Annual Report 2007

(Stock Code: 0694)

北京首都國際機場股份有限公司

Beijing Capital International Airport Company Limited

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

ANNUAL REPORT 2007

BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED

CONTENTS

OUR VISION

To be a First Class Airport Management Company

COMPANY PROFILE

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 to take over and manage the aeronautical operations and certain ancillary commercial businesses at the international airport in Beijing, the PRC (the "Beijing Airport"). On 27 January 2000, 1,346,150,000 H shares in the Company of RMB1.00 each were issued to the public at HK$1.87 per share and such shares were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 1 February 2000. On 18 May 2001, as approved by the Ministry of Foreign Trade and Economic Co-operation of the PRC, the Company was converted into a Sino-foreign joint stock limited company.The company placed 200,000,000 H shares at HK$5.10 per H share on 4 October 2006. After placement, the issue share capital of the company has increased to 4,046,150,000 shares.

At present, the Company is mainly engaged in aeronautical and non-aeronautical businesses at the Beijing Airport.

The aeronautical business of the Company consists of the provision of aircraft landings and take-offs and passenger service facilities, ground support services, and fire-fighting services for domestic and foreign airlines.

By the end of 2007, there were 72 airlines operating at the Beijing Airport, including 16 domestic airlines, 4 airlines from Hong Kong and Macau and 52 foreign airlines.

By the end of 2007, there were 185 flight points at the Beijing Airport, including 96 domestic flight points and 89 international, Hong Kong and Macau flight points.

The non-aeronautical business of the Company mainly consists of franchise the business of: (1) ground handling agent services; (2) in-flight catering services; (3) operation of duty free and other retail shops in the terminals; (4) operation of restaurants and other food & beverage businesses; and (5) leasing of advertising spaces inside and outside the terminals.

The non-aeronautical business of the Company also consists of operation the business of: (1) leasing of properties in the terminals; (2) operation of car park, and (3) the provision of ground handling facilities for ground handling agent companies.

The Company is dedicated to becoming a world-class airport operation and management company. It proactively promotes the development of the gateway and compound hub airport, enhances resource management, quality control and business development and innovation. In 2007, the aircraft movements and the passenger throughput at the Beijing Airport reached 399,697 and 53,583,664, respectively, and the freight throughput reached 1,192,554 tonnes, ranking 23th, 9th and 20th respectively among airports in the world based on the preliminary ranking of ACI.

FINANCIAL SUMMARY

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

	2007	2006	2005	2004	2003
Operating Results					
Revenues	**3,516,125**	3,159,863	3,094,332	3,133,630	2,267,017
Profit before income tax	**1,675,743**	1,625,472	1,342,440	1,126,079	628,061
Income tax expense	**(546,256)**	(532,573)	(426,939)	(365,387)	(222,384)
Profit for the year	**1,129,487**	1,092,899	915,501	760,692	405,677
Attributable to:					
Equity holders of the Company	**1,129,487**	1,092,899	908,509	749,354	400,117
Minority interests	**—**	—	6,992	11,338	5,560
Earnings per share — basic and diluted *(Rmb)*	**0.28**	0.28	0.24	0.19	0.10
Financial Position					
Assets					
Non-current assets	**8,268,626**	8,497,315	8,563,635	7,351,545	7,083,129
Current assets	**4,011,947**	3,567,129	2,298,225	2,349,862	2,073,461
	12,280,573	12,064,444	10,861,860	9,701,407	9,156,590
Equity and liabilities					
Shareholders' equity	**10,739,012**	9,833,339	8,188,110	7,644,139	7,145,015
Minority interests	**—**	—	3,155	35,020	19,911
Non-current liabilities	**51,358**	60,978	78,525	104,320	935,571
Current liabilities	**1,490,203**	2,170,127	2,592,070	1,917,928	1,056,093
	12,280,573	12,064,444	10,861,860	9,701,407	9,156,590

CHAIRMAN'S STATEMENT

To shareholders:

I am pleased to present the 2007 financial and operational results of the Company and our prospects for the year of 2008.

FINANCIAL RESULTS

For the fiscal year ended 31 December 2007, the Company's revenues were Rmb3,516,125,000, representing an increase of 11.3% over the previous year, among this, the aeronautical revenues were Rmb2,490,494,000, representing an increase of 8.5% over the previous year, and the non-aeronautical revenues were Rmb1,025,631,000, representing an increase of 18.7% over the previous year. The total operating expenses were Rmb1,702,064,000, representing an increase of 16.4% from the previous year. The profit attributable to the equity holders of the Company was Rmb1,129,487,000, representing an increase of 3.35% over the previous year.

The earnings per share of the Company were Rmb0.28 in 2007, compared with Rmb0.28 of the earnings per share in 2006. The board of directors of the Company (the "Board") recommends the payment of a final dividend of Rmb0.09123 per share for the year 2007. Such final dividend will be payable after approval has been granted at the annual general meeting of the Company. Together with the interim dividend of Rmb0.04122 per share (total approximately Rmb166,782,000), which was paid on Wednesday, 31 October 2007, the total dividends for the year were approximately Rmb535,912,000 (total dividends in 2006: approximately Rmb508,301,000).

OPERATIONAL RESULTS

In order to reduce flight delays and to ensure aviation safety, the Civil Aviation Administration of China (Former the General Administration of Civil Aviation of China "CAAC") decided to cancel certain scheduled domestic flights to and from Beijing Airport by stages for the period from 15 August 2007 to 27 October 2007 and the period from the end of October 2007 to the end of March 2008, respectively. This had slowed down the growth of air traffic volumes of Beijing Airport slightly in the second half year of 2007 and the first quarter of 2008. However, benefiting from the steady economic growth and the enhanced throughput capacity through facility reconstruction, the air traffic volume of the Beijing Airport kept an overall growth in 2007. The aircraft movements and passenger throughput in Beijing Airport recorded 399,697 and 53,583,664, representing an increase of 6.1% and 10.1% over the previous year, respectively. The freight throughput also increased by 15.9% to 1,192,554 tonnes from last year. According to the preliminary statistics of Airports Council International, it initially showed that the passenger throughput at the Beijing Airport continued to rank the 9th in the world in 2007.

In 2007, the Company further enhanced safety management through a combination of the systematic work in safety management and aviation security, the special projects for apron order and aviation security, etc. As a result, the operation guarantee capability was significantly improved.

Leveraging the opportunity from the "Good Luck Beijing" sport events to prepare for the 2008 Beijing Olympics, the Company conducted drills with airlines stationed in Beijing Airport, non-aeronautical service suppliers and government bodies including the Customs and Immigration Control in 2007. A series of measures such as unified service standards, price reduction, service flow optimisation and staff training were introduced to upgrade the service quality to passengers.

During the year, the Company focused on strongholds including asset takeover, resource allocation, commercial planning and overall coordination to advance the preparative work for operation of Phase III Project (note 1) of Beijing Airport. Professional talents were introduced, coupled with special systematic trainings on takeover of T3 and airfield area, preparation for Olympics and on-the-job expertise, to address the challenge from potential talent shortage due to on-streaming of large-scale assets.

Through asset leasing, the Company ensured the operation of the runway to airfield area in Phase III Target Assets (note 2) as scheduled in 2007. It was made before the final approval from the National Development and Reform Commission of PRC ("NDRC"), thanks to the Company's timely follow-up of approving procedures for the acquisition of Phase III Target Assets. Meanwhile, the trial operation proposal for relevant assets, the transitional asset use proposal and the acquisition proposal were worked out according to the overall schedule of the Phase III project for trial operation on 29 February 2008 and official operation on 26 March 2008. On 28 March 2008, the said transitional asset use and acquisition were approved by the extraordinary general meeting of the Company. The acquisition is to be implemented subject to approval of the related governmental authorities.

PROSPECTS

Despite of the slower growth of air traffic in the first quarter of 2008 due to the limitation on domestic flights to and from Beijing Airport by CAAC, benefiting from the overall growth of demand in air travel market and the capacity expansion upon the operation of Phase III Assets as well as the positive effect of the 2008 Beijing Olympics, the air traffic volumes at Beijing Airport is expected to present a fast growth in 2008, Such growth will provide a favourable basis for the growth of the Company's aeronautical and non-aeronautical revenues.

On 28 December 2007, the Notice of Circulating the Reform Scheme for Civil Airport Charges was jointly promulgated by CAAC and NDRC. Aiming at clearer and more reasonable structure of rates charged by domestic civil airports, the reform is expected to have positive effects on the civil aviation industry of China. Commencing from 1 March 2008, the new rates and policies for charges, as set out in the Reform Scheme for Civil Airport Charges, will come into effect for all Chinese airports, which is expected to have no significant impact on the aeronautical revenues of the Company in the short term, but favourably foster the increase of the aeronautical revenues of the Company in the long run.

In the next year, upon the start-up of Phase III Target Assets, a new runway capable of Airbus A380, a terminal with gross floor area of 902,000 squarer meters, and the related ancillary facilities, equipment and constructions have been put into operation. Accordingly, the passenger handling capacity of Beijing Airport has been expanded from 35 million to 78 million per year, and the freight handling capacity has been expanded from 0.78 million tones to 1.80 million tonnes per year. The available commercial space in the terminals has also been expanded by more than two times than before. So far, the Phase III Target Assets have all been put into smooth operation. In the long run, the operation of Phase III Target Assets will help the Company to enhance its mid-to-long term competitive advantages and establish a globally leading position among the largest airports, in the following four aspects:

1. Solve the capacity bottleneck of Beijing Airport, and ensure the Company to cope with the fast-growing air traffic demand by 2015;

2. Provide safer, high-standard and customer-oriented services to airlines and passengers by brand new facilities, technologies and environment;

3. Promote the development of non-aeronautical business by more commercial spaces, more choices of brand and more attractive consumption environment, so as to ensure a higher growth speed of non-aeronautical business than that of air traffic, and a steady increase in the proportion of non-aeronautical revenues in the total revenue;

4. Optimise the flight structure and transfer connection at Beijing Airport, in collaboration with base airlines and airline alliances on the platform of new facilities, to speed up the pace of Beijing Airport toward a large gateway and compound hub airport in the Asia-pacific region.

The consideration of Phase III Target assets is more than Rmb26 billion, as the gross floor area of terminal 3 is more than two times the total areas of terminal 1 and terminal 2, and the airfield area has been doubled as well. Upon the start-up of Phase III Target assets, besides the increase in depreciation and/or assets usage expense, other related operating expenses such as utilities and power expenses, staff costs and outsourcing services expenses will also present significant increases than previous years. However, the Phase III Target Assets may not be at its optimal utilisation in the start-up year. The Company will also require substantial amount of funds for the acquisition of the Phase III Target assets. The Company will be inevitably exposed to relatively heavy operating and financial pressures in the next few years, which will cause a significant contrast of operational results to its past records. To minimise this short-term impact as much as possible, management of the Company will take actions such as: seeking for flexible pricing policy for peak hours; optimising resource allocation to increase aeronautical revenues; building up a comprehensive price evaluation system and promoting the development of concession mode to increase the contribution of non-aeronautical business; and developing a financial plan based on the market conditions to cut down financial costs.

The Company's achievements made in the year of 2007 are totally attributed to the hard work of all staff. I sincerely appreciate all the staff of the Company and sincerely appreciate the support and understanding from all shareholders and all parts of society as ever.

By order of the Board
Wang Jiadong
Chairman

1 April 2008
Beijing, the PRC

Note 1: Phase III Project: the extension to the existing facilities of the Beijing Capital Airport operated by the Company, which includes the construction of T3, driverless electric train system, a new runway, airfield, cargo handling area, supporting transportation system, water supply system, electricity supply system and gas supply system and other facilities approved by the NDRC, such as T3C (international flight waiting centres) and GTC (ground traffic centre), etc.

Note 2: Phase III Target Assets: the assets owned by the Parent Company which form the target assets for acquisition by the Company from the Parent Company pursuant to the Assets Transfer Agreement dated 26 October 2006 as amended by the Supplemental Assets Transfer Agreement dated 31 January 2008, comprising the Airfield Assets, T3, T3 related assets, roads within airport area, the driverless electric train system, commercial areas and other relevant equipment, machinery and facilities, etc, in respect of Phase III Project, the land use rights of the land on which T3 and other related constructions are situated.


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REPORT OF THE DIRECTORS

The board of directors of the Company ("the Board") is pleased to present the annual report, and the audited financial statements of the Company for the fiscal year ended 31 December 2007.

PRINCIPAL BUSINESSES

The Company is principally engaged in the operation and the management both of aeronautical and non-aeronautical businesses at the Beijing Airport. The aeronautical business of the Company consists of the provision of aircraft landings and take-offs and passenger service facilities, ground support services, and fire-fighting services for domestic and foreign airlines.

The non-aeronautical business of the Company mainly consists of franchise the business of: (1) ground handling agent services; (2) in-flight catering services; (3) operation of duty free and other retail shops in the terminals; (4) operation of restaurant and other food & beverage businesses, and (5) leasing of advertising spaces inside and outside the terminals.

The non-aeronautical business of the Company also consists of self-operation the business of: (1) leasing of properties in the terminals; (2) operation of car park, and (3) the provision of ground handling facilities for ground handling agent companies.

OPERATING RESULTS AND FINANCIAL POSITION

The Company's operating results for the year ended 31 December 2007 and the financial position of the Company as at 31 December 2007, were prepared based on International Financial Reporting Standards ("IFRS") as set out on pages 63 to 66 of the annual report.

DIVIDENDS

The Board recommended the payment of a final dividend of Rmb0.09123 per share for the year of 2007, with a total amount of dividends intended to be distributed of approximately Rmb369,130,000. 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, 12 June 2008. In the event that such approval is obtained, the final dividend will be paid on or before Monday, 30 June 2008 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 19 May 2008.

Pursuant to the resolution of the Board passed on 24 August 2007, the Company declared to its shareholders an interim dividend of Rmb0.04122 per share for the year 2007. The interim dividend was paid on Wednesday, 31 October 2007 to the shareholders of the Company.

The total dividends of the Company for the year of 2007 were approximately Rmb535,912,000 (Rmb0.13245 per share), representing approximately 47.45% of the profit attributable to the equity holders of the Company for the year 2007. The total dividends of the Company for the year of 2006 were approximately Rmb508,301,000.

There was no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend during the year ended 31 December 2007.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of the AGM and the payment of dividends, the register of members of the Company will be closed from Wednesday, 14 May 2008 to Thursday, 12 June 2008 (both days inclusive). In order to be qualified for the final dividends and for the entitlement for attending the AGM, 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 Tuesday, 13 May 2008.

RESERVES

Change in reserves of the Company for the fiscal year ended 31 December 2007 is set out on page 68 of this annual report.

COMPANY FINANCIAL SUMMARY

A summary of the results and the financial position of the Company for the past five financial years is set out on page 4 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Company as at 31 December 2007 and their movements for the fiscal year ended 31 December 2007 are set out in note 6 to the Financial Statements.

ISSUED SHARE CAPITAL

No share capital has been issued by the Company during the fiscal year ended 31 December 2007.

The disclosure of interests of the Company as at 31 December 2007 is set out on page 26.

TAXATION

Details of taxation of the Company for the fiscal year ended 31 December 2007 are set out in note 24 to the Financial Statements.

ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2007, the Company has no 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 Company represented 21.47% and 50.52%, respectively, of the total revenues of the Company for the year ended 31 December 2007.

The largest supplier, Capital Airports Power and Energy Company Limited and the five largest suppliers of the Company represented 15.70% and 38.75%, respectively, of the total operating expenses of the Company for the year ended 31 December 2007.

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 Company's five largest customers or five largest suppliers at any time during the year ended 31 December 2007. The Parent Company, as one of the five largest suppliers, held the equity of the five largest suppliers as follows: held 80% shareholders' equity of Capital Airports Power and Energy Co., Ltd.; held 95% shareholders' equity of Capital Airport Aviation Security Co., Ltd.; held 35% of shareholders' equity of Beijing Capital Airport Property Management Company Limited.

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

There is no subsidiary or jointly controlled entity of the Company as at 31 December 2007.

ACQUISITION AND DISPOSAL

The Company has not conducted any major acquisition or disposal of its associated companies for the year ended 31 December 2007.

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 2007. The Company has not purchased or sold any of the listed securities of the Company during the year ended 31 December 2007.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of PRC, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

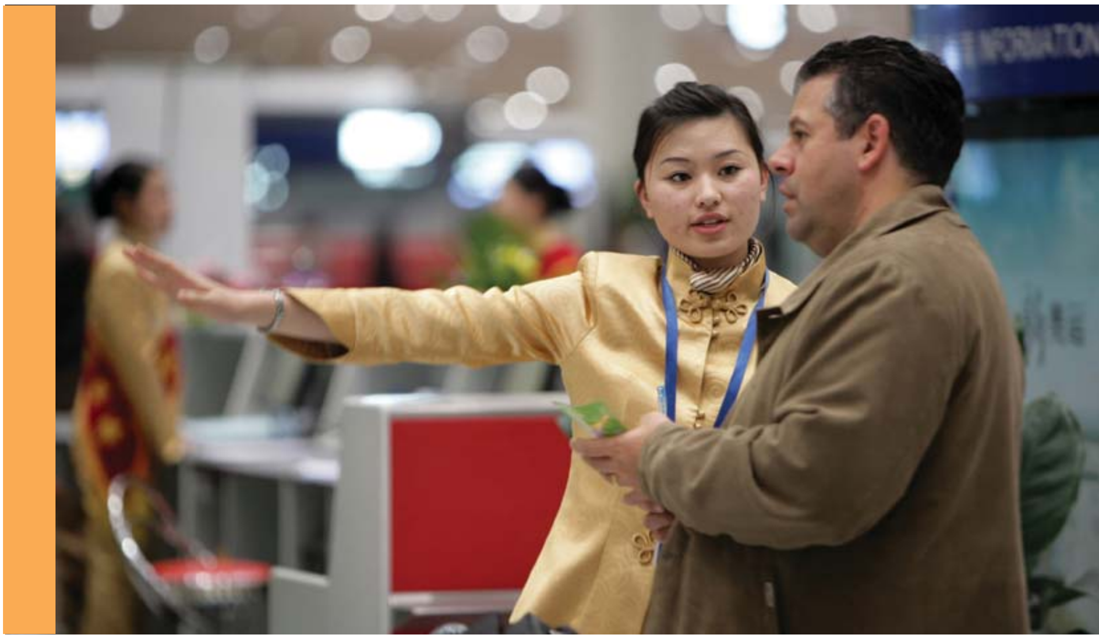
The following are the connected transactions or continuing connected transactions which are required to be disclosed in the annual report of the Company in accordance with Chapter 14A of the Listing Rules.

