was attributable to the period prior to the group restructuring in 1999 in preparation for the offering of the Company's shares.
- (d) This represents funding received from the Parent Company in relation to the construction of certain improvement projects of the aeronautical business of the Company. The amount is interest free and repayable on demand.

7. NOTES PAYABLE

It represented the bankers' acceptance bills issued for the construction and operating cost payables with maximum maturity period of up to six months.

The aging analysis of the notes payable was as follows:

	As at 30 June 2007 <i>Rmb'000</i>	As at 31 December 2006 <i>Rmb'000</i>
Less than 3 months	608,207	186,104
4 – 6 months	454,574	344,953
	<u>1,062,781</u>	<u>531,057</u>

8. OPERATING PROFIT

The following items have been included in arriving at the operating profit:

	For the six months ended 30 June	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Depreciation on property, plant and equipment		
– owned assets	258,751	229,727
– owned assets leased out under operating leases	9,179	8,962
(Gain) / loss on disposal of property, plant and equipment	(3,636)	14,631
Amortisation of land use rights	2,612	2,613
Amortisation of intangible assets	6,392	2,108
Operating lease rentals		
– buildings	1,912	2,166
– land use rights	3,382	3,382
Reversal of trade receivables impairment charge	<u>2,433</u>	<u>805</u>

9. OTHER GAINS

	For the six months ended 30 June	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Interest income	1,388	3,867
Net gains on disposal of certain assets and liabilities (<i>note a</i>)	—	17,498
Reversal of retirement benefit obligations (<i>note a</i>)	—	31,827
	<u>1,388</u>	<u>53,192</u>

- (a) These represented net gains on disposal of the Company's equity interests of Beijing Aviation Ground Service Co., Ltd and Beijing Airport Inflight Kitchen Ltd. and the gain on reversal of retirement benefit obligations in relation to staffs transferred out in respect of outsourcing instead of self operation of certain businesses.

10. INCOME TAX EXPENSE

Under PRC enterprise income tax law, the Company is subject to enterprise income tax and local income tax at a rate of 30% and 3% respectively, resulting in an aggregate tax rate of 33% (2006: 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.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Company starting from 1 January 2008 will be 25%, replacing the currently applicable tax rate of 33%. The new CIT Law has an impact on the deferred income tax assets and liabilities of the Company. As of the date of approval of the unaudited condensed financial information for issue, detailed implementation rulings have yet to be released by the State Council. The Company has assessed the impact to the carrying amounts of deferred income tax assets and liabilities as at 30 June 2007 based on their best estimates and concluded the impact is not significant. The Company will continue to evaluate the impact as more detailed regulations are announced.

	For the six months ended 30 June	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Current tax	281,665	246,196
Deferred tax (credit) / charge	(2,521)	5,487
	<u>279,144</u>	<u>251,683</u>

11. PROFIT APPROPRIATIONS

(a) 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, 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 profit appropriation of Rmb203,320,000 (20% of profit after taxation) to the discretionary surplus reserve fund for the year ended 31 December 2006 was recorded in the financial statements for the six months ended 30 June 2007.

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 IFRSs. As at 30 June 2007, the reserve available for distribution was approximately Rmb1,151,022,000 (as at 31 December 2006: Rmb1,042,255,000).

(b) Dividends

	For the six months ended 30 June	
	2007	2006
Dividend declared		
Interim dividend (Rmb'000)	166,782	151,269
Interim dividend per share (Rmb)	0.04122	0.03933

The interim dividend for the period ended 30 June 2007 was declared at the Board of Directors meeting held on 24 August 2007. This declared dividend is not reflected as a dividend payable in this financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

12. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six-month period.

