



The Board is pleased to present the annual report of the Group, and the audited financial statements of the Group and the Company for the fiscal year ended 31 December 2005.

## PRINCIPAL BUSINESSES

The Company is engaged in both aeronautical and non-aeronautical businesses at the Beijing Airport. Its aeronautical business consists of the provision of aircraft landings and take-offs and passenger service facilities, safety and security services and fire-fighting services. Its non-aeronautical business includes operation of duty free and other retail shops in the terminals, operation of restaurants and other food and beverage businesses, leasing of advertising spaces inside and outside the terminals by means of franchise, leasing of properties in the terminals, operation of car parking business, and the provision of ground handling services for domestic and foreign airlines. In addition, through the Company's jointly controlled entities and subsidiary including BGS, BAIK, and Bowei, the Company also provides ground handling and air catering services for domestic and foreign airlines, and provides maintenance and repair services for facilities at the terminals for the year ended 31 December 2005.

## OPERATION RESULTS AND FINANCIAL POSITION

The Group's operation results for the year ended 31 December 2005 and the financial position of the Group and the Company as at 31 December 2005 based on International Financial Reporting Standards ("IFRSs") are set out on pages 49 to 51 of the Annual Report.

## DIVIDENDS

The Board recommends the payment of a final dividend of Rmb0.08309 per share for the year of 2005, with a total amount of approximately Rmb319,577,000. Such proposal is subject to the approval of the shareholders of the Company at the annual general meeting of the Company scheduled to be held on Thursday, 8 June 2006. In the event that such approval is obtained, the final dividend will be paid on or before Friday, 14 July 2006 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 15 May 2006.

Pursuant to the resolution of the Board passed on 26 August 2005, the Company declared to the shareholders of the Company an interim dividend of Rmb0.02988 per share for the half of the year 2005. This interim dividend was paid on Monday, 31 October 2005 to the shareholders whose names appeared on the register of the members of the Company on Saturday, 1 October 2005.

The total dividends of the Company for 2005 were Rmb0.11297 per share, totally approximately Rmb434,500,000, representing approximately 47.83% of the profit attributable to the equity holders of the Company for the year of 2005. The total dividends of the Company for the year of 2004 were Rmb0.08989 per share.

There was no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend during the year ended 31 December 2005.



### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be temporarily closed from Tuesday, 9 May 2006 to Thursday, 8 June 2006 (both days inclusive). In order to be qualified for the final dividend, 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 Monday, 8 May 2006.

### RESERVES

Change in reserves of the Group and the Company for the fiscal year ended 31 December 2005 is set out on page 52 of this annual report.

### GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 5 of this annual report.

### PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment as at 31 December 2005 and the change in property, plant and equipment of the Group and the Company for the fiscal year ended 31 December 2005 are set out in note 5 to the financial statements.

### ISSUED SHARE CAPITAL

During the fiscal year ended 31 December 2005, no share capital has been issued by the Company.

### TAXATION

Details of taxation of the Group and the Company for the fiscal year ended 31 December 2005 are set out in note 31 to the financial statements.

### ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2005, the Group did not have entrusted loans or any matured but not yet withdrawn fixed deposits placed in financial institutions or any other entities.

## MAJOR CUSTOMERS AND SUPPLIERS

The largest customer, China National Aviation Holding Company and the five largest customers of the Group represented 25.31% and 50.85% of the total operating revenues of the Group for the fiscal year ended 31 December 2005, respectively.

The largest supplier, Capital Airports Holding Company (the "Parent Company" or CAHC) and the five largest suppliers of the Group represented 15.12% and 17.33% of the total operating costs of the Group for the fiscal year ended 31 December 2005, respectively.

To the knowledge of the Board, none of the Company's directors and their respective associates (as defined in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules")) or shareholders holding more than 5% of the Company's issued share capital (excluding the Parent Company) owned any interests in the Group's five largest customers or five largest suppliers at any time during the fiscal year ended 31 December 2005.

