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 is listed on The Stock Exchange of Hong Kong Limited since 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 and its subsidiaries (the "Group") are principally engaged in the ownership and operation of the international airport in Beijing ("Beijing Capital Airport") and the provision of related services.

In 2005, in connection with the Company's strategy in franchising certain of its non-aeronautical business to specialised operators, certain assets and liabilities in relation to non-aeronautical business were disposed of. Details of these disposals are set out in note 21(a).

In anticipation of the increasing aviation demands due to the economic development of the Beijing areas as well as the 2008 Beijing Olympic Games, the Company entered into an assets transfer agreement(the "Assets Transfer Agreement") with CAHC on 26 October 2006 to acquire from CAHC the extension to the existing facilities of the Beijing Capital Airport currently under construction ("Phase III Project"). CAHC began the construction of Phase III Project in March 2004. Details of the acquisition are set out in note 32.

These financial statements were authorised for issue by the Board of Directors on 25 April 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

As all subsidiaries and jointly-controlled entities of the Company had been disposed of as of 1 January 2006, the preparation of consolidated financial statements of the Group as at and for the year ended 31 December 2006 is not required. Therefore, the financial statements for the year ended 31 December 2006 only include the Company's financial statement and its interests in associates. For the year ended 31 December 2005, the consolidated financial statements of the Group included the financial statements of the Company and its subsidiaries, interests in jointly-controlled entities and associates on the basis as set out in note 2(b) below.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Amendments to published standards effective in 2006, and relevant to the Company

IAS 19 (Amendment), Employee Benefits, is mandatory for the Company's accounting periods beginning on or after 1 January 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, the adoption of this amendment is not expected to have any significant impact on the financial statements.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Standards, amendments and interpretations effective in 2006 but not relevant to the Company

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Company's operations:

- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards;
- IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Interpretations to existing standards that are not yet effective and have not been early adopted by the Company

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Company will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the financial statements.

Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

The following interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 May 2006 or later periods.

- IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements — Capital Disclosures, IFRS 7 introduces new disclosures relating to financial instruments;

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006);

- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006); and

- IFRIC 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of Consolidation

(1) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(2) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of Consolidation *(Continued)*

(2) Associates *(Continued)*

The Company's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

In the Company's balance sheet in 2005, the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividend received and receivable.

(3) Jointly controlled entities

The Company's interests in jointly controlled entities are accounted for using proportionate consolidation. The Company combines its share of the jointly controlled entities, individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the consolidated financial statements. The Company recognises the portion of gains or losses on the sale of assets by the Company to the jointly controlled entities that it is attributable to the other venturers. The Company does not recognise its share of profits or losses from the jointly controlled entities that result from the Company's purchase of assets from the jointly controlled entities until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In the Company's balance sheet in 2005, the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

The financial statements are presented in Renminbi ("Rmb"), which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions as quoted by the People's Bank of China. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and improvements	15 - 35 years
Runways	30 years
Plant, furniture, fixtures and equipment	5 - 15 years
Motor vehicles	6 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within other gains, in the income statement.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

Assets under construction represent buildings under construction and plant and machinery pending installation and are stated at cost. This includes the cost of construction, costs of plant and equipment and other direct costs plus cost of borrowings (including interest charges and exchange differences arising from foreign currency borrowings to the extent these exchange differences are regarded as an adjustment to interest costs) used to finance these projects during the period of construction or installation and testing. Assets under construction are not depreciated until such time as the relevant assets are completed and ready for their intended use.

(f) Land use rights

Costs of land use rights are recognised as expenses on a straight-line basis over the lease period of the land use rights of 40 to 50 years.

(g) Intangible assets

Expenditures to acquire utilisation rights of utilities facilities, software and software use rights are capitalised and amortised using the straight-line method over their estimated useful lives, but not exceeding 15 years.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

The Company assesses at each balance sheet date whether there is objective evidence that the loans and receivables or other financial assets is impaired.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value of spare parts and consumable items is the expected amount to be realised from use, whereas that of raw materials and merchandise for resale is the estimated selling price in the ordinary course of business, less the costs of completion and marketing and distribution expenses.

(k) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Time deposits with original maturities over three months but within one year

Time deposits with original maturities over three months but within one year are cash invested in fixed-term deposits with original maturities ranging from more than three months to one year and are carried at cost.

(n) Assets classified as held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

(o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it is arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

(r) Employee benefits

(1) Pension obligations

The Company operates various pension schemes. The Company has both defined contribution plans and defined benefit plans.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits *(Continued)*

(1) Pension obligations *(Continued)*

For defined contribution plans, the Company pays contributions to a defined contribution retirement plan administered by a government agency determined at a certain percentage of the salaries of the employees. The regular contributions are recognised as staff costs when they are due. The Company has no further payment obligations once the contributions have been paid.

For defined benefit plans, the Company provides pension subsidies to its retirees. The payment is calculated based on a number of factors, including position, number of years of service, technical ability, etc and includes various categories of allowances. The liability in respect of defined benefit pension costs is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains and losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries by using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of long term government bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(2) Other post-employment obligations

The Company provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits *(Continued)*

(3) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus entitlements are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(s) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(t) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue / income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. Revenue is recognised as follows:

(i) Airport fee is recognised upon charges on outbound passengers when departing from the airport, the charge rates are regulated by relevant authorities.

(ii) Aeronautical revenues other than airport fee are recognised when the related airport services are rendered.

(iii) Concession revenue comprises sales-related revenue from retailing, restaurants, advertising businesses, ground handling service and air catering service in Beijing Capital Airport and is recognised in step with the revenue generated by the franchisee. Retailing, restaurant and advertising concession revenues are recognised based on a percentage of sales or specified minimum rent guarantees. Ground handling and air catering concessions are recognised based on the charge rates promulgated by General Administration of Civil Aviation of China (the "CAAC").

(iv) Rental income is recognised on a straight-line basis over the lease period.

(v) Car parking fees are recognised when the parking services are rendered.

(vi) Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(v) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(1) The Company is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Leases *(Continued)*

(2) The Company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(w) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's equity holders.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Company conducts its operations in the PRC and accordingly is subject to special considerations and significant risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry.