	For the six months ended 30 June	
	2007	2006
Profit attributable to equity holders of the Company (Rmb'000)	566,664	555,170
Weighted average number of ordinary shares in issue (thousands)	4,046,150	3,846,150
Basic earnings per share (Rmb per share)	<u>0.14</u>	<u>0.14</u>

Diluted earnings per share are equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2007 and 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE AERONAUTICAL BUSINESS

Growth of Air Traffic Volumes

For the first half year of 2007, as a result of the steady economic growth and the growth in aviation transportation demand in both tours and business trips, the air traffic volumes at Beijing Capital International Airport (“Beijing Airport”) maintained a continuous rapid growth. The aircraft movements, passenger throughput and freight throughput at Beijing Airport all maintained double-digit growth. The traffic volumes of international, Hong Kong and Macau air routes presented higher growth rates than the volumes of domestic air routes. Details of which are as follows:

	For the six months ended 30 June		
	2007	2006	Change
Aircraft movements	201,510	179,993	12.0%
Domestic	152,050	138,424	9.8%
International, Hong Kong & Macau	49,460	41,569	19.0%
Passenger throughput (unit: thousands)	25,965	22,459	15.6%
Domestic	19,974	17,360	15.1%
International, Hong Kong & Macau	5,991	5,099	17.5%
Freight throughput (unit: tonnes)	496,000	429,234	15.6%
Domestic	273,000	291,521	-6.4%
International, Hong Kong & Macau	223,000	137,713	61.9%

For the first half year of 2007, there were 4 new or resumed domestic airlines operating at Beijing Airport. As at 30 June 2007, there were 70 airlines operating at the Beijing Airport, including 17 domestic airlines, 3 airlines from Hong Kong and Macau, and 50 foreign airlines.

Operating Resources Expansion and Facilities Reconstruction

For the first half year of 2007, the Company has fully accomplished the reconstruction projects of the existing facilities, including construction of aprons and taxiways affiliated to the west runway, construction of remote area deicing aprons, reconstruction of check-in counters and boarding gates and the upgrading and reengineering of the baggage handling systems. At present, the above-mentioned projects have already been completed, which effectively released the operating pressure on both the terminals and airside.

Aeronautical Revenues

	Unaudited		
	For the six months ended 30 June		
	2007	2006	Change
	<i>Rmb'000</i>	<i>Rmb'000</i>	
Aircraft movement fees and related charges	478,704	426,191	12.32%
Passenger charges	393,230	347,234	13.25%
Airport fee	353,739	310,735	13.84%
Total aeronautical revenues	1,225,673	1,084,160	13.05%
Less: Business tax and levies	(39,712)	(32,525)	22.10%
Aeronautical revenues, net of business tax and levies	1,185,961	1,051,635	12.77%

For the first half year of 2007, the total aeronautical revenues of the Company were Rmb1,225,673,000, and the aeronautical revenues net of business tax and levies amounted to Rmb1,185,961,000, representing an increase of 13.05% and 12.77% respectively when comparing with the same period of the previous year.

In line with the growth of aircraft movements, aircraft movement fees and related charges of the Company reached Rmb478,704,000, representing an increase of 12.32% when comparing with the same period of the previous year. The passenger charges of the Company reached Rmb393,230,000, representing an increase of 13.25% when comparing with the same period of the previous year. As a result of the continuous growth of passenger throughput, airport fee of the Company were Rmb353,739,000 for the first half year of 2007, representing an increase of 13.84% when comparing with the same period of the previous year.

Non-aeronautical Revenues

	Unaudited		
	For the six months ended 30 June		
	2007	2006	Change
	<i>Rmb'000</i>	<i>Rmb'000</i>	
Concessions	282,530	207,760	35.99%
Retailing	128,317	90,904	41.16%
Advertising	112,159	77,351	45.00%
Restaurants and food shops	27,407	24,091	13.76%
Ground handling services	10,958	12,143	-9.76%
Air catering	2,490	2,141	16.30%
Other concessions revenues	1,199	1,130	6.11%
Rentals	110,212	105,138	4.83%
Car parking services	32,362	26,737	21.04%
Others	11,850	10,336	14.65%
Total non-aeronautical revenues	436,954	349,971	24.85%
Less: Business tax and levies	(26,361)	(23,112)	14.06%
Non-aeronautical revenues			
less business tax and levies	<u>410,593</u>	<u>326,859</u>	25.62%

For the first half year of 2007, the non-aeronautical revenues of the Company maintained steady growth. The total non-aeronautical revenues of the Company were Rmb436,954,000, and the non-aeronautical revenues net of business tax and levies amounting to Rmb410,593,000, representing an increase of 24.85% and 25.62% respectively when comparing with the same period of the previous year.