## SUBSIDIARY AND JOINTLY CONTROLLED ENTITIES

Details of the Company's jointly controlled entities as at 31 December 2005 are set out in the notes 40 and 41 to the financial statements. There is no subsidiary as at 31 December 2005.

## ACQUISITION AND DISPOSAL

Save as disclosed herein, the Company has not conducted any major acquisition or disposal of its subsidiaries or associated companies for the year ended 31 December 2005.

The Company ceased self-operation and implemented franchising of its restaurant business in January 2005, and the consideration of disposal was Rmb19,584,000, net assets disposed of Rmb19,998,000, and loss on disposal was Rmb414,000.

The Company disposed of its equity interests in Bowei in October 2005, the consideration for the disposal was Rmb35,684,000, the net assets disposed of were equal to Rmb25,471,000, and the gain on the disposal was Rmb10,213,000.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its listed securities during the year ended 31 December 2005. Neither the Company nor any of its subsidiaries has purchased or sold any of the listed securities of the Company during the year ended 31 December 2005.

## PRE-EMPTIVE RIGHTS

Pursuant to the articles of association of the Company and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to offer new shares to its existing shareholders in proportion to their shareholding.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2005 are disclosed in note 39 to the financial statements. These transactions also constitute connected transactions under the Listing Rules, except for balances and transactions with other state-owned enterprises and Rmb77,240,000 aircraft movement fees for emergency medical services received by the Company on behalf of the Parent Company.

The schedule of the continuing connected transactions of the Group as set out in the waiver granted by the Hong Kong Stock Exchange on 28 March 2000 and 14 January 2003 or in the previous announcements dated 1 September 2004, 18 January 2005 and 30 September 2005, including the total amount included for each such transaction during the year ended 31 December 2005 is as follows:

### (a) Transaction with the Parent Company

	2005 <i>Rmb'000</i>	2004 <i>Rmb'000</i>
Revenues:		
Lease of premises to Beijing Airport VIP Service Company Limited (a 60%-owned subsidiary of CAHC)	12,681	9,647
Provision of security services to the Parent Company and its units, subsidiaries and affiliates	276	94
Expenses:		
Provision of utilities and power supply by the Parent Company	229,018	166,465
Leasing of land use rights from the Parent Company	6,153	6,153
Provision of certain sanitary services and baggage cart management services by Beijing Capital Airport Property Management Company Limited (a company in which CAHC was interested in 35% equity interest)	16,720	5,573
Other transactions:		
Provision of construction projects management services by China Airport Construction Corporation ( a wholly owned subsidiary of CAHC) ("Construction Corporation")	18,780	—
Provision of designing services by Construction Corporation	20,811	—



- (b) Transactions with Singapore Airlines Limited (“SAL”), parent company of Singapore Airport Terminal Services Limited (“SATS”), foreign joint venture partner in BAIK and BGS, jointly controlled entities of the Company:

	2005 <i>Rmb'000</i>	2004 <i>Rmb'000</i>
Provision of landing facilities, basic ground handling service, passenger and baggage security checks and other related services to SAL	<b>18,157</b>	13,575

- (c) 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):

	2005 <i>Rmb'000</i>	2004 <i>Rmb'000</i>
Share of ground handling services income from BGS	—	14,894
Rental income from BGS for leasing of counters, premises and office space in terminals	<b>18,858</b>	18,501
Rental income from BGS for leasing of office & building	<b>995</b>	995

- (d) 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:

<b>Revenues / (expenses)</b>	2005 <i>Rmb'000</i>	2004 <i>Rmb'000</i>
Transactions between BGS and SAL:		
Income from ground handling services provided to SAL	<b>21,909</b>	16,422
Transactions between BAIK and SAL:		
Income from air catering services to SAL	<b>11,937</b>	9,835

Such continuing connected transactions were approved by the Hong Kong Stock Exchange no more than corresponding cap amounts for each of these continuing connected transactions as set out in the waiver from strict compliance of certain requirements of the Listing Rules granted by the Hong Kong Stock Exchange on 28 March 2000 and 14 January 2003, or the maximum consideration amount ("CAP") released in the announcements on 1 September 2004, 18 January 2005 and 30 September 2005, respectively.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that:

the transactions have been entered into:

1. in the ordinary and usual course of business of the Company;
2. on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and
3. on terms fair and reasonable so far as the shareholders of the Company are concerned.

