



北京首都國際機場股份有限公司

Beijing Capital International Airport Co., Ltd.

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

(Stock Code: 0694)

2008 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “Board”) of Beijing Capital International Airport Company Limited (the “Company”) announces the unaudited financial position and operating results of the Company as at 30 June 2008 and for the six months ended on that date, 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 2007 as follows:

UNAUDITED CONDENSED BALANCE SHEET

AS AT 30 JUNE 2008

	Unaudited As at 30 June 2008 Rmb'000	Audited As at 31 December 2007 Rmb'000
<i>Note</i>		
ASSETS		
Non-current assets		
Property, plant and equipment	7,870,820	7,986,574
Land use rights	215,524	218,155
Intangible assets	20,489	23,437
Investment in associates	24,689	25,802
Deferred income tax assets	14,896	14,658
Total non-current assets	8,146,418	8,268,626

Current assets

Inventories		11,807	13,210
Trade and other receivables	6	4,249,494	863,741
Derivative financial asset	7	3,300	—
Cash and cash equivalents		2,105,565	3,134,996

Total current assets

6,370,166	4,011,947
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Total assets

14,516,584	12,280,573
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EQUITY**Capital and reserves**

Share capital	5	4,330,890	4,046,150
Share premium		4,602,735	3,032,824
Capital reserve		300,000	300,000
Statutory and discretionary reserves	12(a)	1,933,015	1,718,655
Retained earnings		1,114,211	1,641,383

Total equity

12,280,851	10,739,012
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LIABILITIES**Non-current liabilities**

Retirement benefit obligations		43,014	40,418
Deferred income		21,275	10,940

Total non-current liabilities		64,289	51,358
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Current liabilities

Trade and other payables	8	2,158,945	1,174,815
Current income tax liabilities		10,985	313,771
Current portion of retirement benefit obligations		1,514	1,617

Total current liabilities		2,171,444	1,490,203
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Total liabilities		2,235,733	1,541,561
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Total equity and liabilities		14,516,584	12,280,573
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Net current assets		4,198,722	2,521,744
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Total assets less current liabilities		12,345,140	10,790,370
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UNAUDITED CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Unaudited	
		For the six months	
		ended 30 June	
		2008	2007
	<i>Note</i>	<i>Rmb'000</i>	<i>Rmb'000</i>
Revenues			
Aeronautical	4	1,297,689	1,225,673
Non-aeronautical	4	716,675	436,954
		2,014,364	1,662,627
Business tax and levies			
Aeronautical		(42,045)	(39,712)
Non-aeronautical		(46,631)	(26,361)
		(88,676)	(66,073)
Operating expenses			
Rental expenses		(586,162)	(5,294)
Repairs and maintenance		(263,518)	(40,614)
Utilities and power		(213,195)	(103,200)
Depreciation and amortisation		(205,661)	(276,934)
Aviation safety and security			
guard expenses		(158,899)	(115,030)
Staff costs		(139,832)	(80,269)
Greening and			
environmental maintenance		(90,439)	(40,845)
Operational contracted services		(66,852)	(25,849)
Real estate and other taxes		(47,882)	(27,585)
Other expenses		(97,285)	(31,734)
		(1,869,725)	(747,354)

Other income	10	<u>23,285</u>	<u>1,388</u>
Operating profit	9	79,248	850,588
Finance costs		—	(4,989)
Share of profit of associates		<u>—</u>	<u>209</u>
Profit before income tax		79,248	845,808
Income tax expense	11	<u>(22,930)</u>	<u>(279,144)</u>
Profit for the period		<u>56,318</u>	<u>566,664</u>
Earnings per share			
— basic and diluted (<i>Rmb</i>)	13	<u>0.014</u>	<u>0.140</u>
Dividends			
Interim dividend declared	12(b)	<u>—</u>	<u>166,782</u>

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2008

		Unaudited					
		Share capital	Share premium	Capital reserve	Statutory and discretionary reserves	Retained earnings	Total equity
	Note	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Balance at 1 January 2007		4,046,150	3,032,824	—	1,408,155	1,346,210	9,833,339
Profit for the period		—	—	—	—	566,664	566,664
Dividends							
— 2006 final dividend		—	—	—	—	(357,032)	(357,032)
Transfer to statutory and discretionary reserves	12(a)	—	—	—	203,320	(203,320)	—
Balance at 30 June 2007		<u>4,046,150</u>	<u>3,032,824</u>	<u>—</u>	<u>1,611,475</u>	<u>1,352,522</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
2007 declared interim dividend	12(b)						
Balance at 30 June 2007		<u>4,046,150</u>	<u>3,032,824</u>	<u>—</u>	<u>1,611,475</u>	<u>1,352,522</u>	<u>10,042,971</u>

Balance at 1 January 2008		4,046,150	3,032,824	300,000	1,718,655	1,641,383	10,739,012
Profit for the period		—	—	—	—	56,318	56,318
New shares issued	5	284,740	1,569,911	—	—	—	1,854,651
Dividends							
— 2007 final dividend		—	—	—	—	(369,130)	(369,130)
Transfer to statutory and discretionary reserves	12(a)	—	—	—	214,360	(214,360)	—
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 30 June 2008		<u>4,330,890</u>	<u>4,602,735</u>	<u>300,000</u>	<u>1,933,015</u>	<u>1,114,211</u>	<u>12,280,851</u>
Representing:							
Share capital and reserves		4,330,890	4,602,735	300,000	1,933,015	1,114,211	12,280,851
2008 declared interim dividend	12(b)	—	—	—	—	—	—
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 30 June 2008		<u>4,330,890</u>	<u>4,602,735</u>	<u>300,000</u>	<u>1,933,015</u>	<u>1,114,211</u>	<u>12,280,851</u>

NOTES TO THE UNAUDITED CONDENSED FINANCIAL INFORMATION

For the six months ended 30 June 2008

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.