For the first half year of 2007, the concessions revenues of the Company were Rmb282,530,000, representing an increase of 35.99% when comparing with the same period of the previous year. Among these, as a result of the growth of passenger traffic volume, reconstruction of business stores, brand planning and timely organization of promotion activities, concessions revenues from retailing were Rmb128,317,000, representing an increase of 41.16% when comparing with the same period of the previous year. As a result of the rise of certain advertising media prices, expansion of outdoor advertising resources and the close-to-zero vacancy rate of advertising resources, the concessions revenues from advertising of the Company were Rmb112,159,000, representing an increase of 45.00% when comparing with the same period of the previous year. Driven by the increased air traffic volume, the concessions revenues from restaurants reached Rmb27,407,000, the concessions revenues from air catering were Rmb2,490,000 and other concessions revenues were Rmb1,199,000, which showed a growth rate of 13.76%, 16.30% and 6.11%, respectively, when comparing with the same period of the previous year. In the first half year of 2007, the concessions revenues from ground handling service were Rmb10,958,000, representing a decrease of 9.76% when comparing with the same period of the previous year.

For the first half year of 2007, the rentals incomes of the Company were Rmb110,212,000, representing an increase of 4.83% when comparing with the same period of the previous year. It is mainly because the Company has expanded the internal space in terminals to increase the rental area.

For the first half year of 2007, the revenues from car parking services were Rmb32,362,000, representing an increase of 21.04% when comparing with the same period of the previous year. The trend was in line with the rapid growth of total number of automobiles owned in Beijing and the increase of automobile throughput at Beijing Airport led by the increase of air traffic volumes.

For the first half year of 2007, the other revenues of the Company were Rmb11,850,000, representing an increase of 14.65% when comparing with the same period of the previous year. The other revenues mainly included the revenues of packing service.

OPERATING EXPENSES

	Unaudited		
	For the six months ended 30 June		
	2007	2006	Change
	<i>Rmb'000</i>	<i>Rmb'000</i>	
Depreciation and amortisation	276,934	243,410	13.77%
Aviation safety and security guard expenses	115,030	82,946	38.68%
Utilities and power	103,200	93,447	10.44%
Staff costs	80,269	26,395	204.11%
Repairs and maintenance	63,259	70,509	-10.28%
Greening and environmental maintenance	40,845	38,120	7.15%
Real estate and other taxes	27,585	25,040	10.16%
General, administrative and other expenses	40,232	32,496	23.81%
Total operating expenses	747,354	612,363	22.04%

For the first half year of 2007, the operating expenses of the Company were Rmb747,354,000, representing an increase of 22.04% when comparing with the same period of the previous year.

For the first half year of 2007, the depreciation and amortisation expenses were Rmb276,934,000, representing an increase of 13.77% when comparing with the same period of the previous year, which was mainly because starting from the second half year of 2006, the reconstruction projects of the western zone of Beijing Airport were gradually finished, the depreciation expenses increased as a result of the increase in the fixed assets.

For the first half year of 2007, the aviation safety and security guard expenses were Rmb115,030,000, representing an increase of 38.68% when comparing with the same period of the previous year. The increase was mainly because of the growth of the air traffic volumes at Beijing Airport resulting from the increase of labour costs caused by the rise in consumer price index.

For the first half year of 2007, as a result of growth in air traffic volumes at Beijing Airport, the utilities and power expenses were Rmb103,200,000, representing an increase of 10.44% when comparing with the same period of the previous year.

For the first half year of 2007, the staff costs of the Company were Rmb80,269,000, representing an increase of 204.11% when comparing with the same period of the previous year and an increase of 18.40% when comparing with the comparative figure for the same period of the previous year (the comparative figure mainly refers to the amount without taking into account the effect from the termination of some labor contracts and writing off the relevant charged staff costs as a result of the business restructuring in the first half year of 2006). The increase was mainly because that in 2007, in order to prepare for the operation of Phase III Project (referring to the extension of the existing facilities of Beijing Airport) in Beijing Airport, the staff number of the Company increased when comparing with the same period of the previous year.

For the first half year of 2007, the expenses of repairs and maintenance of the Company were Rmb63,259,000, representing a decrease of 10.28% when comparing with the same period of the previous year, which mainly because of the decrease of the projects of repairs and maintenance in the first half year of 2007 when comparing with the same period of the previous year.