The Company's overall financial risk management programme focuses on the unpredictability of the financial markets, optimising the level of financial risks the Company can bear, and minimising any potential adverse effects on the financial performance of the Company. Financial risk management is carried out by a treasury division and a revenue division under the Company's finance department, following the overall directions determined by the Board of Directors. The treasury division identifies and evaluates financial risks in close co-operation with the Company's operating units and makes decisions on portfolio of currencies and term of deposits. The revenue division monitors the Company's exposure to credit risks with respect to its customers and coordinate collection efforts. The Board of Directors provides directions on overall risk management and makes key decisions on matters which may give rise to significant financial risks.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Foreign exchange risk

The Company's businesses are principally conducted in Renminbi ("Rmb"). The Company is exposed to foreign currency risk with respect to primarily US dollar and HK dollar. Foreign currency risk arises from transactions including revenue from aeronautical business, purchases of equipment, goods and materials, and payment of consulting fee. In addition, dividends to equity holders holding H Shares are declared in Rmb and paid in HK dollar.

As at 31 December 2006, all of the Company's assets and liabilities were denominated in Rmb except that cash and cash equivalents of approximately Rmb 5,457,000 (2005: Rmb10,095,000), trade and other receivables of approximately 51,926,000 (2005: Rmb44,994,000), trade and other payables of approximately Rmb146,000 (2005: Rmb4,236,000) were denominated in foreign currencies, principally in US dollar and HK dollar.

Fluctuation of the exchange rates of Rmb against foreign currencies could but not materially affect the Company's results of operations. The Company did not use any forward contract or currency borrowing to hedge its exposure to foreign currency risk.

(ii) Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets, other than time deposits and cash and cash equivalents. The interest rates and terms of repayment of the bank borrowings of the Company are disclosed in Note 15. The Company has not used any interest rate swaps to hedge its exposure to interest rate risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any financial institution. The extent of the Company's credit exposure is represented by the aggregate balance of trade and other receivables.

(iv) Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its construction commitments.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair values estimation

The carrying amounts of the Company's financial assets, including cash and cash equivalents, time deposits, trade and other receivables and financial liabilities, including trade and other payables and short-term borrowings approximate their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Property, plant and equipment

The Company's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is made based on management's experience in operating airport and the conditions of the property, plant and equipment. It could change significantly as a result of actual use and improvements. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or they will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of receivables

The risk of non-collectible of trade receivables is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. Should the outcome differ from the assumptions and estimates, revisions to the estimated valuation allowances would be required.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Employee benefit

This applies where the Company's accounting policy is to recognise any actuarial gains or losses immediately through the income statement.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost /(gain) for pensions include the selection of discount rate, annual benefit inflation rate and employees' withdraw rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The discount rate is calculated based on long-term government bonds. The annual benefit inflation rate is the rate of increase of benefit payment which is based on the general local economic conditions. The employees' withdraw rate is based on historical trends of the Company.

Additional information is disclosed in Note 17.

5 REVENUE AND SEGMENT INFORMATION

The Company conducts its business within one business segment - the business of operating and managing 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 and management of an airport and subject to similar business risks, no segment information has been prepared by the Company during the year ended 31 December 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	**2006**	2005
	Rmb'000	*Rmb'000*
Aeronautical:		
Passenger charges	**733,406**	658,237
Aircraft movement fees and related charges	**897,877**	804,858
Airport fee	**664,816**	583,174
	2,296,099	2,046,269
Non-aeronautical:		
Concessions *(note a)*	**574,566**	440,338
Rentals	**217,816**	146,502
Car parking	**58,067**	51,570
Ground handling facilities and services income *(note b)*	**—**	282,461
Air catering *(note b)*	**—**	84,055
Repairs and maintenance service	**—**	19,503
Others	**13,315**	23,634
	863,764	1,048,063
Total revenues	**3,159,863**	3,094,332

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) Concession revenue is recognised in respect of the following business:

	2006	2005
	Rmb'000	*Rmb'000*
Retailing	**213,706**	165,489
Advertising	**163,128**	120,441
Ground handling service	**136,317**	110,107
Restaurants and food shops	**52,606**	42,554
Air Catering	**6,649**	1,747
Other	**2,160**	—
Total concessions	**574,566**	440,338

(b) In 2005, the revenues of ground handling facilities and services and air cartering were contributed by Beijing Aviation Ground Services Co., Ltd. ("BGS") and Beijing Airport Inflight Kitchen Ltd. ("BAIK"), respectively. BGS and BAIK had been disposed of as of 1 January 2006 (note 21 (a)) and no such revenues recurred in 2006.

6 PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are as follows:

	2006					
	Buildings and improvements	Runways	Plant, furniture, fixtures and equipment	Motor vehicles	Assets under construction	Total
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cost						
At beginning of year	6,300,699	989,923	1,971,504	177,766	1,860,030	11,299,922
Additions	17,476	—	34,798	3,602	424,416	480,292
Transfers	94,822	1,710,482	147,151	15,177	(1,967,632)	—
Disposals	(30,019)	(219,573)	(56,945)	(13,124)	—	(319,661)
Reclassification	141,883	(141,883)	—	—	—	—
At end of year	6,524,861	2,338,949	2,096,508	183,421	316,814	11,460,553
Accumulated depreciation						
At beginning of year	1,132,088	614,864	1,118,781	156,442	—	3,022,175
Charge for the year	168,297	88,335	227,186	5,840	—	489,658
Disposals	(8,928)	(205,267)	(39,702)	(11,349)	—	(265,246)
Reclassification	127,150	(127,150)	—	—	—	—
At end of year	1,418,607	370,782	1,306,265	150,933	—	3,246,587
Net book value						
At end of year	5,106,254	1,968,167	790,243	32,488	316,814	8,213,966
At beginning of year	5,168,611	375,059	852,723	21,324	1,860,030	8,277,747

