

The board of directors (the "Board") of Beijing Capital International Airport Company Limited (the "Company") is pleased to announce the unaudited consolidated financial position and operating results of the Company and its subsidiaries (collectively, the "Group") as at 30 June 2004 and for the six months ended 30 June 2004, which have been reviewed by the audit committee of the Company, together with the unaudited comparative figures for the corresponding period of 2003 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2004

(All amounts expressed in thousands of Renminbi ("Rmb"), except per share data)

	Note	Unaudited	
		For the six months ended 30 June	
		2004	2003
Revenues, net of business tax and levies			
Aeronautical	3	924,622	614,288
Non-aeronautical	3	446,378	279,158
		1,371,000	893,446
Costs:			
Costs of goods and materials		(145,372)	(83,600)
Depreciation		(216,209)	(215,516)
Staff costs		(165,999)	(119,688)
Utilities and power		(78,974)	(61,090)
Repairs and maintenance		(70,852)	(56,506)
Other costs		(165,735)	(139,013)
Total costs		(843,141)	(675,413)
Profit from operations	5	527,859	218,033
Finance costs - net	6	(14,806)	(35,789)
Share of result of associated companies before taxation		(602)	(634)
Profit before taxation		512,451	181,610
Taxation	7	(176,495)	(73,190)
Profit after taxation		335,956	108,420
Minority interests		1,896	1,949
Profit attributable to shareholders		337,852	110,369
Dividend declared			
– last year final dividend	8(b)	154,115	207,846
Dividends declared			
– current year interim dividend	8(b)	96,115	49,654
Dividend per share (declared) (Rmb)			
– last year final dividend	8(b)	0.04007	0.05404
Dividends per share (declared) (Rmb)			
– current year interim dividend	8(b)	0.02499	0.01291
Earnings per share			
– basic and diluted (Rmb)	9	0.09	0.03

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2004

(All amounts expressed in thousands of Rmb)

	<i>Note</i>	Unaudited 30 June 2004	Audited 31 December 2003
ASSETS			
Non-current assets			
Property, plant and equipment		7,023,524	6,956,278
Land use rights		249,157	252,279
Goodwill		479	533
Intangible assets		4,520	6,159
Investment in associated companies	10	30,131	30,733
Available-for-sale investment		2,000	—
Deferred tax assets		24,948	28,916
		7,334,759	7,274,898
Current assets			
Inventories		88,598	88,967
Receivables and prepayments	11	687,179	563,166
Temporary cash investments		272,520	321,393
Cash and cash equivalents		2,800,745	1,099,935
		3,849,042	2,073,461
Total assets		11,183,801	9,348,359

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)***AS AT 30 JUNE 2004**

(All amounts expressed in thousands of Rmb)

	<i>Note</i>	Unaudited 30 June 2004	Audited 31 December 2003
EQUITY AND LIABILITIES			
Shareholders' equity			
Ordinary shares		3,846,150	3,846,150
Share premium		2,209,648	2,209,648
Revaluation surplus		229,862	229,862
Statutory and discretionary reserves	8(a)	746,379	608,208
Retained earnings		392,367	288,801
Declared or proposed dividends	8(b)	96,115	154,115
Total shareholders' equity		7,520,521	7,336,784
Minority interests		18,015	19,911
Liabilities			
Non-current liabilities			
Long-term bank loans (unsecured)	12	—	813,239
Defined benefit pension and post-retirement benefit obligations		110,803	122,232
Other long-term liabilities		102	100
		110,905	935,571
Current liabilities			
Trade and other payables	13	918,256	699,229
Income tax and other taxes payable		123,730	119,945
Short-term bank loans (unsecured)	12	2,486,419	—
Current portion of long-term bank loans (unsecured)	12	—	230,000
Current portion of defined benefit pension and post-retirement benefit obligations		5,955	6,919
		3,534,360	1,056,093
Total liabilities		3,645,265	1,991,664
Total equity and liabilities		11,183,801	9,348,359

UNAUDITED CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2004

(All amounts expressed in thousands of Rmb)

	Share capital	Share premium	Revaluation surplus	Statutory and discretionary reserves	Retained earnings	Unaudited Total
Balance as at 1 January 2004	3,846,150	2,209,648	229,862	608,208	442,916	7,336,784
Net profit	–	–	–	–	337,852	337,852
Dividends						
– 2003 final dividend	–	–	–	–	(154,115)	(154,115)
Transfer to statutory and discretionary reserves	–	–	–	138,171	(138,171)	–
Balance as at 30 June 2004	3,846,150	2,209,648	229,862	746,379	488,482	7,520,521
Representing:						
Share capital and reserves	3,846,150	2,209,648	229,862	746,379	392,367	7,424,406
2004 declared interim dividend	–	–	–	–	96,115	96,115
Balance as at 30 June 2004	3,846,150	2,209,648	229,862	746,379	488,482	7,520,521
Balance as at 1 January 2003	3,846,150	2,209,648	229,862	435,089	480,529	7,201,278
Net profit	–	–	–	–	110,369	110,369
Dividends						
– 2002 final dividend	–	–	–	–	(207,846)	(207,846)
Transfer to statutory and discretionary reserves	–	–	–	119,662	(119,662)	–
Balance as at 30 June 2003	3,846,150	2,209,648	229,862	554,751	263,390	7,103,801
Representing:						
Share capital and reserves	3,846,150	2,209,648	229,862	554,751	213,736	7,054,147
2003 declared interim dividend	–	–	–	–	49,654	49,654
Balance as at 30 June 2003	3,846,150	2,209,648	229,862	554,751	263,390	7,103,801

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2004

(All amounts expressed in thousands of Rmb)