The schedule of the continuing connected transactions of the Company as set out in the waiver granted by the Hong Kong Stock Exchange on 28 March 2000 or in the previous announcements dated 22 December 2005, 16 January 2006, 7 February 2007, 21 March 2007, 21 June 2007 and 25 October 2007 and approved by the general meetings (if applicable), including the total amount included for each such transaction during the year ended 31 December 2007 is as follows:

	For the year ended 31 December	
	2007	2006
	Rmb'000	*Rmb'000*
Revenues		
Concessions:		
Concessions from Beijing Aviation Ground Services Co., Ltd. ("BGS"), a jointly controlled entity of CAHC	**12,990**	29,041
Concessions from Beijing Airport Inflight Kitchen Ltd., a jointly controlled entity of CAHC	**5,248**	4,643
Rentals:		
Rental income from BGS for leasing of goods station	**30,000**	30,000
Rental income from BGS for leasing of counters and other premises comprising offices and warehouses in Terminal 1 and Terminal 2	**21,766**	22,566
Rental income from BGS for leasing of office building	**2,467**	2,467
Rental income from BGS for leasing of garage	**2,189**	2,171
Leasing of premises to Capital Airport VIP Services Management Co., Ltd., a subsidiary of CAHC	**24,651**	19,523

	For the year ended 31 December	
	2007	2006
	Rmb'000	*Rmb'000*
Operating Expenses		
Provision of aviation safety and security guard services by Capital Airports Aviation Security Co., Ltd., a subsidiary of CAHC	**213,712**	180,831
Provision of utilities and power supply by Capital Airports Power and Energy Company Limited ("CAPE"), a subsidiary of CAHC	**209,674**	193,253
Provision of accessorial power and energy services by CAPE	**57,557**	54,536
Provision of certain sanitary services and baggage cart management services by Beijing Capital Property Management Company Limited ("BCPM"), an associate of CAHC	**33,675**	27,676
Provision of greening and environmental maintenance services by BCPM	**12,511**	12,725
Leasing of airfield assets from CAHC	**35,000**	—
Leasing of land use rights from CAHC	**6,764**	6,764

The above continuing connected transactions were no more than the maximum consideration amounts ("CAPs") released in the announcements and approved by the general meetings (if applicable) respectively.



The aforesaid continuing connected transaction has been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transaction were entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain factual finding procedures on the above continuing connected transactions (the "Transactions") on a sample basis in accordance with International Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the International Federation of Accountants.

The auditors have reported their factual findings as below on the selected samples based on the agreed procedures to the Board:

(1) the Transactions had been approved by the Board of Directors;

(2) the pricing of the Transactions, on a sample basis, were entered into in accordance with the pricing policies of the Company;

(3) the Transactions were entered into in accordance with the relevant agreements governing the Transactions; and

(4) the amounts of the Transactions did not exceed the relevant CAPs as disclosed in previous announcements of the Company.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board was elected by the shareholders of the Company and was established on 2 June 2005. The term of the office will expire on the date of the 2008 annual general meeting of the Company.

On 1 February 2007, the Board considered and approved the resignation of Mr. Wang Zhanbin as the Chairman of the Board with effect from the same date, and his resignation as executive director took effect from the date of the extraordinary general meeting on 26 March 2007. The resignation of Mr. Dominique Pannier as non-executive director took effect from the date of the extraordinary general meeting on 26 March 2007.

Also, the Board approved the appointment of Mr. Wang Jiadong as the Chairman of the Board and his resignation as the general manager of the Company, both with effect from 1 February 2007 and the appointment of Mr. Dong Zhiyi as the general manager of the Company with effect from 1 February 2007. The Board purposed the appointment of Mr. Dong Zhiyi as an executive director of the Company at the extraordinary general meeting on 26 March 2007.

Mr. Dong Zhiyi was elected as an executive director of the Company at the extraordinary general meeting on 26 March 2007 and his term will expire on the date of the 2008 annual general meeting of the Company, which is the end of the third term of Board.

On 23 October 2007, the Board considered and approved the resignation of Mr. Wang Tiefeng as an executive director of the Company with effect from the date of the extraordinary general meeting on 31 December 2007. At the same day, the Board proposed the appointment of Ms. Zhao Jinglu and Mr. Dong Ansheng as the Non-executive director and the independent Non-executive director on the extraordinary general meeting held on 31 December 2007 respectively.

Ms. Zhao Jinglu and Mr. Dong Ansheng were elected as the Non-executive director and the independent Non-executive director of the Company at the extraordinary general meeting on 31 December 2007 respectively and their term will expire on the date of the 2008 annual general meeting of the Company, which is the end of the third term of Board.

Currently, the Board comprises nine directors, including two executive directors, three non-executive directors and four independent non-executive directors.

According to Rule 3.13 of the Listing Rules, the Company received the confirmation of independence from each of the independent non-executive directors and confirmed that each independent non-executive director has complied with the relevant requirements of independence. The members of the Board acknowledged their responsibilities and duties. Eight board meetings were held during the year ended 31 December 2007, and there were appropriate arrangements to ensure the attendance of independent non-executive directors and review of the accounting records, accounting procedures and internal control system of the Company.

The third term of supervisory committee was elected by the shareholders of the Company at the annual general meeting of the Company on 2 June 2005.

Mr. Tang Hua was elected as the supervisor acting as employee's representative at the general meeting of employees representative of the Company held on 20 March 2007.

Currently, the supervisory committee comprises five supervisors, including two external supervisors, two supervisors acting as employees' representative and one supervisor acting as shareholders' representatives.

All executive directors of the Company have entered into directors' service contract with the Company with a term expiring on the date of the 2008 annual general meeting of the Company. 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. Save as mentioned above, the Company has not entered into any service contract 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 terminated within one year without payment of compensation to the Company (other than statutory compensation).

On 1 February 2007, the Board considered and approved the resignation of Mr. Wang Jiadong as the general manager of the Company and appoint Mr. Dong Zhiyi as the general manager of the Company and his term will expire on the date of the 2008 annual general meeting of the Company, which is the end of the third term of the Board.

On 23 October 2007, the Board considered and approved the resignation of Mr. Wang Tiefeng as the chief financial controller of the Company.

On 10 December 2007, the Board appointed Mr. Fan Jun as the deputy general manager of the Company and his term will expire on the date of the 2008 annual general meeting of the Company, which is the end of the third term of Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profile of directors, supervisors and senior management of the Company is as follows:

Executive Directors

Mr. Wang Jiadong, 56, was re-elected as an executive director of the Company in June 2005 and was appointed as the Chairman of the Board on 1 February 2007. He graduated from China Europe International Business School with a master's degree in business administration. 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 human resource division of Beijing Capital International Airport (the former entity of CAHC). From 1994 to 2000, he acted as 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 as the general manager of the Company in January 2003 and was reappointed as the general manager of the Company in June 2005. Mr. Wang was elected as the Chairman of the Board of the Company on 1 February 2007, and resigned from the position of the general manager of the Company on the same day.

Mr. Dong Zhiyi, 46, was appointed as an executive director on 26 March 2007. He is a senior economist and has an Executive Master's degree of Business Administration from HEC Paris and PHD degree in Management from Huazhong University of Science and Technology. Mr. Dong has over 20 years of experience in airport and civil aviation management. From June 1996 to January 2001, he was the deputy chief officer of Inner Mongolia Municipality Bureau of the General Administration Civil Aviation of China (the predecessor of the Civil Aviation Administration of the China "CAAC"). From January 2001 to December 2003, he was deputy party secretary and chief officer of Inner Mongolia Municipality Bureau of CAAC. From December 2003 to February 2006, he acted as the party secretary and general manager of Inner Mongolia Airport Group Company Limited. He has acted as the chairman of the board of directors of Inner Mongolia Airport Group Company Limited since February 2006. Mr. Dong was the deputy general manager of the Parent Company since July 2005 and was appointed as the General Manager of the Company on 1 February 2007.

Non-executive Directors

Mr. Chen Guoxing, 54, was re-elected as a non-executive director in June 2005. He is a senior engineer, graduated from Tongji University. He has extensive experience in infrastructure constructions, especially in airport constructions. From 1992 to 2002, Mr. Chen has served as the vice director of the Planning Committee of Jiangxi Province, the director of the Engineering Administration Section of Communications Department, Jiangxi Province, 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 has been the Vice General Manager of the Parent Company.

Mr. Gao Shiqing, 47, was elected as a non-executive director in June 2006. Mr. Gao graduated from Beijing University of Aeronautics & Astronautics with a master's degree in aviation engineering. From August 1983 to July 2004, Mr. Gao served as the deputy chief of Planning & Science Department and the Development & Finance Department in CAAC. From July 2004, he had been the assistant of general manager of the Parent Company, and has been the vice general manager of the Parent Company from July 2005.

Ms. Zhao Jinglu, 37, graduated from the accounting school of Nankai University with a bachelor's degree in auditing, and holds a MBA of Beijing Jiaotong University. From July 1992 to February 1995, Ms. Zhao served in the First Academe of CAAC and in the Auditing Bureau of CAAC. From February 1995 to April 2003, Ms. Zhao served in the Finance Department of CAAC, among this, from April 2001 to April 2003, Ms. Zhao served as the Deputy Director of Economy Adjustment Division of Accounting Department of CAAC; from April 2003 to September 2004, Ms. Zhao served as the Deputy Director of the Finance and Economy Division of Planning, Development and Accounting Department of CAAC; from September 2004 to November 2006, Ms. Zhao was served as the Director of Finance and Economy Division of the Planning, Development and Accounting Department of CAAC; From November 2006 to June 2007, Ms. Zhao served as the Director of Finance and Economy Division of the Accounting Department of CAAC. Since June 2007, Ms. Zhao was the chief accountant and the general manager of Finance Department of Capital Airports Holding Company.

Independent Non-executive Directors

Mr. Long Tao, 56, was re-elected as an independent non-executive director in June 2006. He holds a bachelor degree and a master's degree in economics. He has over 15 years of experience in accounting, finance, securities and investment, including the work experience in the New York office of Peat Marwick, Certified Public Accountants. Apart from being the chairman of Beijing Investment Consultants, Inc. and an associate professor in the School of Accounting of the Central University of Finance and Economics, 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, 58, was re-elected as 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 Protection of Wages on Insolvency Fund Board 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 ten 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 as an independent non-executive director of the Company since October 1999.

Mr. Kwong Che Keung, Gordon, 58, 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, and was qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998. He is currently an independent nonexecutive director of various companies listed on the Hong Kong Exchange. In the public sector services, he was a 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 as an independent non-executive director of the Company since October 1999.

Mr. Dong Ansheng, 56, graduated from the Law School of Renmin University of China with J.D. degree. Mr. Dong is a professor and PHD Supervisor of the School of Laws of Renmin University of China, and serves as the deputy director of Research Center of Civil and Commercial Law of the Renmin University of China.Mr. Dong currently holds several positions in social services. Mr. Dong also participates in the legislation of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other related rules and regulations on governing securities. Since 1992, Mr. Dong has long term experiences on the companies' securities laws and regulations. He had served as P.R.C. legal advisor on the issue of shares, merger and acquisition and other listing matters of more than 40 listed A shares companies, several listed B shares companies and listed H companies and other listed companies in Hong Kong. In the past three years, Mr. Dong had served in the following listed company as an independent non-executive director: Beijing North Star Company Limited (listed on the Shanghai Stock Exchange and the main board of the Hong Kong Stock Exchange) and Zhongjin Gold Co., Ltd. (listed on the Shanghai Stock Exchange). Mr. Dong is also serving as the independent non-executive director of Beijing Wangfujing Department Store Co. Ltd. (Group) (listed on the Shanghai Stock Exchange), BOE Technology Group Co., Ltd. (listed on the Shanghai Stock Exchange), Zhejiang New Jialian Electronics Co., Ltd. (listed on the Shenzhen Stock Exchange) and Dynamic Global Holdings Limited (listed on the main board of the Hong Kong Stock Exchange).

Members of the Supervisory Committee

Mr. Wang Zuoyi, 46, was re-elected as a supervisor of the Company and the chairman of the supervisory committee in June 2005. Mr. Wang graduated from the School of Management, State University of New York at Buffalo, USA in 1999 with a master degree in business administration. From 1991 to 1993, Mr. Wang was employed in the Finance Bureau of Hainan Province. From 1993 to 1996, he was the director and executive 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 acted as the director of Haikou Meilan Airport Company Limited. From August 2001 to January 2003, Mr. Wang was the chief accountant of the Company. Mr. Wang has been the chief accountant of the Parent Company since January 2003 and then has been the investigator of the Parent Company on January 2007.

Ms. Li Xiaomei, 49, was re-elected as a supervisor of the Company in June 2005. Ms. Li is an economist, and graduated from Cheung Kong Graduate School of Business with a Master's degree of Executive Business Administration (EMBA). She has over 20 year of experience in labour economics and human resources. From 1994 to 1999, she was the deputy director of the Beijing Capital International Airport's human resources division. From October 1999 to January 2003, she was the human resources manager of the Company. From January 2003 to March 2006, she served as the chairman of Beijing Airport Inflight Kitchen Ltd. She has been the chairman of labor union of the Company and the general secretary of the disciplinary committee of the Company since January 2003.

Mr. Tang Hua, 29, was elected as a supervisor of the Company in March 2007. Mr. Tang graduated from Nanjing University of Aeronautics and Astronautics with a bachelor's degree in 2001. Mr. Tang served as the controller of the airfield branch of the operation management department of the Company in August 2001; the controller of the resource management centre of the operation management department of the Company in November 2001; the party assistant of the operation management department in October 2002; the party assistant and the secretary for the Communist Youth League of the operation department in July 2003; and the manager of the union under the department of CCP working group in June 2005. Mr. Tang has been a manager of Customer Service Center of the Company since October 2007.

Mr. Han Xiaojing, 53, was re-elected as an independent supervisor of the Company in June 2006. He graduated from the School of Law of Zhongnan University of Economics and Law with a bachelor's degree in law. Thereafter, he studied at China University of Political Science and Law and obtained a master's degree in law in 1985. From 1985 to 1992, Mr. Han worked as a full-time lawyer in China Legal Affairs Center (中國法律事務中心). 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, 54, was re-elected as an independent supervisor of the Company in June 2002. He graduated from Tianjin University of Finance and Economics with a bachelor's degree in accounting. He obtained a master's degree in economics from the Research Institute for Fiscal Science, Ministry of Finance in February 1985. From 1986 to 1988, Mr. Xia was the deputy head of the Accounting Research Division of the Research Institute for Fiscal Science, Ministry of Finance. In 1988, he became the assistant director of the Capital Finance Section of the International Business Department of the headquarter 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 listed company and the independent non-executive directorship of each of Mr. Long Tao, Mr. Moses Cheng Mo Chi, Mr. Kwong Che Keung, Gordon and Mr. Dong Ansheng in several other listed companies, none of the directors or the supervisors of the Company above held any directorship in any other listed public companies for 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, nor has any interest in the shares of the Company within the meaning of Part XV of the SFO (the Securities and Futures Ordinance).

For this term of the supervisory committee of the Company, the annual emolument of each independent supervisor was Rmb50,000. Other supervisors were not remunerated from the Company for their positions of the supervisors.

Other Senior Management

Mr. Huang Gang, 45, was re-appointed as a deputy general manager of the Company in June 2005. He graduated from the Department of Electricity Technology of National Defense Technology University and obtained the Executive Master's degree of Business Administration (EMBA) from Faculty of Business of the City University of Hong Kong. He served in the National Defense Technology Industry Committee from 1983 to 1988 and then the National Transportation Investment Corporation from 1988 to 1993. He was the senior engineer and deputy director of the National Development Bank from 1993 to January 2000. He participated in the management in relation to the Phase II expansion project of Beijing Airport from June 1996 to January 2000, acting as 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, 59, was re-appointed as a deputy general manager of the Company in June 2005. He graduated from the party school of the Central committee of C.P.C., specializing in economics and management. Mr. Liu was the deputy director and then director of the Beijing Capital International Airport's human resources division from 1988 to 1998. From 1998 to October 1999, he served as the secretary of the disciplinary committee of the Beijing Capital International Airport. From October 1999 to January 2003, he acted as the chairman of the Supervisory Committee and the general secretary of the disciplinary committee of the Company. Since January 2003, he has been the deputy general manager of the Company.

Ms. Gao Lijia, 43, was re-appointed as a deputy general manager of the Company in June 2005. Ms. Gao is a senior engineer, graduated from the Computer Science Department, Beijing University of Aeronautics and Astronautics (BUAA) with a master's degree of engineering. She also has the master's degree of Business Administration from China Europe International Business School. From January 1989 to May 1995, Ms. Gao served at BUAA as deputy director and associate professor of the Electronic Engineering Department. From May 1995 to June 1997, she worked in the electronic communication technology industry. From June 1997 to October 1999, Ms. Gao has been working as manager of Computer Division of Technological Equipment Department and then deputy director of Computer Centre of the Beijing Capital International Airport. From October 1999 to October 2001, Ms. Gao served as the manager of the IT department of the Company. From October 2001 to February 2004, she became the manager of the Planning and Development Department of the Company. Since February 2004, she has been the a deputy general manager of the Company.