The unaudited condensed financial information for the six months ended 30 June 2008 was approved by the Board of Directors for issue on 26 September 2008.

2. BASIS OF PREPARATION

The unaudited condensed financial information for the six months ended 30 June 2008 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The unaudited condensed financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which were prepared in accordance with the International Financial Reporting Standards (“IFRS”).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant to the Company.

- IFRIC 11, “IFRS 2 — Group and treasury share transactions”.
- IFRIC 12, “Service concession arrangements”.
- IFRIC 14, “IAS 19 — the limit on a defined benefit asset, minimum funding requirements and their interaction”.

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 2008. 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	
	2008	2007
	<i>Rmb'000</i>	<i>Rmb'000</i>
Aeronautical:		
Aircraft movement fees and related charges	461,152	478,704
Passenger charges	482,159	393,230
Airport fee	354,378	353,739
	<u>1,297,689</u>	<u>1,225,673</u>
Non-aeronautical:		
Concessions	473,370	282,530
Rentals	206,554	110,212
Car parking	24,225	32,362
Other	12,526	11,850
	<u>716,675</u>	<u>436,954</u>
Total revenues	<u>2,014,364</u>	<u>1,662,627</u>

5. SHARE CAPITAL

	2008		2007	
	Number of ordinary shares (thousands)	Nominal value RMB'000	Number of ordinary shares (thousands)	Nominal value RMB'000
Registered, issued and fully paid				
Domestic Shares				
of Rmb1.00 each	2,451,526	2,451,526	2,480,000	2,480,000
H-Shares of Rmb1.00 each	<u>1,879,364</u>	<u>1,879,364</u>	<u>1,566,150</u>	<u>1,566,150</u>
At 30 June	<u>4,330,890</u>	<u>4,330,890</u>	<u>4,046,150</u>	<u>4,046,150</u>

On 10 June 2008, the Company issued 313,214,000 H-shares with par value of Rmb1 each at HK\$7.45 per share, of which 28,474,000 H-shares issued in exchange of the Domestic shares held by CAHC and 284,740,000 H-shares issued through placement to institutional investors. The net proceeds of the placement was about Rmb1,854,651,000 (HK\$2,093,120,000).

As at 30 June 2008, the total number of ordinary shares issued is 4,330,890,000 shares (2007: 4,046,150,000 shares) with par value of Rmb1 (2007: Rmb1) per share. All issued shares were fully paid.

6. TRADE AND OTHER RECEIVABLES

	As at 30 June 2008 <i>Rmb'000</i>	As at 31 December 2007 <i>Rmb'000</i>
Trade receivables (<i>note a</i>)		
— third parties	1,260,130	674,921
— related parties	290,291	151,423
	<u>1,550,421</u>	<u>826,344</u>
Less: Provision for impairment	(10,813)	(5,291)
	<u>1,539,608</u>	821,053
Prepayment to Parent Company (<i>note b</i>)	2,651,600	—
Prepayments and other receivables	51,035	35,437
Due from related parties	7,251	7,251
	<u><u>4,249,494</u></u>	<u><u>863,741</u></u>

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

	As at 30 June 2008 <i>Rmb'000</i>	As at 31 December 2007 <i>Rmb'000</i>
Less than 3 months	893,053	656,161
4 — 6 months	371,276	122,336
7 — 12 months	260,551	31,243
Over 12 months	25,541	16,604
	<u>1,550,421</u>	<u>826,344</u>

The credit terms given to trade customers are determined on an individual basis with the normal credit period between 1 to 6 months.

- (b) This represents the prepayment to CAHC for the proposed acquisition of the assets owned by CAHC in respect of the Phase III Assets, based on the supplemental assets transfer agreement (the “Supplemental Assets Transfer Agreement”) entered into by the Company and CAHC on 31 January 2008. As at 30 June 2008, the Company has yet to obtain approval from the relevant government authorities on certain condition pursuant to the Supplemental Assets Transfer Agreement to complete the proposed acquisition.

7. DERIVATIVE FINANCIAL ASSET

	As at 30 June 2008 <i>Rmb'000</i>	As at 31 December 2007 <i>Rmb'000</i>
Forward foreign exchange contract		
— derivative at fair value		
through profit or loss	<u>3,300</u>	<u>—</u>

Derivative financial asset represents outstanding forward foreign exchange contract with a state-owned bank to sell approximately Hong Kong Dollars 1,500,000,000 for Renminbi. This contract will expire on 4 August 2008. As at 30 June 2008, the gain on this forward foreign exchange contract was accounted for as other income in the income statement.