	<i>Note</i>	Unaudited	
		For the six months ended 30 June	
		2004	2003
Net cash from operating activities		548,975	332,026
Net cash (used in) from investing activities	16	(236,971)	40,467
Net cash from (used in) financing activities	16	1,389,240	(100,746)
Effect of exchange rate changes		(434)	(99)
Net increase in cash and cash equivalents		1,700,810	271,648
Cash and cash equivalents at beginning of period		1,099,935	1,179,194
Cash and cash equivalents at end of period		2,800,745	1,450,842

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In the notes all amounts are shown in thousands of Rmb except otherwise stated)

1. COMPANY ORGANISATION AND PRINCIPAL ACTIVITIES

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 to take over and operate the international airport in Beijing ("Beijing Airport"), the PRC, and certain ancillary commercial businesses pursuant to a group restructuring in preparation for an offering of the Company's shares. On 27 January 2000, 1,346,150,000 H shares in the Company of RMB1.00 each were issued to the public at HK\$1.87 per share and such shares were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 1 February 2000.

The principal activities of the Group are the ownership and operation of the Beijing Airport and the provision of related services.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 "Listing Rules").

The principal accounting policies adopted for the preparation of the unaudited condensed consolidated financial statements as at and for the six months ended 30 June 2004 are consistent with those adopted for the preparation of the consolidated financial statements as at and for the year ended 31 December 2003.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of buildings and runways and trading investments. The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

3. REVENUES

Revenues are comprised of (according to categories):

	For the six months ended 30 June	
	2004	2003
Aeronautical:		
Passenger charges	280,763	176,896
Aircraft movement fees and related charges	334,747	218,621
Airport fee	215,160	126,304
Ground handling services income and facilities charge	122,549	111,465
Total aeronautical revenues	953,219	633,286
Less: Business tax and levies	(28,597)	(18,998)
Net aeronautical revenues	924,622	614,288
Non-aeronautical:		
Retailing	229,699	112,748
Air catering	34,754	24,433
Rental	65,280	47,527
Restaurants	50,490	28,575
Advertising	54,890	44,095
Car parking	20,307	12,289
Others	6,884	21,763
Total non-aeronautical revenues	462,304	291,430
Less: Business tax and levies	(15,926)	(12,272)
Net non-aeronautical revenues	446,378	279,158
Revenues, net of business tax and levies	1,371,000	893,446

4. SEGMENT INFORMATION

The Group conducts its business within one business segment - the business of operating an airport and provision of related services in the PRC. As the products and services provided by the Group are all related to the operation of an airport and subject to similar business risks, no segment income statement has been prepared by the Group during the six months ended 30 June 2004. The Group also operates within one geographical segment because its revenues are primarily generated in the PRC and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

5. PROFIT FROM OPERATIONS

The following items have been included in arriving at profit from operations:

	For the six months ended 30 June	
	2004	2003
Depreciation on property, plant and equipment		
– owned assets	214,998	212,673
– owned assets leased out under operating leases	1,211	2,843
Loss on disposal of property, plant and equipment	50	–
Repairs and maintenance expenditure on property, plant and equipment	70,852	56,506
Amortisation of intangible assets (included in other costs)	2,139	2,388
Amortisation of goodwill (included in other costs)	54	53
Operating lease rentals payable		
– buildings	1,263	6,296
– land use rights	6,859	6,335
Inventory		
– inventory provision	12,487	–
Trade receivables		
– (reversal) impairment charge for bad and doubtful debts	(2,550)	51
Staff costs	165,999	119,688

6. FINANCE COSTS – NET

	For the six months ended 30 June	
	2004	2003
Interest expenses:		
– bank loans repayable within five years	(21,801)	(39,336)
– bank loans repayable after five years	–	(1,498)
Interest income	7,429	5,144
Exchange losses	(434)	(99)
	(14,806)	(35,789)

7. TAXATION

The Group provides for taxation on the basis of the results for the year as adjusted for items which are not assessable or deductible for income tax purposes. Taxation of the Group is determined in accordance with relevant tax rules and regulations applicable in the jurisdictions where the Group operates.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Under PRC income tax law, except for certain exemption available to certain of the Company's jointly controlled entities, the entities within the Group are subject to enterprise income tax and local income tax at rate of 30% and 3% respectively, resulting in an aggregate tax rate of 33% (2003: 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.

Pursuant to the approval documents issued by Beijing State Tax Bureau and Beijing Local Tax Bureau, a jointly controlled entity has been granted full exemption from enterprise income tax in 2003 and a 50% reduction from a preferential enterprise income tax rate of 24% from 2004 to 2006, and full exemption from local income tax from 2002 to 2006 and a 50% reduction from 2007 to 2011.

Pursuant to the approval documents issued by Beijing State Tax Bureau and Beijing Local Tax Bureau, another jointly controlled entity enjoys a preferential enterprise income tax rate of 24% in 2004 and has been granted a 50% reduction in local income tax from 2003 to 2007.

	For the six months ended 30 June	
	2004	2003
Current tax	176,395	70,889
Deferred tax	100	2,301
	176,495	73,190

8. 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 5% to 10% for the statutory public welfare fund 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 statutory public welfare fund can only be utilised on capital items for the collective benefit of the Company's employees. Title to these capital items will remain with the Company. This fund is non-distributable other than in liquidation.

For the six months ended 30 June 2004, approximately Rmb32,035,000 and Rmb32,035,000 (representing 10% and 10% of profit after tax determined under PRC accounting standards) have been appropriated to the statutory surplus reserve fund and statutory public welfare fund, respectively.

The proposed profit appropriation of Rmb74,101,000 (20% of profit after tax) to the discretionary surplus reserve fund for the year ended 31 December 2003 was recorded in the financial statements for the six months ended 30 June 2004.