Mr. Zhang Bing, 55, was appointed as the deputy general manager of the Company in August 2006. Mr. Zhang has acted as the director of convoy center of the Beijing Capital International Airport, the director of aviation safety and security division of the Company, the assistant to the general manager of the Company and the general security supervisor of the Company consecutively. He has over 20 years of experience in safety and security of airport operation.

Mr. Fan Jun, 37, was appointed as the deputy general manager of the Company in December 2007. He graduated from the Nanjing University of Aeronautics and Astronautics with a master's degree in Engine. From April 1996 to April 1999, he worked at Airworthiness Centre of CAAC. From April 1999 to November 2007, Mr. Fan served in the General Office of CAAC, among this, from August 2003 to December 2005, Mr. Fan acted as deputy director of the General Office; from December 2005 to November 2007, he served as office director of the General Office. Mr. Fan has been the deputy general manager of the Company since December 2007.

Mr. Shu Yong, 35, was re-appointed as the secretary of the Board 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 also obtained the Executive Master of Business Administration degree (EMBA) from Faculty of Business of the City University of Hong Kong. He worked in the planning and operating division and then the corporate office of the Beijing Capital International Airport 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 to May 2004, Mr. Shu was the deputy manager and acted as the manager of Planning and Development Department of the Company from May 2004 to April 2006. He has been the secretary of the Board since January 2003.

DISCLOSURE OF INTERESTS

Substantial Shareholders

On 26 February 2007, the Company has been informed that the former shareholder of the Company, Aeroports De Paris Management, disposed of its entire shareholding in the Company by way of market placement at a price of HK$7.77 per share (excluding of stamp duty, trading fees, transaction levies and brokerage). The details of which had been announced by the Company in the announcement dated 26 February 2007.

As at 31 December 2007, the interests and short positions of the shareholders (other than directors,supervisors and the management 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**	**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 *(Note 1)*	Domestic	2,480,000,000 (L)	100%	61.29%
Julius Baer Investment Management LLC *(Note 2)*	H Shares	219,455,361 (L)	14.01%	5.42%
JPMorgan Chase & Co. *(Note 3)*	H Shares	78,571,880 (L)	5.02%	1.94%
		16,808,000 (S)	1.07%	0.42%
		71,093,880 (P)	4.54%	1.76%

(L) = Long Position
(S) = Short Position
(P) = Lending Pool

Note:

1. Capital Airports Holding Company was incorporated in the PRC, and is the controlling shareholder of the Company.

   Mr. Wang Jiadong, the chairman of the Board and an executive Director, is the Secretary of Communist Party of Capital Airports Holding Company.

   Mr. Chen Guoxing, a non-executive Director, is the Vice General Manager of Capital Airports Holding Company.

   Mr. Gao Shiqing, a non-executive Director, is the Vice General Manager of Capital Airports Holding Company.

   Ms. Zhao Jinglu, a non-executive Director, is the Chief Accountant of Capital Airports Holding Company.

2. Julius Baer Investment Management LLC is located in New York, USA, and belongs to Julius Baer Holdings, Inc.

3. JP Morgan Chase & Co. was interested in the shares of the Company through its interests on its controlled or indirectly controlled corporations.

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 2007.

INTERESTS OF DIRECTORS, SUPERVISORS AND THE GENERAL MANAGER IN THE SHARES OF THE COMPANY

As at 31 December 2007, none of the directors, supervisors or the general manager 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) 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 2007, none of the directors, supervisors, or the general manager of the Company or their associates had been granted the right to subscribe for any equity or debentures of the Company, nor had any of them exercised such rights during the same period.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2007, none of the directors or supervisors of the Company had directly or indirectly any material interests in any contracts or arrangements (defined as the Listing Rules) (other than service contracts/appointment letters) to which the Company was a party.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2007, none of the directors or supervisors of the Company had any interest in any competing business with the Company.

CONTRACTS OF SIGNIFICANCE

Save for those transactions described in the note headed "Related Party Transactions" in the note 30 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 2007:

(a) between the Company and its controlling shareholder (or any of its subsidiaries); or

(b) for the provision of services to the Company by its controlling shareholder (or any of its subsidiaries).

MANAGEMENT CONTRACTS

For the year ended 31 December 2007, no contract concerning the management and administration of the whole or any substantial part of the business of the Company (other than service contracts with any directors) was entered into or subsisted.

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 23 to the financial statements.

MATERIAL LITIGATION OR ARBITRATION

The Company was not involved in any material litigation or arbitration during the year ended on 31 December 2007.

SIGNIFICANT POST BALANCE SHEET EVENT

As at 1 April 2008, the significant post balance sheet event are set out in note 31 to the Financial Statements.

PUBLIC FLOAT

As at 1 April 2008, the Board acknowledges that 1,566,150,000 H shares, representing 38.71% of the entire issued share capital of the Company are held by the public, which is in compliance with the minimum requirement of public float under Rule 8.08 of the Listing Rules.

AUDITORS

For the three years ended 31 December 2005, 2006 and 2007, PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers were the Company's PRC and international auditors, respectively.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers were approved by a resolution passed at the annual general meeting of the Company held on 12 June 2007, as the Company's PRC and international auditors, respectively, for the year 2007.

The Board of the Company will present the resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers as the Company's PRC and international auditors respectively for the year 2008 at the forthcoming annual general meeting.

By order of the Board
Wang Jiadong
Chairman

1 April 2008
Beijing, the PRC

CONTINUOUS GROWTH OF AIR TRAFFIC VOLUMES

In 2007, the air traffic volumes at Beijing Airport maintain smooth growth as a whole, details of which are set out as follows:

	2007	2006	Change (%)
Aircraft Movements	**399,697**	376,643	6.1
Domestic	**299,697**	288,491	3.7
International, Hong Kong & Macau	**100,431**	88,152	13.9
Passenger Throughput	**53,583,664**	48,654,770	10.1
Domestic	**40,865,736**	37,534,671	8.9
International, Hong Kong & Macau	**12,717,928**	11,120,099	14.4
Freight Throughput *(tonnes)*	**1,192,554**	1,028,909	15.9
Domestic	**643,682**	642,817	0.1
International, Hong Kong & Macau	**548,872**	386,092	42.2

As the table below shows, in the first seven months of 2007, the air traffic volumes at Beijing Airport maintained rapid growth. From August 2007 to December 2007, in order to reduce flight delays and to ensure aviation safety, CAAC decided to cancel certain scheduled domestic flights to and from Beijing Airport by stages for the periods from 15 August 2007 to 27 October 2007 and from the end of October 2007 to the end of March 2008, respectively. This had slowed down the growth of domestic air traffic at Beijing Airport during the mentioned periods, while international air traffic, over the whole year, maintained steady growth.

	Jan 2007 to Jul 2007 *(Accumulative)*	Jan 2006 to Jul 2006 *(Accumulative)*	Change (%)	**Aug 2007 to Dec 2007 *(Accumulative)***	Aug 2006 to Dec 2006 *(Accumulative)*	Change (%)
Aircraft movements	**237,684**	213,222	11.5%	**162,013**	163,421	-0.9%
Domestic	**179,911**	163,975	9.7%	**119,355**	124,516	-4.1%
International, Hong Kong & Macau	**57,773**	49,247	17.3%	**42,658**	38,905	9.6%
Passenger throughput	**31,119,121**	26,986,030	15.3%	**22,464,543**	21,668,740	3.7%
Domestic	**23,943,989**	20,847,090	14.9%	**16,921,747**	16,687,581	1.4%
International, Hong Kong & Macau	**7,175,132**	6,138,940	16.9%	**5,542,796**	4,981,159	11.3%

OVERVIEW OF THE AERONAUTICAL BUSINESS

For the year ended 31 December 2007, benefiting from the continuous growth of the air traffic volumes, the aeronautical revenues of the Company were Rmb2,490,494,000, representing an increase of 8.5% as compared with the year of 2006, details of which are set out as follows:

	2007 **(Rmb'000)**	2006 *(Rmb'000)*	change *(%)*
Passenger charges	**780,936**	733,406	6.5
Aircraft movement fees and related charges	**973,860**	897,877	8.5
Airport fee	**735,698**	664,816	10.7
Total aeronautical revenues	**2,490,494**	2,296,099	8.5
Less: business tax and levies	**(80,692)**	(68,883)	17.1
Aeronautical revenues less business tax and levies	**2,409,802**	2,227,216	8.2

In 2007, in line with the growth of aircraft movements, the revenues from passenger charges of the Company were Rmb780,936,000, representing an increase of 6.5% as compared with the previous year, and the revenues from aircraft movement fees and related charges of the Company were Rmb973,860,000, representing an increase of 8.5% as compared with the previous year. In the second half year of 2007, due to the cancellation of certain scheduled domestic flights by CAAC, the growth rate of passenger charges revenues and aircraft movement fees and related charges revenues had slowed down as compared with the same period of the previous year.

In 2007, in line with the growth of passenger throughput, the revenues from airport fee were Rmb735,698,000, representing an increase of 10.7% as compared with the previous year.

MAJOR AIRLINES AT THE BEIJING AIRPORT

	Contribution to Aircraft Movements		Contribution to Passenger Throughput	
	2007	2006	**2007**	2006
Air China Group	**38.0%**	37.3%	**38.9%**	38.1%
China Southern Airlines Group	**15.5%**	16.0%	**16.5%**	16.8%
China Eastern Airlines Group	**12.8%**	13.8%	**12.8%**	12.6%
Hainan Airlines Group	**10.8%**	11.5%	**5.1%**	10.8%

Top three origination/destination locations of domestic airlines in 2007 based on traffic volumes:

	Aircraft Movements	Passenger Throughput	Freight Throughput
1.	Shanghai	Shanghai	Shanghai
2.	Chengdu	Guangzhou	Guangzhou
3.	Guangzhou	Shenzhen	Shenzhen

Top three destinations of international, Hong Kong and Macau airlines in 2007 in terms of traffic volumes:

	Aircraft Movements	Passenger Throughput	Freight Throughput
1.	Hong Kong	Hong Kong	Hong Kong
2.	Seoul	Seoul	Frankfurt
3.	Tokyo	Tokyo	Tokyo

OVERVIEW OF THE NON-AERONAUTICAL BUSINESS

In 2007, the Company's total non-aeronautical revenues were Rmb1,025,631,000, representing an increase of 18.7% from the year of 2006, details of which are set out as follows:

	2007 (Rmb'000)	2006 (Rmb'000)	change (%)
Concession revenues	**712,539**	574,566	24.0
Retailing	**284,875**	213,706	33.3
Advertising	**244,242**	163,128	49.7
Restaurants and food shops	**60,980**	52,606	15.9
Ground handling service	**114,568**	136,317	-16.0
Air catering	**5,589**	6,649	-15.9
Other concessions	**2,285**	2,160	5.8
Rentals	**222,038**	217,816	1.9
Car parking	**67,896**	58,067	16.9
Others	**23,158**	13,315	73.9
Total non-aeronautical revenues	**1,025,631**	863,764	18.7
Less: Business tax and levies	**(59,711)**	(53,674)	11.2
Non-aeronautical revenues less business tax and levies	**965,920**	810,090	19.2

In 2007, the concession revenues of the Company were Rmb712,539,000, representing an increase of 24.0% as compared with the previous year. Among these, benefiting from the growth of the air traffic volumes and various promotion measures taken by the Company to expand market, the concession revenues from retailing reached Rmb284,875,000, representing an increase of 33.3% as compared with the previous year, and concession revenues from restaurants and food shops were Rmb60,980,000, representing an increase of 15.9% as compared with the previous year. In the second half year of 2007, although CAAC cancelled certain scheduled domestic flights, it had no evident effect on the related revenues, the related revenues contributed by the international and domestic business passengers continued to grow steadily.

Attributable to the aggressive exploitation of advertising resources and the rising price of advertising services, the concession revenues from advertising reached Rmb244,242,000, representing an increase of 49.7% as compared with the previous year.

In 2007, the concession revenues from ground handling service were Rmb114,568,000, representing a decrease of 16.0% as compared with the previous year, which was mainly because the Company offered certain price discount to major customers in 2007.

In 2007, the concession revenues from air catering were Rmb5,589,000, representing a decrease of 15.9% as compared with the previous year. The other concession revenues of the Company were Rmb2,285,000.

In 2007, the rental incomes of the Company were Rmb222,038,000, representing an increase of 1.9% as compared with the previous year.

In 2007, the revenues from car parking were Rmb67,896,000, representing an increase of 16.9% as compared with the previous year, which was mainly because of the growth of the car traffic brought along by the air traffic volumes.

In 2007, the other revenues of the Company were Rmb23,158,000, representing an increase of 73.9% as compared with the previous year, which was mainly contributed by the new business such as airport pass services.

OPERATING EXPENSES

	For the year ended 31 December		
	2007	2006	Change
	(Rmb'000)	*(Rmb'000)*	*(%)*
Depreciation and amortisation	**508,677**	498,766	2.0
Staff costs	**226,648**	135,001	67.9
Aviation safety and security guard expenses	**213,712**	180,831	18.2
Utilities and power	**211,198**	194,082	8.8
Repairs and maintenance	**189,541**	175,172	8.2
Greening and environmental maintenance	**105,744**	93,122	13.6
Real estate tax and other taxes	**56,120**	53,475	4.9
Rental expenses	**50,048**	12,834	290.0
General, administrative and other expenses	**140,376**	119,558	17.4
Total operating expenses	**1,702,064**	1,462,841	16.4

In 2007, the depreciation and amortisation expenses of the Company were Rmb508,677,000, representing an increase of 2.0% as compared with the previous year. Such increase was mainly due to the addition in some newly completed construction projects and certain software in 2007.

In 2007, the staff costs of the Company were Rmb226,648,000, representing an increase of 67.9% as compared with the previous year, and an increase of 35.8% when comparing with the comparable figure Rmb166,854,000 of the previous year (the comparable figure mainly refers to the amount without taking into account the effect of the termination of some labour contracts and writing off the relevant charged staff costs as a result of the business restructuring in the first half year of 2006). The increase mainly came from the number of staff of the Company increased as compared with the previous year due to the preparation for the operation of Phase III Project in Beijing Airport, and the increase of salary caused by the rise in inflation.

For the year of 2007, the aviation safety and security guard expenses were Rmb213,712,000, representing an increase of 18.2% as compared with the previous year. The increase was mainly because of the increase of services of aviation safety and security guard with the growth of the air traffic volumes.

In 2007, as a result of the growth in air traffic volumes at Beijing Airport and the extended period providing heating and air-condition services, the utilities and power expenses were Rmb211,198,000, representing an increase of 8.8% as compared with the previous year.

In 2007, the expenses of repairs and maintenance of the Company were Rmb189,541,000, representing an increase of 8.2% as compared with the previous year, which mainly because the amount of projects of repairs and maintenance increased with the growth of the air traffic volumes.

In 2007, the greening and environmental maintenance expenses were Rmb105,744,000, representing an increase of 13.6% as compared with the previous year, which mainly because the demands of the services of greening and environmental maintenance increased with the growth of the air traffic volumes.

In 2007, the rental expenses were Rmb50,048,000, representing an increase of 290.0% as compared with the same period of the previous year, which mainly because the Company had rented the airfield assets, a portion of the Phase III Project since 29 October 2007.

In 2007, the real estate and other taxes were Rmb56,120,000, representing an increase of 4.9% as compared with the previous year, which mainly because of the increase in the taxable fixed assets amount.

In 2007, in line with the development of the business, the general, administrative and other expenses of the Company were Rmb140,376,000, representing an increase of 17.4% as compared with the previous year. The general, administrative and other expenses mainly include disaster prevailing expenses, insurance fee, business fee, travel expenses, consulting fee, and fees on the engagements of agencies etc.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

In 2007, the Company's profit attributable to equity holders of the Company totalled Rmb1,129,487,000, representing an increase of 3.35% over the previous year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Company's businesses are principally denominated in Rmb, except for the purchases of certain equipment, goods and materials and payment of consulting fee which are paid in US dollars and Hong Kong dollars. Dividends to the shareholders of the Company holding H Shares are declared in Rmb and paid in Hong Kong dollars. During the year, the Company did not enter into any foreign currency hedging activities.

As at 31 December 2007, the Company's assets and liabilities denominated in foreign currencies, principally in US dollars and Hong Kong dollars, included cash and cash equivalents of approximately Rmb5,235,000 (2006: Rmb5,457,000), trade and other receivables of approximately Rmb56,188,000 (2006: Rmb51,926,000), trade and other payables of approximately Rmb146,000 (2006: Rmb146,000). In 2007, the Company recorded an exchange gain of Rmb303,000. The fluctuations in exchange rates did not have any significant impact on the results of the Company in 2007.

CONTINGENT LIABILITY

As at 31 December 2007, the Company did not have any significant contingent liability.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's net cash generated from operating activities in 2007 amounted to Rmb1,967,592,000, representing an increase of Rmb133,360,000 as compared with Rmb1,834,232,000 for the year of 2006. Net cash inflow from investing activities in 2007 amounted to Rmb1,337,054,000, of which Rmb2,000,000,000 was repayment from Parent Company for prepayment for the acquisition of Phase III Target Assets, this is partly offset by the purchase of property, plant and equipment amounting to Rmb669,051,000. In 2007, the Company's net cash outflow from financing activities amounted to Rmb322,139,000, of which, repayment of short-term bank borrowings amounted to Rmb229,793,000, the payment of cash dividend amounted to Rmb622,139,000, cash amounted to Rmb229,793,000 received from the drawdown of short-term bank borrowings as well as cash amounted to Rmb300,000,000 received from government through the Parent Company for construction projects.

