



**BCIA**

北京首都國際機場股份有限公司

**Beijing Capital International Airport Company Limited**

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

( Stock code : 0694 )

INTERIM REPORT 2006



The board of directors of Beijing Capital International Airport Company Limited ("the Company") is pleased to announce the operating condition, unaudited financial results which have been reviewed by the audit committee of the Company for the first half year of 2006 and the prospect of the second half year of 2006.

## SUMMARIES OF FINANCIAL RESULTS

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

	For the six months ended 30 June		
	2006	2005	Change
Operating Revenues	1,434,131	1,359,752	5.47%
Revenues, net of business taxes and levies	1,378,494	1,312,603	5.02%
Operating Costs	(631,371)	(738,949)	-14.56%
Earnings before interests, taxes, amortisation and depreciation	1,062,873	845,525	25.71%
Profit attributable to shareholders	555,170	400,619	38.58%
Earnings per share			
— basic and diluted (Rmb)	0.14	0.10	40.00%
Net cash flow from operating activities	512,821	408,884	25.42%

  

	As at		
	30 June 2006	30 June 2005	Change
Total assets	10,534,778	10,861,860	-3.01%
Total liabilities	2,111,075	2,670,595	-20.95%
Total equity	8,423,703	8,191,265	2.84%

Note: In October 2005, the Company disposed of its equity interests in Beijing Bowei Airport Support Limited ("Bowei"). On 31 December 2005, the Company disposed of its equity interests in Beijing Aviation Ground Services Co., Ltd ("BGS") and Beijing Airport Inflight Kitchen Ltd ("BAIK"). Therefore, data in the reporting period is the data of the Company. While financial data for the half year ended 30 June 2005, or as at 31 December 2005 is the finance data of the Group, which referred to the Company, its subsidiaries and its jointly controlled entities: Bowei and its subsidiaries, China Civil Airport Equipment Co., Ltd., BGS and BAIK.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW OF THE AERONAUTICAL BUSINESS

#### Growth of Air Traffic Volumes

As a result of the rapid growth in aviation transportation demand in both tours and business trips, the air traffic volumes at Beijing Capital International Airport ("Beijing Airport") maintained a substantial growth. For the first half year of 2006, the aircraft movements, passenger throughput and freight throughput at Beijing Airport all maintained double-digit growth over the same period of the previous year, among which the passenger throughput increased by 20.4%. Details are as follows:

	For the six months ended 30 June		Change
	2006	2005	
<b>Aircraft movements</b>	179,422	163,089	10.0%
Domestic	138,092	127,686	8.1%
International, Hong Kong & Macau	41,330	35,403	16.7%
<b>Passenger throughput</b>	22,551,256	18,729,755	20.4%
Domestic	17,456,249	14,445,366	20.8%
International, Hong Kong & Macau	5,095,007	4,284,389	18.9%
<b>Freight throughput (unit: tonnes)</b>	429,234	359,219	19.5%
Domestic	291,521	245,492	18.7%
International, Hong Kong & Macau	137,713	113,727	21.1%

For the first half year of 2006, there were 6 new foreign airlines clients operating, while 2 other foreign airlines ceased their operation, at Beijing Airport. As at 30 June 2006, there were 64 airlines operating at the Beijing Airport, including 12 domestic airlines (3 cargo airlines included), 3 airlines from Hong Kong and Macau, and 49 foreign airlines.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Operating Resources Expansion and Facilities Reconstruction

For the first half year of 2006, the Company continued its reconstruction of the existing facilities. The reconstruction of parking stands for special and business planes have already been completed. The ongoing projects include the construction of aprons and taxiways affiliated to the west runway and the upgrading and reengineering of the baggage handling system in terminals, etc.

### Aeronautical Revenues

	For the six months ended 30 June		
	2006	2005	Change
Aircraft movement fees and related charges	426,191	364,168	17.03%
Passenger charges	347,234	312,303	11.18%
Airport fee	310,735	268,263	15.83%
<b>Total aeronautical revenues</b>	<b>1,084,160</b>	<b>944,734</b>	<b>14.76%</b>
Less: Business tax and levies	(32,525)	(28,343)	14.75%
Aeronautical revenues, net of business tax and levies	1,051,635	916,391	14.76%

For the first half year of 2006, total aeronautical revenues of the Company were Rmb1,084,160,000, and aeronautical revenues net of business tax and levies were Rmb1,051,635,000, both representing an increase of 14.76% over the same period of the previous year.

As a result of the continuing growth of aircraft movements and the increased proportion of larger size aircrafts, aircraft movement fees and related charges of the Company reached Rmb426,191,000 for the first half year of 2006, representing an increase of 17.03% over the same period of the previous year. Synchronous with the growth of aircraft movements, the passenger charges of the Company, which were calculated and collected based on a certain percentage of the number of seats in the departure aircrafts, were Rmb347,234,000 in the first half year of 2006, representing an increase of 11.18% over the same period of the previous year.

For the first half year of 2006, airport fee of the Company were Rmb310,735,000, representing an increase of 15.83% over the same period of the previous year. Detailed information of airport fees is set out in note 6 to the unaudited condensed consolidated financial information.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### NON-AERONAUTICAL BUSINESSES

	For the six months ended 30 June		Change
	2006	2005	
Concessions	207,760	142,115	46.19%
Ground handling	12,143	—	—
Air catering	2,141	—	—
Retailing	92,034	73,500	25.22%
Advertising	77,351	48,000	61.15%
Restaurants	24,091	20,615	16.86%
Rentals	105,138	70,817	48.46%
Car parking	26,737	22,956	16.47%
Others	10,336	7,191	43.74%
Ground handling facilities and services	—	116,759	-100.00%
Air catering	—	39,991	-100.00%
Repairs and maintenance services	—	15,189	-100.00%
<b>Total non-aeronautical revenues</b>	<b>349,971</b>	<b>415,018</b>	<b>-15.67%</b>
Less: business tax and levies	(23,112)	(18,806)	22.90%
Non-aeronautical revenues, net of business tax and levies	326,859	396,212	-17.50%

For the first half year of 2006, total non-aeronautical revenues of the Company were Rmb349,971,000, representing a decrease of 15.67% from the same period of the previous year; and non-aeronautical revenues net of business tax and levies were Rmb326,859,000, representing a decrease of 17.50% from the same period of the previous year.

Since the Company disposed of its equity interests in Bowei, BGS and BAIK, the revenues from non-aeronautical businesses of the its Company during the first half year of 2006 only included revenues from concessions, rentals, car parking and others, other than revenues from repairs and maintenances, ground handling facilities and services and air catering.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### NON-AERONAUTICAL BUSINESS (Continued)

In the first half year of 2006, the Company continued making efforts to expand its non-aeronautical businesses. The measures taken included increasing ATM and foreign currency exchange service spots, providing cell phone leasing services, enhancing the advertising of brands in the terminal and promoting the propaganda of the service contents around 15 March - "Day of Safeguarding Consumers' Interests" as well as during the period of the World Cup football games.