8. TRADE AND OTHER PAYABLES

	As at 30 June 2008 <i>Rmb'000</i>	As at 31 December 2007 <i>Rmb'000</i>
Trade payables (<i>note a</i>)	4,065	8,239
Other payables		
Transitional usage fee payable to parent company (<i>note b</i>)	530,621	—
Payable to related parties	415,111	199,327
Construction payable	329,077	471,240
Dividend payable to parent company	226,250	—
Maintenance fee payable	168,556	97,134
Payroll and welfare payable	97,526	69,132
Deposit received	91,949	27,074
Receipts on behalf of North China Air Traffic Control Bureau (<i>note c</i>)	71,509	71,170
Business tax payable	48,075	54,536
Housing subsidy payable to employees (<i>note d</i>)	12,313	12,024
Other payables	163,893	164,939
	<u>2,154,880</u>	<u>1,166,576</u>
	<u>2,158,945</u>	<u>1,174,815</u>

(a) All trade payables were aged within one year.

(b) Transitional usage fee payable to parent company represents payable for the transitional use of the Phase III Assets during the transitional period from 26 March 2008 to 30 June 2008 pursuant to the Supplemental Assets Transfer Agreement.

- (c) 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.
- (d) Housing subsidy payable to employees includes one-off housing subsidy which was received from the CAHC and is to be paid to certain employees of the Company on behalf of the CAHC in accordance with the PRC housing reform regulations. The one-off housing subsidy was attributable to the period prior to the Company's restructuring in 1999 in preparation for the offering of the Company's shares.

9. OPERATING PROFIT

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

	For the six months ended 30 June	
	2008	2007
	Rmb'000	Rmb'000
Depreciation on property, plant and equipment		
— owned assets	190,476	258,751
— owned assets leased out under operating leases	7,341	9,179
Loss/(gain) on disposal of property, plant and equipment	1,767	(3,636)
Amortisation of land use rights	2,631	2,612
Amortisation of intangible assets	5,213	6,392
Operating lease rentals		
— Phase III Assets (<i>note 8(b)</i>)	530,621	—
— airfield assets	48,373	—
— land use rights	3,382	3,382
— buildings	3,786	1,912
Provision for/(reversal of) impairment of trade receivables	6,422	(2,433)

10. OTHER INCOME

	For the six months ended 30 June	
	2008	2007
	Rmb'000	Rmb'000
Interest income	21,098	1,388
Fair value gain on forward foreign exchange contract	3,300	—
Impairment of investment in associate (<i>note a</i>)	(1,113)	—
	<u>23,285</u>	<u>1,388</u>

- (a) As at 30 June 2008, the associate was under liquidation. Management has assessed the recoverable amount of the investment and made an impairment provision of Rmb1,113,000.

11. INCOME TAX EXPENSE

Under the Corporate Income Tax law of the People's Republic of China (the "new CIT Law") which is effective from 1 January 2008, the Company is subject to enterprise income tax at a rate of 25% (2007: 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.

	For the six months ended 30 June	
	2008	2007
	Rmb'000	Rmb'000
Current tax	23,168	281,665
Deferred tax credit	(238)	(2,521)
	<u>22,930</u>	<u>279,144</u>

12. 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 Rmb214,360,000 (20% of profit after taxation) to the discretionary surplus reserve fund for the year ended 31 December 2007 was recorded in the financial statements for the six months ended 30 June 2008.

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 30 June 2008, the reserve available for distribution was approximately Rmb867,090,000 (as at 31 December 2007: Rmb1,392,958,000).

(b) Dividends

	For the six months ended 30 June	
	2008	2007
Dividend declared		
Interim dividend (<i>Rmb'000</i>)	<u>—</u>	<u>166,782</u>
Interim dividend per share (<i>Rmb</i>)	<u>—</u>	<u>0.04122</u>

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Rmb166,782,000).

13. 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	
	2008	2007
Profit attributable to equity holders of the Company (<i>Rmb'000</i>)	56,318	566,664
Weighted average number of ordinary shares in issue (<i>thousands</i>)	4,077,788	4,046,150
Basic earnings per share (<i>Rmb per share</i>)	<u>0.014</u>	<u>0.140</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 2008 and 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF THE AERONAUTICAL BUSINESS

With the impact of various factors, the air traffic volumes at Beijing Capital International Airport (the “Beijing Airport”) for the first half year of 2008 did not maintain growth as expected. In order to reduce flight delays and to ensure aviation safety, the Civil Aviation Administration of China (the “CAAC”) decided to cancel certain scheduled domestic flights to and from Beijing Airport by stages for the period from 15 August 2007 to 27 October 2007 and for the period from the end of October 2007 to the end of March 2008, respectively. This had slowed down the growth of air traffic volumes at the Beijing Airport to a certain extent in the relevant period. On the other hand, the weakening of aviation transportation demand due to the slowdown of the global economic growth and the cancellation of flights or the postponement of increase of flights by certain airlines due to the higher price of jet fuel had also affected the growth of air traffic volumes at the Beijing Airport. For the first half year of 2008, the aircraft movements at the Beijing Airport decreased by 0.7% as compared with the same period of the previous year, while the passenger throughput and freight throughput increased by 0.4% and 28.4%, respectively, as compared with the same period of the previous year. Details of which are as follows:

	For the six months ended 30 June		
	2008	2007	Change
Aircraft movements (<i>unit: movements</i>)	199,830	201,222	-0.7%
Domestic	150,720	152,278	-1.0%
International, Hong Kong & Macau	49,110	48,944	0.3%
Passenger throughput (<i>unit: thousands</i>)	26,062	25,965	0.4%
Domestic	19,481	19,973	-2.5%
International, Hong Kong & Macau	6,581	5,992	9.8%
Freight throughput (<i>unit: tonnes</i>)	638,000	496,844	28.4%
Domestic	333,000	274,638	21.3%
International, Hong Kong & Macau	305,000	222,206	37.3%

As at 30 June 2008, there were 79 airlines operating at the Beijing Airport, including 19 domestic airlines, 5 Hong Kong and Macau airlines, and 55 foreign airlines.

Commencement of Operation of The Phase III Target Assets and Transfer of The Airlines

The Phase III Target Assets (*note 1*) at the Beijing Airport commenced its trial run on 29 February 2008 and was put into formal operation from 26 March 2008. 27 domestic and foreign airlines, including Air China Limited, commenced their operations in Terminal Three. On 20 May 2008, 3 domestic airlines, including China Southern Airlines Limited, transferred their operations from Terminal One to Terminal Two. On 30 June 2008, 4 domestic airlines, including Hainan Airlines Limited, transferred their operations from Terminal Two to Terminal One. All of the commencement and transfers of operations mentioned above have been accomplished successfully.

At present, the Beijing Airport is an airport operating with three runways and three terminals. Its designed passenger handling capacity has been expanded from 35 million to 78 million per annum, and its designed freight handling capacity has been expanded from 0.78 million tonnes to 1.80 million tonnes per annum. The commercial space available in the terminals has also been expanded by more than two times. The Company has been providing high quality services to the passengers and airlines clients by virtue of its brand new facilities and better environment since commencement of operation of the Phase III Target Assets, particularly allowing passengers to experience the enjoyable, comfortable and safe airport environment with highly efficient services. Based on the statistics of preliminary investigations made by the Airports Council International, the passengers' satisfaction of the Beijing Airport ranked the 5th in the second quarter of 2008 among those airports which had over 40 million passenger throughput per annum.

Note 1: Phase III Target Assets: the assets owned by the Parent Company and which form the target assets for acquisition by the Company from the Parent Company pursuant to the Assets Transfer Agreement as amended by the Supplemental Assets Transfer Agreement, including but not limited to the Airfield Assets, Terminal Three and its related assets, roads within airport area, the driverless electric train system, commercial areas and other relevant equipment, machinery and facilities, etc, in respect of Phase III Project (*note 2*), the land use rights of the land on which Terminal Three and other related constructions are situated.

Note 2: Phase III Project: the extension to the existing facilities of the Beijing Capital Airport operated by the Company, which includes the construction of Terminal Three, driverless electric train system, a new runway, airfield, cargo handling area, supporting transportation system, water supply system, electricity supply system and gas supply system and other facilities approved by the National Development and Reform Commission ("NDRC"), such as T3C (international flight waiting centres) and GTC (ground traffic centre).

Aeronautical Revenues

	Unaudited For the six months ended 30 June		
	2008	2007	Change
	<i>Rmb'000</i>	<i>Rmb'000</i>	
Aircraft movement fees and related charges	461,152	478,704	-3.67%
Passenger charges	482,159	393,230	22.62%
Airport fee	354,378	353,739	0.18%
Total aeronautical revenues	1,297,689	1,225,673	5.88%
Less: Business tax and levies	(42,045)	(39,712)	5.87%
Aeronautical revenues, net of business tax and levies	1,255,644	1,185,961	5.88%

For the first half year of 2008, the total aeronautical revenues of the Company were Rmb1,297,689,000, and the aeronautical revenues net of business tax and levies amounted to Rmb1,255,644,000, representing an increase of 5.88% and 5.88%, respectively, when comparing with the same period of the previous year.

From 1 March 2008, a new set of rates and policies for charges has come into effect for the Beijing Airport in accordance with the Reform Scheme for Civil Airport Charges promulgated by CAAC and NDRC. According to the Scheme, the charges such as aircraft movement fees and related charges and passenger charges, which had been different for domestic and foreign airlines, have been substantially adjusted in structure and standard. Under the new rates and policies, the revenues from aircraft movement fees and related charges of the Company were Rmb461,152,000 for the first half year of 2008, representing a decrease of 3.67% as compared with the same period of the previous year; and the revenues from the passenger charges were Rmb482,159,000, representing an increase of 22.62% as compared with the same period of the previous year. The aforesaid changes in revenues are not in line with the changes in aircraft movements and passenger throughput. For the first half year of 2008, the revenues from airport fee were Rmb354,378,000, representing an increase of 0.18% as compared with the same period of the previous year, which are in line with the growth of passenger throughput.