The auditors of the Company have reviewed the above continuing connected transactions and have provided a letter to the directors of the Company stating that:

1. the transactions had been approved by the Company's directors;
2. the transactions were entered into in accordance with the pricing policies of the Group.
3. the transactions were entered into in accordance with the relevant agreements governing such Transactions or related regulation stipulated by the General Administration of Civil Aviation of China ("CAAC").
4. such transactions did not exceed the relevant CAPs.

## PROFILE OF DIRECTORS, SUPERVISORS AND THE MANAGEMENT

The Board for the second term was established on 12 June 2002, and the term of office of the Board expired on 2 June 2005, the date of the annual general meeting. On the same day, the Board for the third term was established by election of shareholders. Other than the resignation of Mr. Wang Zengyi, the remaining eight directors were re-appointed as directors of the Company and Mr. Gao Shiqing was newly elected as a director of the Company. As at 31 December 2005, the Board was comprised of nine directors, including two executive directors, four non-executive directors and three independent non-executive directors.

According to Rule 3.13 of the Listing Rule, the Company received the confirmation of independence from each of the independent non-executive directors. The members of the Board acknowledge their responsibilities and duties. Four board meetings were held in the year of 2005, and there were appropriate arrangements to ensure the attendance of independent non-executive directors and to ensure the review of the accounting records, accounting procedures and internal control system of the Company.

The supervisory committee for the second term was established on 12 June 2002, and the term of office of the supervisory committee expired on 2 June 2005, the date of the annual general meeting. On the same date, the supervisory committee for the third term was established by election of shareholders. Four supervisors were re-appointed as supervisors of the Company. As at 31 December 2005, the supervisory committee was comprised of four supervisors, including two external supervisors, a supervisor representing staff and a supervisor representing shareholders.

All executive directors of the Company have entered into director service agreements with the Company with a term expiring at the date of the annual general meeting of the Company to be held in the year of 2008. All non-executive directors and supervisors of the Company have entered into letters of undertaking to perform the obligations of non-executive directors and supervisors, respectively, in accordance with the Articles of Association of the Company. Except as mentioned above, the Company and its subsidiaries have not entered into any service agreement with any director or supervisor of the Company. None of the directors or supervisors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### **Directors, Supervisors and Senior Management**

The brief introduction of directors, supervisors and other senior management of the Company is as follows:



## Executive Directors

**Mr. Wang Zhanbin**, 49, was re-elected a director and was elected the chairman of the Board in June 2005. He is a senior engineer and obtained an MBA degree from Tsinghua University. During 1987 to 1995, he was the deputy head and then head of the China Airport Planning, Design and Research Institute of CAAC. From 1995 to October 1999, he was the general manager of China Airport Construction Corporation of CAAC. From October 1999 to January 2003, he was the Executive Director and General Manager of the Company. From March 2003 to June 2005, he acted as the chairman of the Board. Since December 2002, Mr. Wang has been the Vice General Manager of the Parent Company.

**Mr. Wang Jiadong**, 53, was elected a director in June 2005. He has over 20 years of experience in civil aviation communications and airport management. From 1988 to 1993, Mr. Wang was the deputy head of the Parent Company's human resources division. From 1993 to 1994, he was the general manager of a subsidiary of the Parent Company. From 1994 to 2000, he was the deputy general manager, and subsequently the general manager of BGS. From October 2000 to January 2003, he was the Deputy General Manager of the Company, and was appointed the General Manager in January 2003 and was reappointed the General Manager in June 2005.