As at 31 December 2007, the Company had total cash and cash equivalents amounting to Rmb3,134,996,000, and the cash and cash equivalents of the Company amounted to Rmb152,818,000 as at 31 December 2006.

As at 31 December 2007, the current ratio of the Company was 2.69, and that as at 31 December 2006 was 1.64. Such ratios were computed by dividing the total current assets by total current liabilities as at those respective dates. The increase of current ratio mainly resulted from the repayment of notes payable during the year.

As at 31 December 2007, capital and reserves attributable to the equity holders of the Company was Rmb10,739,012,000, and that as at 31 December 2006 was Rmb9,833,339,000.

As at 31 December 2007, the liability to asset ratio of the Company was 12.55%, and that as at 31 December 2006 was 18.49%. Such ratios were computed by dividing the total amount of liabilities by the total assets as at those respective dates. The decrease of the liability to asset ratio was mainly because the assets of the Company increased and the liabilities such as notes payable decreased during the year.

As far as the directors of the Company known, the civil airport management and construction fee (the "Airport Fee") shall continue to be levied by 31 December 2010. For the fiscal year ended 31 December 2007, the Company recognized 50% of the collected Airport Fee of Beijing Airport as revenues according to the approval of Ministry of Finance issued on 9 October 1999. The Company will pay prompt attention to any adjustment of policies related to the Airport Fee and disclose any updated information to shareholders by issuing announcement.

BANK LOANS

As at 31 December 2007, the Company's short-term bank loans amounted to Rmb nil.

EMPLOYEES AND EMPLOYEE WELFARE

1. **The numbers of employees of the Company are set out as follows, together with a comparison with those in the previous year:**

	As at 31 December 2007	As at 31 December 2006
Total employees	**1,666**	1,419
Contracted employees with the term over one year	**850**	859
Contracted employees with the term of one year and less than one year	**816**	560

The remuneration policy of employees of the Company is determined by the management based on market practice; mainly consisting of two parts including basic salaries and salaries on performance evaluation.

2. **Employees' pension scheme**

Details of the employees' pension scheme are set out in note 17 to the Financial Statements.

3. Employees' housing benefits

Details of the employees' housing benefits are set out in note 18 to the Financial Statements.

4. Employees' basic medical insurance and commercial medical insurance

With effect from 1 January 2003, the Company has complied with the regulation of the Beijing Municipal Government for basic medical insurance. According to the regulation, the Company pays the basic medical insurance and mutual insurance for large sum medical expenses for its employees at 9% and 1%, respectively, of the average monthly salaries of its employees in the previous year.

In addition, the Company may provide supplemental medical insurance benefits to their employees on a discretionary basis within 4% of the average monthly salary of its employees in the previous years. At the same time, the Company no longer pays cash medical subsidies or medical compensations to its employees. Therefore, the implementation of the above mentioned basic medical insurance does not have any substantial effect on the balance sheet and the income statement of the Company.

CHARGE ON ASSETS

There were no assets charged or pledged for the year ended 31 December 2007.

MATERIAL INVESTMENT AND MATERIAL INVESTMENT PLAN

For the year ended 31 December 2007, the Company did not have any material investment, other than the disclosure in the announcements, circulars, the interim report and this annual report.

As at 1 April 2008, the directors of the Company are not aware of any material investment, material investment plan or financing plan that was required to be disclosed, other than the disclosure in the announcements, circulars, the interim report and this annual report.

SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted "the Model Code for Securities Transaction by Directors and Staff" to regulate the securities transaction by directors and staff, for securities transactions on terms no less exacting than the required standard of the Model Code for Securities Transactions by Directors of listed issuers as set our in Appendix 10 to the Listing Rules ("Model Code").

Following specific enquiry made with the directors of the Company, the Company has confirmed that each of its directors has complied with the Model Code and the required standard set out in "the Model Code for Securities Transaction by Directors and Staff" drafted by the Company.

The Company always believes that effective and transparent corporate governance system will ensure the decisions made by the Board to be in compliance with the Company and the shareholder's interests as a whole. Therefore, the Company applied the principles of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules to all aspects of the corporate governance system and reflected on all kinds of regulations and managements of the Company in 2007.

During the year ended 31 December 2007 and to the date of 1 April 2008, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

BOARD OF DIRECTORS

Composition and Appointment

The third term of the Board was established on 2 June 2005 and elected by the Company's shareholders at the annual general meeting. The term of the office of the Board will end on the date of the conclusion of the 2008 annual general meeting of the Company . The change of directors, the list of directors and their respective biographies are set out on pages 18 to 22.

As per the articles of associations of the Company, the responsibilities of the Board include, but not limited to: to convene shareholders' general meeting and to report its work at the general meeting; to implement resolutions of the general meeting; to determine the business plans and investment proposals of the Company; to prepare the annual financial budgets and final accounts of the Company; to formulate plans for profit distribution and plans for making up losses for the Company; to decide the internal management structure of the Company; to employ or dismiss the manager and to engage or dismiss the deputy manager and the financial controller on the basis of nominations from the manager and to determine their remuneration, other duties authorized by the general meeting or the articles of association.

At present, the Board was comprised of nine directors, including two executive directors: Mr. Wang Jiadong and Mr. Dong Zhiyi; three non-executive directors: Mr. Chen Guoxing, Mr. Gao Shiqing and Ms. Zhao Jinglu; and four independent non-executive directors: Mr. Long Tao, Mr. Moses Cheng Mo Chi, Mr. Kwong Che Keung, Gordon and Mr. Dong Ansheng.

Meetings of the Board shall be held at least four times a year and convened by the chairman of the Board. Notice of the meeting shall be served on all directors at least 14 days before the date of the meeting. In case of any urgent matters, the extraordinary Board meeting could be held with the proposal of no less than one-third of the directors of the Company or the general manager of the Company.

During 2007, the Board held eight meetings in total with the average attendance rate of 100% to discuss and determine the strategic development, material operational matters, financial matters and other matters under the articles of association.

Records of attendance at Board meetings in 2007 are set out as follows:

		Number of attendance
Wang Jiadong *(Chairman)*	Chairman, executive director (Elected as chairman of the Board on 1 February 2007)	8/8
Dong Zhiyi	General manager, executive director (Appointed on 26 March 2007)	7/7
Kwong Che Keung, Gordon	Independent non-executive director	8/8
Moses Cheng Mo Chi	Independent non-executive director	8/8
Long Tao	Independent non-executive director	8/8
Dong Ansheng	Independent non-executive director (Appointed on 31 December 2007)	0/0 *(Note 1)*
Chen Guoxing	Non-executive director	8/8
Gao Shiqing	Non-executive director	8/8
Zhao Jinglu	Non-executive director (Appointed on 31 December 2007)	0/0 *(Note 1)*
Wang Zhanbin	Chairman, executive director (Resigned on 26 March 2007)	1/1
Wang Tiefeng	Finance controller, executive director (Resigned on 31 December 2007)	8/8
Dominique Pannier	Non-executive director (Resigned on 26 March, 2007)	1/1

Note 1: Ms. Dong Ansheng and Mr. Zhao Jinglu were elected as Non-executive Director and Independent Non-executive Director of the Company respectively at the extraordinary general meeting on 31 December 2007, therefore, they have not attended the Board meetings in 2007.

During the year ended 31 December 2007, the number of board meetings, the meeting procedures, the meeting records, rules of procedures and other related matters are all in compliance with the code provisions.The number of board meetings and individual attendance of each director represent that each director is diligent, committed to his work and devoted to make contributions to the Company and the shareholder's interests as a whole.

The Board is mainly responsible to the shareholders of the Company in general meeting and makes decisions on the business plans and investment proposals of the Company while the daily operation and management of the Company is the responsibility of the general manager of the Company.

The Board has reviewed the effectiveness of the internal control system of the Company and confirm that it is effective.

CHAIRMAN AND GENERAL MANAGER

For the year ended 31 December 2007, two executive directors of the Company, Mr. Wang Jiadong and Mr. Dong Zhiyi, hold the position of Chairman of the Board and General Manager, respectively. The Chairman's responsibilities are to convene and preside at the meeting of the Board and promote corporate governance, while the General Manager is responsible for taking part in implementing decisions made by the Board and the daily operation of the Company. Their duties are separate and there is no financial, business or family relationship between them. The roles and powers of the Chairman of the Board and General Manager are separated and defined as clearly and balance as the above.

THE TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Ms. Zhao Jinglu was elected as a non-executive director of the Company at the extraordinary general meeting on 31 December 2007 and her term will expire on the date of the 2008 annual general meeting of the Company, which is end of the third term of the Board. Except Ms. Zhao Jinglu, all other non-executive directors of the Company were elected at the annual general meeting of the Company on 2 June 2005 and the term of appointment will end on the date of the 2008 annual general meeting of the Company.

INSURANCE ARRANGEMENT

Under the Recommended Best Practices A.1.9 of the Code on Corporate Governance Practices i.e., that an issuer should arrange appropriate insurance in respect of legal action against its directors. The Company has arranged for the liability insurance for the directors, the supervisors and other senior management of the Company.

THE REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 2 June 2005 and comprised of five members, including three independent non-executive directors, one non-executive director and one executive director, namely Mr. Long Tao (the Chairman), Mr. Moses Cheng Mo Chi, Mr. Kwong Che Keung, Gordon, Mr. Gao Shiqing and Mr. Wang Jiadong.

The duties of the Remuneration Committee, include but not limited to: to review and approve the general policies concerning strategic compensations; to give advice to the Board concerning the remuneration policies and structure of all the Company's directors and senior management, as well as the establishment of formal and transparent procedures aiming at formulating remuneration policies; to be responsible for determining all the executive directors and senior management's specific remuneration packages and to recommend the remuneration of non-executive directors. Factors that the Remuneration Committee should take into consideration include: the remuneration paid by similar companies, time spent and responsibilities taken by the directors and senior management, remuneration level of the Company, and whether there is a need for combining remuneration and bonus on performance.

For this term of the Board, each executive director's annual emolument includes fixed section and floating section, which was detailed in the note 23 to the Financial Statements as well as other directors' emoluments.

Two meetings were held by the Remuneration Committee for the year 2007. Respectively reviewing and approving the resolution to put forth at the shareholders' meeting to authorize the Board to determine the remuneration of Mr. Dong Zhiyi and the resolution to put forth at the shareholders' meeting to authorize the Board to determine the remuneration of Ms. Zhao Jinglu and Mr. Dong Ansheng. The resolutions to put forth at the shareholder's meeting to authorize the Board to determine the remuneration of the above directors were respectively approved at the annual general meeting held on 26 March 2007 and 31 December 2007. Records of attendance at the Remuneration Committee meetings in 2007 are as follws:

Committee Member	Attendance at Meetings
Long Tao *(Chairman)*	2/2
Moses Cheng Mo Chi	2/2
Kwong Che Keung, Gordon	2/2
Gao Shiqing	2/2
Wang Jiadong	2/2

THE NOMINATION COMMITTEE

The Board decided to establish a nomination committee under the Board on 26 March 2007. The members of the nomination committee are appointed from directors by the Board. The committee shall comprise at least 2 members, and the independent non-executive directors shall account for half or more of the members of the nomination committee. The Chairman (the convenor) of the nomination committee is recommended by its members and shall be an independent non-executive director, who is responsible for convening and presiding over the nomination committee meeting.

The current nomination committee is comprised of Mr. Long Tao, Mr. Moses Cheng Mo Chi, Mr. Kwong Che Keung, Gordon and Mr. Dong Zhiyi with Mr. Moses Cheng Mo Chi being the Chairman.

The term of the nomination committee is the same as that of the Board. The term of office of the members is subject to re-election.

The duties of the nomination committee include, but not limited to the following:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- to identify individuals with appropriate qualifications to act as director or manager and to select and nominate the relevant individual to serve as director or manager or to make recommendations to the Board in this regard;
- to assess the independence of independent non-executive directors; and
- to make recommendations to the Board on matters relating to the appointment or re-appointment of directors and managers and succession planning for directors.

The major nomination procedures of the Nomination Committee includes timely update of the Company's demand for Directors and senior management, seeking for appropriate candidates internally as well as externally based on the above demand, performing preliminary assessment on the qualificaitons and capabilities of the candidates, including understanding and reviewing the educational background and qualifications of such candidates and check against the need as wll as the practices of the Company and submit appointment proposals to the Board.

One meeting was held by the Nomination Committee for the year 2007. Attendance records of individual members at the meetings of the committee held during the year 2007 are as follws:

Committee Member	Attendance at Meetings
Moses Cheng Mo Chi *(Chairman)*	1/1
Kwong Che Keung, Gordon	1/1
Long Tao	1/1
Dong Zhiyi	1/1

AUDITORS' REMUNERATION

The external auditors of the Company are PricewaterhouseCoopers (Certified Public Accountants, Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Limited Company. During the year ended 31 December 2007 and the period up to the date of publication of this annual report, a total remuneration of Rmb5,400,000 was paid for the audit and audit related services.

In the annual general meeting of the Company held on 15 June 2007, the renewal of the appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers as domestic and international auditors of the Company, respectively, was approved, and the Board was authorized to determine their the remuneration in 2007.

THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consists of four independent non-executive directors of the Company. Mr. Kwong Che Keung, Gordon is the Chairman. The duties of the Audit Committee are as follows: to consider the appointment of the external auditors, the audit fees and any issues relating to their resignation or dismissal; to discuss with the external auditors, before the commencement of the audit procedure , on the nature and scope of the audit; to ensure the co-ordination between the audit firms if there is more than one firm involved; and to review the interim and annual financial statements before they are presented to the Board.

The Audit Committee held two meetings in 2007 and the attendance rate was 100%.

Records of attendance at the Audit Committee meetings in 2007 are as follows:

Committee Members	Attendance at Meetings
Long Tao *(Chairman)*	2/2
Moses Cheng Mo Chi	2/2
Kwong Che Keung, Gordon	2/2

Note: Mr. Dong Ansheng was elected as an independent non-executive director of the Company at the extraordinary general meeting on 31 December 2007, therefore, he has not attended the Audit Committee meetings in 2007

At the meetings of Audit Committee in 2007, the Audit Committee mainly reviewed the accounting principles and policies adopted by the Company, discussed the internal control matters, reviewed the financial statements prepared under IFRS and China accounting standards respectively. They also reviewed the internal audit plan of the Company and discussed the matters arising from the audit with the internal auditors. Based on their work during the year of 2007, the Audit Committee has appraised the effectiveness of the Company system of internal control and considered it's effective.

The Audit Committee has also reviewed the 2007 annual results of the Company.

The Audit Committee has considered the appointment of the external auditors and their fee and made recommendations to the Board on the external auditors appointment.

The directors acknowledged their responsibility for preparing the accounts and have reviewed the effectiveness of the internal control system of the Company. For the details of the responsibility statement from the external auditors, please refer to the Independent Auditor's Report herein.

THE STRATEGY COMMITTEE

The members of the strategy committee are appointed from the executive directors by the Board. The strategy committee consists of Mr. Wang Jiadong and Mr. Dong Zhiyi.

The chairman of the strategy committee will be responsible for convening and presiding over the strategy committee meeting. Mr. Wang Jiadong is the chairman of the strategy committee.

The strategy committee shall hold at least two meetings a year. The strategy committee meeting can be convened with the proposal of any two members of the strategy committee.

The duties of the strategy committee, which reports to the Board, are as follows:

- to investigate the operation environment and resources of the Company, to determine the basic direction, goals and way of implementation for the future development of the Company;

- regularly assess the work of managing staff to ensure that their works are in line with the requirements under the mid-long term development strategy of the Company;

- to analyze and prepare the research report on the capital expenditure items which may pose material impact on the development strategy of the Company, to formulate the basic implementation plan and present it to the Board for approval; and

- to consider other matters required by the Board.

INTERNAL CONTROL

The Company at all times attaches great importance to internal control and risk management. The Company's internal control is carried out by an internal control and risk management team comprising the Board of Directors, the Audit Committee formed under the Board, the Supervisory and the internal audit department of the Company.

The Company reviews the effectiveness of its internal control annually, which includes control over finance, operations, compliance with laws and regulations as well as the monitoring of risk management. The results of the review have been reported to the audit committee and the Board.

The Company's internal audit department is responsible for conducting an independent audit of whether or not the internal control system is sufficient and effective. The auditing plan is discussed and finalized by the audit committee. All internal audit reports are delivered to the Chairman of the Board, the General Manager, the management of the audited department and related departments. The outcome of each audit, in summary, will also be discussed with the audit committee. The Board and audit committee carefully review the number and seriousness of any weaknesses or issues identified, and the relevant corrective measures taken by the department.

The audit committee held 2 meetings in 2007. In each meeting, the external and internal auditors were invited to attend. The audit committee conducted reviews of accounting policies and principles, and internal controls procedures adopted by the Company with a view to continuing compliance with the Listing Rules. The committee also conducted reviews of internal and external audits, internal control, risk management and financial statements. The audited results of the first half and the final results for 2007 had been discussed in meetings before they were submitted to the Board for approval.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to a policy of open and regular communication with its shareholders and to make reasonable disclosure of information to them. Information of the Company is disseminated to the shareholders in the following manner:

1. Delivery of the interim and annual results and reports and publication of the annual and interim results announcement and other discloseable information on the websites of the Hong Kong Stock Exchange and the Company to all shareholders.

2. The general meeting of the Company is also an effective communication channel between the Board and shareholders.

3. The Company maintains effective communications with its shareholders, investors and analysts through, inter alia:

    - establishing dedicated divisions and personnel for liaison with investors and analysts by answering their questions;

    - arranging on-site visits to the Company to facilitate their timely understanding of the situation and latest development of the Company's business operations;

    - gathering, in a timely manner, opinions and comments from analysts and investors on the operations of the Company, selectively adopting them to the operations of the Company, and compiling reports regularly; and

    - providing relevant financial and operational information on the Company's website.