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 2004, the reserve available for distribution was approximately Rmb384,675,000 (As at 31 December 2003: Rmb282,509,000).

8. PROFIT APPROPRIATIONS (Continued)

(b) Dividends

	For the six months ended 30 June	
	2004	2003
Dividend paid		
— Last year final dividend	154,115	207,846
Last year final dividend per share (Rmb)	0.04007	0.05404
Dividend declared		
— Current year interim dividend	96,115	49,654
Current year interim dividend per share (Rmb)	0.02499	0.01291

Notes:

- (a) At the Board meeting held on 31 March 2004, the directors proposed a final dividend of Rmb0.04007 per ordinary share for the year ended 31 December 2003. The proposed dividend distribution was approved by the shareholders on the general meeting dated 8 June 2004 and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2004.
- (b) At the Board meeting held on 25 August 2004, the directors declared an interim dividend of Rmb0.02499 per ordinary share for the six months ended 30 June 2004. This declared dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2004.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the six months period.

	For the six months ended 30 June	
	2004	2003
Net profit (Rmb'000)	337,852	110,369
Weighted average number of ordinary shares in issue (thousands)	3,846,150	3,846,150
Basic earnings per share (Rmb per share)	0.09	0.03

No diluted earnings per share is presented as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2004 and 2003.

10. INVESTMENT IN ASSOCIATED COMPANIES

	30 June 2004	31 December 2003
At beginning of year	30,733	4,798
Addition	—	27,294
Share of loss before and after taxation	(602)	(1,359)
At end of period	30,131	30,733

The principal associated companies, all of which are unlisted, are:

	Place of incorporation	Percentage of equity interest held
Global Airport logistics Co., Ltd.	Beijing, the PRC	33%
Beijing Tian Di Xun Jie Airport Information Technology Co., Ltd.	Beijing, the PRC	20%
Beijing Airport Cargo Consolidation Service Co., Ltd.	Beijing, the PRC	35%

There were no changes in the percentage of equity interests held in the associated companies in the six months ended 30 June 2004.

11. RECEIVABLES AND PREPAYMENTS

	30 June 2004	31 December 2003
Trade receivables	600,017	511,950
Less: Provision for impairment of receivables	(3,363)	(5,913)
Trade receivables - net	596,654	506,037
Receivables from related parties (note 17)	22,397	14,478
Other receivables and prepayments	68,128	42,651
	687,179	563,166

11. RECEIVABLES AND PREPAYMENTS (Continued)

As at 30 June 2004, the aging analysis of the trade receivables was as follows:

	30 June 2004	31 December 2003
Less than 1 year	562,900	455,882
1-2 years	37,117	54,937
2-3 years	—	—
Over 3 years	—	1,131
	600,017	511,950

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

12. BANK LOANS (UNSECURED)

Short term bank loans (unsecured)

As at 30 June 2004, the Group had short term bank borrowings granted by various banks amounting to approximately Rmb2,486,419,000 (2003: Nil).

Long term bank loans (unsecured)

The Group's long term bank borrowings were repayable as follows:

	30 June 2004	31 December 2003
Within one year	—	230,000
In the second year	—	230,000
In the third to fifth year	—	548,000
After five years	—	35,239
	—	1,043,239
Less: Amounts due within one year included in current liabilities	—	(230,000)
	—	813,239

13. TRADE AND OTHER PAYABLES

	30 June 2004	31 December 2003
Trade payables	95,783	72,704
Payables to related parties (note 17)	51,713	63,872
Dividend payable	100,175	—
Housing subsidy payable to employees	68,297	77,780
Other payables	602,288	484,873
	918,256	699,229

Housing subsidy payable to employees includes one-off housing subsidy which was received from Capital Airports Holding Company (the "Parent Company") and is to be paid to certain employees of the Company on behalf of the Parent Company 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.

As at 30 June 2004, substantially all of the accounts payable were aged within one year.

14. CONTINGENCIES

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 is 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 consolidated financial statements for any costs to resolve this issue.

15. COMMITMENTS

Capital commitments:

Capital commitments primarily relate to the construction of and the equipment to be installed at the airport terminal and other airport facilities upgrading projects. The Group had the following outstanding capital commitments not provided for in the financial statements:

	30 June 2004	31 December 2003
Authorised and contracted for	160,461	192,782
Authorised but not contracted for	41,869	254,770
	202,330	447,552

15. COMMITMENTS (Continued)

Operating lease commitments — where the Group is the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2004	Land use rights 31 December 2003
Not later than 1 year	7,475	7,475
Later than 1 year and not later than 5 years	28,689	29,900
Later than 5 years	252,292	252,292
	288,456	289,667

Operating lease commitments – where the Group is the lessor

The future minimum lease payment receivables under non-cancellable operating leases for buildings are as follows:

	30 June 2004	31 December 2003
Not later than 1 year	74,454	72,523
Later than 1 year and not later than 5 years	30,664	21,062
Later than 5 years	1,269	7,138
	106,387	100,723

16. SUPPLEMENTARY INFORMATION TO CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

Cash flow from/(used in) investing and financing activities included the following:

	For the six months ended 30 June	
	2004	2003
Investing activities:		
Purchase of property, plant and equipment	(287,839)	(277,130)
Disposal of trading investments	—	350,000
Investment in an associated company	—	(15,028)
Financing activities:		
Drawdown of short-term bank loans	2,486,419	—
Repayment of long-term bank loans	(1,043,239)	(28,000)
Dividends paid	(53,940)	(72,746)

17. RELATED PARTY TRANSACTIONS

The Company is controlled by Capital Airports Holding Company (established in the People's Republic of China) which owns 65% of the Company's shares. The remaining 35% of the shares are widely held. The directors of the Company consider Capital Airports Holding Company, a PRC state-owned enterprise under the supervision of CAAC, to be the ultimate holding company.