In the first half year of 2006, revenues from concessions of the Company were Rmb207,760,000, representing an increase of 46.19% over the same period of the previous year. The Company began to charge concessions on ground handling and air catering services, which increased revenues of the Company for the sum of Rmb14,284,000. As a result of the business development of retailing, concessions revenues from retailing were Rmb92,034,000, representing an increase of 25.22% over the same period of the previous year. Due to a series of measures taken in advertising business, including adding hanging-style advertisements and exhibitions of material objects, re-planning outdoor advertising resources, reducing energy-media advertisements, while developing plain media resources to improve the integrated advertising values, concessions revenues from advertising were Rmb77,351,000, representing an increase of 61.15% over the same period of the previous year. In addition, for the sake of increase in passenger throughput which brought positive effects on consumption, as well as, the restaurant operators reduced sales prices on a large scale, so as to attract consumers and improve passengers' satisfaction, concessions revenues from restaurants were Rmb24,091,000 for the first half year of 2006, representing an increase of 16.86% over the same period of the previous year.

For the first half year of 2006, rental revenues of the Company reached Rmb105,138,000, representing an increase of 48.46% over the same period of the previous year. It is mainly because that the Company raised the rental price to airlines in the terminals, and also included all rental revenues from BGS and BAIK which were disposed of by the Company in December 2005 (40% of the respective rental revenues were recorded as rental revenues of the Group during the same period of the previous year according to investment proportion).

In the first half year of 2006, as a result of the growth of air traffic volumes, auto-vehicle throughput at Beijing Airport increased by 14%, which led the car parking revenues of the Company to reach Rmb26,737,000, representing an increase of 16.47% over the same period of the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### OPERATING COSTS

For the six months ended 30 June 2006, operating costs of the Company were Rmb631,371,000, representing a decrease of 14.56% over the same period of the previous year. Details of respective costs are set out as follows:

	For the six months ended 30 June		Comparable		
	2006	2005 (comparable figure*)	2005	change	Change
Operating Costs:					
Depreciation	238,689	239,363	248,961	-0.28%	-4.13%
Staff costs	17,286	52,041	159,216	-66.78%	-89.14%
Utilities and Power	93,447	94,771	102,291	-1.40%	-8.65%
Repairs and maintenance	70,509	82,701	55,581	-14.74%	26.86%
Costs of goods and materials	1,354	2,699	25,179	-49.83%	-94.62%
Aviation safety and security guard, supply of greening and environmental maintenance and accessorial power and utility services costs	114,911	—	—	—	—
Other costs	95,175	85,338	147,721	11.53%	-35.57%
<b>Total costs</b>	<b>631,371</b>	<b>556,913</b>	<b>738,949</b>	<b>13.37%</b>	<b>-14.56%</b>

\* The comparable figures in 2005 refer to the figures after deducting the respective costs of BGS, BAIK, Bowei for the first half of 2005, as well as deducting related costs from aviation security and safety services, accessorial power and energy services and greening and environmental maintenance services during restructuring.

For the first half year of 2006, the depreciation of the Company did not have any substantial change from the comparable figure for the same period of the previous year.

For the first half year of 2006, staff costs of the Company were Rmb17,286,000, representing a decrease of 66.78% from the comparable figure for the same period of the previous year, which was mainly because, on 15 March 2006, the approval for the assets transfer relating to the business reorganization was granted in the extraordinary general meeting. As such, the involving staff of the reorganization were off since their contracts with the Company were expired since 1 January 2006. Therefore, part of the staff costs of these staff accounted in the fiscal year of 2005 should not be borne by the Company and was written off during the first half year of 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### OPERATING COSTS (Continued)

For the six months ended 30 June 2006, the costs of utilities and power of the Company were Rmb93,447,000, representing a decrease of 1.4% from the comparable figures of the same period of the previous year, which was mainly because the Company adopted energy-economizing measures during the reporting period.

For the first half year of 2006, costs of repairs and maintenance were Rmb70,509,000, representing a decrease of 14.74% from the comparable figures of the same period of the previous year, which was mainly because the Company further tightened up the management and control on repair items during the reporting period.

In early 2006, the Company implemented outsourcing, instead of self operation, for certain businesses. For the first half year of 2006, costs from aviation safety and security, supply of greening and environmental maintenance and accessorial power and utility services were Rmb114,911,000.

For the six months ended 30 June 2006, the other costs of the Company were Rmb 95,175,000, representing an increase of 11.53% over the comparable figures of the same period of the previous year. The other costs consist of business costs, real estate tax, rental and insurance, etc.

### BUSINESS REORGANIZATION AND FRANCHISE OF GROUND HANDLING SERVICES AND AIR CATERING SERVICES

The extraordinary general meeting, which was held on 15 March 2006, approved a series of transactions, pursuant to which, the Company transferred its equity interests in BGS and BAIK and the assets related to businesses of aviation safety and security and accessorial power and energy services and implemented outsourcing of aviation safety and security services, greening and environmental maintenance services and accessorial power and energy services ("Business Reorganization").

Since then, the Company has entirely franchised its ground handling services and air catering services, including providing taxi way and aprons general equipment and facilities to relevant service franchisees and executing centralized the management over franchisees.

The implementation of the Business Reorganization is a step made by the Company towards a management-style airport company.



## **PARTICIPATION OF EXPANSION PROJECT OF BEIJING AIRPORT**

The Company has set up a professional project team to cooperate with the expansion project management unit on the study of the operation systems and the planning, developing and operating of non-aeronautical businesses in terminal 3, the third runway and other related facilities and equipment ("Expansion Project") in order to ensure compliance with the requirements of operating mode of Beijing Airport, and the Company has commenced negotiation with its parent company, Capital Airports Holding Company, ("CAHC" or Parent Company), on the acquisition of certain assets of Expansion Project.

## **THE COMPANY'S DEVELOPMENT AND PROSPECT FOR THE SECOND HALF OF 2006**

Since there has been more thunderstorms this summer in Beijing and surrounding areas when comparing with last year, the General Administration of Civil Aviation of China (the "CAAC") decided to cancel 584 scheduled flights to and from Beijing Airport for the period from 15 July to 25 September 2006, on average 8 flights per day. As the flights cancelled were all domestic flights, and as there were plenty of flights linking Beijing with related destinations, it is expected that the cancellation will not affect the passenger's travelling, nor will it affect the continuous growth of the air traffic volumes at Beijing Airport.

In July 2006, aircraft movements and the passenger throughput reached 33,227 and 4,470,521 respectively, representing an increase of 9.0% and 17.8% respectively over the same period of the previous year. And freight throughput reached 69,713 tonnes, representing an increase of 13.6% over the same period of the previous year.

For the second half year of 2006, it is expected that the full-capacity operating pressure at Beijing Airport will still exist. The Company will organize and coordinate airlines, ground handling companies and other relevant parties to confront the challenges by making contingency plans and taking other effective measures to ensure the safety, orderness and the service quality of the operation at Beijing Airport.