REPORT OF SUPERVISORY COMMITTEE

To all shareholders:

During the year ended 31 December 2007, in accordance with the PRC Company Law, the Listing Rules and the Company's articles of association, all members of the supervisory committee have performed their duties properly and carried out their work on the principles of reasonableness, prudence, diligence and initiative.

By attending the Board meetings, as well as the working meetings of the general managers, the supervisory committee participated in important activities of the Company, reviewed and gave advice on the Company's finance, operations and daily management. The supervisory committee is satisfied with the operating results of the Company for the year ended 2007, and are not aware of any action against the interests of the shareholders, the Company, the Company's articles of association and relevant laws.

The supervisory committee has carefully reviewed the report of the directors, financial statements and the profit appropriation proposal for the year ended 2007 to be submitted to annual general meeting of the Company for the year ended 31 December 2007 and was not aware of any problem.

The supervisory committee supervises the performance of duties by the members of the Board and the senior management. It considers that the members of the Board, the general manager and other senior management have been complying with the diligent and fiduciary principles, performing their duties in good faith with taking the interests of the shareholders and the Company as their primary consideration. The Company is in excellent operation.

The supervisory committee is fully confident with the prospects of the Company's future development. Meanwhile, it will closely supervise the operation of the Company as usual, to protect the interests of the shareholders and the Company.

By order of the Supervisory Committee
Wang Zuoyi
Chairman of the Supervisory Committee

1 April 2008
Beijing, the PRC

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM") of Beijing Capital International Airport Company Limited (the "Company") will be held at 9:00 a.m. on Thursday, 12 June 2008 at the Conference Room, Room 212, the Office Building of the Company, Capital Airport, Beijing, the People's Republic of China ("PRC") for the following purposes:

ORDINARY RESOLUTIONS

1 to consider and approve the report of the Board of Directors of the Company (the "Board") for the year ended 31 December 2007;

2 to consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2007;

3 to consider and approve the audited Financial Statements and the Independent Auditor's Report for the year ended 31 December 2007;

4 to consider and approve the profit appropriation proposal and the relevant declaration and payment of a final dividend for the year ended 31 December 2007;

5 to consider and approve the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers, as the Company's PRC and international auditors, respectively, for the year ended 31 December 2008 and the granting of the authorisation to the Board to determine their remuneration;

6 to consider and approve the election of the members of the fourth Board of the Company, with Mr. Wang Jiadong and Mr. Dong Zhiyi as executive directors of the Company, Mr. Chen Guoxing, Mr. Gao Shiqing and Ms. Zhao Jinglu as non-executive directors of the Company, and Mr. Kwong Che Keung, Gordon, Mr. Dong Ansheng, Mr. Japhet Sebastian Law and Mr. Wang Xiaolong as independent non-executive directors of the Company, and the granting of the authorisation to the Board to determine their respective remuneration. The term of the fourth Board of Directors will commence from the conclusion of this meeting until the date of the annual general meeting of the Company for the year of 2011 (the details of the relevant candidates are disclosed in Notes ix and x);

7 to consider and approve the granting of the authorisation to the Board to arrange for service contracts and/or appointment letters to be entered into by the Company with or issued by the Company to all the newly elected executive directors, non-executive directors and independent non-executive directors, respectively, upon such terms and conditions as the Board shall think fit, and to do all such acts and things to effect such matters;

8 to consider and approve the election of the members of the fourth Supervisory Committee with Mr. Wang Zuoyi as the supervisor representing the shareholders, Ms. Li Xiaomei and Mr. Tang Hua as the supervisors representing the staff, and Mr. Han Xiaojing and Mr. Xia Zhidong as external supervisors, and the granting of the authorisation to the Board to determine their respective remuneration. The term of the fourth Supervisory Committee will be effective from the conclusion of this meeting until the date of the annual general meeting of the Company for the year of 2011 (the details of the relevant candidate are disclosed in Note xii); and

9 to authorise the Board to issue appointment letters to all the newly elected supervisors upon such terms and conditions as the Board thinks fit, and to do all such acts and things to effect such matters.

SPECIAL RESOLUTION

"**THAT**:

(1) To consider and, if thought fit, pass the following resolution relating to the granting of a general mandate to the Board to issue new shares:

(a) Subject to paragraphs (c) and (d) below, and in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company Law of the PRC, and other applicable rules and regulations (in each case as amended from time to time), a general and unconditional mandate be and is hereby granted at the annual general meeting to the Board to exercise once or more than once during the Relevant Period (as defined below) all the powers of the Company to authorise, allot and issue new shares on such terms and conditions the Board may determine and that, in the exercise of their power to authorise, allot and issue shares, the authority of the Board shall include (without limitation):

(i) the determination of the class and number of shares to be issued;

(ii) the determination of the issue price of the new shares;

(iii) the determination of the opening and closing dates of the new issue;

(iv) the determination of the class and number of new shares (if any) to be issued to the existing shareholders;

(v) the determination of the use of proceeds of the new issue;

(vi) to make or grant offers, agreements and options which might require the exercise of such powers; and

(vii) in the event of prohibitions or requirements of overseas laws or regulations or for some other reasons as the Board may consider expedient and, in the case of an invitation to subscribe for or allotment of shares to the shareholders of the Company, the exclusion of shareholders who are resident outside the PRC or the Hong Kong Special Administrative Region;

(b) the authority granted to the Board under paragraph (a) above shall include authorization to the Board during the Relevant Period to make and grant offers, agreements and options which might require the shares subject thereto to be allotted and issued after the expiry of the Relevant Period;

(c) the aggregate number of domestic shares and overseas listed foreign shares to be allotted or conditionally or unconditionally agreed to be allotted (whether pursuant to the exercise ofoptions or otherwise) by the Board pursuant to the authority granted under paragraph (a) above (excluding any shares allotted pursuant to the arrangement for the transfer of the statutory accumulation fund into capital in accordance with the Company Law of the PRC or the Articles of Association of the Company) shall not exceed 20% of the respective amount of the issued relevant class of shares of the Company at the date of the passing this resolution;

(d) the Board shall exercise the authority granted under paragraph (a) above, (i) in accordance with the Company Law of the PRC, other applicable rules and regulations, and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (in each case as amended from time to time); and (ii) subject to the approval of the China Securities Regulatory Commission and relevant authorities of the PRC;

(e) for the purpose of this Resolution: "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company after the passing of this resolution; or

(ii) the expiration of the 12-month period following the passing of this resolution; or

(iii) the date on which the authority given under this resolution is revoked or varied by a special resolution of the shareholders of the Company in a shareholders' general meeting;

(f) upon the exercise by the Board of the authority granted under paragraph (a) above having been approved by relevant authorities and in accordance with the Company Law of the PRC and other applicable rules and regulations, the Company's registered share capital be increased by an amount corresponding to the amount of the relevant shares allotted pursuant to the exercise of the authority granted under paragraph (a) above;

(g) subject to the allotment and issue of new shares pursuant to the exercise of the authority granted under paragraph (a) above having been approved by relevant authorities and in accordance with the Company Law of the PRC and all other applicable rules and regulations, the Board be and is hereby authorized to amend as they may deem appropriate and necessary relevant articles of the Articles of Association of the Company to reflect the change in the share capital structure of the Company resulting from the allotment and issue of new shares pursuant to the exercise of the authority granted under paragraph (a) to allot and issue new shares."

By order of the Board
Wang Jiadong
Chairman

28 April 2008
Beijing, the PRC

Note:

(i) Any shareholder entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote at the AGM on his/her behalf in accordance with the Company's Articles of Association. A proxy needs not be a shareholder of the Company.

If more than one proxy is appointed, such proxies may only exercise their voting right at poll.

(ii) The instrument appointing a proxy must be in writing under the hand of his appointer or his attorney duly authorised in writing. If the instrument appointing a proxy is signed by other person authorised by the appointer, the power of attorney or other authority must be notarially certified. If the appointer is a legal person, then the instrument shall be signed under a legal person seal or signed by its director or an attorney duly authorised in writing. To be valid, the notarially certified power of attorney or other documents of authorisation and the form of proxy must be delivered to the Company's H share Registrars: Hong Kong Registrars Limited at 46/F., Hopewell Central, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time appointed for the holding of the AGM.

(iii) Shareholders or their proxies shall produce their identity documents when attending the AGM.

(iv) The register of members of the Company will be temporarily closed from Wednesday, 14 May 2008 to Thursday, 12 June 2008 (both dates inclusive), during which period no transfer of shares will be registered. Shareholders of the Company whose names appear on the register of members of the Company at close of business on Tuesday, 13 May 2008 are entitled to attend and vote at the meeting.

In order to qualify for the final dividend mentioned above and for the entitlement to attend and vote at the meeting, holders of H shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the Company's H share Registrar: Hong Kong Registrars Limited at or before 4:00 p.m. on Tuesday, 13 May 2008. The address of the Company's H share Registrars: Rooms 1712-1716, 17/F, Hopewell Central, 183 Queen's Road East, Wanchai, Hong Kong.

(v) Shareholders who intend to attend the AGM are requested to deliver the reply slip to, for the domestic shares holder, the Company's Secretariat to the Board at the Capital Airport, Beijing, the PRC, (facsimile No.: 8610-6454 5350), or, for H shares holders, the Company's H share Registrar: Hong Kong Registrars Limited, 46th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong (facsimile No.: 852-2865 0990), on or before Friday, 23 May 2008. The reply slip may be delivered in person, by post or by facsimile.

(vi) The final dividend for the year ended 31 December 2007 is expected to be paid on or before Monday, 30 June 2008 to the shareholders whose names appear on the register of members on Monday, 19 May 2008.

(vii) The AGM is expected to last for less than half a day. Shareholders or their proxies attending the AGM shall be responsible for their own travelling and accommodation expenses.

(viii) Concerning items 6 and 7 of this notice, the terms of office for all the existing directors will expire at the forthcoming Annual General Meeting. The service contracts and/or appointment letters entered into with the existing executive directors and non-executive directors, respectively will terminate upon the expiry of their respective terms of office. Accordingly, approval is sought from shareholders to renew the directors' appointment, to determine the remuneration of the directors and to authorise the Board to arrange for new service contracts and/or appointment letters to be entered into by the Company with or issued by the Company to the newly elected executive directors and non-executive directors, respectively. The terms of the service of the directors will commence from the conclusion of the AGM until the date of the annual general meeting of the Company for the year of 2011.

(ix) The relevant particulars of the proposed new independent non-executive directors, Mr. Japhet Sebastian Law and Mr. Wang Xiaolong, are as follows:

Dr. Japhet Sebastian Law, aged 57. Mr. Law graduated from the University of Texas at Austin with Ph.D. in Mechanical/Industrial Engineering in 1976. He joined the Chinese University of Hong Kong in 1986 and is currently a Professor in the Department of Decision Sciences and Managerial Economics. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Prior to returning to Hong Kong, Mr. Law was the Director of Operations Research at the Cullen College of Engineering and Director of Graduate Studies in Industrial Engineering at the University of Houston, and was also involved with the U. S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Mr. Law has acted as consultants with various corporations in Hong Kong and overseas. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government and varies other committees, and is also active on the boards of profit, non-profit, and charitable organizations in Hong Kong and overseas. From July 2003 to February 2006, Mr. Law served as an independent non-executive director of Global Digital Creations Holdings Limited. From June 2005 till now, Mr. Law is serving as an independent non-executive director of International Financial Network Holdings Limited. From September 2005, he is also serving as an independent non-executive director of Tianjin Port Development Holdings Limited.

Mr. Wang Xiaolong, aged 53, graduated from School of Economics of Beijing University with Ph.D. degree. From December 1985 to April 1990, Mr. Wang served as the office director, department director, and member of Party Committee of the Research Institute of China's Economic Reforms in the National Committee of China's Economic Reforms. From April 1990 to March 1994, Mr. Wang served as the deputy director, standing deputy director and Party secretary of Beijing New Technology Industrial Development Zone. From April 1994 to 1997, Mr. Wang served as the deputy general manager and director of Hong Kong Jing Tai Industrial Corporation, the general manager and director of Jing Tai Treasury Ltd, the general manager and director of Jing Tai Securities Ltd, and the chairman of the board of Jing Tai Industrial Investment Ltd. From May 1997 to June 1998, Mr. Wang served as the executive director and vice-president of Hong Kong Beijing Holding Ltd. From June 1998 till now, Mr. Wang served as the deputy chairman of the board and general manager of Beijing International Trust and Investment Co., Ltd. Form October 1998 till now, Mr. Wang served as the deputy chairman of the board and president of Beijing Venture Capital Co., Ltd.

If elected, the above proposed directors will enter into service agreements with the Company and will be entitled to a director's fee of Rmb150,000 respectively, which will be determined by the Board with reference to director's experience, duties and responsibilities and the prevailing market practice, and in accordance with the remuneration policy adopted by the Company. The term of the above directors' appointment as independent non-executive directors of the Company will be from the date of their appointment at the AGM until the date of the 2011 AGM of the Company.

Save as disclosed above, the above proposed directors did not hold any directorships in any public listed company in the last three years. As at the date of the notice, the above proposed directors do not hold any shares of the Company within the meaning of Part XV of the SFO. They do not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries and do not hold any other positions in other members of the Company.

Save as disclosed above, there is no other matter that need to be brought to the attention of the shareholders of the Company in relation to the proposed appointment of the above directors and there is no information required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

(x) The relevant particulars of the proposed directors for re-election are as follows:

Executive directors

Mr. Wang Jiadong, 56, was re-elected as an executive director of the Company in June 2005 and was appointed as the Chairman of the Board on 1 February 2007. He graduated from China Europe International Business School with a master's degree in business administration. 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 human resource division of Beijing Capital International Airport (the former entity of CAHC). From 1994 to 2000, he acted as 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 as the general manager of the Company in January 2003 and was reappointed as the general manager of the Company in June 2005. Mr. Wang was elected as the Chairman of the Board of the Company on 1 February 2007, and resigned from the position of the general manager of the Company on the same day.

If elected, Mr. Wang will enter into a service agreement with the Company and will not be entitled to any director's fee. The term of Mr. Wang's appointment as an executive director of the Company will be from the date of his appointment at the AGM until the date of the 2011 AGM of the Company.

As at the date of the notice, Mr. Wang does not hold any shares of the Company within the meaning of Part XV of the SFO. He does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries and does not hold any other positions in other members of the Company.

Save as disclosed above, Mr. Wang did not hold any directorship in any public lested company in the last three years and there is no other matter that need to be brought to the attention of the shareholders of the Company in relation to the appointment of Mr. Wang and there is no information required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Mr. Dong Zhiyi, 46, was appointed as an executive director on 26 March 2007. He is a senior economist and has an Executive Master's degree of Business Administration from HEC Paris and PHD degree in Management from Huazhong University of Science and Technology. Mr. Dong has over 20 years of experience in airport and civil aviation management. From June 1996 to January 2001, he was the deputy chief officer of Inner Mongolia Municipality Bureau of the General Administration Civil Aviation of China (the predecessor of the Civil Aviation Administration of the China "CAAC"). From January 2001 to December 2003, he was deputy party secretary and chief officer of Inner Mongolia Municipality Bureau of CAAC. From December 2003 to February 2006, he acted as the party secretary and general manager of Inner Mongolia Airport Group Company Limited. He has acted as the chairman of the board of directors of Inner Mongolia Airport Group Company Limited since February 2006. Mr. Dong was the deputy general manager of the Parent Company since July 2005 and was appointed as the General Manager of the Company on 1 February 2007.

If elected, Mr. Dong will enter into a service agreement with the Company and will be entitled to a director's fee, which will be determined by the Board with reference to Mr. Dong's experience, duties and responsibilities and the prevailing market practice, and in accordance with the remuneration policy adopted by the Company. The term of Mr. Dong's appointment as an executive director of the Company will be from the date of his appointment at the AGM until the date of the 2011 AGM of the Company.

As at the date of the notice, Mr. Dong does not hold any shares of the Company within the meaning of Part XV of the SFO. He does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries and does not hold any other positions in other members of the Company.

Save as disclosed above, Mr. Dong did not hold any directorship in any public listed company in the last three years and there is no other matter that need to be brought to the attention of the shareholders of the Company in relation to the appointment of Mr. Dong and there is no information required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Non-executive directors

Mr. Chen Guoxing, 54, was re-elected as a non-executive director in June 2005. He is a senior engineer, graduated from Tongji University. He has extensive experience in infrastructure constructions, especially in airport constructions. From 1992 to 2002, Mr. Chen has served as the vice director of the Planning Committee of Jiangxi Province, the director of the Engineering Administration Section of Communications Department, Jiangxi Province, 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 has been the Vice General Manager of the Parent Company.

Mr. Gao Shiqing, 47, was elected as a non-executive director in June 2006. Mr. Gao graduated from Beijing University of Aeronautics & Astronautics with a master's degree in aviation engineering. From August 1983 to July 2004, Mr. Gao served as the deputy chief of Planning & Science Department and the Development & Finance Department in CAAC. From July 2004, he had been the assistant of general manager of the Parent Company, and has been the vice general manager of the Parent Company from July 2005.

Ms. Zhao Jinglu, 37, graduated from the accounting school of Nankai University with a bachelor's degree in auditing, and holds a MBA of Beijing Jiaotong University. From July 1992 to February 1995, Ms. Zhao served in the First Academe of CAAC and in the Auditing Bureau of CAAC. From February 1995 to April 2003, Ms. Zhao served in the Finance Department of CAAC, among this, from April 2001 to April 2003, Ms. Zhao served as the Deputy Director of Economy Adjustment Division of Accounting Department of CAAC; from April 2003 to September 2004, Ms. Zhao served as the Deputy Director of the Finance and Economy Division of Planning, Development and Accounting Department of CAAC; from September 2004 to November 2006, Ms. Zhao was served as the Director of Finance and Economy Division of the Planning, Development and Accounting Department of CAAC; From November 2006 to June 2007, Ms. Zhao served as the Director of Finance and Economy Division of the Accounting Department of CAAC. Since June 2007, Ms. Zhao was the chief accountant and the general manager of Finance Department of Capital Airports Holding Company.