For the first half year of 2007, the greening and environmental maintenance expenses were Rmb40,845,000, representing an increase of 7.15% when comparing with the same period of the previous year.

For the first half year of 2007, the real estate and other taxes were Rmb27,585,000, representing an increase of 10.16% when comparing with the same period of the previous year, which mainly because the taxable fixed assets amount increased due to the completion of the reconstruction projects in the western zone of Beijing Airport since the second half year of 2006.

For the first half year of 2007, due to the growth of air traffic volumes, the general, administrative and other expenses were Rmb40,232,000, representing an increase of 23.81% when comparing with the same period of the previous year.

PROSPECTS FOR THE SECOND HALF YEAR OF 2007

In the second half year of 2007, in order to reduce flights delays and to ensure aviation safety, the General Administration of Civil Aviation of China decided to cancel certain scheduled domestic flights to and from Beijing Airport for the period from 15 August 2007 to 27 October 2007. It is expected that this will affect the growth of aircraft movements of Beijing Airport slightly in the second half year of 2007 but will have no material effect on the financial results of 2007. Generally speaking, with the benefits from the continuous growth in the demand for aviation market, the air traffic volumes of Beijing Airport will keep increasing.

In the second half year of 2007, the Company will set up safety management system in order to further perfect systems and better carry out safety responsibility. The Company will adopt new safety management techniques to enhance safety management level and other measures to ensure operation safety. At the same time, the Company will continue to improve the service quality substantially by improving airport lounges environment, initiating new service items and associating with airlines and governmental authorities to reduce flights delays.

In the second half year of 2007, the Company will expedite the full-scope preparation of use of assets of Phase III Project, including completion of the operating scheme, completion of equipment and facilities' installation and examination, completion of the scheme of transferring certain airlines to terminal 3, planning aeronautical and non-aeronautical business resources and introducing clients, services providers and tenants, to ensure that the major part of assets for Phase III Project could put into use at the beginning of 2008.

In the second half year of 2007, the Company will proactively facilitate the relevant parties for special preparation in Beijing Airport for 2008 Olympics Games and strengthen employees training with an aim of achieving service quality internationalization and service level specialization. The Company shall take the opportunities of Beijing 2008 Olympic Games to improve the Company's management and operation capabilities and employees' quality.

INTERIM DIVIDENDS

The Board resolved that the interim dividends shall be Rmb 0.04122 per share for the six months ended 30 June 2007 (the interim dividends in 2006: Rmb0.03933).

Pursuant to the Company's articles of association, dividends payable to holders of domestic shares will be paid in Rmb, while dividends payable to holders of H shares will be paid in Hong Kong dollar. The dividends payable in Hong Kong dollar will be calculated based on the average exchange rate of Rmb to Hong Kong dollars published by the People's Bank of China over the period of one calendar week prior to the declaration of the dividends. During such period, the average exchange rate of Rmb to Hong Kong dollar was HK\$1.00 = Rmb0.9707. Accordingly, the amount of the interim dividends for each H share of the Company is HK\$0.4246.

The register of members of the Company will be closed from Friday, 28 September 2007 to Tuesday, 2 October 2007 (both days inclusive). The interim dividends are expected to be paid on or before Wednesday, 31 October 2007, to the shareholders whose names appear on the register of shareholders on Tuesday, 2 October 2007.

In order to be qualified for the payment of the interim dividends, holders of H shares whose transfers have not been registered are requested to deposit the transfer documents together with the relevant share certificates to the Company's H Share Registrar: Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Thursday, 27 September 2007.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Company had total cash and cash equivalents amounting to Rmb1,364,367,000, and those for the year ended 31 December 2006 were Rmb347,382,000.

As at 30 June 2007, the Company's short-term and long-term loans were nil.