Recently, British police beat a terroristic attack attempt which aimed at several flights to the States. To avoid similar accident, according to the guidelines of CAAC and requirements of certain airlines, the Company has upgraded the aviation security level, and has prohibited passengers in certain international flights from carrying any liquid or colloid material. These measures will improve the safety and security for both passengers and airport operation but may cause inconveniences to some passengers, and will likely to bring slight negative impact on the traffic volumes of certain area.

## THE COMPANY'S DEVELOPMENT AND PROSPECT FOR THE SECOND HALF OF 2006 (Continued)

Generally speaking, it is expected that the growth of air traffic volumes at Beijing Airport will continue for the second half year of 2006, which will further increase the Company's aeronautical and non-aeronautical revenues.

For the second half year of 2006, the Company will continue to implement work related to the Expansion Project, including studying the whole operating mode, key operating processes and planning and developing of non-aeronautical businesses. At the same time, the Company will commence training and developing talents to meet requirements of the operation of terminal 3 and related facilities.

### INTERIM DIVIDENDS

The board of directors (the "Board") resolved that the interim dividends shall be Rmb0.03933 per share for the six months ended 30 June 2006 ( the interim dividends in 2005: Rmb0.02988).

Pursuant to the Company's article of association, dividends payable to holders of domestic shares will be paid in Rmb, while dividends payable to holders of H shares will be paid in Hong Kong dollar. The dividends payable in Hong Kong dollar will be calculated based on the average exchange rate of Rmb to Hong Kong dollars published by the People's Bank of China over the period of one calendar week prior to the declaration of the dividends (i.e. from 14 August 2006 to 18 August 2006). During the period, the average exchange rate of Rmb to Hong Kong dollar was HK\$1.00 = Rmb1.0265. Accordingly, the amount of the interim dividends for each H share of the Company is HK\$0.03831.

The register of members of the Company will be temporarily closed from Friday, 29 September 2006 to Tuesday, 3 October 2006 (both days inclusive). The interim dividends is expected to be paid on or before Tuesday, 31 October 2006, to the shareholders whose names appear on the register of shareholders on Tuesday, 3 October 2006.

In order to be qualified for the payment of the interim dividends, holders of H shares whose transfers have not been registered are requested to deposit the transfer documents together with the relevant share certificates to the Company's H Share Registrar: Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Thursday, 28 September 2006.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Company had total cash and cash equivalents amounting to Rmb347,382,000, and those for the year ended 31 December 2005 were Rmb556,811,000.

As at 30 June 2006, the Company's short-term and long-term loans were nil.

	As at 30 June 2006	As at 31 December 2005
Current ratio	0.96	0.89
Quick ratio	0.95	0.88
Shareholder's equity ratio	79.96%	75.41%
Gearing ratio	20.04%	24.59%

The condition of cash flow for six months ended 30 June 2006 refers to page 23 of the Interim Report.

## CHARGE ON ASSETS

As at 30 June 2006, there were no material charge or pledge of assets in the Company.

## ACQUISITION AND DISPOSALS

Save as disclosed below, during the six months ended 30 June 2006, there were no material acquisition and disposals in relation to the Company's subsidiaries and associated companies.

In March 2006, after the approval in the extraordinary general meeting, the Company disposed of its equity interests in BGS and BAIK, the gains from such disposals were Rmb17,498,000.

## MATERIAL INVESTMENT AND MATERIAL INVESTMENT PLAN

Save as disclosed below, during the six months ended 30 June 2006, the directors of the Company are not aware of any material investment or financing plan that was required to be disclosed.

In May 2006, as approved and announced by the Board, the Company planned to contribute Rmb50,000,000 (approximately HK\$48,500,000) to establish Beijing Capital Airport Finance Company Limited (BCAF). Pursuant to the establishment agreement, the Company will own 10% equity interest in BCAF after its capital are fully paid. As at 30 June 2006, BCAF is still in the process of establishment.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company or its subsidiaries has not redeemed, purchased or sold any of its shares during the six months ended 30 June 2006.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the period, the Company is exposed to foreign exchange currency risk primarily as a result of its foreign currency denominated receivable and prepayments of Rmb50,830,000 (As at 31 December 2005: Rmb44,994,000). The Company did not involve in any foreign currency hedging activities during the six months ended 30 June 2006.

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

During the period, the Company recorded an exchange loss of Rmb147,000. The fluctuations in exchange rates will not have a significant impact on the Company's financial situation and operating results.

## CONTINGENT LIABILITIES

As at 30 June 2006, The Company had no significant contingent liabilities.

## EMPLOYEES AND EMPLOYEES' WELFARE

As at 30 June 2006, the numbers of employees of the Company were as follows, together with comparisons with those in the previous year:

	As at 30 June 2006	As at 31 December 2005
Total employees	1,342	7,984
Contracted employees	755	3,084
Temporary employees	587	4,900

The significant decrease of the number of employees was mainly due to the fact that the Company has undertaken Business Organization. According to the Aviation Safety and Security Assets Transfer Agreement and the Energy, Power, Garbage and Sewage Disposal Assets Transfer Agreement and the consensus reached by the Company and the relevant staff regarding the change of contract, as at 31 December 2005, the labour contracts of existing workforce shall be terminated. Meanwhile, the Company disposed of its equity interests in BGS and BAIK. Therefore, the number of total employees decreased during the period.

The remuneration policy of employees is determined by the Company management based on market competitive practice, mainly consisting of two parts: basic salaries and salaries based on performance. For the six months ended 30 June 2006, the staff costs of the Company were Rmb17,286,000.

## MATERIAL LITIGATION OR ARBITRATION

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

## ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 30 June 2006, the Company did not have any entrusted loans or any matured but not yet withdrawn fixed deposit placed in any financial institutions or any other entities.

## CAPITAL STRUCTURE AND ITS CHANGES

### 1. CAPITAL STRUCTURE

As at 30 June 2006, the total number of issued shares of the Company were 3,846,150,100, including:

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

## CAPITAL STRUCTURE AND ITS CHANGES (Continued)

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

#### Substantial Shareholders:

As at 30 June 2006, the interests and short positions of the shareholders, other than directors or supervisors, 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 of Futures Ordinance (Chapter 571 of 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 the total issued share capital
Capital Airports Holding Company (Note 1)	Domestic Shares	2,500,000,000 (L)	Beneficial owner	100%	65%
Aeroports de Paris (Note 2)	H Shares	253,591,346 (L)	Interest of a controlled corporation	18.84%	6.59%
Julius Baer Investment Management LLC (Note 3)	H Shares	126,726,000 (L)	Beneficial owner	9.41%	3.29%
Julius Baer International Equity Fund (Note 3)	H Shares	67,610,641 (L)	Beneficial owner	5.02%	1.76%
The Capital Group Companies, Inc. (Note 4)	H Shares	67,382,000 (L)	Beneficial owner	5.01%	1.75%

(L) — Long position in shares

## CAPITAL STRUCTURE AND ITS CHANGES (Continued)

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

#### Substantial Shareholders: (Continued)

Note:

1. Capital Airports Holding Company was incorporated in P.R.C., and is the controlling shareholder of the Company (the Parent Company).
2. Aeroports de Paris is a airport group operating 14 airports, which is located in Paris, France.
3. Julius Baer Investment Management LLC and Julius Baer International Equity Fund both are located in New York, USA, and belong to the Julius Baer Holdings, Inc.
4. The Capital Group Companies, Inc. is a mutual fund company in USA.