6 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	2005					
	Buildings and improvements	Runways	Plant, furniture, fixtures and equipment	Motor vehicles	Assets under construction	The group Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Cost						
At beginning of year	6,379,861	989,923	2,010,094	305,126	106,839	9,791,843
Additions	1,296	—	20,561	11,325	1,873,145	1,906,327
Transfers	39,162	—	65,006	5,953	(110,121)	—
Disposals	(1,328)	—	(32,539)	(8,882)	—	(42,749)
Disposal of certain assets and liabilities	(33,488)	—	(32,098)	(4,651)	—	(70,237)
Reclassification	(2,205)	—	2,205	—	—	—
At end of year	6,383,298	989,923	2,033,229	308,871	1,869,863	11,585,184
Accumulated depreciation						
At beginning of year	963,425	581,337	980,867	236,405	—	2,762,034
Charge for the year	222,856	33,527	218,460	21,450	—	496,293
Disposals	(243)	—	(21,449)	(7,410)	—	(29,102)
Disposal of certain assets and liabilities	(24,175)	—	(24,057)	(2,938)	—	(51,170)
Reclassification	(125)	—	125	—	—	—
At end of year	1,161,738	614,864	1,153,946	247,507	—	3,178,055
Net book value	5,221,560	375,059	879,283	61,364	1,869,863	8,407,129
Transfer to assets classified as held for sale	(52,949)	—	(26,560)	(40,040)	(9,833)	(129,382)
Net book value						
At end of year	5,168,611	375,059	852,723	21,324	1,860,030	8,277,747
At beginning of year	5,416,436	408,586	1,029,227	68,721	106,839	7,029,809

6 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Movements in property, plant and equipment of the Company are as follows:

	2005					
	Buildings and improvements	Runways	Plant, furniture, fixtures and equipment	Motor vehicles	Assets under construction	The Company Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Cost						
At beginning of year	6,283,290	989,923	1,952,949	186,867	99,617	9,512,646
Additions	1,073	—	15,579	2,760	1,849,120	1,868,532
Transfers	28,069	—	60,114	524	(88,707)	—
Disposals	(1,328)	—	(32,037)	(7,711)	—	(41,076)
Disposal of certain assets and liabilities	(8,199)	—	(15,130)	—	—	(23,329)
Reclassification	(2,205)	—	2,205	—	—	—
At end of year	6,300,700	989,923	1,983,680	182,440	1,860,030	11,316,773
Accumulated depreciation						
At beginning of year	920,692	581,337	946,026	152,404	—	2,600,459
Charge for the year	218,092	33,527	212,962	13,472	—	478,053
Disposals	(243)	—	(20,981)	(6,519)	—	(27,743)
Disposal of certain assets and liabilities	(6,577)	—	(14,473)	—	—	(21,050)
Reclassification	125	—	(125)	—	—	—
At end of year	1,132,089	614,864	1,123,409	159,357	—	3,029,719
Net book value	5,168,611	375,059	860,271	23,083	1,860,030	8,287,054
Transfer to assets classified as held for sale	—	—	(7,548)	(1,759)	—	(9,307)
Net book value						
At end of year	5,168,611	375,059	852,723	21,324	1,860,030	8,277,747
At beginning of year	5,362,598	408,586	1,006,923	34,463	99,617	6,912,187

6 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Leased assets, where the Company is a lessor, comprise buildings leased to third parties under operating leases with cost and accumulated depreciation as follows:

	2006	2005
	Rmb'000	*Rmb'000*
Cost	**403,520**	177,492
Accumulated depreciation	**(130,055)**	(32,684)
Net book amount	**273,465**	144,808

Interest expenses capitalised in assets under construction for the year ended 31 December 2006 amounted to Rmb11,640,000 (2005: Rmb17,324,000). The capitalisation rate used to determine the amount of borrowing cost eligible for the capitalisation was 4.485% per annum for the year ended 31 December 2006 (2005: 4.671%).

As at 31 December 2006, buildings and taxiways with net book value of Rmb605,942,000 (2005: Rmb291,346,000) and Rmb797,152,000 (2005: Rmb41,024,000) respectively are situated on parcels of allocated land owned by CAHC. These lands are occupied by the Company at nil consideration.

In addition, the Company is in the process of applying for the building ownership certificates of these buildings. Until the receipt of the certificates, the Company is unable to assign or pledge these buildings.

7 LAND USE RIGHTS

Interests in land use rights of the Company represent prepaid operating lease payments in the PRC held on leases of between 14.5 to 50 years and their net book values are analysed as follows:

	2006	2005	
		The Group	The Company
	Rmb'000	*Rmb'000*	*Rmb'000*
Cost			
At beginning of year	**267,721**	278,933	261,015
Disposal	**(6,706)**	(11,212)	—
At end of year	**261,015**	267,721	261,015
Accumulated amortisation			
At beginning of year	**35,730**	32,897	27,189
Amortisation	**5,226**	6,103	5,220
Disposal	**(3,321)**	(3,270)	—
At end of year	**37,635**	35,730	32,409
Net book amount	**223,380**	231,991	228,606
Transfer to assets classified as held for sale	**—**	(3,385)	—
Net book amount			
At end of year	**223,380**	228,606	228,606

In addition, the Company entered into an agreement with CAHC dated 16 November 1999 to lease the land use rights for the land on which the runways, taxiways, aprons and certain parking areas are situated with provisions for early termination on specified circumstances, at an annual rental of Rmb6,764,000 (2005: Rmb6,153,000). CAHC has leased the land from the PRC Government for a period of 50 years for runways, taxiways and aprons and 40 years for certain parking areas.

8 INTANGIBLE ASSETS

Intangible assets comprised utilisation rights of utility facilities and software and software use rights which are amortised on a straight-line basis over 14.5 years and 3 years respectively, and their net book values are analysed as follows:

	Utilisation rights of utility facilities *Rmb'000*	Software and software use rights *Rmb'000*	2006 Total *Rmb'000*
Cost			
At beginning of year	1,322	19,456	20,778
Addition	—	10,437	10,437
Disposal	(1,322)	(2,205)	(3,527)
At end of year	—	27,688	27,688
Accumulated amortisation			
At beginning of year	653	13,875	14,528
Amortisation	—	3,882	3,882
Disposal	(653)	(2,192)	(2,845)
At end of year	—	15,565	15,565
Net book amount			
At end of year	—	12,123	12,123