	As at 30 June 2007	As at 31 December 2006
Current Ratio	1.70	1.64
Gearing Ratio	20.82%	18.49%

The condition of cash flow for the six months ended 30 June 2007 are summarized as follows:

	Unaudited For the six months ended 30 June	
	2007	2006
	<i>Rmb'000</i>	<i>Rmb'000</i>
Net cash from operating activities	1,784,930	512,821
Net cash (used in)/from investing activities	(427,911)	77,752
Net cash used in financing activities	(145,357)	(800,000)
Effect of exchange rate changes	(113)	(2)
Net increase/(decrease) in cash and cash equivalents	1,211,549	(209,429)
Cash and cash equivalents at 1 January	152,818	556,811
Cash and cash equivalents at 30 June	<u>1,364,367</u>	<u>347,382</u>

Cash flow (used in) / from investing and financing activities are summarized as follows:

	Unaudited	
	For the six months ended 30 June	
	2007	2006
	<i>Rmb 000'</i>	<i>Rmb 000'</i>
Investing activities:		
Purchases of property, plant and equipment	(430,103)	(297,001)
Net cash inflow on disposal of certain assets and liabilities	416	277,794
Decrease in time deposits with original maturities over three months but within one year	—	100,000
Financing activities:		
Drawdown of short-term bank loans	229,793	500,000
Repayment of short-term bank loans	(229,793)	(1,300,000)
Dividends paid	(455,357)	—
Received from CAHC for the construction of certain improvement projects (<i>note</i>)	310,000	—

Note: This represents funding received from the Parent Company in relation to the construction of certain improvement projects of the aeronautical business of the Company. The amount is interest free and repayable on demand.

For the six months ended 30 June 2007, the net cash from operating activities was Rmb1,784,930,000, with an increase amounting to Rmb1,272,109,000 comparing with the same period of the previous year, which mainly because the receivable balance of airport fee as at 31 December 2006 was fully collected, and the Company enhanced the management of cash flow by using bank notes to pay for the operating expenditures.

In accordance with the “Notice regarding questions on continuing levies of 17 government funds such as the fund on Rural Power Network Repayments” issued by the Ministry of Finance of the People’s Republic of China (“Ministry of Finance”) on 8 January 2007, the civil airport management and construction fee (the “Airport Fee”) should continue to be levied while the Ministry of Finance may adjust and modify the method of the levy and usage of these governmental funds after discussing with other related government authorities. Further according to the approval of Ministry of Finance issued on 9 October 1999, 50% of the collected Airport Fee of Beijing Airport could be recognised by the Company as revenues.

CHARGE ON ASSETS

As at 30 June 2007, there was no material charge or pledge of assets in the Company.

ACQUISITION AND DISPOSALS

During the six months ended 30 June 2007, there were no material acquisition and disposals in relation to the Company’s subsidiaries and associated companies.

MATERIAL INVESTMENT, MATERIAL INVESTMENT PLAN AND MATERIAL FINANCIAL PLAN

On 26 October 2006, the Company entered into the Asset Transfer Agreement on Phase III Project with the Parent Company. According to the Asset Transfer Agreement, the Company would purchase the target assets including the airfield, Terminal 3 and roads within airport area, the driverless electric train system and other relevant equipment, facilities, of Phase III Project, the land use rights of the land on which Terminal 3 is situated, and the rights and liabilities relating thereto (“the Phase III Target Assets”) . As at the date of this announcement, all the conditions precedent to the Assets Transfer Agreement have been satisfied, save and except the verification relating to the Company’s joining as project owner of Phase III Project by National Development and Reform Commission. The Company will keep on communicating with the relevant governmental authorities so as to keep up with the further development. Upon receipt of the abovementioned verification, the valuation report of the Phase III Target Assets may be required to be updated. At the same time, considering the trial operation of the runway of Phase III Project which will be carried out in the end of October 2007, the Company will make appropriate arrangement (if necessary) to ensure the smooth operation of the related assets. Furthermore, according to the Non-competition Undertaking and Option Agreement entered between the Company and the Parent Company on 26 October 1999 (details of which are set out in the circular for shareholders dated 17 November 2006 and the prospectus of the Company regarding its initial public offering), the main assets of the Phase III Project would be purchased by the Company finally.

The above-mentioned possible arrangement will be decided on the basis of the benefits of the Company’s operation and development and in accordance with the interests of the shareholders as a whole. It is estimated there will be no material effect on the ultimate assets acquisition. Any further development of the assets acquisition will be disclosed to the shareholders by the Company, from time to time.