Note: According to the Corporate Substantial Shareholder Notices filed by Aeroports de Paris and The Capital Group Companies, Inc. on 30 December, 2004 and 1 March 2006 respectively, Aeroports de Paris and The Capital Group Companies, Inc. directly / indirectly hold 253,591,346 and 67,382,000 H shares of the Company respectively. The following is a breakdown of the interests in shares of the Company held by Aeroports de Paris and The Capital Group Companies, Inc.:

Name of controlled corporation	Name of controlling shareholders	Percentage of control	Total interests in shares		Approximate percentage of shareholding in the relevant class of share capital
			Direct interest	Deemed interest	
ADP Management SA	Aeroports de Paris	99.76%	253,591,346	—	18.84%
Capital Research and Management Company	The Capital Group Companies, Inc.	100%	—	67,382,000	5.01%
Capital Group International, Inc.	The Capital Group Companies, Inc.	100%	—	67,382,000	5.01%
Capital Guardian Trust Company	Capital Group International, Inc.	100%	576,000	—	0.04%
Capital International, Inc.	Capital Group International, Inc.	100%	66,560,000	—	4.95%
Capital International Limited	Capital Group International, Inc.	100%	246,000	—	0.02%
Capital International S.A	Capital Group International, Inc.	100%	—	67,382,000	5.01%

## SHORT POSITION IN SHARE

According to the register record as at 30 June 2006, there were no substantial shareholders and other people holding any short positions in the shares and underlying shares of the Company.

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 2006.

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

As at 30 June 2006, none of the directors or supervisors or the chief executive officer of the Company had any interests or short positions in any shares, any underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("HKEx") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange Limited (the "Listing Rules"). None of the directors, supervisors and the chief executive officer of the Company, or their associates had been granted or had exercised any such rights during the six months ended 30 June 2006.







## AUDIT COMMITTEE

The Audit Committee ("AC") comprises a total number of three members, all of whom are independent non-executive directors of the Company. Mr. Kwong Che Keung, Gordon, Mr. Long Tao, and Mr. Moses Cheng Mo Chi have extensive experience in financial, legal and securities matters, and Mr. Kwong is a Certified Public Accountant. External auditors are invited to attend the AC, meetings regularly and they can communicate with AC individually, as they deem necessary.

The AC 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 AC shall meet at least three times a year to review audit reports, status of the Group's audits, internal audit reports, and the interim and final accounts of the Company prior to recommending them to the Board for approval.

The AC would undertake an evaluation of the Company's system of internal control and risk management.

The AC has reviewed the Company's unaudited condensed consolidated financial information and account for the six months ended 30 June 2006. It has also reviewed the accounting principles and practices adopted by the Company. The AC considers that the disclosure of the financial information in this unaudited condensed consolidated financial information and account 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 establish and maintain high standards of corporate governance practices. The Company has complied with all requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended on 30 June 2006.



## BOARD OF DIRECTORS

The Board of the Company of the third term was elected at the annual general meeting on 2 June 2005, comprising of nine directors.

Mr. Wang Tiefeng was elected as an executive director of the Company at the annual general meeting on 8 June 2006 and his term will expire on the date of the annual general meeting of the Company for the year ended 31 December 2008, i.e., the date of expiry of the Board for the third term. The Board resolved to approve Mr. Zheng Hui's resignation as a director of the Company due to personal reasons on 8 June 2006 and Mr. Zheng Hui's resignation was effective on the same date. The Board had published an announcement in this regard on 8 June 2006. There are 9 directors in the Board, including 3 executive directors, 3 non-executive directors and 3 independent non-executive directors. Accordingly, the AC and the remuneration committee were established under the Board. The members of the Board are as follows:

Wang Zhanbin	Chairman, executive director
Wang Jiadong	General manager, executive director
Wang Tiefeng	Finance Supervisor, executive director
Chen Guoxing	Non-executive director
Gao Shiqing	Non-executive director
Dominique Pannier	Non-executive director
Long Tao	Independent non-executive director
Moses Cheng Mo Chi	Independent non-executive director
Kwong Che Keung, Gordon	Independent non-executive director

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted "the Model Code for Securities Transaction by Directors and Staff" as code of conduct for securities transactions by directors and staff terms no less exacting than the required standard of the Model Code.

Upon specific enquiries made to the directors, the Company has confirmed that each of the directors of the Company has complied with the Model Code during the six months ended 30 June 2006.

## RECRUITMENT OF QUALIFIED ACCOUNTANT

According to Rule 3.24 of the Listing Rules, the Company must ensure that, at all times, it employs an individual on a full time-basis. The responsibility of such individual includes oversight of the Company and its subsidiaries in connection with the financial reporting procedures, internal controls and compliance with the requirements under the Listing Rules with regard to financial reporting and other accounting-related issues. The individual must be a member of the senior management of the Company and must be a qualified accountant and a fellow or associate member of the Hong Kong Society of Accountants or a similar body of accountants recognized by that Society for the purpose of granting exemptions from the examination requirement for membership of that Society. During the period, the Company has employed Mr. Wang Tiefeng as the financial controller, whose responsibility includes oversight of the Company in connection with the financial reporting procedures, internal controls and compliance with the requirements under the Listing Rules with regard to financial reporting and other accounting-related issues. Furthermore, the Company keep trying to engage an appropriate person to assist Mr. Wang Tiefeng, whom on one hand can meet the requirement of the Listing Rules, and on the other hand has resourceful knowledge and experience in airport management, and the accounting system in the PRC, but the Company could not employ a suitable candidate to meet the above requirements yet.

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2006**

	Note	Unaudited 30 June 2006 Rmb'000	Audited 31 December 2005 Rmb'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		8,272,042	8,277,747
Intangible assets		7,987	5,568
Land use rights		225,993	228,606
Investment in associates	5	27,090	27,247
Deferred tax assets		18,980	24,467
<b>Total non-current assets</b>		<b>8,552,092</b>	<b>8,563,635</b>
<b>Current assets</b>			
Inventories		13,004	14,579
Trade and other receivables	6	1,622,300	1,269,850
Time deposits with original maturities over three months but within one year		—	100,000
Cash and cash equivalents		347,382	556,811
Assets classified as held for sale		—	356,985
<b>Total current assets</b>		<b>1,982,686</b>	<b>2,298,225</b>
<b>Total assets</b>		<b>10,534,778</b>	<b>10,861,860</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		3,846,150	3,846,150
Share premium		2,209,648	2,209,648
Statutory and discretionary reserves	14(a)	1,306,495	1,132,695
Retained earnings		1,061,410	999,617
		8,423,703	8,188,110
<b>Minority interests</b>		<b>—</b>	<b>3,155</b>
<b>Total equity</b>		<b>8,423,703</b>	<b>8,191,265</b>

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**  
**(Continued)**  
**AS AT 30 JUNE 2006**