Non-aeronautical Revenues

	Unaudited For the six months ended 30 June		
	2008	2007	Change
	<i>Rmb'000</i>	<i>Rmb'000</i>	
Concession revenues	473,370	282,530	67.55%
Advertising	272,453	112,159	142.92%
Retailing	159,179	128,317	24.05%
Restaurants and food shops	33,928	27,407	23.79%
Ground handling service	6,973	10,958	-36.37%
Air catering	—	2,490	-100.00%
Other concession revenues	837	1,199	-30.19%
Rentals	206,554	110,212	87.42%
Car parking	24,225	32,362	-25.14%
Others	12,526	11,850	5.70%
Total non-aeronautical revenues	716,675	436,954	64.02%
Less: Business tax and levies	(46,631)	(26,361)	76.89%
Non-aeronautical revenues less business tax and levies	670,044	410,593	63.19%

For the first half year of 2008, benefiting from the substantial increase of commercial resources available-for-use upon the commencement of operation of Terminal Three, the non-aeronautical revenues of the Company recorded a rapid growth to Rmb716,675,000, and the non-aeronautical revenues net of business tax and levies amounted to Rmb670,044,000, representing an increase of 64.02% and 63.19%, respectively, as compared with the same period of the previous year.

For the first half year of 2008, the concession revenues of the Company were Rmb473,370,000, representing an increase of 67.55% as compared with the same period of the previous year. The commercial space for retailing and restaurants has been doubled since the operation of Terminal Three in March, and the total concession revenues from retailing and restaurants for the first half year reached Rmb159,179,000 and Rmb33,928,000, respectively, representing an increase of 24.05% and 23.79%, respectively, as compared with the same period of the previous year, despite the decrease in revenues from retailing business and restaurants business in Terminal One and Terminal Two due to the transfer of a number of airlines to Terminal Three. As a result of the significant increase of advertising resources upon the commencement of operation of Terminal Three, and the rise of price for certain advertising media in Terminal One and Terminal Two in 2008, the concession revenues from advertising of the Company were Rmb272,453,000, representing a significant increase of 142.92% as compared with the same period of the previous year. From 1 March 2008, a new set of rates and policies for charges has come into effect for the Beijing Airport in accordance with the Reform Scheme for Civil Airport Charges promulgated by CAAC and NDRC. As the Company still has not obtained the approval from CAAC for the concession rates of ground handling and air catering services, the Company has not entered into any concession agreement with any of the related service suppliers. As such, the concession revenues from such services still remained uncertain.

For the first half year of 2008, the rental incomes of the Company were Rmb206,554,000, representing an increase of 87.42% as compared with the same period of the previous year, which was mainly because of the substantial increase of the leasing area upon the commencement of operation of Terminal Three in March 2008 as well as the higher rental value in Terminal Three when compared with that in Terminal One and Terminal Two.

For the first half year of 2008, the revenues from car parking were Rmb24,225,000, representing a decrease of 25.14% as compared with the same period of the previous year. Most automobiles have transferred to the ground traffic center (“GTC”), which is located in front of Terminal Three, upon the commencement of operation of Terminal Three in March 2008. As the GTC was owned by the Parent Company, the car parking revenues and operating costs were accounted into the Parent Company.

For the first half year of 2008, the other revenues of the Company were Rmb12,526,000, representing an increase of 5.70% as compared with the same period of the previous year. The other revenues mainly included the revenues from management fee of GTC engaged by the Parent Company and the revenues from travel documents handling services in the terminals.

OPERATING EXPENSES

	Unaudited For the six months ended 30 June		
	2008	2007	Change
	<i>Rmb'000</i>	<i>Rmb'000</i>	
Rental expenses	586,162	5,294	10,972.19%
Repairs and maintenance	263,518	40,614	548.84%
Utilities and power	213,195	103,200	106.58%
Depreciation and amortisation	205,661	276,934	-25.74%
Aviation safety and security guard expenses	158,899	115,030	38.14%
Staff costs	139,832	80,269	74.20%
Greening and environmental maintenance	90,439	40,845	121.42%
Operational contracted services	66,852	25,849	158.63%
Real estate and other taxes	47,882	27,585	73.58%
Other expenses	97,285	31,734	206.56%
Total operating expenses	1,869,725	747,354	150.18%

For the first half year of 2008, given the commencement of operation of the Phase III Target Assets, the operating expenses of the Company were Rmb1,869,725,000, representing an increase of 150.18% as compared with the same period of the previous year.

For the first half year of 2008, the rental expenses were Rmb586,162,000, which was mainly because the Company was required to pay the rental expenses to the Parent Company for the use of airfield area of the Phase III Target Assets during the period from 29 October 2007 to 28 February 2008, and the Company was also required to pay the assets usage compensation to the Parent Company during the transitional period under the arrangement for the use of the Phase III Target Assets after the commencement of the operation of the Phase III Target Assets.

For the first half year of 2008, the expenses of repairs and maintenance of the Company were Rmb263,518,000, representing an increase of 548.84% as compared with the same period of the previous year, which was mainly because the repairs and maintenance cost of the systems, equipments and certain buildings increased significantly for the first half year of 2008 during the course of the commencement of operation of the Phase III Target Assets and airlines transferring among three terminals.