The following is a summary of significant transactions carried out with related parties in the ordinary course of business for the six months ended 30 June 2004:

	For the six months ended 30 June	
	2004	2003
Transactions with Parent Company:		
Revenues:		
Leasing of premises to a subsidiary of the Parent Company	4,725	—
Provision of sewage processing services to the Parent Company	—	156
Provision of security services to the Parent Company and its units, subsidiaries and affiliates	47	89
Expenses:		
Provision of utilities and power supply by the Parent Company	(78,071)	(61,090)
Leasing of land use rights from the Parent Company	(3,077)	(3,158)
Leasing of office space from the Parent Company	—	(3,300)
Provision of nursery services by the Parent Company	—	(1,882)
Leasing of training centre from the Parent Company	—	(981)

17. RELATED PARTY TRANSACTIONS *(Continued)*

For the six months ended 30 June 2004, the Company received approximately Rmb33,250,000 (2003: Rmb27,309,000) on behalf of the Parent Company, representing the Parent Company's share of the aircraft movement fees for emergency medical services provided.

	For the six months ended 30 June	
	2004	2003
Transactions with Singapore Airlines Limited ("SAL"), parent company of Singapore Airport Terminal Services Limited ("SATS"), foreign joint venture partner in Beijing Airport Inflight Kitchen Ltd. ("BAIK") and Beijing Aviation Ground Services Co., Ltd. ("BGS"), jointly controlled entities of the Company:		
Provision of landing facilities, basic ground handling service, passenger and baggage security checks and other related services to SAL	6,662	4,788

The following transactions were carried out with the Company's jointly controlled entities (amounts shown below are after elimination of the Company's proportionate interests in these intra-group transactions):

	For the six months ended 30 June	
	2004	2003
Share of ground handling services income from BGS	7,103	4,741
Rental income from BGS for leasing of counters, premises and office space	10,467	9,734

17. RELATED PARTY TRANSACTIONS (Continued)

The following transactions were carried out by the Company's jointly controlled entities with the Group's related parties. Amounts shown below represent the amounts attributable to the Group based on the Company's proportionate interests in those jointly controlled entities.

	For the six months ended 30 June	
	2004	2003
Revenues/(expenses)		
Transactions between BGS and SAL:		
Income from ground handling services provided to SAL	8,720	6,233
Charges by SAL for the use of Cargo Departure Documentation System and Departure Control System	(259)	(338)
Transactions between BAIK and SAL:		
Income from air catering services to SAL	6,949	2,886
Charges by SAL for use of Kriscom System	(42)	(40)
Transactions between BAIK and SATS:		
Purchase of materials from SATS	(3)	(19)

The above transactions with related parties were entered into in accordance with the terms as set out in the agreements governing the transactions, or related regulations stipulated by CAAC or as mutually agreed between the parties.

Balances with related parties

As at 30 June 2004, balances with related parties comprised:

	30 June 2004	31 December 2003
Receivables from related parties:		
SAL	6,792	6,448
SATS	1,782	1,302
Foreign joint venture partner in BGS	13,823	6,728
Total	22,397	14,478
	30 June 2004	31 December 2003
Payable to related parties:		
Parent Company	51,393	63,552
Foreign joint venture partner in BAIK	320	320
Total	51,713	63,872

18. INTERESTS IN SUBSIDIARIES

As at 30 June 2004, the Company had equity interests in the following subsidiaries, all of which are Sino-foreign equity joint ventures and operate in the PRC:

Name	Place and date of establishment	Percentage of equity interest held	Issued and fully paid capital ('000)	Principal activities
Beijing Airport Foods Service Co., Ltd.	Beijing, the PRC 31 December 1986	75%	Rmb27,000	Operation of restaurants and shops
Beijing Bowei Airport Support Limited	Beijing, the PRC 26 August 1999	60%	US\$4,200	Provision of repair and maintenance services for airport related facilities
Beijing Airport Huaxia Air Services Development Co., Ltd. ("Huaxia")*	Beijing, the PRC 28 May 2002	80%	Rmb10,000	Provision of passenger lounge, storage, hotel information and cleaning services

* The Board of directors of the Company approved to liquidate Huaxia on 15 February 2004. As at 30 June 2004, the net assets of Huaxia was approximately Rmb3,002,000.

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

As at 30 June 2004, the Company had equity interests in the following jointly controlled entities, all of which are Sino-foreign equity joint ventures and operate in the PRC:

Name	Place and date of establishment	Percentage of equity interest held/ voting power/ profit sharing	Issued and fully paid capital ('000)	Principal activities
Beijing Aviation Ground Services Co., Ltd.	Beijing, the PRC 18 August 1994	60%	US\$9,900	Airport ground handling services
Beijing Airport Inflight Kitchen Ltd.	Beijing, the PRC 27 April 1993	60%	US\$24,000	Air catering services

The strategic operating, investing and financing activities of BAIK and BGS are jointly controlled by the Company and the respective joint venture partners.

20. ADDITIONAL FINANCIAL INFORMATION ON BALANCE SHEET

As at 30 June 2004, the net current assets of the Group amounted to approximately Rmb314,682,000. On the same date, the total assets less current liabilities of the Group were approximately Rmb7,649,441,000.

21. PRIOR YEAR COMPARATIVES

Certain 2003 comparative figures have been reclassified and restated to conform with the changes in presentation in the current period.