If elected, the above proposed directors will enter into service agreements with the Company and will not be entitled to any director's fee. The term of their appointment as non-executive directors of the Company will be from the date of their respective appointment at the AGM until the date of the 2011 AGM of the Company.

As at the date of the notice, the above proposed directors do not hold any shares of the Company within the meaning of Part XV of the SFO. They do not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries and do not hold any other positions in other members of the Company.

Save as disclosed above, they did not hold any directorship in any public listed company in the past 3 years and there is no other matter that need to be brought to the attention of the shareholders of the Company in relation to the appointment of the above directors and there is no information required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

Independent Non-executive Directors

Mr. Kwong Che Keung Gordon, 58, has been re-elected as an independent non-executive director in June 2005. He gratuated from the University of Hong Kong with a bachelor's degree and is a fellow member of the Institute of Chartered Accountants in England and Wales. Mr. Kwong was a partner of Pricewaterhouse from 1984 to 1998. Mr. Kwong is also independent non-executive director of a number of companies listed on the Hong Kong Exchange, including COSCO International Holdings Limited, Tianjin Development Holdings Limited, Ping An Insurance (Group) Company of China, Ltd., Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, OP Financial Investments Limited (formerly known as Concepta Investments Limited), China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Quam Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited and CITIC 1616 Holdings Limited. Mr. Kwong was a council member of the Hong Kong Exchange from 1992 to 1997. Mr. Kwong previously served as a non-executive director of Cosco Pacific Limited until his resignation in January 2006 and was an independent non-executive director of Henderson China Holdings Limited which was privatized in July 2005. In the public sector services, he was a 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 as an independent non-executive director of the Company since October 1999.

Mr. Dong Ansheng, 56, graduated from the Law School of Renmin University of China with J.D. degree. Mr. Dong is a professor and PHD Supervisor of the School of Laws of Renmin University of China, and serves as the deputy director of Research Center of Civil and Commercial Law of the Renmin University of China.Mr. Dong currently holds several positions in social services. Mr. Dong also participates in the legislation of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other related rules and regulations on governing securities. Since 1992, Mr. Dong has long term experiences on the companies' securities laws and regulations. He had served as P.R.C. legal advisor on the issue of shares, merger and acquisition and other listing matters of more than 40 listed A shares companies, several listed B shares companies and listed H companies and other listed companies in Hong Kong. In the past three years, Mr. Dong had served in the following listed company as an independent non-executive director: Beijing North Star Company Limited (listed on the Shanghai Stock Exchange and the main board of the Hong Kong Stock Exchange) and Zhongjin Gold Co., Ltd. (listed on the Shanghai Stock Exchange). Mr. Dong is also serving as the independent non-executive director of Beijing Wangfujing Department Store Co. Ltd. (Group) (listed on the Shanghai Stock Exchange), BOE Technology Group Co., Ltd. (listed on the Shanghai Stock Exchange), Zhejiang New Jialian Electronics Co., Ltd. (listed on the Shenzhen Stock Exchange) and Dynamic Global Holdings Limited (listed on the main board of the Hong Kong Stock Exchange).

If elected, the above proposed directors will enter into service agreements with the Company and will be entitled to a director's fee of Rmb150,000 per year respectively, which will be determined by the Board with reference to director's experience, duties and responsibilities and the prevailing market practice, and in accordance with the remuneration policy adopted by the Company. The term of the above directors' appointment as independent non-executive directors of the Company will be from the date of their appointment at the AGM until the date of the 2011 AGM of the Company.

As at the date of the notice, the above proposed directors do not hold any shares of the Company within the meaning of Part XV of the SFO. They do not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company or its subsidiaries and do not hold any other positions in other members of the Company.

Save as disclosed above, the above proposed directors do not hold any directorship in any public listed company in the last three years and there is no other matter that need to be brought to the attention of the shareholders of the Company in relation to the proposed appointment of the above directors and there is no information required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

(xi) Concerning items 8 and 9 of this notice, the term of office for all the existing supervisors shall expire at the forthcoming annual general meeting. The appointment letters issued to the existing supervisors representing the shareholders and representing the staff respectively will terminate upon the expiry of the term of office for the supervisors. Accordingly, approval is sought from shareholders to renew the appointment of the supervisor representing the shareholders and the external supervisors. The supervisor representing the staff shall be elected through democratic election by the staff of the Company. Approval is also sought from shareholders to authorise the Board of Directors to issue new appointment letters to the newly elected supervisors. The term of the supervisors' service will be effective from the conclusion of the AGM until the date of the annual general meeting of the Company for the year of 2011.

(xii) The relevant particulars of the renominated supervisors are as follows:

Mr. Wang Zuoyi, 46, was re-elected as a supervisor of the Company and the chairman of the supervisory committee in June 2005. Mr. Wang graduated from the School of Management, State University of New York at Buffalo, USA in 1999 with a master degree in business administration. From 1991 to 1993, Mr. Wang was employed in the Finance Bureau of Hainan Province. From 1993 to 1996, he was the director and executive 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 acted as the director of Haikou Meilan Airport Company Limited. From August 2001 to January 2003, Mr. Wang was the chief accountant of the Company. Mr. Wang has been the chief accountant of the Parent Company since January 2003 and then has been the investigator of the Parent Company on January 2007.

Ms. Li Xiaomei, 49, was re-elected as a supervisor of the Company in June 2005. Ms. Li is an economist, and graduated from Cheung Kong Graduate School of Business with a Master's degree of Executive Business Administration (EMBA). She has over 20 year of experience in labour economics and human resources. From 1994 to 1999, she was the deputy director of the Beijing Capital International Airport's human resources division. From October 1999 to January 2003, she was the human resources manager of the Company. From January 2003 to March 2006, she served as the chairman of Beijing Airport Inflight Kitchen Ltd. She has been the chairman of labor union of the Company and the general secretary of the disciplinary committee of the Company since January 2003.

Mr. Tang Hua, 29, was elected as a supervisor of the Company in March 2007. Mr. Tang graduated from Nanjing University of Aeronautics and Astronautics with a bachelor's degree in 2001. Mr. Tang served as the controller of the airfield branch of the operation management department of the Company in August 2001; the controller of the resource management centre of the operation management department of the Company in November 2001; the party assistant of the operation management department in October 2002; the party assistant and the secretary for the Communist Youth League of the operation department in July 2003; and the manager of the union under the department of CCP working group in June 2005. Mr. Tang has been a manager of Customer Service Center of the Company since October 2007.

Mr. Han Xiaojing, 53, was re-elected as an independent supervisor of the Company in June 2006. He graduated from the School of Law of Zhongnan University of Economics and Law with a bachelor's degree in law. Thereafter, he studied at China University of Political Science and Law and obtained a master's degree in law in 1985. From 1985 to 1992, Mr. Han worked as a full-time lawyer in China Legal Affairs Center (中國法律事務中心). 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, 54, was re-elected as an independent supervisor of the Company in June 2002. He graduated from Tianjin University of Finance and Economics with a bachelor's degree in accounting. He obtained a master's degree in economics from the Research Institute for Fiscal Science, Ministry of Finance in February 1985. From 1986 to 1988, Mr. Xia was the deputy head of the Accounting Research Division of the Research Institute for Fiscal Science, Ministry of Finance. In 1988, he became the assistant director of the Capital Finance Section of the International Business Department of the headquarter 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 as disclosed above, none of the proposed supervisors of the Company above held any directorship in any other listed public companies in the last three years and held any other positions in other members of the Company. Save and except for the relationships as stated above, none of the proposed supervisors of the Company has any relationship with other directors, senior management, substantial shareholder or controlling shareholder of the Company, nor has any interest in the shares of the Company within the meaning of Part XV of the SFO (the Securities and Futures Ordinance).

As be renominated, each independent supervisor will be entitled to annual emolument, which will be determined by the Board under the authorisation of the shareholders at the AGM. Other supervisors will be not remunerated from the Company for their positions of the supervisors.

Save as disclosed above, there is no other matter that need to be brought to the attention of the shareholders of the Company in relation to the proposed appointment of the above supervisors and there is no information required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

Independent Auditor's Report

To the Shareholders of Beijing Capital International Airport Company Limited

(Incorporated in the People's Republic of China with limited liability)

We have audited the financial statements of Beijing Capital International Airport Company Limited (the "Company") set out on pages 63 to 123, which comprise the balance sheet as at 31 December 2007, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 1 April 2008

	Note	2007 Rmb'000	2006 Rmb'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**7,986,574**	8,213,966
Land use rights	7	**218,155**	223,380
Intangible assets	8	**23,437**	12,123
Investment in associates	9	**25,802**	26,674
Deferred income tax assets	16	**14,658**	21,172
		8,268,626	8,497,315
Current assets			
Inventories		**13,210**	13,934
Trade and other receivables	10	**863,741**	3,400,377
Cash and cash equivalents	11	**3,134,996**	152,818
		4,011,947	3,567,129
Total assets		**12,280,573**	12,064,444
EQUITY			
Capital and reserves			
Share capital	12	**4,046,150**	4,046,150
Share premium		**3,032,824**	3,032,824
Capital reserve	13	**300,000**	—
Statutory and discretionary reserves	14	**1,718,655**	1,408,155
Retained earnings		**1,272,253**	989,178
Proposed final dividend	26	**369,130**	357,032
Total equity		**10,739,012**	9,833,339

	Note	2007 Rmb'000	2006 Rmb'000
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	17	**40,418**	46,624
Deferred income	19	**10,940**	14,354
		51,358	60,978
Current liabilities			
Trade and other payables	15	**1,174,815**	1,318,273
Current income tax liabilities		**313,771**	319,394
Notes payable		**—**	531,057
Current portion of retirement benefit obligations	17	**1,617**	1,403
		1,490,203	2,170,127
Total liabilities		**1,541,561**	2,231,105
Total equity and liabilities		**12,280,573**	12,064,444
Net current assets		**2,521,744**	1,397,002
Total assets less current liabilities		**10,790,370**	9,894,317

On behalf of the Board

Wang Jiadong
Chairman

Dong Zhiyi
Director

The notes on pages 70 to 123 are an integral part of these financial statements.

	Note	2007 Rmb'000	2006 Rmb'000
Revenues			
Aeronautical	5	**2,490,494**	2,296,099
Non-aeronautical	5	**1,025,631**	863,764
		3,516,125	3,159,863
Business tax and levies			
Aeronautical		**(80,692)**	(68,883)
Non-aeronautical		**(59,711)**	(53,674)
		(140,403)	(122,557)
Operating expenses			
Depreciation and amortisation	6, 7 and 8	**(508,677)**	(498,766)
Staff costs	20	**(226,648)**	(135,001)
Aviation safety and security guard expenses		**(213,712)**	(180,831)
Utilities and power		**(211,198)**	(194,082)
Repairs and maintenance		**(189,541)**	(175,172)
Greening and environmental maintenance		**(105,744)**	(93,122)
Real estate and other taxes		**(56,120)**	(53,475)
Rental expenses		**(50,048)**	(12,834)
General, administrative and other expenses		**(140,376)**	(119,558)
		(1,702,064)	(1,462,841)
Other gains	21	**6,746**	56,758
Operating profit	22	**1,680,404**	1,631,223
Finance costs		**(4,989)**	(5,478)
Share of profit/(loss) of associates	9	**328**	(273)

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 Rmb'000	2006 Rmb'000
Profit before income tax		**1,675,743**	1,625,472
Income tax expense	24	**(546,256)**	(532,573)
Profit for the year		**1,129,487**	1,092,899
Earnings per share, basic and diluted *(Rmb)*	25	**0.28**	0.28
Dividends			
Interim dividend declared	26	**166,782**	151,269
Final dividend proposed	26	**369,130**	357,032

The notes on pages 70 to 123 are an integral part of these financial statements.

		Attributable to equity holders of the Company						
		Share capital	Share premium	Capital reserve	Statutory and discretionary reserves	Retained earnings	Minority interests	Total equity
	Note	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Balance at 1 January 2006		3,846,150	2,209,648	—	1,132,695	999,617	3,155	8,191,265
Profit for the year		—	—	—	—	1,092,899	—	1,092,899
New shares issued	12	200,000	823,176	—	—	—	—	1,023,176
Disposals of jointly controlled entities		—	—	—	—	—	(3,155)	(3,155)
Dividends	26							
— 2005 final dividend		—	—	—	—	(319,577)	—	(319,577)
— 2006 interim dividend		—	—	—	—	(151,269)	—	(151,269)
Transfer to statutory and discretionary reserves	14	—	—	—	275,460	(275,460)	—	—
Balance at 31 December 2006		4,046,150	3,032,824	—	1,408,155	1,346,210	—	9,833,339
Representing:								
Share capital and reserves		4,046,150	3,032,824	—	1,408,155	989,178	—	9,476,307
2006 proposed final dividend		—	—	—	—	357,032	—	357,032
Balance at 31 December 2006		4,046,150	3,032,824	—	1,408,155	1,346,210	—	9,833,339

		Attributable to equity holders of the Company						
	Note	Share capital *Rmb'000*	Share premium *Rmb'000*	Capital reserve *Rmb'000*	Statutory and discretionary reserves *Rmb'000*	Retained earnings *Rmb'000*	Minority interests *Rmb'000*	Total equity *Rmb'000*
Balance at 1 January 2007		4,046,150	3,032,824	—	1,408,155	1,346,210	—	9,833,339
Profit for the year		—	—	—	—	1,129,487	—	1,129,487
Dividends	26							
— 2006 final dividend		—	—	—	—	(357,032)	—	(357,032)
— 2007 interim dividend		—	—	—	—	(166,782)	—	(166,782)
Funds from government for construction projects	13	—	—	300,000	—	—	—	300,000
Transfer to statutory and discretionary reserves	14	—	—	—	310,500	(310,500)	—	—
Balance at 31 December 2007		4,046,150	3,032,824	300,000	1,718,655	1,641,383	—	10,739,012
Representing:								
Share capital and reserves		4,046,150	3,032,824	300,000	1,718,655	1,272,253	—	10,369,882
2007 proposed final dividend		—	—	—	—	369,130	—	369,130
Balance at 31 December 2007		4,046,150	3,032,824	300,000	1,718,655	1,641,383	—	10,739,012

The notes on pages 70 to 123 are an integral part of these financial statements.

	Note	2007 Rmb'000	2006 Rmb'000
Cash flows from operating activities			
Cash generated from operations	29	**2,517,946**	2,295,485
Interest paid		**(4,989)**	(5,478)
Income tax paid		**(545,365)**	(455,775)
Net cash from operating activities		**1,967,592**	1,834,232
Cash flows from investing activities			
Purchase of property, plant and equipment		**(669,051)**	(486,969)
Repayment from/(Prepayment to) Parent Company	10(b)	**2,000,000**	(2,000,000)
Purchase of intangible assets		**(2,438)**	(6,749)
Net cash inflow on disposal of associates, certain assets and liabilities and subsidiaries		**784**	277,794
Decrease in time deposits with original maturities over three months but within one year		**—**	100,000
Proceeds from sale of property, plant and equipment		**597**	3,249
Dividends received		**388**	300
Interests received		**6,774**	26,441
Net cash from/(used in) investing activities		**1,337,054**	(2,085,934)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**—**	1,023,176
Cash from government received through CAHC for construction projects	13	**300,000**	—
Draw down of short-term bank borrowings		**229,793**	1,460,000
Repayment of short-term bank borrowings		**(229,793)**	(2,260,000)
Dividends paid		**(622,139)**	(372,521)
Net cash used in financing activities		**(322,139)**	(149,345)
Net increase/(decrease) in cash and cash equivalents		**2,982,507**	(401,047)
Cash and cash equivalents at beginning of year		**152,818**	556,811
Exchange adjustment		**(329)**	(2,946)
Cash and cash equivalents at end of year	11	**3,134,996**	152,818

The notes on pages 70 to 123 are an integral part of these financial statements.

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 is principally engaged in the ownership and operation of the international airport in Beijing ("Beijing Capital Airport") and the provision of related services.

These financial statements were authorised for issue by the Board of Directors on 1 April 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant 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

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.

Standards, amendments and interpretations effective in 2007, and relevant to the Company

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements — Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

IFRIC 8, 'Scope of IFRS 2', requires the Company to consider transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on the Company's financial statements in the current year.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Company's financial statements.

Standards, amendments and interpretations effective in 2007 but not relevant to the Company

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Company's operations:

- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

- IAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). It requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The Company will apply IAS (Revised) from 1 January 2009.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will apply IAS 23 (Amendment) from 1 January 2009, but it is not expected to have any impact on the Company's financial statements.

- IFRS 8, 'Operating segments ' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company will apply IFRS 8 from 1 January 2009, but it is not expected to have any significant impact on the Company's financial statements.

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for a public sector services. The Company is in the process of making an assessment of what impact of IFRIC 12 would be in the period of initial application, but not yet in a position to state whether this interpretation would have a significant impact on the Company's results of operations and financial position.

- IAS 32 and IAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Company will apply IAS 32 and IAS 1 Amendments from 1 January 2009, but it is not expected to have any impact on the Company's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

- IAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Company will apply IAS 27 (Revised) from 1 January 2010.

- IFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Company will apply IFRS 3 (Revised) from 1 January 2010.

- IFRIC 14, 'IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Company's financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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 January 2008 or later periods but not relevant for the Company's operations:

- IFRIC 11, 'IFRS 2 — Group and treasury share transactions'(effective for annual periods beginning on or after 1 March 2007); and

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008).

(b) Investment in 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.

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.

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. 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.

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. 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	8 - 35 years
Runways	30 years
Plant, furniture, fixtures and equipment	5 - 15 years
Motor vehicles	6 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 (note 2(h)).

