

## CHAIRMAN'S STATEMENT



**Wang Zhanbin**  
*Chairman*

To shareholders:

I am pleased to announce the 2003 financial and operational results of Beijing Capital International Airport Company Limited and its subsidiaries (together the "Group").

### FINANCIAL RESULTS

For the fiscal year ended 31 December 2003, the Group recorded a net operating revenue of Rmb2,192,307,000, representing a decrease of 3.3% from the previous year. The net profit was Rmb393,006,000, representing a decrease of 22.5% from the previous year.

The earnings per share of the Group was Rmb0.10 in 2003, and it was Rmb0.13 in 2002.

The board of directors of the Company (the "Board") recommends the payment of a final dividend of Rmb0.04007 per share for the year 2003. Such dividend will be payable after approval have been granted at the Annual General Meeting of the Company. Together with the interim dividend of Rmb0.01291, which was paid on 31 October 2003, the total dividends for the year were Rmb0.05298 per share (total dividends in 2002: Rmb0.07162 per share).

### OPERATING RESULTS

In 2003, aircraft movements for the whole year were 235,861, representing a decrease of 2.7% from the previous year; passenger throughput were 24,363,860, decreased by 10.3% from the previous year; and cargo throughput were 662,142 tonnes, decreased by 1.1% from the previous year.

The decrease of traffic volumes of Beijing Airport was principally the result of the global infestation of Severe Acute Respiratory Syndrome (Atypical Pneumonia) ("SARS") from February to July 2003.

In September 2002, the General Administration of Civil Aviation of China ("CAAC") adjusted the aeronautical fee standards of airports, resulting in a higher charge on domestic airlines. However, because of the overall decline in traffic volumes arising from the impact of SARS, the temporary reduction in certain aeronautical fees promulgated by CAAC during the SARS period, and the slow recovery in air services operated by foreign, Hong Kong and Macau airlines afterwards, the Group's aeronautical revenues decreased, with net aeronautical revenues of Rmb1,469,036,000, representing a decrease of 7.7% from the previous year.



In addition to its impact on aeronautical business, SARS also affected various types of non-aeronautical business of the Group to varying degrees. However, benefiting from the Group's self-operations of all the retailing businesses and most of the restaurant services in Terminal Two since October 2002, as well as the Group's efforts such as renovation of the duty-free shopping street, rearrangement of product display and adjustments to pricing policies, the non-aeronautical business maintained its growth. Net revenues of the Group's non-aeronautical business for 2003 were Rmb723,271,000, representing an increase of 7.1% over the previous year.

The Group's total costs were Rmb1,514,134,000 in 2003, representing an increase of 8.4% over the previous year. The main reasons include: an increase in staff costs as a result of the increase in the number of staff and the adjusted staff benefits policy, an increase in goods and material costs due to the expansion of retailing and restaurant businesses, an increase in maintenance costs arising from the renovation of various business resources of the Group, etc.

## PROSPECTS

For Beijing Airport, China and even the world, 2003 was an unusual year. Despite the unprecedented challenge of SARS faced by Beijing Airport, the Group survived through this crisis with the concerted efforts of all its employees. Also, the Group has accumulated experience in handling emergencies and increased its confidence in overcoming difficulties.

China's economy is expected to maintain a steady growth in 2004. Completely riding itself off the impact of SARS, the civil aviation industry of China stepped into a smooth development track. With the favourable external environment, we expect the traffic volumes of Beijing Airport will maintain an overall growth. In order to break through the bottleneck of traffic volume in peak hours, the Group has carried out a number of measures, including: Terminal One to be refurbished and reopened in the second half of 2004; the expansion project for aprons in air field being in smooth progress; with the approval from government authorities, construction of Phase III expansion project having duly commenced on 28 March 2004. We believe that Beijing Airport should be able to continue to provide more excellent and efficient services to airlines and passengers with such measures.

Based on the comprehensive evaluation on the resources of non-aeronautical businesses, in particular, leveraging on the opportunity from the reopening of Terminal One, the Group will continue to proactively introduce well-known brands, together with attempts on franchising model, so as to increase the contribution of the non-aeronautical businesses to the Group's profit.

In 2003, the Company successfully passed the certifications under ISO9000, ISO14000 and OHSAS18000 standards series. In the future, the Company will continue to improve its quality management, environmental management and standards of employee safety and vocational health.

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With the assistance of IBM Business Consulting Services in 2003, the Group reviewed and confirmed its mid and long term development strategies, including: hub airport strategy, expansion strategy, strategy for enhancing non-aeronautical businesses and strategy for innovations in organisation, management and procedures. The Group is taking efforts in carrying out the execution plan for the said strategies which will continue to be implemented in the near future.

To meet the requirements of the increasing air traffic volumes and the 2008 Beijing Olympics on the infrastructure of Beijing Airport, construction for the new terminal of Beijing Airport commenced on 28 March 2004. The new terminal will be constructed in accordance with the 4F standard for international airports, with a designed total annual capacity (including the present facilities) of passenger throughput of 60,000,000, cargo throughput of 1,800,000 tonnes, and aircraft movements of 500,000. The project is expected to be fully completed at the end of 2007 and put into operation in 2008.

In 2003, the Company maintained successful cooperation with ADP Management, its strategic partner, especially in preparation for the implementation of the hub strategy, long-term aeronautical business development, improvement in operating efficiency, commercial development and training. We will continue our steady and friendly partnership.

The Group notes that CAAC recently promulgated the Scheme for Price Reform in Domestic Air Transportation of Civil Aviation, which is designed to optimise resource allocation through reasonable price competition. With an active role to further promote the healthy development of the civil aviation industry, the scheme will also provide more flexibility to airlines in their market expansion, thereby resulting in a favourable effect on the future development of Beijing Airport.

I sincerely appreciate the efforts made by all the staff of the Group under the arduous conditions of the past year and the support from all shareholders as ever. The Group will grasp proactively the business opportunities to further enhance the leading advantage of the Group in China and to present satisfactory returns to shareholders.

By order of the board of directors

**Wang Zhanbin**

*Chairman*

Beijing, the PRC

31 March 2004



**Hospitality  
Safety & Efficiency  
Teamwork**