22. SIGNIFICANT POST BALANCE SHEET EVENT

In accordance with the "Notice regarding Several Questions on Levy and Management Methods of Civil Aviation Airport Construction Fee (the "Notice")" issued jointly by General Administration of Civil Aviation of China (the "CAAC") and Ministry of Finance of the PRC (the "Ministry of Finance") on 22 July 2004, with effect from 1 September 2004, the Civil Aviation Airport Construction Fee ("Airport Fee") will be collected together with airtickets sold instead of being collected at airport. The directors of the Company believe that except for the expected increase in the level of accounts receivable of the Group, such change will not have a substantive impact on the financial position and results of operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(all amounts expressed in thousands of Renminbi ("Rmb") except per share data)

SUMMARIES OF FINANCIAL RESULTS

	For the six months ended 30 June		
	2004	2003	change
Net Revenues, net of business taxes and levies	1,371,000	893,446	53.5%
Earnings before interests, taxes, amortization and depreciation	745,225	435,257	71.2%
Profit attributable to shareholders	337,852	110,369	206.1%
Earnings per share - basic and diluted (Rmb)	0.09	0.03	200%

HIGHLIGHTS OF PERFORMANCE

For the first half of 2004, the negative influence by the Severe Acute Respiratory Syndrome ("SARS") was completely eliminated, and aircraft movements and passenger throughput at Beijing Airport recorded a remarkable growth, which led the Group an outstanding performance. For the first half of 2004, aircraft movements at Beijing Airport reached 144,751, representing an increase of 47.5% over the same period of the previous year; passenger throughput reached 15,637,139, representing an increase of 69.0% over the same period of the previous year; and freight throughput was 307,936 tons, representing an increase of 19.6% over the same period of the previous year. As compared with the same period of 2002, the growth rate of aircraft movements, passenger throughput and freight throughput was 24.2%, 24.7% and -0.3% respectively.

	For the six months ended 30 June 2004	Change over 2003	Change over 2002
Aircraft movements	144,751	47.5%	24.2%
Domestic	113,194	47.7%	24.2%
International, Hong Kong and Macau	31,557	46.4%	24.1%
Passenger throughput	15,637,139	69.0%	24.7%
Domestic	12,006,518	70.0%	35.8%
International, Hong Kong and Macau	3,630,621	65.7%	-1.8%
Freight throughput	307,936	19.6%	-0.3%
Domestic	208,452	35.1%	19.8%
International, Hong Kong and Macau	99,484	-3.5%	-26.2%

As compared with the same period of 2002, the growth of the freight throughput at Beijing Airport in the first half of 2004 was stagnant, especially for international routes. However, since the freight business accounts for a very small proportion of the whole businesses of the Group (for the first half of 2004, the ratio of full-freight aircraft movements to total aircraft movements was only 2.3%), there was no material negative impact of freight throughput on the Group's performance.

HIGHLIGHTS OF PERFORMANCE (CONTINUED)

For the first half of 2004, the Group's net revenues were Renminbi ("Rmb")1,371,000,000, representing an increase of 53.5% over the same period of the previous year, in which net aeronautical revenues were Rmb924,622,000 and net non-aeronautical revenues were Rmb446,378,000, representing an increase of 50.5% and 59.9% over the same period of the previous year, respectively. Net non-aeronautical revenues accounted for 32.6% of the total net revenues of the Group, and it was 31.2% in the same period of 2003.

For the first half of 2004, operating costs of the Group were Rmb843,141,000, representing an increase of 24.8% over the same period of the previous year.

For the first half of 2004, net profit of the Group was Rmb337,852,000, representing an increase of 206.1% over the same period of the previous year.

AERONAUTICAL BUSINESSES

	For the six months ended 30 June		
	2004	2003	change
Total aeronautical revenues	953,219	633,286	50.5%
Including: Passenger charges	280,763	176,896	58.7%
Aircraft movement fees and related charges	334,747	218,621	53.1%
Airport fee	215,160	126,304	70.4%
Ground handling services income and facilities charges	122,549	111,465	9.9%
Less: business tax and levies	(28,597)	(18,998)	50.5%
Net aeronautical revenues	924,622	614,288	50.5%

For the first half of 2004, total aeronautical revenues of the Group were Rmb953,219,000, and net aeronautical revenues were Rmb924,622,000, both representing an increase of 50.5% over the same period of the previous year.

For the first half of 2004, passenger charges, aircraft movement fees and related charges of the Group, which were directly related to aircraft movements in Beijing Airport, reached Rmb280,763,000 and Rmb334,747,000 respectively, representing an increase of 58.7% and 53.1% over the same period of the previous year, respectively. Airport fee, which was directly related to passenger throughput, was Rmb215,160,000, representing an increase of 70.4% over the same period of the previous year.

For the first half of 2004, benefiting from business development, ground handling services income and facilities charge of the Group were Rmb122,549,000, representing an increase of 9.9% over the same period of the previous year.

NON-AERONAUTICAL BUSINESSES

	For the six months ended 30 June		
	2004	2003	change
Total non-aeronautical revenues	462,304	291,430	58.6%
Including: Retailing	229,699	112,748	103.7%
Air catering	34,754	24,433	42.2%
Rental	65,280	47,527	37.4%
Restaurants	50,490	28,575	76.7%
Advertising	54,890	44,095	24.5%
Car parking	20,307	12,289	65.2%
Others	6,884	21,763	-68.4%
Less: business tax and levies	(15,926)	(12,272)	29.8%
Net non-aeronautical revenues	446,378	279,158	59.9%

For the first half of 2004, total non-aeronautical revenues of the Group were Rmb462,304,000, representing an increase of 58.6% over the same period of the previous year; and net non-aeronautical revenues were Rmb446,378,000, representing an increase of 59.9% over the same period of the previous year.