## Non-executive Directors

**Mr. Dominique M. Pannier**, 51, was elected a non-executive director in June 2005. He is the chairman of ADP Management, as well as the vice president of strategy at ADP Group, and the chairman of the world standing economic committee of Airports Council International. He is also a member of the respective boards of directors of Mexican Airport Operator Company, Cambodian Airport Management Company, Alyzia Airport Services (France) and ADP Telecommunications. Mr. Pannier has extensive knowledge and experience in finance and has occupied important positions in the General Accounting Office of France, Ministry of Finance of France, French Telecommunications, Radio and Television Transmission Corporation, the World Bank and Airports de Paris during the past 20 years.

**Mr. Chen Guoxing**, 51, was elected a non-executive director in June 2005. He is a graduate of Tongji University and a senior engineer. He has plenty of experience in infrastructure constructions, especially in airport constructions. From 1992 to 2002, Mr. Chen Guoxing was the vice director of the Planning Committee of Jiangxi Province, the director of the Engineering Administration Section of Communications Bureau, Jiangxi Province, then the General Commander of the Command Office for Construction of Changbei Airport (which is located in Nanchang, Jiangxi Province, PRC), and subsequently the deputy mayor of Nanchang city. From March 2002, he was the Vice General Manager of the Parent Company.

**Mr. Zheng Hui**, 48, was elected a non-executive director in June 2005. He graduated from Commercial College of Hu'nan University with a master degree in business administration. From February 1982 to September 1997, Mr. Zheng took important positions in the Central Disciplinary Committee, and subsequently in Supervision Bureau of CAAC. In September 1997, he was appointed the Vice Secretary of Communist Party and the Disciplinary Secretary of Air China. Mr. Zheng was the disciplinary secretary of the Parent Company from November 2000 to December 2002, and has been the vice secretary of Communist Party of the Parent Company since December 2002. Since July 2005, he was appointed as vice general manager of the Parent Company.

**Mr. Gao Shiqing**, 44, was elected a non-executive director in June 2005. Mr. Gao graduated from Beijing University of Aeronautics & Astronautics with a master degree in aviation engineering. From August 1983 to July 2004, Mr. Gao was engaged in planning & science department, planning, development & finance department as deputy chief in CAAC. From July 2004, he has been the assistant of general manager of the Parent Company.

**Mr. Long Tao**, 54, was re-elected an independent non-executive director in June 2005. He holds a bachelor degree and a master degree in economics. He has over 15 years of experience in accounting, finance, securities and investment, including the experience gained when he worked with the New York office of Peat Marwick, Certified Public Accountants. Apart from being the chairman of Beijing Investment Consultants, Inc. and an assistant professor in the accounting department of Central Financial and Economics University, he is also an independent non-executive director of various companies listed on the Hong Kong Stock Exchange. Mr. Long has been elected an independent non-executive director of the Company since October 1999.

**Mr. Moses Cheng Mo Chi**, 56, was re-elected an independent non-executive director in June 2005. He graduated from the University of Hong Kong with a bachelor's degree in law. He was qualified as a solicitor of the Supreme Court of Hong Kong in 1975 and has since been qualified as a solicitor of the Supreme Court of England & Wales, a solicitor and a barrister of the Supreme Court of Victoria in Australia, a solicitor and an advocate of the Singapore Supreme Court, a notary public and an authorised attesting officer of the PRC. He was appointed and served as a member of the Legislative Council of Hong Kong from 1991 to 1995, the chairman of the Committee for Protection of Wages on Insolvency in 1992, the chairman of the Hong Kong Institute of Directors in 1995 and a Justice of the Peace in 1996. He currently holds more than twenty positions in social services. At present, apart from being a senior partner and practicing solicitor of P.C. WOO & CO., Mr. Cheng is also serving as an independent non-executive director of various companies listed on the Hong Kong Stock Exchange. Mr. Cheng has been elected an independent non-executive director of the Company since October 1999.