	Note	Unaudited 30 June 2006 Rmb'000	Audited 31 December 2005 Rmb'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Defined benefit pension and post-retirement benefit obligations		27,906	60,686
Deferred income		16,097	17,839
<b>Total non-current liabilities</b>		<b>44,003</b>	<b>78,525</b>
<b>Current liabilities</b>			
Trade and other payables	7	1,541,210	1,389,611
Notes payable		183,218	—
Income tax and other taxes payable		342,319	345,415
Short-term bank borrowings (unsecured)	8	—	800,000
Current portion of defined benefit pension and post-retirement benefit obligations		325	1,118
Liabilities directly associated with assets classified as held for sale		—	55,926
<b>Total current liabilities</b>		<b>2,067,072</b>	<b>2,592,070</b>
<b>Total liabilities</b>		<b>2,111,075</b>	<b>2,670,595</b>
<b>Total equity and liabilities</b>		<b>10,534,778</b>	<b>10,861,860</b>

The notes on pages 24 to 43 form an integral part of this unaudited condensed consolidated financial information.

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Note	Unaudited For the six months ended 30 June	
		2006 Rmb'000	2005 Rmb'000
<b>Revenues</b>			
Aeronautical	4	1,084,160	944,734
Non-aeronautical	4	349,971	415,018
		1,434,131	1,359,752
<b>Business tax and levies</b>			
Aeronautical		(32,525)	(28,343)
Non-aeronautical		(23,112)	(18,806)
		(55,637)	(47,149)
<b>Costs</b>			
Depreciation		(238,689)	(248,961)
Staff costs		(17,286)	(159,216)
Utilities and power		(93,447)	(102,291)
Repairs and maintenance		(70,509)	(55,581)
Costs of goods and materials		(1,354)	(25,179)
Aviation safety and security guard, greening and environmental maintenance and accessorial power and energy service costs		(114,911)	—
Other costs		(95,175)	(147,721)
Total costs		(631,371)	(738,949)
Net gains on disposal of certain assets and liabilities	11	17,498	22,110
Other gains	12	54,702	7,481
<b>Operating profit</b>	10	819,323	603,245
Finance costs		(12,613)	(15,834)
Share of profits of associates		143	221
<b>Profit before income tax</b>		806,853	587,632
Income tax expense	13	(251,683)	(184,174)
<b>Profit for the period</b>		555,170	403,458
<b>Attributable to:</b>			
Equity holders of the Company		555,170	400,619
Minority interests		—	2,839
<b>Earnings per share for profit attributable to the equity holders of the Company, expressed in Rmb per share</b>			
— basic and diluted	15	0.14	0.10

The notes on pages 24 to 43 form an integral part of this unaudited condensed consolidated financial information.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Note	Unaudited Attributable to equity holders of the Company				Total Rmb'000	Minority interests Rmb'000	Total equity Rmb'000
		Share capital Rmb'000	Share premium Rmb'000	Statutory and discretionary reserves Rmb'000	Retained earnings Rmb'000			
<b>Balance at 1 January 2005</b>		3,846,150	2,209,648	820,602	767,739	7,644,139	35,020	7,679,159
Profit for the period		—	—	—	400,619	400,619	2,839	403,458
Acquisition		—	—	—	—	—	200	200
Disposal		—	—	—	—	—	(6,525)	(6,525)
Dividends		—	—	—	—	—	—	—
— 2004 final dividend		—	—	—	(249,615)	(249,615)	—	(249,615)
Dividends to minority interests		—	—	—	—	—	(10,086)	(10,086)
Transfer to statutory and discretionary reserves		—	—	138,293	(138,293)	—	—	—
<b>Balance at 30 June 2005</b>		3,846,150	2,209,648	958,895	780,450	7,795,143	21,448	7,816,591
Representing:								
Share capital and reserves 2005 declared interim dividend	14(b)	3,846,150	2,209,648	958,895	665,527	7,680,220	21,448	7,701,668
		—	—	—	114,923	114,923	—	114,923
<b>Balance at 30 June 2005</b>		3,846,150	2,209,648	958,895	780,450	7,795,143	21,448	7,816,591
<b>Balance at 1 January 2006</b>		3,846,150	2,209,648	1,132,695	999,617	8,188,110	3,155	8,191,265
Profit for the period		—	—	—	555,170	555,170	—	555,170
Disposal		—	—	—	—	—	(3,155)	(3,155)
Dividends		—	—	—	—	—	—	—
— 2005 final dividend		—	—	—	(319,577)	(319,577)	—	(319,577)
Transfer to statutory and discretionary reserves	14(a)	—	—	173,800	(173,800)	—	—	—
<b>Balance at 30 June 2006</b>		3,846,150	2,209,648	1,306,495	1,061,410	8,423,703	—	8,423,703
Representing:								
Share capital and reserves 2006 declared interim dividend	14(b)	3,846,150	2,209,648	1,306,495	910,141	8,272,434	—	8,272,434
		—	—	—	151,269	151,269	—	151,269
<b>Balance at 30 June 2006</b>		3,846,150	2,209,648	1,306,495	1,061,410	8,423,703	—	8,423,703

The notes on pages 24 to 43 form an integral part of this unaudited condensed consolidated financial information.

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Note	Unaudited	
		For the six months ended 30 June 2006 Rmb'000	2005 Rmb'000
Net cash from operating activities		512,821	408,884
Net cash from / (used in) investing activities	18	77,752	(520,854)
Net cash (used in) / from financing activities	18	(800,000)	239,813
Effect of exchange rate changes		(2)	(248)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(209,429)</b>	<b>127,595</b>
Cash and cash equivalents at 1 January		556,811	1,274,548
<b>Cash and cash equivalents at 30 June</b>		<b>347,382</b>	<b>1,402,143</b>

The notes on pages 24 to 43 form an integral part of this unaudited condensed consolidated financial information.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

*For the six months ended 30 June 2006*

### 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 on 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 Airport") and the provision of related services.

The unaudited condensed consolidated financial information was approved for issue on 25 August 2006.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the six months ended 30 June 2006 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

### 3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

- Amendment to IAS 19, 'Actuarial gains and losses, group plans and disclosures'
- Amendment to IAS 39, Amendment to 'The fair value option'
- Amendment to IAS 21, Amendment 'Net investment in a foreign operation'
- Amendment to IAS 39, Amendment 'Cash flow hedge accounting of forecast intragroup transactions'
- Amendment to IAS 39 and IFRS 4, Amendment 'Financial guarantee contracts'
- IFRS 6, 'Exploration for and evaluation of mineral resources'
- IFRIC 4, 'Determining whether an arrangement contains a lease'
- IFRIC 5, 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds' and
- IFRIC 6, 'Liabilities arising from participating in a specific market - waste electrical and electronic equipment'

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

- Amendment to IAS 19, 'Actuarial gains and losses, group plans and disclosures', effective for annual periods beginning on or after 1 January 2006. The Company decided to retain its former accounting policy regarding the recognition of actuarial gains and losses.
- IFRIC 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after 1 January 2006. The Company has reviewed its contracts and concluded no significant impact on the revenue and expense recognised in respect of them.