For the first half year of 2008, the utilities and power expenses was Rmb213,195,000, representing an increase of 106.58% as compared with the same period of the previous year which was mainly attributable to the substantial increase in utilities and power expenses resulting from the commencement of operating of the Phase III Target Assets.

For the first half year of 2008, the depreciation and amortisation expenses were Rmb205,661,000, representing a decrease of 25.74% as compared with the same period of the previous year, which was mainly attributable to the change of the useful life of certain fixed assets of the Company for depreciation since 1 January 2008. Having surveyed the useful conditions of existing fixed assets such as property and runways and taking into account operation pressure on the existing assets to be released substantially after the Phase III Target Assets putting into operation, which would maintain the wastage of the fixed assets mentioned above at current level, the Company changed the estimated useful lives of the above-mentioned fixed assets.

For the first half year of 2008, the aviation safety and security guard expenses were Rmb158,899,000, representing an increase of 38.14% as compared with the same period of the previous year, which was mainly attributable to the increase in demand for aviation safety and security guards upon the commencement of operation the Phase III Target Assets.

For the first half year of 2008, the staff costs of the Company were Rmb139,832,000, representing an increase of 74.20% as compared with the same period of the previous year, which was mainly due to the increase in the staff number and work volumes of the Company as compared with the same period of the previous year. To prepare for the operation of the Phase III Target Assets, the staff number increased from the second half year of 2007. And much more workload and working hours were needed during the commencement of the operation the Phase III Target Assets and transfer of airlines.

For the first half year of 2008, the greening and environmental maintenance expenses were Rmb90,439,000, representing an increase of 121.42% as compared with the same period of the previous year, which was mainly caused by the increase of the workload of greening upon the commencement of operation of the Phase III Target Assets.

For the first half year of 2008, the expenses of operational contracted services were Rmb66,852,000, representing an increase of 158.63% as compared with the same period of the previous year, which was mainly because the Company put the new passenger service system and equipments into operation upon commencement of operation of the Phase III Target Assets in the first half year of 2008.

For the first half year of 2008, the real estate and other taxes were Rmb47,882,000, representing an increase of 73.58% as compared with the same period of the previous year, which was mainly caused by the tax expenditure for the Phase III Target Assets since its operation in the first half year of 2008.

For the first half year of 2008, the other expenses were Rmb97,285,000, representing an increase of 206.56% as compared with the same period of the previous year, which was mainly because the related costs such as material cost and training cost increased vastly, and the businesses of fire protection and flood prevention increased upon commencement of operation of the Phase III Target Assets in the first half year of 2008.

PROSPECTS FOR THE SECOND HALF YEAR OF 2008

For the second half year of 2008, the Olympic Games and the Paralympic Games were held in Beijing from 8 August to 17 September successively. As the Beijing Airport is one of the most important non-competition venue, the Company paid high attention to it and facilitated the relevant parties to accomplish a special preparation in Beijing Airport and provided safe, efficient and high quality services and enjoyable, comfortable and convenient experience for the politicians from other countries, all the Olympic delegations and the passengers around the world. Simultaneously, the Company took the opportunities of Beijing Olympic Games to improve the Company's management and operation capabilities, service quality and employees' quality.

For the second half year of 2008, it is expected that the air traffic volumes at the Beijing Airport will continue to be influenced by the macro economic environment. From July to August 2008, the result of the air traffic volumes at the Beijing Airport was still unsatisfactory. While the CAAC has been loosening the restriction on flight throughput at the Beijing Airport gradually upon the commencement of operation of the Terminal Three, and the aviation transportation demand in both tour and business trip will be expected to increase after the Olympic Games, it is expected that air traffic volumes in the remaining months of 2008 will be better than those in the past.

For the second half year of 2008, in view that the available commercial space in the new terminal has been expanded by more than two times, the Company will make full use of the non-aeronautical resources, strengthen the cooperation with concession partners and marketing efforts, introduce various commercial brands, provide comfortable shopping environment and exploit the potentials of non-aeronautical business, so that the revenues of the non-aeronautical business will further increase.

Upon commencement of operation of the Phase III Target Assets, the operating expenses of the Company posted a significantly increase. As the Phase III Target Assets was put into use in March, it is expected that the Company will sustain higher pressure on expenses in the second half year of 2008. At the same time, as a result of the unsatisfactory air traffic volumes at the Beijing Airport ever since the beginning of the year, the Company may face more severe difficulties than expected. But the management expects that such situation will not persist for the long term.

INTERIM DIVIDENDS

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2008 (Interim dividend for 2007: Rmb0.04122 per share).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Company had the total cash and cash equivalents amounting to Rmb2,105,565,000, and those for the year ended 31 December 2007 were Rmb3,134,996,000.

As at 30 June 2008, the Company had no short-term and long-term loans.