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

Borrowing costs incurred for the construction of any qualifying assets 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.

Assets under construction represent buildings and runways under construction and plant and equipment 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Land use rights

Acquired land use rights are shown at historical cost. Land use rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of land use rights over the estimated useful lives of 50 years.

(g) Intangible assets

Acquired utilisation rights of utility facilities and software and software use rights are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (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 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.

(i) 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 inventories, represented by the spare parts and consumable items, is the expected amount to be realised from use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Trade and other receivables

Trade and other 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 and other 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 and other receivables are 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 or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against "other expenses' in the income statement.

(k) 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.

(l) 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.

(m) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) 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.

(o) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the Company and its associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 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 income 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, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits

(1) Pension obligations

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

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 recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for actuarial gains or 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 that are denominated in Rmb, and that have terms to maturity approximating to the terms of the related pension liability.

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

Past-service costs are recognised immediately in income statement, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(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.

(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.

The liability for bonus entitlements is expected to be settled within 12 months and is measured at the amounts expected to be paid when it is settled.

(q) Provisions

Provisions 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. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) 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.

(s) 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, ground handling service and air catering service in Beijing Capital Airport and is recognised at the same time when the services are provided by the franchisee.

Concession revenues from retailing, restaurant and advertising are recognised based on a percentage of sales or specified minimum rent guarantees.

Concession revenues from ground handling and air catering are recognised with reference to the charge rates promulgated by the Civil Aviation Administration of China (formerly known as the General Administration of Civil Aviation of China, "CAAC").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue/income recognition *(Continued)*

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

(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.

(t) 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) Where 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) Where 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 period of the lease.

(u) Dividend distribution

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

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.

(i) Market risk

(1) 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 2007, all of the Company's assets and liabilities were denominated in Rmb except that cash and cash equivalents of approximately Rmb5,235,000 (2006: Rmb5,457,000), trade and other receivables of approximately Rmb56,188,000 (2006: Rmb51,926,000), trade and other payables of approximately Rmb146,000 (2006: Rmb146,000) were denominated in foreign currencies, principally in US dollar and HK dollar.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(i) Market risk *(Continued)*

(1) Foreign exchange risk (Continued)

As at 31 December 2007, if Rmb had weakened/strengthened by 5% against the US dollar and HK dollar with all other variables held constant, post-tax profit for the year would have been Rmb2,053,000 (2006: Rmb1,917,000) higher/lower, mainly as a result of foreign exchange gains/losses in translation of US dollar and HK dollar denominated cash and cash equivalents, trade and other receivables and trade and other payables.

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

(2) 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 cash and cash equivalents. The impact of the changes in interest rate is not expected to be material. The Company has not used any interest rate swaps to hedge its exposure to interest rate risk.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Credit risk

Credit risk mainly arises from deposits with banks as well as credit exposure to the customers. The Company has limited credit risk with its banks, which are leading and reputable and are assessed as having low credit risk. The Company has policies that limit the amount of credit exposure to any financial institution. The Company has policies in place to ensure that sales of services are made to customers with appropriate credit history. The credit exposure is represented by the aggregate balance of trade and other receivables.

The table below shows the balances of the three major customers at the balance sheet date.

	2007	2006
	Rmb'000	*Rmb'000*
Customer A	**183,191**	664,816
Customer B	**165,375**	218,917
Customer C	**73,307**	69,056

(iii) Liquidity risk

The Company adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through an adequate amount of committed credit facilities to meet its construction commitments.

As at 31 December 2007, the Company had unused loan facilities totalling approximately Rmb23,500,000,000 (2006: Rmb20,900,000,000).

As at 31 December 2007 and 2006, the Company's financial liabilities are primarily trade and other payables and notes payable. These balances are due within 12 months which approximate the carrying value as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

As part of the capital risk management process, the Company monitors capital on the basis of the liability to asset ratio. This ratio is calculated as total liabilities divided by total assets.

During 2007, the Company's strategy, which was unchanged from 2006, was to maintain a liability to asset ratio of not more than 25%. The liability to asset ratios at 31 December were as follows:

	2007	2006
	Rmb'000	*Rmb'000*
Total liabilities	**1,541,561**	2,231,105
Total assets	**12,280,573**	12,064,444
Liability to asset ratio	**13%**	18%

The decrease in the liability to asset ratio during 2007 was resulted primarily from the repayment of notes payable.

(c) Fair values estimation

The carrying amounts of the Company's financial assets, including cash and cash equivalents, trade and other receivables and financial liabilities, including primarily trade and other payables 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 major operating assets represent buildings and improvements, runways and plant, furniture, fixtures and equipment. Management determines the estimated useful lives of its property, plant and equipment based on management's experience in operating airport and the conditions of the property, plant and equipment.

With all other variables held constant, if the useful lives increase/decrease by 10% from management estimates, the depreciation expense would decrease/increase by Rmb44,299,000/Rmb54,144,000 in the next year.

(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 2007. 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.

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Analysis of revenue by category	**2007** **Rmb'000**	2006 Rmb'000
Aeronautical:		
Aircraft movement fees and related charges	**973,860**	897,877
Passenger charges	**780,936**	733,406
Airport fee	**735,698**	664,816
	2,490,494	2,296,099
Non-aeronautical:		
Concessions *(note a)*	**712,539**	574,566
Rentals	**222,038**	217,816
Car parking	**67,896**	58,067
Other	**23,158**	13,315
	1,025,631	863,764
Total revenues	**3,516,125**	3,159,863

(a) Concession revenues are recognised in respect of the following businesses:

	2007 **Rmb'000**	2006 Rmb'000
Retailing	**284,875**	213,706
Advertising	**244,242**	163,128
Ground handling service	**114,568**	136,317
Restaurants and food shops	**60,980**	52,606
Air Catering	**5,589**	6,649
Other	**2,285**	2,160
Total concessions	**712,539**	574,566

6 PROPERTY, PLANT AND EQUIPMENT

	2007					
	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	6,524,861	2,338,949	2,096,508	183,421	316,814	11,460,553
Additions	13,059	—	47,588	13,226	217,615	291,488
Transfers	168,416	201,872	98,204	—	(468,492)	—
Transfers to intangible assets *(note 8)*	—	—	(17,180)	—	(13,194)	(30,374)
Disposals	—	—	(80,150)	(6,482)	(854)	(87,486)
At end of year	6,706,336	2,540,821	2,144,970	190,165	51,889	11,634,181
Accumulated depreciation						
At beginning of year	1,418,607	370,782	1,306,265	150,933	—	3,246,587
Charge for the year	201,110	95,386	190,719	7,130	—	494,345
Transfers to intangible assets *(note 8)*	—	—	(10,541)	—	—	(10,541)
Disposals	—	—	(76,740)	(6,044)	—	(82,784)
At end of year	1,619,717	466,168	1,409,703	152,019	—	3,647,607
Net book value						
At end of year	5,086,619	2,074,653	735,267	38,146	51,889	7,986,574
At beginning of year	5,106,254	1,968,167	790,243	32,488	316,814	8,213,966

6 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	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)*

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

	2007	2006
	Rmb'000	*Rmb'000*
Cost	**531,514**	517,639
Accumulated depreciation	**(177,944)**	(153,861)
Net book amount	**353,570**	363,778

Interest expenses capitalised in assets under construction for the year ended 31 December 2007 amounted to Rmb2,086,000 (2006: Rmb11,640,000). The capitalisation rate used to determine the amount of borrowing cost eligible for the capitalisation was 3.099% for the year ended 31 December 2007 (2006: 4.485%).

As at 31 December 2007, buildings and taxiways with net book value of Rmb744,404,000(2006: Rmb605,942,000) and Rmb1,109,322,000 (2006: Rmb797,152,000) respectively are situated on parcels of allocated land owned by CAHC and a third party. 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.

7 LAND USE RIGHTS

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

	2007	2006
	Rmb'000	*Rmb'000*
Cost		
At beginning of year	**261,015**	267,721
Disposal	**—**	(6,706)
At end of year	**261,015**	261,015
Accumulated amortisation		
At beginning of year	**37,635**	35,730
Amortisation	**5,225**	5,226
Disposal	**—**	(3,321)
At end of year	**42,860**	37,635
Net book amount		
At end of year	**218,155**	223,380

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 between 4 to 10 years respectively, and their net book values are analysed as follows:

	2007 **Software and software use rights** *Rmb'000*
Cost	
At beginning of year	27,688
Additions	588
Transfers from property, plant and equipment *(note 6)*	30,374
At end of year	58,650
Accumulated amortisation	
At beginning of year	15,565
Transfers from property, plant and equipment *(note 6)*	10,541
Amortisation	9,107
At end of year	35,213
Net book amount	
At end of year	23,437

8 INTANGIBLE ASSETS *(Continued)*

	Utilisation rights of utility facilities	Software and software use rights	2006 Total
	Rmb'000	*Rmb'000*	*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

9 INVESTMENT IN ASSOCIATES

	2007	2006
	Rmb'000	*Rmb'000*
At beginning of year	**26,674**	27,247
Share of profits/(losses) after taxation	**328**	(273)
Dividend received	**(388)**	(300)
Disposal of investment in an associates *(note b)*	**(812)**	—
At end of year	**25,802**	26,674

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

	Place of incorporation	**Percentage of equity interest directly held**	
		2007	2006
Global Airport logistics Co., Ltd. *(note a)*	Beijing, the PRC	**33%**	33%
Beijing Tian Di Xun Jie Airport Information Technology Co., Ltd. *(note b)*	Beijing, the PRC	—	20%

(a) As at 31 December 2007, 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 2007.

(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). In 2007, the Company disposed of its entire 20% equity interest in this associate.

10 TRADE AND OTHER RECEIVABLES

	2007 **Rmb'000**	2006 *Rmb'000*
Trade receivables *(note a)*		
— third parties	**674,921**	1,199,120
— related parties *(note 30(a))*	**151,423**	144,118
	826,344	1,343,238
Less: Provision for impairment	**(5,291)**	(6,929)
	821,053	1,336,309
Prepayments and other receivables	**35,437**	56,817
Prepayment to parent company *(notes b and 30(a))*	**—**	2,000,000
Due from related parties *(note 30(a))*	**7,251**	7,251
	863,741	3,400,377

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

Currency	**2007** **Rmb'000**	2006 *Rmb'000*
RMB	**807,553**	3,348,451
US dollar	**55,721**	51,430
HK dollar	**467**	496
	863,741	3,400,377

10 TRADE AND OTHER RECEIVABLES *(Continued)*

The fair values of trade and other receivables approximate their carrying value.

(a) The ageing analysis of the trade receivables is as follows:

	2007	2006
	Rmb'000	*Rmb'000*
Less than 3 months	**656,161**	714,657
4 — 6 months	**122,336**	275,331
7 — 12 months	**31,243**	330,737
Over 12 months	**16,604**	22,513
	826,344	1,343,238

Movements on the provision for impairment of trade receivables are as follows:

	2007	2006
	Rmb'000	*Rmb'000*
At beginning of year	**6,929**	7,605
Unused amounts reversed *(note 22)*	**—**	(676)
Receivables written off during the year as uncollectible	**(1,638)**	—
At end of year	**5,291**	6,929

During 2007, the Company has fully collected the receivable balance of airport fee as at 31 December 2006.

The credit terms given to trade customers are determined on an individual basis with normal credit period between 1 to 6 months.

10 TRADE AND OTHER RECEIVABLES *(Continued)*

As of 31 December 2007, trade receivables amounting to Rmb185,082,000 (2006: Rmb150,237,000) were past due and the amount of the provision for impairment was Rmb5,291,000 (2006: Rmb6,929,000). Trade receivables were grouped for collective assessment according to their ageing and historical default rates as these customers were of similar credit risk.

As at 31 December 2007, there is no trade and other receivables past due but not considered impaired (2006: nil).

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

(b) The balance in 2006 represented the prepayment made to the CAHC for the proposed acquisition of the assets owned by CAHC in respect of the extension to the existing facilities of the Beijing Capital Airport (the "Phase III Assets"). As the proposed acquisition has not been completed, the amount was fully repaid in 2007.

11 CASH AND CASH EQUIVALENTS

	2007	2006
	Rmb'000	*Rmb'000*
Cash at bank and on hand	**134,996**	152,818
Short term bank deposits	**3,000,000**	—
	3,134,996	152,818
Maximum exposure to credit risk	**3,134,995**	152,815

In 2007, the effective interest rate on short term bank deposits was 1.71% per annum (2006: 1.62%) and such deposits had maturities of less than one month.

12 SHARE CAPITAL

	2007		2006	
	Number of ordinary shares ***(thousands)***	**Nominal value** ***RMB'000***	Number of ordinary shares *(thousands)*	Nominal value *RMB'000*
At beginning of year	**4,046,150**	**4,046,150**	3,846,150	3,846,150
New shares issued	**—**	**—**	200,000	200,000
At end of year	**4,046,150**	**4,046,150**	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 number of ordinary shares issued is 4,046,150,000 shares (2006: 4,046,150,000 shares) with par value of Rmb1 (2006: Rmb1) per share. All issued shares were fully paid.

13 CAPITAL RESERVE

In May 2007, the Company received funds from government amounting to Rmb300,000,000 through CAHC in respect of certain construction projects, which are approved by CAAC.

The directors of the Company have accounted for these funds as capital reserve pursuant to "The Measures for the Administration of the Collection and Usage of Civil Aviation Airport Fee" notice issued by the Ministry of Finance (English is a direct translation of the Chinese title of the notice, 財政部關於印發《民航機場管理建設費徵收使用管理辦法》的通知). In accordance with the notice, which became effective from 19 December 2007, the Company should hold such funds as capital reserve on account for CAHC.

In addition, the notice permits the Company at a time it considers appropriate, convert such capital reserve into ordinary shares to be held by CAHC. The conversion is however subject to obtaining prior approval from the relevant government authorities and shareholders.

14 STATUTORY AND DISCRETIONARY RESERVES

In accordance with the relevant laws and regulations of the PRC and the Articles of Association of the Company, when distributing the net profit of each year, the Company shall set aside 10% of its profit after taxation (based on the Company's local statutory accounts) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's registered capital), and, 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.

For the year ended 31 December 2007, the Board of Directors proposed appropriations of 10% and 20% of profit after tax (2006: 10% and 20%) respectively, as determined under the PRC accounting standards, of Rmb107,180,000 and Rmb214,360,000 (2006: Rmb101,660,000 and Rmb203,320,000) to the statutory surplus reserve fund and the discretionary surplus reserve fund respectively.

The proposed profit appropriation of Rmb 214,360,000 (20% of profit after tax) to the discretionary surplus reserve fund for the year ended 31 December 2007 will be recorded in the financial statements for the year ending 31 December 2008.

The appropriation to discretionary surplus reserve fund of Rmb203,320,000 (2005: Rmb173,800,000) proposed for the year ended 31 December 2006 by the Board of Directors on 25 April 2007 was recorded in the financial statements for the year ended 31 December 2007.

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 2007, the reserve available for distribution was approximately Rmb1,392,958,000 (2006: Rmb1,042,255,000).

15 TRADE AND OTHER PAYABLES

	2007 Rmb'000	2006 Rmb'000
Trade payables *(note a)*	**8,239**	6,900
Other payables		
Construction payable	**471,240**	511,090
Payables to related parties *(note 30(a))*	**199,327**	192,546
Maintenance fee payable	**97,134**	89,346
Receipts on behalf of North China Air Traffic Control Bureau *(note b)*	**71,170**	101,483
Payroll and welfare payable	**69,132**	26,917
Business tax payable	**54,536**	125,318
Deposit received	**27,074**	18,624
Housing subsidy payable to employees *(note c)*	**12,024**	13,388
Dividend payable to parent company *(note 30(a))*	**—**	98,325
Other payables	**164,939**	134,336
	1,166,576	1,311,373
	1,174,815	1,318,273

(a) As at 31 December 2006 and 2007, 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. The one-off housing subsidy was attributable to the period prior to the Company restructuring in 1999 in preparation for the offering of the Company's shares.

16 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2006: 33%), which is the corporate income tax rate applicable to the Company starting from 1 January 2008 (note 24).