8 INTANGIBLE ASSETS *(Continued)*

	The Group			The Company	
	Utilisation rights of utility facilities	Software and software use rights	2005 Total	Software and software use rights	2005 Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Cost					
At beginning of year	1,322	17,259	18,581	13,947	13,947
Addition	—	3,320	3,320	3,304	3,304
Disposal	—	(1,123)	(1,123)	—	—
At end of year	1,322	19,456	20,778	17,251	17,251
Accumulated amortisation					
At beginning of year	562	12,895	13,457	10,247	10,247
Amortisation	91	1,603	1,694	1,436	1,436
Disposal	—	(623)	(623)	—	—
At end of year	653	13,875	14,528	11,683	11,683
Net book amount	669	5,581	6,250	5,568	5,568
Transfer to assets classified as held for sale	(669)	(13)	(682)	—	—
Net book amount					
At end of year	—	5,568	5,568	5,568	5,568

9 INVESTMENTS IN ASSOCIATES

	2006	2005	
		The Group	The Company
	Rmb'000	Rmb'000	Rmb'000
At beginning of year	**27,247**	30,041	32,108
Acquisition	**—**	12,933	—
Share of (losses) / profits after taxation	**(273)**	179	—
Dividend received	**(300)**	(197)	—
Transfer to assets classified as held for sale	**—**	(15,709)	(1,750)
At end of year	**26,674**	27,247	30,358

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 31 December 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 in 2006.

(b) The English name of the above associate is a direct translation of its name in Chinese (北京天地迅捷空港信息技術有限公司).

10 TRADE AND OTHER RECEIVABLES

	2006	2005	
		The Group	The Company
	Rmb'000	*Rmb'000*	*Rmb'000*
Trade receivables *(note a)*	**1,210,458**	1,173,951	1,173,951
Less: Provision for impairment	**(18,266)**	(26,613)	(26,613)
	1,192,192	1,147,338	1,147,338
Prepayments	**19,095**	—	—
Prepayment to Parent Company *(note b)*	**2,000,000**	—	—
Receivables from related parties *(note 31(a))*	**151,369**	91,736	129,896
Interest receivable	**—**	2,881	2,881
Dividend receivable	**—**	—	19,238
Others	**37,721**	27,895	27,951
	3,400,377	1,269,850	1,327,304

(a) The aging analysis of the trade receivables was as follows:

	2006	2005
	Rmb'000	*Rmb'000*
Less than 1 year	**1,202,995**	1,007,561
1 - 2 years	**7,463**	166,390
	1,210,458	1,173,951

(b) This represents the prepayment to the Parent Company for the acquisition of Phase III Project (note 32) as at 31 December 2006.

10 TRADE AND OTHER RECEIVABLES

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

The accounts receivable balance as at 31 December 2006 included a receivable of Rmb664,816,000 of airport fee (2005: Rmb756,672,000). Prior to 1 September 2004, pursuant to regulations promulgated by the Ministry of Finance of the PRC (the "Ministry of Finance") and the CAAC, the Company is required to collect on behalf of CAAC Civil Aviation Airport Construction Fee ("Airport Fee"), CAAC refunds 50% of the fee collected to the Company as revenue. 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.

At 31 December 2006, the Company had received an amount of Rmb756,672,000 representing the balance of airport fee receivable as at 31 December 2005 and the difference between the face and fair value of the amount, which was previously recognised as impairment loss, amounted to Rmb19,008,000 is credited to 'other expenses' in the income statement.

The directors of the Company have assessed the receivable balance as at 31 December 2006 and expect such amount would be recoverable in 2007.

There is no concentration of credit risk with respect to other trade receivables, as the Company has a large number of customers, internationally dispersed.

11 CASH AND CASH EQUIVALENTS

	2006	2005
	Rmb'000	*Rmb'000*
Cash at bank and on hand	**152,818**	486,751
Short term bank deposits	**—**	70,060
	152,818	556,811

In 2006, the effective interest rate on short term bank deposits was 1.62% per annum (2005: 1.62%) and such deposits had maturities ranged from one to three months.

12 SHARE CAPITAL

	Number of ordinary shares *(thousands)*	Ordinary shares *(Rmb'000)*
At beginning of the year	3,846,150	3,846,150
New share issued	200,000	200,000
At end of year	4,046,150	4,046,150

On 4 October 2006, the Company completed the placing of an aggregate of 200,000,000 H shares with par value of Rmb1 at HK$5.10 per H share. The net proceeds of the placing was about Rmb1,023,176,000 (HK$1,007,658,000).

The total authorised number of ordinary shares is 4,046,150,000 shares (2005: 3,846,150,000 shares) with par value of Rmb1 (2005: Rmb1) per share. All issued shares were fully paid.

13 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 reserve out of appropriation of net profit. The balance of public welfare fund as at 31 December 2005 is converted into the statutory surplus reserve. The profit appropriation to other reserve funds remained unchanged.

For the year ended 31 December 2006, the Board of Directors proposed appropriations of 10% and 20% of profit after tax (2005: 10% and 20%) respectively, as determined under the PRC accounting standards, of Rmb101,660,000 and Rmb203,320,000 (2005: Rmb86,900,000 and Rmb173,800,000) respectively to the statutory surplus reserve fund and the discretionary surplus reserve fund respectively.

13 STATUTORY AND DISCRETIONARY RESERVES *(Continued)*

The proposed profit appropriation of Rmb203,320,000 (20% of profit after tax) to the discretionary surplus reserve fund for the year ended 31 December 2006 will be recorded in the financial statements for the year ending 31 December 2007.

The appropriation to discretionary surplus reserve fund of Rmb173,800,000 (2004: Rmb138,293,000) proposed for the year ended 31 December 2005 by the Board of Directors on 12 April 2006 was recorded in the financial statements for the year ended 31 December 2006.

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 31 December 2006, the reserve available for distribution was approximately Rmb1,042,255,000 (2005: Rmb772,724,000).

14 TRADE AND OTHER PAYABLES

	2006	2005
	Rmb'000	*Rmb'000*
Trade payables *(note a)*	**6,900**	1,869
Other payables:		
Construction payable	**511,090**	892,115
Receipts on behalf of North China Air Traffic Control Bureau *(note b)*	**101,483**	144,819
Payroll and welfare payable	**26,917**	72,475
Housing subsidy payable to employees *(note c)*	**13,388**	24,864
Payables to related parties *(note 31(a))*	**196,840**	112,755
Dividend payable to parent company *(note 31(a))*	**98,325**	—
Deposit received	**18,624**	14,408
Maintenance fee payable	**89,346**	14,287
Business tax payable	**125,318**	79,399
Other payables	**130,042**	132,615
	1,311,373	1,487,737
	1,318,273	1,489,606

14 TRADE AND OTHER PAYABLES *(Continued)*

(a) As at 31 December 2005 and 2006, all trade payables were aged within one year.