Because the results in the same period of the previous year were severely affected by SARS and passenger throughput at Beijing Airport increased this year, revenues of retailing, restaurants and car parking of the Group reached Rmb229,699,000, Rmb50,490,000 and Rmb20,307,000, respectively, representing an increase of 103.7%, 76.7% and 65.2%, respectively, over the same period of the previous year.

With the growth in demand by airlines and other clients, the air catering revenue of the Group was Rmb34,754,000 for the first half of 2004, representing an increase of 42.2% over the same period of the previous year.

The Group offered a 30% discount on rental for tenants of Terminal 2 during the SARS period, while it provided more rental spaces to new tenants in Terminal 2 this year, therefore, the rental income of the Group reached Rmb65,280,000 for the first half of 2004, representing an increase of 37.4% over the same period of the previous year.

The advertising revenue of the Group for the first half of 2004 reached Rmb54,890,000 as a result of more advertising contracts and the increase of the price of some existing contracts, representing an increase of 24.5% over the same period of the previous year.

For the first half of 2004, the dissolution of the Company's subsidiary, Huaxia, resulted in a decrease of related consolidated revenues. Hence, the other revenues of the Group were Rmb6,884,000, representing a decrease of 68.4% over the same period of the previous year. However, the dissolution of Huaxia also led to a decrease of related consolidated costs. Overall, the dissolution of Huaxia did not affect the financial results of the Group negatively.

OPERATING COSTS

	For the six months ended 30 June		
	2004	2003	change
Operating Costs	843,141	675,413	24.8%
Including: Costs of goods and materials	145,372	83,600	73.9%
Depreciation	216,209	215,516	0.3%
Staff costs	165,999	119,688	38.7%
Utilities and power	78,974	61,090	29.3%
Repairs and maintenance	70,852	56,506	25.4%
Other costs	165,735	139,013	19.2%

For the first half of 2004, operating costs of the Group were Rmb843,141,000, representing an increase of 24.8% over the same period of the previous year.

In line with the increase of sales of merchandises, the costs of goods and materials of the Group for the first half of 2004 were Rmb145,372,000, representing an increase of 73.9% over the same period of the previous year.

For the first half of 2004, there was no substantial fluctuation in depreciation expense of the Group, which was Rmb216,209,000, representing an increase of 0.3% over the same period of the previous year.

For the first half of 2004, the staff costs of the Group were Rmb165,999,000, representing an increase of 38.7% over the same period of the previous year, since the Group took cost control measures to reduce the staff costs during SARS period in the previous year, and the Group increased the bonus of the staff due to the Group's good performance in the first half year.

For the first half of 2004, costs of utilities and power of the Group were Rmb78,974,000, representing an increase of 29.3% over the same period of the previous year, because in the same period of the previous year, the Group's costs of utilities and power were reduced since the consumption dropped due to SARS.

For the first half of 2004, costs of repairs and maintenance of the Group were Rmb70,852,000, representing an increase of 25.4% over the same period of the previous year. It was mainly because that several repairs and maintenance projects were suspended because of SARS in the previous year, and the Company carried out more repairs projects for purpose of operation and safety in the first half of this year.

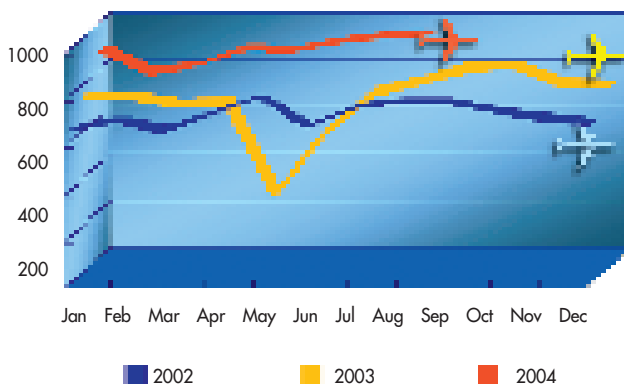
Other costs of the Group include consulting fee, amortisation of intangible assets, rental, urban real estate tax, expenditure for short-term employees etc. Other costs of the Group for the first six months of 2004 were Rmb165,735,000, representing an increase of 19.2% over the same period of the previous year. It was mainly caused by the increase of urban real estate tax, which went up with the increase of fixed assets such as office building of the Company, Terminal 1, the corridor connecting Terminal 1 and Terminal 2 and related assets.

THE COMPANY'S DEVELOPMENT AND PROSPECT FOR THE SECOND HALF OF 2004

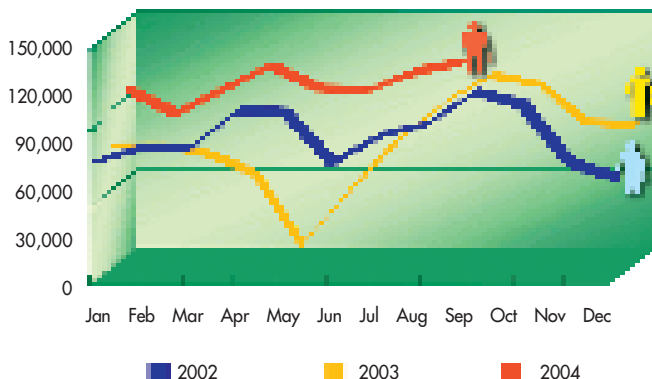
1. TRAFFIC VOLUME GROWTH

It is expected that the growth of traffic volume at Beijing Airport in the second half of 2004 will continue, and it would push the Company's performance to a higher level. While, the handling capacity of the present facilities at Beijing Airport will be close to being saturated along with the growth of traffic volume. The following charts show that aircraft movements and passenger throughput on the peak day of each month in 2004 at Beijing Airport as at the issue date of the Report presented an obvious growth than previous years.