**Mr. Kwong Che Keung, Gordon**, 56, was re-elected as an independent non-executive director of the Company in June 2005. Mr. Kwong graduated from the University of Hong Kong in 1972, qualifying as a chartered accountant in England in 1977. He was a partner of Price Waterhouse from 1984 to 1998. He is currently a non-executive director of COSCO Pacific Limited and COSCO International Holdings Limited. He also serves as independent non-executive director of Tianjin Development Holdings Limited, Vision Century Corporation Limited, NWS Holdings Limited and China Oilfield Services Limited. In the public sector services, he was a part-time panel member of the Hong Kong Government's Central Policy Unit from 1993 to 1995 and was an independent member of the Council of the Hong Kong Stock Exchange from 1992 to 1997. He was a member of the Panel of Inquiry appointed by the Financial Secretary on the Penny Stocks Incident in 2002. Mr. Kwong has been elected an independent non-executive director of the Company since October 1999.

### Members of the Supervisory Committee

**Mr. Wang Zuoyi**, aged 44, was elected a supervisor of the Company and the chairman of the Supervisory Committee in June 2005. Mr. Wang graduated from Buffalo School, New York State University of USA in 1999 with a master degree in business administration. From 1991 to 1993, Mr. Wang was engaged in the Finance Bureau of Hainan Province. From 1993 to 1996, he was the director and chief deputy general manager of Hainan Wuzhou Tourism Joint-stock Company Limited. From January 1997 to August 2001, Mr. Wang was the deputy general manager of Hainan International Trust and Investment Company. From 1998 to 2000, Mr. Wang was the director of Haikou Meilan Airport Company Limited. From August 2001 to January 2003, Mr. Wang was the financial controller of the Company. Mr. Wang has been the financial controller of the Parent Company since January 2003.

**Ms. Li Xiaomei**, aged 47, was elected a supervisor in June 2005. Ms. Li is an economist, and graduated from the Central Party College in economics and management. She has over 20 years of experience in labor economics and human resources. From 1994 to 1999, she was the deputy director of the Parent Company's human resources division. From October 1999 to January 2003, she was the HR manager of the Company. She has been the chairman of Labor Union of the Company and the secretary of the Disciplinary Committee of the Company and the chairman of BAIK since January 2003.

**Mr. Han Xiaojing**, 51, was re-elected a supervisor in June 2005. He graduated from the School of Law of Zhong Nan Politics and Legal Studies University with a bachelor degree in law. Thereafter, he studied at Politics and Legal Studies University of China and obtained a master degree in law in 1985. From 1985 to 1992, Mr. Han worked as a full-time lawyer in China Legal Affairs Center. In 1992, he established the Commerce & Finance Law Office in Beijing and has been the principal lawyer since then. Mr. Han has been a supervisor of the Company since October 1999.

**Mr. Xia Zhidong**, 52, was re-elected a supervisor in June 2002. He graduated from Tianjin Finance College with a bachelor degree in accounting and from the Research Institute of the Ministry of Finance with a master degree in economics in February 1985. From 1986 to 1988, Mr. Xia was the deputy head of the Accounting Research Division of the Research Institute of the Ministry of Finance. In 1988, he became the assistant director of the capital finance section of the international business department of the head office of the China Construction Bank. In 1989, Mr. Xia attended an Advanced Management Program at the Harvard Business School of USA. He was the deputy general manager of Ernst & Young Hua Ming, Certified Public Accountants from 1992 to 1996 and is currently the senior partner of Tin Wha CPAs. Mr. Xia has been a supervisor of the Company since December 1999.

Save and except for the directorships in the Company, and save and except for the non-executive directorship of Mr. Gao Shiqing in a public company and the independent non-executive directorship of each of Mr. Long Tao, Mr. Moses Cheng Mo Chi and Mr. Kwong Che Keung, Gordon, in several other public companies, none of the directors or the supervisors of the Company held directorship in any other listed public companies in the last three years.

Save and except for the relationships as stated above, none of the directors or the supervisors of the Company has any relationship with other directors, senior management, substantial shareholder or controlling shareholder of the Company, or has any interest in the shares of the Company within the meaning of Part XV of the SFO.

For this term of the Board of the Company, each executive director's annual emolument includes fixed section and floating section, the latter correlating with performance results of the Company and the total of both sections accumulating no more than Rmb800,000. Each independent non-executive director's annual emolument was Rmb150,000, and other non-executive directors' annual emolument was Rmb100,000.