(b) This represents the receipts received by the Company on behalf of North China Air Traffic Control Bureau on the service rendered for air traffic control, communication and weather, etc. The balance is payable on demand.

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

15 SHORT TERM BANK BORROWINGS (UNSECURED)

	2006 ***Rmb'000***	2005 *Rmb'000*
Current	**—**	800,000
Movements in borrowings are analysed as follow:		
At beginning of year	**800,000**	750,000
Drawdown of bank loans	**1,460,000**	1,950,000
Repayments of bank loans	**(2,260,000)**	(1,900,000)
At end of year	**—**	800,000

As at 31 December 2006, the Company had unused loan facilities totaling approximately Rmb20,900,000,000 (2005: Rmb1,300,000,000).

16 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33% (2005: 33%).

The movement on the deferred income tax account was as follows:

	2006	2005
	Rmb'000	*Rmb'000*
At beginning of year	**24,467**	38,108
Charged to income statement (note 24)	**(3,295)**	(5,440)
Disposal	**—**	(7,770)
Transfer to assets classified as held for sale	**—**	(431)
At end of year	**21,172**	24,467

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets	**Retirement benefit obligations**	**Other temporary differences**	**Total**
	(note a)	*(note b)*	
	Rmb'000	*Rmb'000*	*Rmb'000*
As at 1 January 2005	34,843	9,507	44,350
(Charged) / credited to income statement	(6,832)	7,108	276
Disposal	(7,770)	—	(7,770)
Transfer to assets classified as held for sale	—	(431)	(431)
As at 31 December 2005	20,241	16,184	36,425
As at 1 January 2006	20,241	16,184	36,425
(Charged) / credited to income statement	(4,392)	4,392	—
As at 31 December 2006	15,849	20,576	36,425

16 DEFERRED INCOME TAXES *(Continued)*

Deferred tax liabilities	**Other temporary differences** ***(note b)*** *Rmb'000*	**Total** *Rmb'000*
As at 1 January 2005	6,242	6,242
Charged to income statement	5,716	5,716
As at 31 December 2005	11,958	11,958
As at 1 January 2006	11,958	11,958
Charged to income statement	3,295	3,295
As at 31 December 2006	15,253	15,253

(a) The Company provide defined benefit pension and post-retirement medical benefits ("post-retirement benefits") to their retired employees. The post-retirement benefits, though payable in the future, are recognised in the current period when the employees render services. The Company recognised a deferred tax asset arising from the recognition of the provision for these post-retirement benefits.

(b) Other temporary differences arose from differences between the tax bases of various assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	2006 ***Rmb'000***	2005 *Rmb'000*
Deferred tax assets	**36,425**	36,425
Deferred tax liabilities	**(15,253)**	(11,958)
	21,172	24,467

16 DEFERRED INCOME TAXES *(Continued)*

The amounts shown in the balance sheets include the following:

	2006	2005
	Rmb'000	*Rmb'000*
Deferred tax assets to be recovered after more than 12 months	**32,685**	28,552
Deferred tax liability to be settled more than 12 months	**14,706**	11,958

17 RETIREMENT BENEFIT OBLIGATIONS

At 31 December 2006, the retirement benefit obligations recognised in the balance sheet are as follows:

	2006	2005
	Rmb'000	*Rmb'000*
Pension subsidies	**38,685**	49,106
Medical benefits	**9,342**	12,229
	48,027	61,335
Less: Amounts due within one year included in current liabilities	**(1,403)**	(649)
	46,624	60,686

The amounts recognised in the income statement are as follows:

	2006	2005
	Rmb'000	*Rmb'000*
Pension subsidies*(note a)*	**17,670**	(3,522)
Post-employment medical benefits*(note b)*	**2,035**	3,489
Total, included in staff cost *(note 20)*	**19,705**	(33)

17 RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

(a) Pension subsidies

Movements in the liability recognised in the balance sheet are as follows:

	2006	2005
	Rmb'000	*Rmb'000*
At beginning of year	**49,106**	91,815
Liabilities disposed of *(note 21(b))*	**(27,066)**	(38,438)
Total cost / (gain)	**17,670**	(3,522)
Payment made in the year	**(1,025)**	(749)
At end of year	**38,685**	49,106

The amounts recognised in the income statement are as follows:

	2006	2005
	Rmb'000	*Rmb'000*
Current service cost	**3,587**	6,162
Interest cost	**2,562**	3,140
Past service cost	**1,515**	3,068
Net actuarial loss /(gains) recognised	**10,006**	(15,892)
	17,670	(3,522)

The principal actuarial assumptions at the balance sheet date were as follows:

	2006	2005
Discount rate	**3.83%**	3.50%
Pension cost inflation rate	**2.00%**	4.20%
Employee withdraw rate	**2.60%**	2.60%

17 RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

(b) Post-retirement medical benefits

Movements in the liability recognised in the balance sheets are as follows:

	2006	2005
	Rmb'000	*Rmb'000*
At beginning of year	**12,229**	13,771
Liabilities disposed of *(note 21(b))*	**(4,761)**	(4,942)
Total cost	**2,035**	3,489
Payment made in the year	**(161)**	(89)
At end of year	**9,342**	12,229

The amounts recognised in the income statement are as follows:

	2006	2005
	Rmb'000	*Rmb'000*
Current service cost	**457**	534
Interest cost	**374**	455
Net actuarial losses recognised	**1,204**	2,500
	2,035	3,489

The principal actuarial assumptions at the balance sheet date are as follows:

	2006	2005
Discount rate	**3.83%**	3.50%
Inflation rate of average medical benefit	**5.00%**	5.00%
Employee withdraw rate	**2.60%**	2.60%

18 HOUSING FUND

In accordance with the PRC housing reform regulations, the Company is required to make contributions to the State-sponsored housing fund at 10% of the specified salary amount of its full-time Chinese employees. At the same time, the employees are required to make a contribution equal to the Group's contributions out of their salaries. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. For the year ended 31 December 2006, the Group's contribution to the housing fund was approximately Rmb7,221,000 (2005: Rmb14,395,000).

