

## Beijing Capital International Airport Company Limited

### THE COMPANY'S DEVELOPMENT AND PROSPECTS FOR THE SECOND HALF YEAR

In the second half of this year, air traffic volumes are expected to resume to the normal level quickly and the short term effects of SARS will diminish. As for July 2003, the number of aircraft movements at Beijing Airport resumed to 20,170, representing a slight decrease of 5.10% over the same period of last year, the passenger throughput reached 1,981,112, representing a decrease of 17.38% over the same period of last year, and freight throughput reached 50,245 tons, representing a decrease of 14.09% over the same period of last year. However, for the whole year, it is difficult for the traffic volumes at Beijing Airport in 2003 to return to the same level as that of 2002.

In July 2003, the renovation of Terminal 1, which is expected to be completed in a year, was commenced. The passenger handling capacity of Beijing Airport will increased by 10,000,000 after completion of the renovation, making the total passenger handling capacity 40,000,000. At the same time, the Company is considering to make use of the present land resources for partial expansion with a view to further developing the passenger handling capacity. Long-term construction plans aiming to meet the need of Beijing's air traffic volumes in 2015 are being formulated.

The Company shall further develop its non-aeronautical businesses. Besides various promotion strategies in the post SARS period such as in-phase reduction in long-stay car parking charges and the organisation of sales promotion campaigns in the terminal building, the forthcoming redesign of duty free shopping street by the Company is also expected to promote revenues from non-aeronautical businesses. At the same time, the Company is conducting research on the concessions of restaurants and retailing business and making broad negotiations with parties who are interested in working with us.

Under the assistance of IBM Business Consulting Services, the Company has confirmed and detailed its identified interim and long-term development strategic goals, which have reassured the Company's major development strategies, including building into a hub airport, exploration and promotion of non-aeronautical businesses and new businesses, implementation of organisational management and process innovations. Modifications of the organisation structure have already been made according to the Company's interim and long-term strategies, and more than 70 key management and business processes have been improved and renewed. In the second half of this year, we will fully promote the implementation of the strategic action plans.

The Company has started to fully adopt the integrated management systems based on a series of standards, namely ISO9000, ISO14000 and OHSAS1800 and plans to complete the certification within this year. All these will enhance the Company's quality management, environmental management, employee safety and career health management. Meanwhile, the Company is evaluating the work contents and occupational requirements of the employees to optimise the structure of staff costs.