For this term of the supervisory committee of the Company, the annual emolument of the supervisor representing the staff was Rmb640,000, and each independent supervisor's annual emolument was Rmb50,000. Other supervisors were not remunerated from the Company.

## Other Senior Management

**Mr. Huang Gang**, 43, was re-appointed a deputy general manager in June 2005. He is a senior engineer and a graduate of National Defense Technology University in electricity technology. He served in the National Defense Technology Industry Committee and then the National Transportation Investment Corporation from 1983 to 1993. He was the senior engineer of the National Development Bank from 1993 to January 2000. He participated in the management in relation to the phase two expansion project of Beijing Airport from June 1996 to January 2000, and was the assistant to the chief commander of the command office for the terminal area expansion project of Beijing Airport. He was the manager of operation department and the assistant to the general manager of the Company from January 2000 to January 2003. Since January 2003 he was a deputy general manager of the Company.

**Mr. Liu Fuquan**, 57, was re-appointed the deputy general manager of the Company in June 2005. He graduated from the Central Party College in economics and management. Mr. Liu was the deputy director and then director of the Parent Company's human resources division from 1988 to 1998. From 1998 to October 1999, he was the secretary of the Disciplinary Committee of the Parent Company. From October 1999 to January 2003, he was the chairman of the Supervisory Committee and the secretary of the Disciplinary Committee of the Company. Since January 2003 he was a deputy general manager of the Company.

**Ms. Gao Lijia**, 41, was re-appointed the deputy general manager of the Company in June 2005. Ms. Gao is a senior engineer. She graduated from the Computer Science Department, Beijing University of Aeronautics and Astronautics (BUAA) and obtained the master degree of engineering. From January 1989 to May 1995, Ms. Gao served at the branch institute of BUAA as deputy director and deputy professor of the Electronic Engineering Department. From May 1995 to June 1997, she worked in the electronic communication technology industry. From June 1997, Ms. Gao has been working at the Beijing Airport as manager of Computer Division of Technological Equipment Department and then deputy director of Computer Centre of the Parent Company. From October 1999 to October 2001, Ms. Gao was manager of the IT department of the Company and from October 2001 onwards, she became the manager of the Planning and Development Department of the Company. Since February 2004, she was a deputy general manager of the Company.

**Mr. Wang Tiefeng**, 40, was appointed the finance supervisor of the Company in February 2006, he was postdoctoral of Jilin University, Doctor of Finance of Management College of University Maastricht in Holland. Tiefeng Wang has acted as Financial Advisor, Assistant General Manager, Director of Capital Operation Administration Office of Capital Airport Group Company (hereinafter as the Mother Company). Executive President of Goldstate Securities Co., Ltd., Administrative Vice President of China Nationality Securities Co., Ltd consecutively since January of 2004. From the end of Year 1998 to February 2004, Mr. Tiefeng Wang consecutively took up the posts of the leading official of the "Bao Steel Security Listing Team" of Bao Steel Group, Vice President of United Securities Co., Ltd, Vice President of Huabao Trust Investment Co., Ltd, Professor and Director of Financial Research Center of Shanghai National Accounting Institute.

**Mr. Shu Yong**, 33, was re-appointed the company secretary of the Company in June 2005. He graduated from the Law Department of Peking University with a bachelor degree in laws with double majors in economic laws and international economic laws. He worked in the planning and operating division and then the corporate office of the Parent Company from August 1996 to October 1999. From October 1999 to January 2003, he was the legal affairs manager of the securities department and subsequently the manager of the Secretariat to the Board. From May 2003, Mr. Shu has also been the deputy manager and then the manager of Planning and Development Department of the Company. Since January 2003, he has been the company secretary of the Company.