In addition, during the year ended 31 December 2006, the Company provided Rmb3,787,000 (2005: Rmb13,646,000) to its employees as cash housing subsidies and the amount has been charged to the income statement. These cash housing subsidies are determined based on a number of factors, including the position, length of service and technical ability of the employees concerned, as well as the staff quarters that the employees had already obtained from CAHC and its related entities prior to the incorporation of the Company and currently occupy.

Moreover, CAHC provides housing benefits to the Company's employees who were employees of CAHC and its related entities prior to the incorporation of the Company. The Company has no obligation to reimburse CAHC for any costs or losses incurred by CAHC in relation to such housing benefits.

As at 31 December 2006, the Company did not own any staff quarters and the Company had not sold any staff quarters to its employees (2005: none).

19 DEFERRED INCOME

Pursuant to an approval document issued by Beijing State Tax Bureau on 27 April 2005, the Company has been granted an enterprise income tax credit on certain qualified purchases of domestically manufactured equipment. Such tax credit is deferred and recognised in the income statement over the estimated useful lives of the related equipment.

20 STAFF COSTS

	2006 Rmb'000	2005 Rmb'000
Wages and salaries	**84,711**	302,333
Staff welfare	**4,922**	17,645
Housing fund *(note 18)*	**7,221**	14,395
Housing subsidies *(note 18)*	**3,787**	13,646
Pension costs – statutory and supplementary pension *(note a)*	**7,607**	21,384
Pension costs – defined benefit plan *(note 17)*	**19,705**	(33)
Other allowances and benefits	**7,048**	48,911
	135,001	418,281

(a) All of the Company's full-time Chinese employees are covered by a state-sponsored pension scheme and are entitled to an annual pension at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Company is required to make annual contributions to the state-sponsored retirement plan at a rate of 20% of the employees' salaries in 2006 and 2005 respectively.

(b) As at 31 December 2006, the Company had 826 (2005: 1,489) employees.

(c) Staff costs include emoluments payable to Directors, Supervisors and senior management as set out in Note 23.

21 OTHER GAINS

	2006 Rmb'000	2005 Rmb'000
Interest income	**7,433**	15,622
Net gains on disposal of certain assets and liabilities *(note a)*	**17,498**	32,323
Reversal of retirement benefit obligations *(note b)*	**31,827**	—
	56,758	47,945

21 OTHER GAINS *(Continued)*

(a) This represents net gains on disposal of the Company's respective 60% equity interests of BGS and 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:

	2006	2005
	Rmb'000	*Rmb'000*
BGS and BAIK	**17,498**	—
Beijing Airport Foods Services Co., Ltd.	—	(414)
Retailing	—	21,292
Advertising	—	1,232
Beijing Bowei Airport Support Limited	—	10,213
	17,498	32,323

(b) The Company transferred the assets and staff 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 totaled 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 transferred to CAHC.

Subsequent to the transfer of the assets and staff of these departments, effective from 1 January 2006, the Company has paid CAHC for its services rendered in respect of aviation safety and security guard.

(c) The assets and liabilities in relation to the above disposals are classified as assets held for sale and liabilities directly associated with assets classified as held for sale as at 31 December 2005.

22 OPERATING PROFIT

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

	2006 Rmb'000	2005 Rmb'000
Depreciation on property, plant and equipment		
— owned assets	**481,479**	489,742
— owned assets leased out under operating leases	**8,179**	6,551
Loss on disposal of property, plant and equipment	**31,564**	8,117
Amortisation of land use rights	**5,226**	6,103
Amortisation of intangible assets	**3,882**	1,694
Operating lease rentals		
— buildings	**6,070**	7,786
— land use rights	**11,989**	12,257
(Reversal) / provision of trade receivables impairment charge	**(8,347)**	16,830
Auditors' remuneration	**2,349**	2,839

23 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(a) Directors' and Supervisors' emoluments

The aggregated amounts of emoluments payable to Directors and Supervisors of the Company during the year were as follows:

	2006	2005
	Rmb'000	*Rmb'000*
Fees	**850**	1,000
Salaries, housing and other allowances, and benefits in kind	**1,772**	852
Discretionary bonuses	**1,032**	1,340
Contributions to the retirement scheme	**76**	48
	3,730	3,240

The chairman's emoluments were paid by the Parent Company, which were also included in Directors' emoluments.

23 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

(a) Directors' and Supervisors' emoluments *(Continued)*

Pursuant to the requirements under Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which was effective on 1 January 2005, the emoluments of each Director for the year ended 31 December 2006 is set out below:

	Fees *Rmb'000*	Salaries, housing and other allowances, and benefits in kind *Rmb'000*	Contributions to the retirement scheme *Rmb'000*	Discretionary bonuses *Rmb'000*	Total *Rmb'000*
Name of Director					
Wang Zhanbin	—	491	19	290	800
Wang Jiadong	—	491	19	290	800
Wang Tiefeng	—	395	19	226	640
Gao Shiqing	100	—	—	—	100
Chen Guoxing	100	—	—	—	100
Dominique Pannier	100	—	—	—	100
Long Tao	150	—	—	—	150
Kwong Che Keung	150	—	—	—	150
Cheng Mo Chi	150	—	—	—	150
Name of Supervisor					
Li Xiaomei	—	395	19	226	640
Han Xiaojing	50	—	—	—	50
Xia Zhidong	50	—	—	—	50
	850	1,772	76	1,032	3,730

23 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

(a) Directors' and Supervisors' emoluments *(Continued)*

The remuneration of each Director and Supervisor for the year ended 31 December 2005 is set out below:

	Fees	Salaries, housing and other allowances, and benefits in kind	Contributions to the retirement scheme	Discretionary bonuses	Total
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Name of Director					
Wang Zhanbin	—	300	16	484	800
Wang Jiadong	—	300	16	484	800
Gao Shiqing	100	—	—	—	100
Chen Guoxing	100	—	—	—	100
Zheng Hui	100	—	—	—	100
Dominique Pannier	100	—	—	—	100
Long Tao	150	—	—	—	150
Kwong Che Keung	150	—	—	—	150
Cheng Mo Chi	150	—	—	—	150
Name of Supervisor					
Wang Zuoyi	50	—	—	—	50
Li Xiaomei	—	252	16	372	640
Han Xiaojing	50	—	—	—	50
Xia Zhidong	50	—	—	—	50
	1,000	852	48	1,340	3,240

For the years ended 31 December 2005 and 2006, the annual emoluments paid to each of the Directors and Supervisors fell within the band from Rmb nil to Rmb1 million.