Other amendments and interpretations are not relevant to the Company.

#### 4. REVENUES AND SEGMENT INFORMATION

The Company 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 Company are all related to the operation of an airport and subject to similar business risks, no segment income statement has been prepared by the Company during the six months ended 30 June 2006. 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	
	2006 Rmb'000	2005 Rmb'000
Aeronautical:		
Passenger charges	347,234	312,303
Aircraft movement fees and related charges	426,191	364,168
Airport Fee	310,735	268,263
<b>Total aeronautical revenues</b>	<b>1,084,160</b>	<b>944,734</b>
Non-aeronautical:		
Concessions	207,760	142,115
Ground handling facilities and services income	—	116,759
Rentals	105,138	70,817
Air catering	—	39,991
Car parking	26,737	22,956
Repairs and maintenance services	—	15,189
Others	10,336	7,191
<b>Total non-aeronautical revenues</b>	<b>349,971</b>	<b>415,018</b>
<b>Total revenues</b>	<b>1,434,131</b>	<b>1,359,752</b>

## 5. INVESTMENT IN ASSOCIATES

	30 June 2006 Rmb'000	31 December 2005 Rmb'000
At beginning of period / year	27,247	30,041
Acquisition	—	12,933
Share of profits after taxation	143	179
Dividend received	(300)	(197)
Transfer to assets classified as held for sale	—	(15,709)
At end of period / year	27,090	27,247

The associates, all of which are unlisted, are as follows:

	Place of incorporation	Percentage of equity interest directly held	
		2006	2005
Global Airport logistics Co., Ltd. (a)	Beijing, the PRC	33%	33%
Beijing Tian Di Xun Jie Airport Information Technology Co., Ltd. (b)	Beijing, the PRC	20%	20%

- (a) As at 30 June 2006, the associate was under liquidation. Management has assessed the recoverable amount of the investment and is of the view that no impairment provision is required for this period.
- (b) The English name of the associate is a direct translation of its name in Chinese (北京天地迅捷空港信息技术有限公司).

## 6. TRADE AND OTHER RECEIVABLES

	<b>30 June 2006</b> <i>Rmb'000</i>	31 December 2005 <i>Rmb'000</i>
Trade receivables	1,527,493	1,233,664
Less: Provision for impairment of receivables	(25,132)	(26,613)
Trade receivables — net	1,502,361	1,207,051
Receivables from related parties (note 19(a))	96,488	—
Prepayments	2,395	—
Other receivables	21,056	62,799
	<b>1,622,300</b>	<b>1,269,850</b>

The aging analysis of the trade receivables was as follows:

	<b>30 June 2006</b> <i>Rmb'000</i>	31 December 2005 <i>Rmb'000</i>
Less than 1 year	1,083,066	1,067,274
1 - 2 years	444,427	166,390
	<b>1,527,493</b>	<b>1,233,664</b>

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

The trade receivable balance as at 30 June 2006 included a receivable of Rmb1,067,407,000 of airport fee. Prior to 1 September 2004, pursuant to regulations promulgated by the Ministry of Finance of the PRC (the "Ministry of Finance") and General Administration of Civil Aviation of China (the "CAAC"), the Company is required to collect on behalf of CAAC Civil Aviation Airport Construction Fee ("Airport Fee"), subject to certain exemptions, from each outbound passenger (Rmb50 per domestic passenger and Rmb70 per international passenger), CAAC refunds 50% of the fee collected to the Company as revenue. Tourism development fund (Rmb20 per passenger) is collected together with the Airport Fee from each outbound international passenger on behalf of and payable to the PRC government after deducting certain handling charges.

## 6. TRADE AND OTHER RECEIVABLES (Continued)

In accordance with the "Notice regarding Questions on Levy and Management Methods of Civil Aviation Airport Construction Fee (the "Airport Fee Notice")" issued jointly by CAAC and Ministry of Finance on 22 July 2004, with effect from 1 September 2004, the Airport Fee is to be collected together with air tickets sold by the airlines companies instead of being collected at airport directly by the Company. Based on the Airport Fee Notice, the Company should eventually receive the Airport Fee from the Ministry of Finance. Subsequent to the change in the collection procedures in September 2004, the Company has not received any settlement of the Airport Fee from the relevant PRC authorities as the authorities are still in the process of finalising the detailed procedures for the settlement of the Airport Fee with the Company.

At 31 December 2005, the directors of the Company assessed the receivable would be fully recoverable in the middle of 2006. At 30 June 2006, this amount has not yet been received and the directors have made a re-assessment of its recoverability. Based on actions now taken and the discussion with the relevant government authorities by the management, the directors concluded the balance as at 30 June 2006 would ultimately be fully recoverable. During the six-month period ended 30 June 2006, the Company had recognised an impairment loss of Rmb18,203,000 (2005: Rmb19,008,000), considering the cash flows and discounted using the original effective interest rate of 5.22% per annum. The difference between the face and fair value of the amount is recognised as interest income and included in "other gains" in the subsequent period.

7. TRADE AND OTHER PAYABLES

	<b>30 June 2006</b> <i>Rmb'000</i>	31 December 2005 <i>Rmb'000</i>
<b>Trade payables</b>	6,549	1,869
<b>Other payables</b>		
Construction payable	753,447	892,115
Receipts on behalf of North China Air Traffic Control Bureau	116,178	144,819
Dividend payable	319,577	—
Payroll and welfare payable	16,252	72,475
Housing subsidy payable to employees	24,190	24,864
Adjustment fee payable	42,631	42,631
Payable to related parties (note 19(a))	110,300	96,319
Deposit received	32,658	27,739
Maintenance fee payable	50,734	14,287
Others	68,694	72,493
	1,534,661	1,387,742
	1,541,210	1,389,611

All trade payables were aged within one year.

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

## 8. SHORT-TERM BANK BORROWINGS (UNSECURED)

	30 June 2006 Rmb'000	31 December 2005 Rmb'000
Current	—	800,000
	—	800,000

Movements in borrowings are analysed as follow:

Balance as at 1 January 2005	750,000
Drawdown of bank loans	1,150,000
Repayments of bank loans	(750,000)
<b>Balance as at 30 June 2005</b>	<b>1,150,000</b>
Balance as at 1 January 2006	800,000
Drawdown of bank loans	500,000
Repayments of bank loans	(1,300,000)
<b>Balance as at 30 June 2006</b>	<b>—</b>

## 9. CAPITAL EXPENDITURE

During the six-month period ended 30 June 2006, an improvement project in relation to the aeronautical business of the Company is under construction, and a part of it has been completed. During the six-month period, the costs incurred for this construction project amounted to Rmb982,284,000.