Since certain effective conditions of the Asset Transfer Agreement are not yet satisfied, the related debt financing arrangement and equity financing arrangement for the investment of the Phase III Target Assets approved by the extraordinary general meeting of the Company on 20 December 2006 was still under preparation and had not been carried into execution.

Save as disclosed above, during the six months ended 30 June 2007, the Company did not have any other material investment and material investment plan.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed, purchased or sold any of its shares during the six months ended 30 June 2007.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the reporting period, the Company was exposed to foreign exchange currency risk primarily as a result of its foreign currency denominated receivables and other receivables of Rmb59,798,000 (as at 31 December 2006: Rmb51,926,000). The Company did not involve in any foreign currency hedging activities during the six months ended 30 June 2007.

During the reporting period, the foreign exchange currency risks mainly resulted from the revenues from aircraft movement fee and related charges paid by foreign, Hong Kong and Macau airlines, which were denominated in foreign currencies.

During the reporting period, the Company recorded an exchange gain of Rmb268,000. The fluctuations in exchange rates should not have any significant impact on the Company's financial situation and operating results.

CONTINGENT LIABILITIES

Save as disclosed below, the Company had no other significant contingent liabilities as at 30 June 2007.

The directors of the Company understand that certain residents living in the vicinity of the Beijing Capital Airport have made complaints to the Beijing Municipal Government of the aircraft engine noise created by approaching and departing aircrafts, 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 period end, the outcome was still pending. Any potential financial impact to the Company, if any, will depend on the final resolution of these complaints with the parties involved. The Company 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 unaudited condensed financial information for the six months ended 30 June 2007 for any costs to resolve this issue.

EMPLOYEES AND EMPLOYEES' WELFARE

As at 30 June 2007, the numbers of employees of the Company were as follows, together with comparisons with those in the previous year:

	As at 30 June 2007	As at 30 June 2006
Total employees	1428	1342
Contracted employees	861	755
Temporary employees	567	587

The remuneration policy of employees is determined by the management of the Company based on market competitive practice and mainly consists of two parts, i.e. basic salaries and salaries based on performance.

MATERIAL LITIGATION OR ARBITRATION

The Company was not involved in any material litigation or arbitration during the reporting period.

ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 30 June 2007, the Company did not have any entrusted loans or any matured but not yet withdrawn fixed deposit placed in any financial institutions or any other entities.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS, SHORT POSITIONS AND SECURITIES TRANSACTIONS

As at 30 June 2007, none of the directors or supervisors or the chief executive officer of the Company had any interests or short positions in any shares, any underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (“SFO”) or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (“HKEx”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (“the Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange Limited (the “Listing Rules”). None of the directors, supervisors and the chief executive officer of the Company, or their associates had been granted or had exercised any such rights during the six months ended 30 June 2007.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company’s unaudited interim accounts for the six months ended 30 June 2007. It has also reviewed the accounting principles and practices adopted by the Company. The Audit Committee considers that the disclosure of the financial information in the unaudited condensed financial information and in the interim report complies with the applicable accounting standards and the requirements of the HKEx and the laws of Hong Kong.

CORPORATE GOVERNANCE AND COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to building and maintaining high standards of corporate governance practices. The Company has complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended on 30 June 2007.

COMPLIANCE WITH THE MODEL CODE

The Company has stipulated “the Model Code for Securities Transaction by Directors and Staff” as code of conduct for securities transactions by directors and staff at terms no less than the required standard of the Model Code. For the six months ended 30 June 2007, the Company strictly complied with the Model Code for Securities Transaction by Directors and Staff.

Upon specific enquiries made to the directors, supervisors and senior management of the Company, the Company has confirmed that each of them has complied with the Model Code during the six months ended 30 June 2007.

By the order of the Board

Wang Jiadong

Chairman of the Board

Beijing, PRC

24 August 2007

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Wang Jiadong, Mr. Dong Zhiyi, Mr. Wang Tiefeng

Non-executive Directors:

Mr. Chen Guoxing, Mr. Gao Shiqing

Independent Non-Executive Directors:

Mr. Long Tao, Mr. Moses Cheng Mo Chi, Mr. Kwong Che Keung, Gordon.