No Directors waived or agreed to waive any emoluments during the year.

23 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three Directors, one Supervisor and one senior executive (2005: two Directors, one Supervisor and two senior executives). The details of the emoluments of the Directors and Supervisors are set out above. The emoluments payables to the remaining one senior executive is as follows:

	For the year ended 31 December	
	2006	2005
	Rmb'000	*Rmb'000*
Salaries, housing and other allowances, and benefits in kind	**395**	502
Discretionary bonuses	**226**	745
Contributions to the retirement scheme	**19**	33
	640	1,280

During the year ended 31 December 2006, no emoluments were paid by the Company to the Directors, Supervisors and the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office (2005: nil).

24 TAXATION

Enterprise income tax

Taxation in the income statement represents provision for PRC enterprise income tax.

Under PRC enterprise income tax law, except for certain exemption available to certain Company's jointly controlled entities, the Company are subject to enterprise income tax and local income tax rate of 30% and 3% respectively, resulting in an aggregate tax rate of 33% (2005: 33%) on the taxable income as reported in their respective statutory accounts which are prepared using the accounting principles and financial regulations applicable to PRC enterprises.

	2006	2005
	Rmb'000	*Rmb'000*
Current tax	**529,278**	421,499
Deferred tax *(note 16)*	**3,295**	5,440
	532,573	426,939

24 TAXATION *(Continued)*

Enterprise income tax *(Continued)*

The difference between the actual taxation charge in the income statement and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2006 *Rmb'000*	2005 *Rmb'000*
Profit before income tax	**1,625,472**	1,342,440
Tax calculated at a tax rate of 33% (2005: 33%)	**536,406**	443,006
Effect of preferential tax rate	**—**	(9,847)
Income not subject to tax	**(9,236)**	(3,262)
Over provision in prior years	**(6,266)**	—
Tax on undistributed profits and reserves of disposed jointly controlled entities	**12,819**	—
Tax credit on qualified purchases of domestically manufactured equipment	**(1,150)**	(2,958)
Tax charge	**532,573**	426,939

Business taxes

The Company is subject to business taxes on its service revenues at the following rates:

Aeronautical revenues	3% of service revenue
Non-aeronautical revenues	5% of concessions, rental income and car parking fee income

25 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders is dealt with in the accounts of the Company to the extent of Rmb1,158,540,000 (2005: Rmb895,431,000).

26 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006	2005
Profit attributable to equity holders of the Company *(Rmb'000)*	**1,092,899**	908,509
Weighted average number of ordinary shares in issue *(thousands)*	**3,896,150**	3,846,150
Basic earnings per share *(Rmb per share)*	**0.28**	0.24

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2006 and 2005.

27 DIVIDENDS

	For the year ended 31 December	
	2006	2005
Dividend declared		
Interim dividend *(Rmb'000)*	**151,269**	114,923
Interim dividend per share *(Rmb)*	**0.03933**	0.02988
Dividend proposed		
Final dividend *(Rmb'000)*	**357,032**	319,577
Final dividend per share *(Rmb)*	**0.08824**	0.08309

The final dividend for the year ended 31 December 2006 was proposed at the Board of Directors meeting held on 25 April 2007. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

28 CONTINGENCIES

The Directors of the Company understand that certain residents living in the vicinity of the airport have made complaints to the Beijing Municipal Government of the aircraft engine noise created by approaching and departing aircraft, 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 year end, the outcome was 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 financial statements for any costs to resolve this issue.

29 COMMITMENTS

Capital commitments

Capital commitments primarily relate to the construction of Phase III Project and other construction of and 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 31 December:

	2006	2005
	Rmb'000	*Rmb'000*
Authorised and contracted for	**13,752,064**	214,045
Authorised but not contracted for	**6,638,208**	132,888
Total	**20,390,272**	346,933

Operating lease commitments — where the Company is the lessees

As at 31 December, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land use rights	
	2006	2005
	Rmb'000	*Rmb'000*
Not later than 1 year	**8,035**	7,475
Later than 1 year and not later than 5 years	**27,797**	26,706
Later than 5 years	**256,176**	237,911
	292,008	272,092

29 COMMITMENTS *(Continued)*

Operating lease arrangements — where the Company is the lessors

As at 31 December, the future minimum lease payment receivables under non-cancellable operating leases for buildings are as follows:

	2006	2005
	Rmb'000	*Rmb'000*
Not later than 1 year	**74,066**	44,496
Later than 1 year and not later than 5 years	**60,254**	33,855
Later than 5 years	**—**	4,607
	134,320	82,958

Concession income arrangements

As at 31 December, the future minimum concession income receivable under non-cancellable agreements in respect of the operating rights of retailing, advertising, restaurant and food shop businesses are as follows:

	2006	2005
	Rmb'000	*Rmb'000*
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	**883,184**	1,177,578
	2,355,157	2,649,551

30 NOTES TO CASH FLOW STATEMENT

(a) Reconciliation of profit for the year to cash generated from operations

	2006	2005
	Rmb'000	*Rmb'000*
Profit for the year	**1,092,899**	915,501
Adjustments for:		
Taxation	**532,573**	426,939
Depreciation	**489,658**	496,293
Disposal of goodwill	**—**	427
Amortisation of land use rights	**5,226**	6,103
Amortisation of intangible assets	**3,882**	1,694
Impairment charge	**(8,347)**	16,830
Loss on disposal of property, plant and equipment	**31,564**	8,117
Share of loss / (profit) of associates	**273**	(179)
Interest income	**(7,433)**	(15,622)
Interest expenses	**5,478**	22,177
Foreign exchange losses, net	**2,058**	1,331
Net gains on disposal of certain assets and liabilities	**(17,498)**	(32,323)
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	**645**	(9,009)
Trade and other receivables	**(96,400)**	(559,829)
Trade and other payables	**278,169**	726,362
Retirement benefit obligations	**(13,777)**	1,374
Deferred income	**(3,485)**	17,839
Assets classified as held for sale	**—**	(58,321)
Cash generated from operations	**2,295,485**	1,965,704