	As at 30 June 2008	As at 31 December 2007
Current Ratio	2.93	2.69
Gearing Ratio	15.40%	12.55%

The condition of cash flow for the six months ended 30 June 2008 are summarized as follows:

	Unaudited For the six months ended 30 June	
	2008	2007
	Rmb'000	Rmb'000
Net cash from operating activities	84,546	1,784,930
Net cash used in investing activities	(2,810,716)	(427,911)
Net cash from/(used in) financing activities	1,711,771	(145,357)
Effect of exchange rate changes	(15,032)	(113)
Net (decrease)/increase in cash and cash equivalents	(1,029,431)	1,211,549
Cash and cash equivalents at 1 January	3,134,996	152,818
Cash and cash equivalents at 30 June	<u>2,105,565</u>	<u>1,364,367</u>

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

	Unaudited For the six months ended 30 June	
	2008	2007
	Rmb'000	Rmb'000
Investing activities:		
Prepayment of Phase III		
Target Assets to Parent Company	(2,651,600)	—
Purchases of property, plant and equipment	(179,140)	(430,103)
Increase in intangible assets	(3,846)	—
Interest income received	21,098	1,388
Net proceeds from disposal of certain assets and liabilities	2,772	416
Dividends received	—	388
Financing activities:		
Issuance of shares	1,854,651	—
Dividends paid	(142,880)	(455,357)
Drawdown of short-term bank loans	—	229,793
Repayment of short-term bank loans	—	(229,793)
Received from CAHC for the construction of certain improvement projects	—	310,000

For the six months ended 30 June 2008, the net cash used in investing activities was Rmb2,810,716,000, with an increase amounting to Rmb2,382,805,000 comparing with the same period of the previous year, which mainly because the Company paid the prepayment of Phase III Target Assets to the Parent Company based on the Supplemental Assets Transfer Agreement agreed between the Company and the Parent Company.

As far as the directors of the Company is aware, the civil airport management and construction fee (the “Airport Fee”) shall continue to be levied through 31 December 2010. For the six months ended 30 June 2008, the Company recognized 50% of the collected Airport Fee of Beijing Airport as revenues based on the approval of Ministry of Finance issued on 9 October 1999. The Company shall pay prompt attention to any adjustment of policies related to the Airport Fee and disclose updated information to shareholders by announcement.

CHARGE ON ASSETS

As at 30 June 2008, there was no material charge or pledge of assets in the Company.

ACQUISITION AND DISPOSALS

During the six months ended 30 June 2008, there were no material acquisition or disposals in relation to the Company's subsidiaries and associated companies.

MATERIAL INVESTMENT, MATERIAL INVESTMENT PLAN AND MATERIAL FINANCIAL PLAN

On 31 January 2008, the Company entered into the Supplemental Assets Transfer Agreement on the Phase III Project with the Parent Company to revise certain terms of the Assets Transfer Agreement dated 26 October 2006. Save for the amendments set out under the Supplemental Assets Transfer Agreement, all the other terms of the Assets Transfer Agreement remain unchanged and effective. Pursuant to the Supplemental Assets Transfer Agreement, the Company will purchase from the Parent Company the target assets including but not limited to the Airfield Assets, Terminal Three and its related assets, roads within the airport area, the driverless electric train system, commercial areas and other relevant equipment, machinery and facilities in respect of the Phase III Project, the land use rights of the land on which Terminal Three and the related constructions of Terminal Three are situated and the relevant rights and obligations. The valuation report of the Phase III Target Assets has been updated under the agreement mentioned above. As the Phase III Target Assets has been put into formal operation on 26 March 2008, the Parent Company has agreed to provide the Phase III Target Assets to the Company for use during the transitional term as a pre-closing transitional arrangement before obtaining all the approvals related to the assets transfer transaction in order to ensure the smooth operation of the Phase III Target Assets by the Company.

At 30 June 2008, certain conditions of the above-mentioned assets acquisition have not been satisfied, and the acquisition has not been completed. The Parent Company is in the course of obtaining such approval from the relevant government authorities. The Company and the Parent Company will agree on the acquisition date and other relevant items after obtaining all the approvals related to the assets transfer transaction.

Any further development about assets acquisition will be disclosed by the Company to shareholders at any time.

The financing arrangements proposed by the Company for acquisition of the Phase III Target Assets are as follows:

- (a) The proposed equity financing which is expected to raise approximately Rmb8 billion;
- (b) Assuming part of the loans of the Parent Company from the European Investment Bank in respect of the Phase III Target Assets, loans and borrowings from other banks or financial institutions and/or other debt financing and the construction fees payable in the aggregate amount of not more than Rmb17 billion, of which the loan from European Investment Bank shall amount to not more than Rmb4 billion (such approximate sum to be raised by debt financing may be subject to adjustment depending on the then market conditions); and
- (c) The remaining balance of approximately Rmb2 billion is expected to be satisfied by the cash generated from the operations of the Company.

Subject to market conditions, the Company shall adjust the indicative proportion of financing options as described above.

In view that certain conditions of the transaction of assets acquisition have not been satisfied, the debt financing arrangement and equity financing arrangement for the investment of the Phase III Target Assets are still under preparation and have not been put into force.

Save as disclosed above, during the six months ended 30 June 2008, the Company did not have any other material investment and material financing 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 2008.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The business of the Company were conducted in Rmb except the purchase of some equipments, commodities and materials and payment of consultation fees in USD or HKD. The dividends payable to H shareholders were declared in Rmb and paid in HKD.