## DISCLOSURE OF INTERESTS

### Substantial Shareholders

As at 31 December 2005, 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	2,500,000,000 (L)	Beneficial owner	100% (L)	65% (L)
Aéroports de Paris	H Shares	253,591,346 (L) (Note)	Interest of a controlled corporation	18.84% (L)	6.59% (L)
Wellington Management Company, LLP	H Shares	67,658,000 (L)	Beneficial owner	5.03% (L)	1.76% (L)
Prudential plc	H Shares	67,596,000 (L) (Note)	Interest of a controlled corporation	5.02%(L)	1.76%(L)

(L) - Long position in shares

Note:

According to the Corporate Substantial Shareholder Notices filed by Aeroports de Paris and Prudential plc respectively on 4 January 2005 and 14 December 2005, Aeroports de Paris and Prudential plc indirectly hold 253,591,346 and 67,596,000 H Shares. The following is a breakdown of the interests in shares of the Company held by Aeroports de Paris and Prudential plc:

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	Aeroports de Paris	99.76%	253,591,346	—	18.84%
Prudential Holdings Ltd.	Prudential plc	100%	—	67,596,000	5.02%
Prudential Corporation Holdings Ltd.	Prudential Holdings Ltd.	100%	—	67,596,000	5.02%
Prudential Asset Management (Hong Kong) Limited	Prudential Corporation Holdings Ltd.	100%	67,596,000	—	5.02%

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 31 December 2005.

## DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE INTERESTS IN THE SHARES OF THE COMPANY

As at 31 December 2005, none of the directors, supervisors or chief executive of the Company had any interests or short positions in any shares, any underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong), which was required to be (a) recorded in the register of the Company required to be kept by the Company under section 352 of the SFO; or (b) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

During the year ended 31 December 2005, none of the directors, supervisors, or chief executive of the Company or their associates had been granted the right to subscribe for any equity or debentures of the Group, nor had any of them exercised such rights during the same period.

### DIRECTORS AND SUPERVISORS INTERESTS IN CONTRACTS

During the year ended 31 December 2005, none of the directors or supervisors of the Company was materially interested in any contracts or arrangements (other than service contracts / appointment letters) to which the Company or its subsidiaries or its jointly controlled entities were a party.

### DIRECTORS AND SUPERVISORS INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2005, none of the directors or supervisors of the Company had any interest in any competing business with the Company or its jointly controlled entities or its subsidiaries.

### CONTRACTS OF SIGNIFICANCE

Save for those transactions described in the note headed "Related Party Transactions" in the note 39 to the financial statements and the section headed "Connected Transactions and Continuing Connected Transactions" in the Report of the Directors above, there was no contract of significance in 2005:

- (a) between the Company (or its subsidiary) and its controlling shareholder (or any of its subsidiaries); or
- (b) for the provision of services to the Company (or its subsidiary) by its controlling shareholder (or any of its subsidiaries).

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company (other than a service contract with any director) was entered into or existed during the year ended 31 December 2005.

### EMOLUMENTS OF DIRECTORS AND SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of directors, supervisors and the five highest paid individuals during the financial year are set out in note 30 to the financial statements.



## MATERIAL LITIGATION OR ARBITRATION

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

## SIGNIFICANT POST BALANCE SHEET EVENT

On 15 March 2006, the extraordinary general meeting of the Company was held to approve a series of proposals regarding connected transactions and continuing connected transactions. Hence the purchase of aviation safety and security services, accessorial power and energy services and greening and environmental maintenance services, the continuing franchise on ground handling services, air catering services at the Beijing Airport by the Company were carried out.

## PUBLIC SHAREHOLDING

As at the date of this report, the Board acknowledges that 1,346,150,000 H shares, representing 35% of the entire issued share capital of the Company are held by the public, which is in compliance with the minimum requirement of public shareholding under Rule 8.08 of the Listing Rules.

## AUDITORS

For the three years ended 31 December 2005, PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers was the Company's PRC and international auditors, respectively.

PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers were approved by a resolution passed at the annual general meeting of the Company held on 2 June 2005, as the Company's PRC and international auditors, respectively, for the year 2005.

The Board of the Company will submit the resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. and PricewaterhouseCoopers as the Company's PRC and international auditors respectively for the year 2006 at the forthcoming annual general meeting.

By order of the Board  
**Wang Zhanbin**  
*Chairman*

Beijing, the PRC  
12 April 2006