30 NOTES TO CASH FLOW STATEMENT *(Continued)*

(b) Net cash inflow / (outflow) on disposal of certain assets and liabilities comprise:

	2006	2005
	Rmb'000	*Rmb'000*
Proceeds from disposal	**277,794**	144,317
Less: Cash and cash equivalents included in assets disposed of	—	(169,612)
Net cash inflow / (outflow) on disposal of certain assets and liabilities	**277,794**	(25,295)

31 RELATED PARTY TRANSACTIONS

The Company is controlled by CAHC which owns 61% of the Company's shares. The remaining 39% 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 Group.

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.

31 RELATED PARTY TRANSACTIONS *(Continued)*

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.

(a) Balances with related parties

As at 31 December, balances with related parties comprised of:

	2006	2005
	Rmb'000	*Rmb'000*
Trade and other receivables from CAHC, its fellow subsidiaries and related parties	**2,151,369**	66,258
Trade and other payables to CAHC, its fellow subsidiaries and related parties	**290,871**	109,650
Trade and other payables to Aeroports de Paris	**4,294**	3,105
Balances with other state-owned enterprises:		
Trade and other receivables	**483,833**	373,307
Trade and other payables	**568,304**	801,928
Bank deposits	**112,419**	351,341
Notes payable	**531,057**	—
Time deposits with original maturities over three months but within one year	—	100,000
Loans from state-owned banks	—	600,000

31 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Balances with related parties *(Continued)*

(i) The amounts due from CAHC, its fellow subsidiaries and 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.

31 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:

	2006	2005
	Rmb'000	*Rmb'000*
Transactions with CAHC, its fellow subsidiaries and related parties		
Revenues:		
Concessions from the related parties	**463,125**	350,085
Rental income from related parties on counters, premises and office space	**59,303**	19,853
Aeronautical revenue from the related parties	**19,924**	14,327
Leasing of premises to a subsidiary of CAHC	**19,523**	12,681
Expenses:		
Provision of utilities and power supply by a subsidiary of CAHC	**193,253**	229,018
Leasing of land use rights from CAHC	**6,764**	6,153
Provision of certain sanitary services, baggage cart management services and greening and environmental maintenance services by an associate of CAHC	**40,401**	16,720
Provision of aviation safety and security guard services and accessorial power and energy services by the subsidiaries of CAHC	**235,367**	—
Other transactions:		
Payment for renovation projects management services fee to a subsidiary of CAHC	**3,404**	18,780
Payment for consultation services by Aeroports de Paris	**2,363**	7,919
Payment for designing services by a subsidiary of CAHC	**—**	20,811

31 RELATED PARTY TRANSACTIONS *(Continued)*

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

Apart from the above, the Company received approximately Rmb87,454,000 (2005: Rmb77,240,000) on behalf of CAHC, representing CAHC's share of the aircraft movement fees for emergency medical services rendered.

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

	2006 Rmb'000	2005 Rmb'000
Transactions with other state-owned enterprises		
Revenues:		
Passenger charges, aircraft movement fees and related charges	**1,272,492**	1,144,159
Concession income	**109,281**	98,700
Ground handling facilities and services income	**—**	145,793
Rentals	**76,487**	52,952
Air catering	**—**	36,395
Interest income received	**7,047**	13,929
Expenses:		
Interest expenses paid	**14,874**	22,073
Subcontracting labour fee for maintenance	**119,813**	12,964
Insurance paid	**6,947**	8,056
Other transactions:		
Acquisition of property, plant and equipment	**403,145**	915,406
Purchases of goods and materials	**1,506**	19,377
Bank loans borrowed	**1,460,000**	1,750,000
Short-term bank loans repaid	**2,060,000**	1,900,000

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.

32 EVENTS AFTER THE BALANCE SHEET DATE

(a) Assets Transfer Agreement

On 26 October 2006, the Company entered into the Assets Transfer Agreement with CAHC in relation to the acquisition of Phase III Project from CAHC for a total consideration of approximately RMB 15.62 billion.

The investment in the extension to the existing airport facilities of the Beijing Capital Airport, which is currently operated by the Company, is estimated to be approximately RMB25 billion. This investment has been approved by National Development and Reform Commission of the PRC ("NDRC" or 中國國家發展和改革委員會) in the approval Fa Gai Jiao Yun [2005] No. 1850 granted to the Parent Company, out of which approximately RMB22 billion is the estimated investment in respect of the Phase III Project. These assets include the construction in progress of airfield, Terminal 3 ('T3") and roads within airport area, the driverless electric train system and other relevant equipment, machinery and facilities, the land use rights of the land on which T3 is situated, and the rights and liabilities relating thereto. The construction of Phase III Project is expected to be completed by the end of 2007 so as to ensure the commencement of its operations before the 2008 Beijing Olympic Games.

The transaction has been approved by the Ministry of Finance and CAAC, and approved by the independent shareholders of the Company in the extraordinary general meeting held on 20 December 2006. Rmb2 billion was paid to CAHC as of 31 December 2006 as part of the consideration payment. As certain conditions set out in the Agreement have not yet been met as at 31 December 2006, the above acquisition was not included in the financial statements and will be accounted for when all the conditions are met in 2007.

32 EVENTS AFTER THE BALANCE SHEET DATE *(Continued)*

(b) Release of the Corporate Income Tax Law of PRC (the new "CIT Law")

On 16 March 2007, the National People's Congress approved the new CIT Law. The new CIT Law reduces (increases) the corporate income tax rate for domestic enterprises (foreign invested enterprises) from 33% (15% or 24%) to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements are approved for issue, detailed measures concerning these items has yet to be issued by the State Council. Consequently, the Company is not in a position to assess the impact, if any, to the carrying value of deferred tax assets and liabilities as at 31 December 2006. The Company will continue to evaluate the impact as more detailed regulations are announced.

33 PRIOR YEAR COMPARATIVES

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