## 10. OPERATING PROFIT

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

	<b>For the six months ended 30 June</b>	
	<b>2006</b> <i>Rmb'000</i>	2005 <i>Rmb'000</i>
Depreciation on property, plant and equipment		
— owned assets	234,600	243,952
— owned assets leased out under operating leases	4,089	5,009
Loss on disposal of property, plant and equipment	14,631	2,164
Repairs and maintenance expenditure on property, plant and equipment	70,509	55,581
Amortisation of intangible assets (included in other costs)	2,108	827
Operating lease rentals payable		
— buildings	2,166	2,191
— land use rights	5,992	6,859
Trade receivables		
— impairment charge	18,203	—

## 11. NET GAINS ON DISPOSAL OF CERTAIN ASSETS AND LIABILITIES

This represents net gains on disposal of the Company's respective 60% equity interests of Beijing Aviation Ground Service Co., Ltd ("BGS") and Beijing Airport Inflight Kitchen Ltd. ("BAIK") for a cash consideration totalled Rmb267,879,000. The transactions were conducted pursuant to the sales and purchase agreements entered into between the Company and CAHC on 22 December 2005 respectively, and approved by the independent shareholders of the Company in the extraordinary general meeting held on 15 March 2006.

The details of net gains on disposal of certain assets and liabilities are as follows:

	For the six months ended 30 June	
	2006 Rmb'000	2005 Rmb'000
BGS and BAIK	17,498	—
Beijing Airport Foods Service Co., Ltd.	—	(414)
Retailing and advertising	—	22,524
	17,498	22,110

## 12. OTHER GAINS

	For the six months ended 30 June	
	2006 Rmb'000	2005 Rmb'000
Interest income	22,875	7,481
Reversal of defined benefit pension and post-retirement benefit obligations (note)	31,827	—
	54,702	7,481

Note: The Company transferred the assets in relation to certain internal departments of aviation safety and security guard services, greening and environmental maintenance services and accessorial power and energy services to CAHC for a cash consideration totalled Rmb9,409,000. The transactions were conducted pursuant to the sales and purchase agreements entered into between the Company and CAHC on 22 December 2005, and approved by the independent shareholders of the Company in the extraordinary general meeting held on 15 March 2006.

The gain represented the reversal of defined benefit pension and post-retirement benefit obligations in relation to the staff in those departments of the Company.

### 13. INCOME TAX EXPENSE

Under PRC income tax law, the Company is subject to enterprise income tax and local income tax at a rate of 30% and 3% respectively, resulting in an aggregate tax rate of 33% (2005: 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	
	2006 Rmb'000	2005 Rmb'000
Current tax	246,196	176,929
Deferred tax	5,487	7,245
	251,683	184,174

### 14. PROFIT APPROPRIATIONS

#### (a) Statutory and discretionary reserves

Until 31 December 2005, 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.

Starting 1 January 2006, pursuant to the revised Company Law effective from 1 January 2006 and a circular issued by the Ministry of Finance ("MOF") (Cai Qi [2006] No. 67), the Company shall cease to provide for statutory public welfare fund out of appropriation of net profit. The balance of public welfare reserve as at 31 December 2005 is converted into surplus reserve. The profit appropriation to other reserve funds remained unchanged.

The profit appropriation of Rmb173,800,000 (20% of profit after taxation) to the discretionary surplus reserve fund for the year ended 31 December 2005 was recorded in the financial statements for the six months ended 30 June 2006.

## 14. PROFIT APPROPRIATIONS (Continued)

## (a) Statutory and discretionary reserves (Continued)

According to the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the PRC accounting standards and the amount determined under IFRSs. As at 30 June 2006, the reserve available for distribution was approximately Rmb782,876,000 (As at 31 December 2005: Rmb772,724,000).

## (b) Dividends

	For the six months ended 30 June	
	2006	2005
Dividend declared		
Interim dividend (Rmb'000)	151,269	114,923
Interim dividend per share (Rmb)	0.03933	0.02988

The interim dividend for the period ended 30 June 2006 was declared at the Board of Directors meeting held on 25 August 2006. This declared dividend is not reflected as a dividend payable in this financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2006.

## 15. EARNINGS PER SHARE

Basic earnings per share is 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	
	2006	2005
Profit attributable to equity holders of the Company (Rmb'000)	555,170	400,619
Weighted average number of ordinary shares in issue (thousands)	3,846,150	3,846,150
Basic earnings per share (Rmb per share)	0.14	0.10

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2006 and 2005.

## 16. 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 unaudited condensed consolidated financial information for any costs that may incur to resolve this issue.

## 17. 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 Company had the following outstanding capital commitments not provided for in the financial statements as at 30 June 2006:

	30 June 2006 <i>Rmb'000</i>	31 December 2005 <i>Rmb'000</i>
Contracted but not provided for	58,053	214,045
Authorised but not contracted for	312,587	132,888
	370,640	346,933

## 17. COMMITMENTS (Continued)

**Operating lease arrangements – where the Company is the lessee**

As at 30 June 2006, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land use rights	
	30 June 2006 Rmb'000	31 December 2005 Rmb'000
Not later than 1 year	8,035	7,475
Later than 1 year and not later than 5 years	28,432	26,706
Later than 5 years	259,558	237,911
	296,025	272,092

**Operating lease arrangements – where the Company is the lessor**

As at 30 June 2006, the future minimum lease payment receivables under non-cancellable operating leases for buildings are as follows:

	30 June 2006 Rmb'000	31 December 2005 Rmb'000
	Not later than 1 year	147,373
Later than 1 year and not later than 5 years	94,772	33,855
Later than 5 years	—	4,607
	242,145	82,958

17. COMMITMENTS (Continued)

**Concession income receivables**

As at 30 June 2006, the future minimum concession income receivables under non-cancellable agreements for the operating rights of retailing, advertising, restaurant and food shop businesses are as follows:

	<b>30 June 2006</b> <i>Rmb'000</i>	31 December 2005 <i>Rmb'000</i>
Not later than 1 year	294,395	294,395
Later than 1 year and not later than 5 years	1,177,578	1,177,578
Later than 5 years	1,030,381	1,177,578
	<b>2,502,354</b>	<b>2,649,551</b>

18. SUPPLEMENTARY INFORMATION TO UNAUDITED CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

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

	<b>For the six months ended 30 June</b> <b>30 June 2006</b> <i>Rmb'000</i>	31 December 2005 <i>Rmb'000</i>
<b>Investing activities:</b>		
Purchases of property, plant and equipment	(297,001)	(354,101)
Net cash inflow / (outflow) on disposal of certain assets and liabilities	277,794	(65,677)
Decrease / (increase) in time deposits with original maturities over three months but within one year	100,000	(100,000)
<b>Financing activities</b>		
Drawdown of short-term bank loans	500,000	1,150,000
Repayment of short-term bank loans	(1,300,000)	(750,000)
Dividends paid	—	(160,187)

## 19. RELATED PARTY TRANSACTIONS

The Company is controlled by CAHC which owns 65% of the Company's shares. The remaining 35% of the shares are widely held. The directors consider CAHC, which is a PRC state-owned enterprise under the supervision of CAAC, to be the ultimate holding company.

The Company is part of a larger group of companies under CAHC and has extensive transactions and relationships with members of the CAHC group. Because of these relationships, it is possible that the terms of the transactions between the Company and members of the CAHC group are not the same as those that would result from transactions with or among other related parties or wholly unrelated parties.