Aircraft movements on peak days



Passenger throughput on peak days



1. TRAFFIC VOLUME GROWTH (CONTINUED)

In order to resolve the problem of shortage of operation resources, and to improve the quality of the airport services, the Company planned to reconstruct the airside areas, including the reconstruction of parking slots, aprons and taxiways, as well as the renovation and re-opening of Terminal 1. The Company expects that the handling capacity of related areas can be improved through the reconstruction.

It is expected that, on 20 September 2004, Terminal 1 will be re-opened. According to the layout, all the domestic flights of Southern Airlines Group will be handled at Terminal 1. The Company believes that re-opening of Terminal 1 can increase the handling capacity of Beijing Airport, reduce the operation pressure obviously and provide more space for the development of aeronautical businesses. At the same time, more commercial resources can be used by the Company with the reopening of Terminal 1, thus finally giving support to a further growth of 2004's results of the Group.

2. ADJUSTMENT OF AIRPORT FEE'S LEVY AND SETTLEMENT

According to the Notice issued jointly by CAAC and the Ministry of Finance on 22 July 2004, from 1 September 2004 onwards, the Airport Fee will be included in the air ticket fare instead of being paid in the airport directly. At present, the Company is taking appropriate actions to comply with the Notice and to make sure a smooth transition. According to the Notice, the Airport Fee payable to the Company would be settled and paid to the Company monthly through the clearance center particularly established by CAAC. It is estimated that this adjustment will increase the balance of accounts receivable of the Group. Overall it is expected that such change will not have a substantive impact on the financial position and results of operations of the Group.

3. TRANSFORMATION OF NON-AERONAUTICAL BUSINESSES OPERATION MODEL

In the second half of 2004, the Company will further develop the non-aeronautical businesses. Based on the experience on non-aeronautical business management accumulated over the last few years, through the research on non-aeronautical businesses of foreign large-scale airports and analysis on the characteristics of the Company's non-aeronautical businesses, the Company has determined to adopt franchising as the main mode to develop the non-aeronautical businesses. Businesses transformation from self operation to franchise-out mode on retailing, restaurants, advertising and car parking will be implemented by stage. After this transformation, there will be a significant change in the composition of revenue and cost: the percentage ratio of non-aeronautical business revenues to total revenues will decline substantially and the costs of related businesses will decline substantially as well. Overall, the transformation would not reduce the profit contributed by non-aeronautical businesses, and it is estimated the contribution by non-aeronautical businesses would keep growing.

INTERIM DIVIDEND

The Board resolved that the interim dividend shall be Rmb0.02499 per share for the six months ended 30 June 2004 (the interim dividend in 2003: Rmb0.01291).

Pursuant to the Company's articles of association, dividends payable to the holders of domestic shares will be paid in Rmb, while dividends payable to the 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 dollar published by the People's Bank of China over the period of one calendar week prior to the declaration of the dividend (i.e. from 16 August 2004 to 20 August 2004). During the period, the average exchange rate of Rmb to Hong Kong dollar was HK\$1.00=Rmb1.06078. Accordingly, the amount of interim dividend for each H Share of the Company is HK\$0.02356.

The register of the shareholders of the Company will be temporarily closed from Monday, 20 September 2004 to Friday, 24 September 2004 (both days inclusive), during which period no transfer of shares will be registered. The interim dividend is expected to be paid on or before Friday, 29 October 2004, to the shareholders whose names appear on the register of shareholders on Friday, 17 September 2004.

In order to be qualified for the interim dividend, the holders of H shares whose transfers have not been registered are requested to deposit the transfer documents together with relevant share certificates to the Company's H share Registrars: Hong Kong Registrars Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 17 September 2004.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS, SHORT POSITIONS AND SECURITIES TRANSACTIONS

As at 30 June 2004, none of the directors or supervisors or chief executive of the Company had any interests or short positions in any shares, any underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance "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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. None of the directors, supervisors, chief executive of the Company, or their associates had been granted or had exercised any such rights during the six months ended 30 June, 2004.

During the six months ended 30 June 2004, the Company had adopted the appropriate arrangement to ensure the directors, supervisors and chief executive of the Company in compliance with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Listing Rules when they deal with the Company's securities. During the same period, none of the directors, supervisors, chief executive of the Company had such non-compliance.

CAPITAL STRUCTURE AND ITS CHANGES

1. CAPITAL STRUCTURE

The total number of issued shares of the Company as at 30 June 2004 was 3,846,150,000 including:

	Shares	Percentage in total issued share capital
Domestic shares	2,500,000,000	65%
H Shares	1,346,150,000	35%

2. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS

Substantial Shareholders

As at 30 June 2004, the interests and short positions of the shareholders, other than directors or supervisors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") were as follows:

Name of substantial shareholder	Class of shares	Number of shares interested	Capacity	Approximate percentage of shareholding in the relevant class of share capital	Approximate percentage of shareholding in the total issued share capital
Capital Airports Holding Company	Domestic Shares	2,500,000,000(L)	Beneficial owner	100%(L)	65%(L)
Vinci SA	H Shares	384,230,000(L) (Note)	Interest of a controlled corporation	28.54% (L)	9.99%(L)
Aéroports de Paris	H Shares	384,230,000(L) (Note)	Interest of a controlled corporation	28.54% (L)	9.99%(L)

(L) Long position in shares

2. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS (CONTINUED)

Substantial Shareholders (Continued)

Note:

Pursuant to the Corporate Substantial Shareholder Notices filed by Vinci SA and Aeroports de Paris respectively on 14 April 2003, Vinci SA and Aeroports de Paris indirectly hold 384,230,000 H Shares of the Company. The following is a breakdown of the interests in shares of the Company held by Vinci SA and Aeroports de Paris:

Name of controlled corporation	Name of controlling shareholder	Percentage of control	Total interest in shares		Approximate percentage of shareholding in the relevant class of share capital
			Direct interest	Deemed interest	
ADP Management SA	Vinci Airports SA	34%	384,230,000	—	28.54%
	Aeroports de Paris	66%			
Vinci Airports SA	Vinci Concession SA	100%	—	384,230,000	28.54%
Vinci Concession SA	Vinci SA	100%	—	384,230,000	28.54%

Save as disclosed above, the register required to be kept under section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company as at 30 June 2004.