During the Reporting Period, the Company entered into a forward foreign exchange contract to sell Hong Kong Dollars for Renminbi to reduce the impact of exchange fluctuation on the Company. This contract was settled in July 2008. Save as the above disclosed, the Company did not involve in any foreign currency hedging activities during the Reporting Period.

As at 30 June 2008, the assets and liabilities of the Company denominated in foreign currencies (mainly in USD and HKD) included cash and cash equivalents of approximately Rmb1,353,378,000 (as at 31 December 2007: Rmb5,235,000), trade and other receivables of approximately Rmb5,065,000 (as at 31 December 2007: Rmb56,188,000), trade and other payables of approximately Rmb2,375,000 (as at 31 December 2007: Rmb146,000).

During the Reporting Period, the Company recorded an exchange loss of Rmb14,821,000. The exchange loss was mainly due to an application for foreign exchange settlement submitted by the Company to State Administration of Foreign Exchange (SAFE) and completion of foreign exchange settlement pursuant to the approval from SAFE after the completion of the placement of 313,214,000 H shares on 10 June 2008, and the appreciation of Renminbi during such period.

CONTINGENT LIABILITIES

Save as disclosed below, the Company had no other significant contingent liabilities as at 30 June 2008.

The directors of the Company understand that certain residents living in the vicinity of the Beijing 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 any costs to resolve this issue.

EMPLOYEES AND EMPLOYEES' WELFARE

As at 30 June 2008, the number of employees of the Company was as follows, together with the comparative figures in the previous year:

	As at 30 June 2008	As at 30 June 2007
Total number of employees	1,734	1,428

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 DEPOSITS AND OVERDUE FIXED DEPOSITS

As at 30 June 2008, the Company did not have any entrusted deposits or uncollected fixed deposit upon maturity placed in any financial institutions or any other entities.

CAPITAL STRUCTURE

On 10 June 2008, the Company issued 313,214,000 H shares at HK\$7.45 per share. The placing shares comprise (1) 284,740,000 New Shares to be issued by the Company; and (2) 28,474,000 Sale Shares to be converted from the same number of existing domestic shares that were transferred from the Parent Company to the National Council for Social Security Fund of the PRC pursuant to the Provisional Measures on the Administration of the Reduction of the State Owned Shares for Raising Social Security Funds. The number of Placing Shares represents approximately 19.999% and 7.74% of the existing H shares in issue and the entire registered capital of the Company, respectively, prior to the Placing and approximately 16.67% and 7.23% of the H shares and the entire registered capital of the Company, respectively, as enlarged by the issue of the Placing Shares. As at 30 June 2008, the total issued capital of the Company is 4,330,890,000 shares, comprising 1,879,364,000 H shares and 2,451,526,000 domestic shares.

As at 30 June 2008, the total number of issued share capital of the Company was 4,330,890,000, including:

	Number of shares	Percentage to total issued share capital
Domestic shares	2,451,526,000	56.61%
H shares	1,879,364,000	43.39%

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES AND THEIR SECURITIES TRANSACTIONS

As at 30 June 2008, none of the directors or supervisors or the chief executives 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) as recorded in the register of the Company required to be kept under Section 352 of the 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 Issuers (the “Model Code”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”). None of the directors, supervisors and the chief executives of the Company, or their associates had been granted or had exercised any such rights during the six months ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee of the Company consists of four independent non-executive directors of the Company, and Mr. Kwong Che Keung, Gordon is the Chairman. Mr. Kwong Che Keung, Gordon, Mr. Dong Ansheng, Mr. Wang Xiaolong and Mr. Japhet Sebastian Law have experience in financial, legal and securities matters, and Mr. Kwong Che Keung, Gordon is a Certified Public Accountant. External auditors are invited to attend the Audit Committee meetings regularly and they can communicate with the Audit Committee individually, as they deem necessary.

The Audit Committee fulfills its supervisory responsibility as delegated by the Board through examining any matter relating to financial reporting, internal control systems, and considering auditing issues. The Audit Committee shall meet at least two times a year to review audit reports, the status of the Company's audits, internal audit reports, and the interim and annual accounts of the Company prior to making recommendation to the Board for approval.

The Audit Committee is responsible for the evaluation of the Company's system of internal control and risk management.

The Audit Committee has reviewed the Company's unaudited interim accounts for the six months ended 30 June 2008. It has also reviewed the accounting principles and methods 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 establishing 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 2008.

COMPLIANCE WITH THE MODEL CODE

The Company has formulated “the Model Code for Securities Transactions by Directors and Staff” as its 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 2008, the Company strictly complied with the Model Code for Securities Transactions by Directors and Staff.

Having made specific enquiries 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 2008.

By the order of the Board

Wang Jiadong

Chairman of the Board

Beijing, PRC

26 September 2008

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

Executive Directors:

Mr. Wang Jiadong, Mr. Dong Zhiyi

Non-executive Directors:

Mr. Chen Guoxing, Mr. Gao Shiqing and Ms. Zhao Jinglu

*Independent Non-executive
Directors:*

*Mr. Kwong Che Keung, Gordon, Mr. Dong Ansheng,
Mr. Japhet Sebastian Law and Mr. Wang Xiaolong*