CAHC itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 (revised 2003), "Related Party Disclosure", state-owned enterprises and their subsidiaries, other than CAHC group companies, directly or indirectly controlled by the PRC government are also defined as related parties of the Company.

A significant portion of the Company's business activities are conducted with state-owned enterprises. Sale of certain services to these state-owned enterprises are at state-prescribed prices which are similar to prices to other customers. The Company considers that these sales are activities in the ordinary course of business.

The Company is ultimately controlled by the PRC government, which also controls a substantial number of entities in the PRC. For the purpose of related party transactions disclosure, the Company has in place procedures to identify the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, the Company receives Airport Fee as part of its transactions and thus, is likely to have extensive transactions with the employees of stated-owned enterprises while such employees are on corporate business as well as key management personnel and their close family members. These transactions are carried out on the same terms that are consistently applied to all customers. Due to the vast volume and the pervasiveness of these transactions, management is unable to determine the aggregate amount of the transactions for disclosure. Therefore, the transactions disclosed below do not include such transactions with these related parties. The management of the Company is of the view that it has provided meaningful disclosures of related party transactions.



## 19. RELATED PARTY TRANSACTIONS (Continued)

## (a) Balances with related parties

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

	30 June 2006 Rmb'000	31 December 2005 Rmb'000
Trade and other receivables from CAHC and fellow subsidiaries	96,488	—
Trade and other payables to CAHC and fellow subsidiaries	110,300	96,319
Balances with other state-owned enterprises:		
Trade and other receivables	397,058	439,565
Trade and other payables	739,105	815,259
Bank deposits	322,410	351,341
Notes payable	183,218	—
Time deposits with original maturities over three months but within one year	—	100,000
Loans from state-owned banks	—	600,000

- (i) The amounts due from CAHC, fellow subsidiaries and other related parties are unsecured and interest free.
- (ii) Trading balances with state-owned enterprises have similar terms of repayments as the balances with third parties while other balances with state-owned enterprises are unsecured, interest free and repayable on demand.
- (iii) The deposits and loans were transacted in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern. The interest rates were set at prevailing market rates.

## 19. RELATED PARTY TRANSACTIONS (Continued)

## (b) Transactions with related parties

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 2006:

	For the six months ended 30 June	
	2006 Rmb'000	2005 Rmb'000
Transactions with CAHC and fellow subsidiaries:		
Revenues:		
Concessions from BGS	9,967	—
Concessions from BAIK	2,141	—
Rental income from BGS for leasing of counters, premises and office space	29,180	9,869
Leasing of premises to a subsidiary of CAHC	7,950	5,513
Share of ground handling services income from BGS	—	7,809
Expenses:		
Provision of utilities and power supply by CAHC	93,447	101,980
Leasing of land use rights from CAHC	3,382	3,077
Provision of certain sanitary services and baggage cart management services by a subsidiary of CAHC	8,360	8,360
Provision of aviation safety and security guard services, greening and environmental maintenance services and accessorial power and energy services by CAHC	114,911	—
Other transactions:		
Payment for renovation management services fee to a subsidiary of CAHC	3,404	3,013

Apart from the above, the Company received approximately Rmb41,073,000 for the six months ended 30 June 2006 (2005: Rmb36,581,000) on behalf of CAHC, representing CAHC's share of the aircraft movement fees for emergency medical services rendered.

## 19. RELATED PARTY TRANSACTIONS (Continued)

## (b) Transactions with related parties (Continued)

The following transactions were carried out with other state-owned enterprises:

	For the six months ended 30 June	
	2006 Rmb'000	2005 Rmb'000
Transactions with other state-owned enterprises		
Revenues:		
Passenger charges, aircraft movement fees and related charges	611,251	518,610
Concessions	194,522	142,115
Ground handling facilities and services income	—	46,696
Rentals	46,026	20,396
Air catering	—	19,396
Expenses:		
Interest expenses on loans from banks	10,820	15,586
Subcontracting labour fee for maintenance	47,434	4,847
Other transactions:		
Acquisition of property, plant and equipment	323,035	252,729
Purchase of goods and materials	1,138	879
Drawdown of bank loans	500,000	1,150,000
Repayment of short-term bank loans	1,100,000	750,000

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.

19. RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel compensation

	For the six months ended 30 June	
	2006 Rmb'000	2005 Rmb'000
Salaries, allowances and other benefits	1,509	664

20. PRIOR YEAR COMPARATIVES

Certain comparative figures have been reclassified to conform with the changes in presentation adopted for the current period.

## OTHER INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Wang Zhanbin (*Chairman*)  
Wang Jiadong (*General manager, executive director*)  
Wang Tiefeng (*CFO, executive director*)

#### Non-executive Directors

Dominique M. Pannier  
Chen Guoxing  
Gao Shiqing

#### Independent Non-executive Directors

Long Tao  
Moses Cheng Mo Chi  
Kwong Che Keung, Gordon

### COMMITTEES

#### Audit Committee

Kwong Che Keung, Gordon (*Chairman*)  
Long Tao  
Moses Cheng Mo Chi

#### Remuneration Committee

Long Tao (*Chairman*)  
Moses Cheng Mo Chi  
Kwong Che Keung, Gordon  
Wang Jiadong  
Gao Shiqing

#### LEGAL REPRESENTATIVE

Mr. Wang Zhanbin

#### COMPANY SECRETARY

Mr. Shu Yong

#### AUDITORS

PricewaterhouseCoopers

#### DIVIDEND

Interim dividend	0.03933 per share
Ex-dividend date for interim dividend	29 September 2006
Book closing dates for interim dividend	29 September 2006 - 3 October 2006
Record date for interim dividend	3 October 2006
Payment date for interim dividend	31 October 2006

#### REGISTERED ADDRESS

Capital Airport, Beijing, the People's Republic of China

#### PRINCIPAL ADDRESS OF BUSINESS IN HONG KONG

35/F, Cheung Kong Centre, 2 Queen's Road, Central, Hong Kong

#### CONTACT FOR THE COMPANY'S NEWS AND INFORMATION

Secretariat to the Board

E-mail address: ir@bcia.com.cn  
Fax number: 8610 6454 5350

#### REGISTER AND TRANSFER OFFICE

Hong Kong Registrars Limited:  
1712-1716, 17th Floor, Hopewell Centre,  
183 Queen Road East, Wanchai, Hong Kong

## SHARE INFORMATION

Name of H Share: Beijing Airport  
 Stock Code: 694

## PRICE AND TURNOVER HISTORY

Year	Price per Share		Turnover of Shares (in millions)
	High (HK\$)	Low (HK\$)	
2005			
July	3.45	3.10	134.8
August	3.38	3.05	106.9
September	3.45	3.15	84.0
October	3.42	2.92	85.3
November	3.47	3.08	81.6
December	3.70	3.15	97.9
2006			
January	4.38	3.53	138.5
February	4.72	4.03	131.5
March	4.60	4.15	111.0
April	4.90	4.35	111.8
May	5.65	4.47	153.1
June	4.95	4.35	102.9