PLAN AND ACTUAL USE OF PROCEEDS FROM ISSUE OF H SHARES

It was disclosed in the prospectus of the Company that the Company intended to use the net proceeds from the issue of H Shares, which were estimated to be approximately HK\$3,108,000,000, in the following approximate proportion:

- Approximately Rmb420,000,000 (HK\$394,000,000) is expected to be used to finance part of the remaining construction cost of Terminal Two;
- Approximately Rmb156,000,000 (HK\$146,000,000) is expected to be used to the Company's funding of the cost of rehabilitating the West Runway and the lighting system;
- Approximately Rmb336,000,000 (HK\$315,000,000) is expected to be used to the Company's funding of the cost of construction of the Cross-Field Taxiway;
- Approximately Rmb536,000,000 (HK\$503,000,000) is expected to be used to the Company's funding requirement of renovating Terminal One;
- Approximately Rmb1,551,000,000 (HK\$1,456,000,000) is expected to be used to repayment of part of the bank loans;
- The balance is expected to be used as general working capital of the Company.

PLAN AND ACTUAL USE OF PROCEEDS FROM ISSUE OF H SHARES (CONTINUED)

As at 30 June 2004, the use of proceeds from issue of H Shares was as follows:

- Approximately Rmb420,000,000 had been paid for part of the construction cost of Terminal Two and the related facilities;
- Approximately Rmb156,000,000 had been paid for the cost of rehabilitating the West Runway and the lighting system;
- Approximately Rmb315,587,000 had been paid for the cost of construction of the Cross-Field Taxiway;
- Approximately Rmb354,945,000 had been paid for the cost of renovating Terminal One;
- Approximately Rmb1,523,354,000 had been used for the repayment of part of the bank loans.

As at 30 June 2004, the proceeds from issue of H shares of Rmb2,769,886,000 were used up in the light of the plan in the Prospectus of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company had not redeemed any of its shares during the six months ended 30 June 2004. Neither the Company nor any of its subsidiaries had purchased or sold any of the shares of the Company during the six months ended 30 June 2004.

ACQUISITION AND DISPOSALS

As at 30 June 2004, there were no material acquisition and disposals in relation to the Company's subsidiaries and associated companies, except for dissolution of Huaxia.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2004, the Group had total cash and cash equivalents and temporary cash investments amounting to Rmb3,073,265,000, and those for the year ended 31 December 2003 were Rmb1,421,328,000.

As at 30 June 2004, the current ratio of the Group was 1.09, and that as at 31 December 2003 was 1.96. Such ratios were computed by dividing the total current assets by total current liabilities on those dates respectively.

As at 30 June 2004, the gearing ratio of the Group was 32.59%, and that as at 31 December 2003 was 21.30%. Such ratios were computed by dividing the total amount of liabilities by the total assets as at the dates respectively.

The Group's short-term and long-term loans are mainly obtained from PRC financial institutions. As at 30 June 2004, the Group's total outstanding loans increased by Rmb1,443,180,000 from Rmb1,043,239,000 as at 31 December 2003 (including Rmb813,239,000 in long-term loans, and Rmb230,000,000 in long-term loans due within one year) to Rmb2,486,419,000 (all in short-term loans). All of the Group's short-term bank loans are of fixed interest rate. The Group does not use any financial instruments for hedging purposes.

PLEDGE OF ASSETS

As at 30 June 2004, there was no material pledge of assets.

EMPLOYEES

The numbers of employees of the Group are as follows, together with comparisons with those in the previous year:

	As at 30 June 2004	As at 31 December 2003
Total employees	7,224	8,184
Contracted employees	3,365	3,528
Temporary employees	3,859	4,656

The change of number of employees was mainly caused by the dissolution of Huaxia.

ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 30 June 2004, the Group did not have any entrusted loans or matured but not yet withdrawn fixed deposit placed in financial institutions or any other entities.

MATERIAL LITIGATION OR ARBITRATION

The Group was not involved in any material litigation or arbitration during the period reported.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group is exposed to foreign exchange currency risk primarily as a result of its cash and cash equivalents, temporary cash investments, receivables and prepayments and trade and other payables denominated in foreign currencies. The Group had no foreign currency hedging during the six months ended 30 June 2004.

CONTINGENT LIABILITIES

As at 30 June 2004, the Group had no significant contingent liabilities.

CODE OF BEST PRACTICE

The board of directors of the Company believes that for the six months ended 30 June 2004 the Company was in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with management the accounting principles, accounting standards and methods as adopted by the Group, and discussed matters relating to the internal control and the financial reporting, including review of the unaudited consolidated financial position and operating results as at and for the six months ended 30 June 2004 and the interim results announcement.

OTHER INFORMATION

Save as disclosed, as at 30 June 2004, the other information in relation to those matters set out in Paragraph 32 of Appendix 16 to the Listing Rules has not changed materially.

By order of the Board
Beijing Capital International Airport Company Limited
Wang Zhanbin
Chairman

25 August 2004
Beijing, the PRC