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

	2007	2006
	Rmb'000	*Rmb'000*
At beginning of year	**21,172**	24,467
Effect of change in tax rate *(note 24)*	**(4,691)**	—
Charged to income statement *(note 24)*	**(1,823)**	(3,295)
At end of year	**14,658**	21,172

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

Deferred income tax assets	**Retirement benefit obligations**	**Other temporary differences**	**Total**
	(note a)	*(note b)*	
	Rmb'000	*Rmb'000*	*Rmb'000*
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
As at 1 January 2007	15,849	20,576	36,425
Effect of change in tax rate	(3,363)	(4,749)	(8,112)
Charged to income statement	(1,977)	(986)	(2,963)
As at 31 December 2007	10,509	14,841	25,350

16 DEFERRED INCOME TAXES *(Continued)*

Deferred income tax liabilities	Other temporary differences *(note b)* *Rmb'000*
As at 1 January 2006	11,958
Charged to income statement	3,295
As at 31 December 2006	15,253
As at 1 January 2007	15,253
Effect of change in tax rate	(3,421)
Credited to income statement	(1,140)
As at 31 December 2007	10,692

(a) The Company provides 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 income 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:

	2007 **Rmb'000**	2006 *Rmb'000*
Deferred income tax assets	**25,350**	36,425
Deferred income tax liabilities	**(10,692)**	(15,253)
	14,658	21,172

16 DEFERRED INCOME TAXES *(Continued)*

The amounts shown in the balance sheets include the following:

	2007 Rmb'000	2006 Rmb'000
Deferred income tax assets to be recovered after more than 12 months	**23,802**	32,685
Deferred income tax liability to be settled after more than 12 months	**10,193**	14,706

17 RETIREMENT BENEFIT OBLIGATIONS

As at 31 December, the retirement benefit obligations recognised in the balance sheet are as follows:

	2007 Rmb'000	2006 Rmb'000
Pension subsidies	**25,307**	38,685
Medical benefits	**16,728**	9,342
	42,035	48,027
Less: Amounts due within one year included in current liabilities	**(1,617)**	(1,403)
	40,418	46,624

The amounts recognised in the income statement are as follows:

	2007 Rmb'000	2006 Rmb'000
Pension subsidies *(note a)*	**(12,146)**	17,670
Post-employment medical benefits *(note b)*	**7,497**	2,035
Total, included in staff cost *(note 20)*	**(4,649)**	19,705

17 RETIREMENT BENEFIT OBLIGATIONS *(Continued)*

(a) Pension subsidies

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

	2007	2006
	Rmb'000	*Rmb'000*
At beginning of year	**38,685**	49,106
Liabilities disposed of *(note 21(a))*	**—**	(27,066)
Total (gain)/cost	**(12,146)**	17,670
Payment made in the year	**(1,232)**	(1,025)
At end of year	**25,307**	38,685

The amounts recognised in the income statement are as follows:

	2007	2006
	Rmb'000	*Rmb'000*
Current service cost	**2,289**	3,587
Interest cost	**2,362**	2,562
Past service cost	**1,152**	1,515
Net actuarial (gains)/losses recognised	**(17,949)**	10,006
	(12,146)	17,670

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

	2007	2006
Discount rate	**4.95%**	3.83%
Pension cost inflation rate	**2.00%**	2.00%
Employee withdrawal 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:

	2007	2006
	Rmb'000	*Rmb'000*
At beginning of year	**9,342**	12,229
Liabilities disposed of *(note 21(a))*	**—**	(4,761)
Total cost	**7,497**	2,035
Payment made in the year	**(111)**	(161)
At end of year	**16,728**	9,342

The amounts recognised in the income statement are as follows:

	2007	2006
	Rmb'000	*Rmb'000*
Current service cost	**279**	457
Interest cost	**355**	374
Net actuarial losses recognised	**6,863**	1,204
	7,497	2,035

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

	2007	2006
Discount rate	**4.95%**	3.83%
Inflation rate of average medical benefit	**7.00%**	5.00%
Employee withdrawal rate	**2.60%**	2.60%

18 HOUSING FUND

In accordance with the PRC housing reform regulations, starting from 1 July 2007, the Company is required to make contributions to the State-sponsored housing fund at 12% (prior to 1 July 2007: 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 Company'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 2007, the Company's contribution to the housing fund was approximately Rmb8,201,000 (2006: Rmb7,221,000).

In addition, during the year ended 31 December 2007, the Company provided Rmb3,660,000 (2006: Rmb3,787,000) 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 had provided 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.

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

	2007	2006
	Rmb'000	*Rmb'000*
Wages and salaries	**176,433**	84,711
Staff welfare	**2,731**	4,922
Housing fund *(note 18)*	**8,201**	7,221
Housing subsidies *(note 18)*	**3,660**	3,787
Pension costs — statutory and supplementary pension *(note a)*	**11,157**	7,607
Pension (benefits)/costs — defined benefit plan *(note 17)*	**(4,649)**	19,705
Other allowances and benefits	**29,115**	7,048
	226,648	135,001

(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 2007 and 2006 respectively.

(b) Staff costs include emoluments payable to the Company's directors, supervisors and senior management as set out in Note 23.

21 OTHER GAINS

	2007	2006
	Rmb'000	*Rmb'000*
Interest income	**6,774**	7,433
Net loss on disposal of an associate *(note 9(b))*	**(28)**	—
Net gains on disposal of jointly-controlled entities *(note a)*	—	17,498
Reversal of retirement benefit obligations *(note a)*	—	31,827
	6,746	56,758

Note:

(a) These represented net gains on disposal of the Company's equity interests of Beijing Aviation Ground Service Co., Ltd and Beijing Airport Inflight Kitchen Ltd. and the gain on reversal of retirement benefit obligations in relation to staffs transferred out in respect of outsourcing instead of self operation of certain businesses.

22 OPERATING PROFIT

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

	2007 Rmb'000	2006 Rmb'000
Depreciation on property, plant and equipment		
— owned assets	**472,473**	471,984
— owned assets leased out under operating leases	**21,872**	17,674
Loss on disposal of property, plant and equipment	**2,875**	31,564
Amortisation of land use rights	**5,225**	5,226
Amortisation of intangible assets	**9,107**	3,882
Operating lease rentals		
— buildings	**7,013**	4,799
— land use rights	**8,035**	8,035
— airfield assets *(note 30 (b)(ii))*	**35,000**	—
Reversal of trade receivables impairment charge	**—**	(676)
Auditors' remuneration	**2,400**	2,349

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:

	2007 Rmb'000	2006 Rmb'000
Fees	**550**	850
Salaries, housing and other allowances, and benefits in kind	**848**	1,772
Discretionary bonuses	**645**	1,032
Contributions to the retirement scheme	**63**	76
	2,106	3,730

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

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

The emoluments of each director and supervisor for the year ended 31 December 2007 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 Jiadong *(note i)*	—	—	—	—	—
Dong Zhiyi	—	421	21	258	700
Gao Shiqing *(note i)*	—	—	—	—	—
Chen Guoxing *(note i)*	—	—	—	—	—
Zhao Jinglu *(note i)*	—	—	—	—	—
Long Tao	150	—	—	—	150
Kwong Che Keung	150	—	—	—	150
Cheng Mo Chi	150	—	—	—	150
Dong Ansheng *(note ii)*	—	—	—	—	—
Name of supervisor					
Wang Zuoyi *(note i)*	—	—	—	—	—
Li Xiaomei	—	338	21	281	640
Tang Hua	—	89	21	106	216
Han Xiaojing	50	—	—	—	50
Xia Zhidong	50	—	—	—	50
	550	848	63	645	2,106

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

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

The emoluments of each director and supervisor for the year ended 31 December 2006 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	—	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					
Wang Zuoyi *(note i)*	—	—	—	—	—
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)*

Note: (i) The emoluments of these directors and one supervisor were paid by the Parent Company, which were not included in directors' and supervisors' emoluments.

(ii) Mr. Dong Ansheng was elected as the independent non-executive director of the Company at the extraordinary general meeting on 31 December 2007.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Company for the year include one director, one supervisor and three senior executives (2006: three directors, one supervisor and one senior executive). The details of the emoluments of the director and supervisor are set out above. The emoluments payables to the remaining senior executives are as follows:

	For the year ended 31 December	
	2007	2006
	Rmb'000	*Rmb'000*
Salaries, housing and other allowances, and benefits in kind	**1,013**	395
Discretionary bonuses	**844**	226
Contributions to the retirement scheme	**63**	19
	1,920	640

During the year ended 31 December 2007, 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 (2006: nil).

During the year ended 31 December 2007 and 2006, the emoluments of each of the above senior executives paid by the Company were below RMB1,000,000 individually.

24 TAXATION

Enterprise income tax

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

Under PRC income tax law, the Company is subject to enterprise income tax and local income tax rate of 30% and 3% respectively, resulting in an aggregate tax rate of 33% (2006: 33%) on the taxable income as reported in its statutory accounts which are prepared using the accounting principles and financial regulations applicable to PRC enterprises.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Company starting from 1 January 2008 will be 25%, replacing the currently applicable tax rate of 33%.

	2007	2006
	Rmb'000	*Rmb'000*
Current tax	**539,742**	529,278
Deferred income tax *(note 16)*	**6,514**	3,295
	546,256	532,573

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:

	2007	2006
	Rmb'000	*Rmb'000*
Profit before income tax	**1,675,743**	1,625,472
Tax calculated at a tax rate of 33% (2006: 33%)	**552,995**	536,406
Income not subject to tax	**(10,303)**	(9,236)
Over provision in prior years	**—**	(6,266)
Tax credit on qualified purchases of domestically manufactured equipment	**(1,127)**	(1,150)
Tax on undistributed profits and reserves of then jointly controlled entities	**—**	12,819
Effect on deferred income tax assets/liabilities due to the change in tax rate	**4,691**	—
Tax charge	**546,256**	532,573

24 TAXATION *(Continued)*

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	3% of concessions in respect of the ground handing service and air catering, 5% of other concessions, rental income and car parking fee income

25 EARNINGS PER SHARE

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

	2007	2006
Profit of the Company *(Rmb'000)*	**1,129,487**	1,092,899
Weighted average number of ordinary shares in issue *(thousands)*	**4,046,150**	3,896,150
Basic earnings per share *(Rmb per share)*	**0.28**	0.28

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 2007 and 2006.

26 DIVIDENDS

	2007	2006
Dividend declared		
Interim dividend *(Rmb'000)*	**166,782**	151,269
Interim dividend per share *(Rmb)*	**0.04122**	0.03933
Dividend proposed		
Final dividend *(Rmb'000)*	**369,130**	357,032
Final dividend per share *(Rmb)*	**0.09123**	0.08824

The final dividend for the year ended 31 December 2007 was proposed at the Board of Directors meeting held on 1 April 2008. 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 ended 31 December 2008.

27 CONTINGENCIES

The Directors of the Company understand that certain residents living in the vicinity of the Beijing Capital 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.

28 COMMITMENTS

Capital commitments

The Company had the following outstanding capital commitments not provided for in the financial statements as at 31 December:

	2007	2006
	Rmb'000	*Rmb'000*
Authorised and contracted for	**15,943,097**	13,752,064
Authorised but not contracted for	**6,722,781**	6,638,208
Total	**22,665,878**	20,390,272

Included in the capital commitments was an amount of Rmb22 billion relating to the proposed acquisition of the Phase III Assets. The amount was estimated based upon the assets transfer agreement dated 26 October 2006 entered into between the Company and CAHC.

28 COMMITMENTS *(Continued)*

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:

	2007	2006
	Rmb'000	*Rmb'000*
Not later than 1 year	**42,086**	8,035
Later than 1 year and not later than 5 years	**27,055**	27,797
Later than 5 years	**249,446**	256,176
	318,587	292,008

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:

	2007	2006
	Rmb'000	*Rmb'000*
Not later than 1 year	**48,642**	74,066
Later than 1 year and not later than 5 years	**19,217**	60,254
	67,859	134,320

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:

	2007	2006
	Rmb'000	*Rmb'000*
Not later than 1 year	**314,555**	294,395
Later than 1 year and not later than 5 years	**1,258,218**	1,177,578
Later than 5 years	**629,109**	883,184
	2,201,882	2,355,157

29 NOTES TO CASH FLOW STATEMENT

Reconciliation of profit for the year to cash generated from operations

	2007	2006
	Rmb'000	*Rmb'000*
Profit for the year	**1,129,487**	1,092,899
Adjustments for:		
Taxation	**546,256**	532,573
Depreciation	**494,345**	489,658
Amortisation of land use rights	**5,225**	5,226
Amortisation of intangible assets	**9,107**	3,882
Reversal of trade receivables impairment charge	**—**	(676)
Loss on disposal of property, plant and equipment	**2,875**	31,564
Share of (profit)/loss of associates	**(328)**	273
Interest income	**(6,774)**	(7,433)
Finance costs	**4,989**	5,478
Foreign exchange (gains)/losses, net	**(303)**	2,058
Net loss on disposal of an associate	**28**	—
Net gains on disposal of jointly-controlled entities	**—**	(17,498)
Changes in working capital (excluding the effects of disposal of jointly-controlled entities):		
Inventories	**724**	645
Trade and other receivables	**536,636**	(104,071)
Trade and other payables	**(194,915)**	278,169
Retirement benefit obligations	**(5,992)**	(13,777)
Deferred income	**(3,414)**	(3,485)
Cash generated from operations	**2,517,946**	2,295,485

30 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 of the Company 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. The Company considers that these transactions are activities in the ordinary course of business.

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

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

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

30 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Balances with related parties

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

	2007 **Rmb'000**	2006 *Rmb'000*
Trade and other receivables from CAHC, its fellow subsidiaries and related parties *(note 10 and (i))*	**158,674**	2,151,369
Trade and other payables to CAHC, its fellow subsidiaries and related parties *(note 15 and (i))*	**199,327**	290,871
Balances with other state-owned enterprises:		
Trade and other receivables *(note (i))*	**433,939**	483,833
Trade and other payables *(note (ii))*	**507,396**	568,304
Bank deposits *(note (iii))*	**2,694,248**	112,419
Notes payable *(note (iii))*	**—**	531,057

(i) The amounts due from and to 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 bank deposits and notes payable were entered into 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.

30 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:

	2007	2006
	Rmb'000	*Rmb'000*
Transactions with CAHC, its fellow subsidiaries and related parties		
Revenues:		
Concessions from related parties	**608,334**	463,125
Rental income from related parties for leasing of counters, premises and office space	**59,491**	59,303
Aeronautical revenue from related parties	**22,995**	19,924
Leasing of premises to a subsidiary of CAHC	**24,651**	19,523
Expenses:		
Provision of utilities and power supply by a subsidiary of CAHC	**209,674**	193,253
Leasing of land use rights from CAHC *(note i)*	**6,764**	6,764
Leasing of airfield assets from CAHC *(note ii)*	**35,000**	—
Provision of certain sanitary services, baggage cart management services and greening and environmental maintenance services by an associate of CAHC	**46,186**	40,401
Provision of aviation safety and security guard services by a subsidiary of CAHC	**213,712**	180,831
Provision of accessorial power and energy services by a subsidiary of CAHC	**57,557**	54,536
Other transactions:		
Payment for renovation management services fee to a subsidiary of CAHC	**—**	3,404

30 RELATED PARTY TRANSACTIONS *(Continued)*

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

For the year ended 31 December 2007, the Company received approximately Rmb95,341,000 (2006: Rmb87,454,000) on behalf of CAHC, representing CAHC's share of the aircraft movement fees for emergency medical services rendered.

(i) On 16 November 1999, the Company entered into an agreement with CAHC 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 (2006: Rmb6,764,000). 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.

(ii) On 25 October 2007, the Company entered into a lease agreement with CAHC in relation to the lease of airfield assets, a portion of the Phase III Assets, during the period from 29 October 2007 to 28 February 2008 (both days inclusive) at a fee of approximately Rmb17,500,000 per month.

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

	2007	2006
	Rmb'000	*Rmb'000*
Revenues:		
Passenger charges, aircraft movement fees and related charges	**1,368,933**	1,272,492
Concession income	**101,920**	109,281
Rentals	**83,396**	76,487
Interest income received	**5,973**	7,047
Expenses:		
Interest expenses paid	**7,075**	14,874
Subcontracting labour fee for maintenance	**109,208**	119,813
Insurance paid	**8,440**	6,947
Other transactions:		
Purchases of property, plant and equipment	**206,584**	403,145
Short-term bank loans borrowed	**229,793**	1,460,000
Short-term bank loans repaid	**229,793**	2,060,000

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.

31 EVENTS AFTER THE BALANCE SHEET DATE

On 18 January 2008, the Company entered into a trial run operation and management agreement with CAHC to manage and operate the Phase III Assets from 29 February 2008 to 25 March 2008 (both days inclusive) (the "Trial Run Period") for nil consideration. The Phase III Assets will be put into formal operation after the Trial Run Period.

On 31 January 2008, the Company entered into a supplemental assets transfer agreement (the "Supplemental Assets Transfer Agreement") with CAHC in relation to the assets transfer agreement dated 26 October 2006 in respect of the acquisition of the Phase III Assets by the Company from CAHC. The total consideration for the proposed acquisition of the Phase III Assets is estimated to be approximately Rmb 26.9 billion. Pursuant to the Supplemental Assets Transfer Agreement, the consideration was arrived at based on the assumption that the relevant approvals for the proposed acquisition from the relevant government authorities in the PRC to be obtained by the Company on 31 December 2008.

Pursuant to the Supplemental Assets Transfer Agreement, pending completion of the proposed acquisition, CAHC has agreed to provide the Phase III Assets to the Company for use as a transitional arrangement after the Trial Run Period and before the completion of the proposed acquisition. The consideration payable by the Company to CAHC for the transitional use of the Phase III Assets will be approximately Rmb240 million per month.

The proposed acquisition of the Phase III Assets had been approved by the independent shareholders of the Company in the extraordinary general meeting held on 28 March 2008 but is subject to the approval by the relevant government authorities in the PRC, including Ministry of Finance and CAAC.

COMPANY INFORMATION

PRINCIPAL INFORMATION OF THE COMPANY

Registered name:	北京首都國際機場股份有限公司
English name:	Beijing Capital International Airport Company Limited
First registration date:	15 October 1999
Registered address:	Capital Airport, Beijing, the People's Republic of China
Principal address of business in Hong Kong:	Rooms 1105-1108, Gloucester Tower, the Landmark, 15 Queen's Road Central, Hong Kong
Legal representative:	Mr. Wang Jiadong
Company secretary:	Mr. Shu Yong
Contact for the Company's news and information:	Secretariat to the Board
Major banks:	Bank of China
Auditors:	PricewaterhouseCoopers

BOARD OF DIRECTORS

Executive Directors

Wang Jiadong *(Chairman)*
Dong Zhiyi *(General manager, executive director)*

Non-executive Directors

Chen Guoxing
Gao Shiqing
Zhao Jinglu

Independent Non-executive Directors

Long Tao
Moses Cheng Mo Chi
Kwong Che Keung, Gordon
Dong Ansheng

COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Strategy Committee

Wang Jiadong *(Chairman)*
Dong Zhiyi

SHAREHOLDER INFORMATION

Website:	www.bcia.com.cn
E-mail address:	ir@bcia.com.cn
Contact telephone number:	8610 6454 5342
Contact address:	Secretariat to the Board Beijing Capital International Airport Company Limited
Zip Code:	100621
Registrar and Transfer Office:	Hong Kong Registrars Limited 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

FINANCE CALENDAR

Information about 2007 Results Announcement

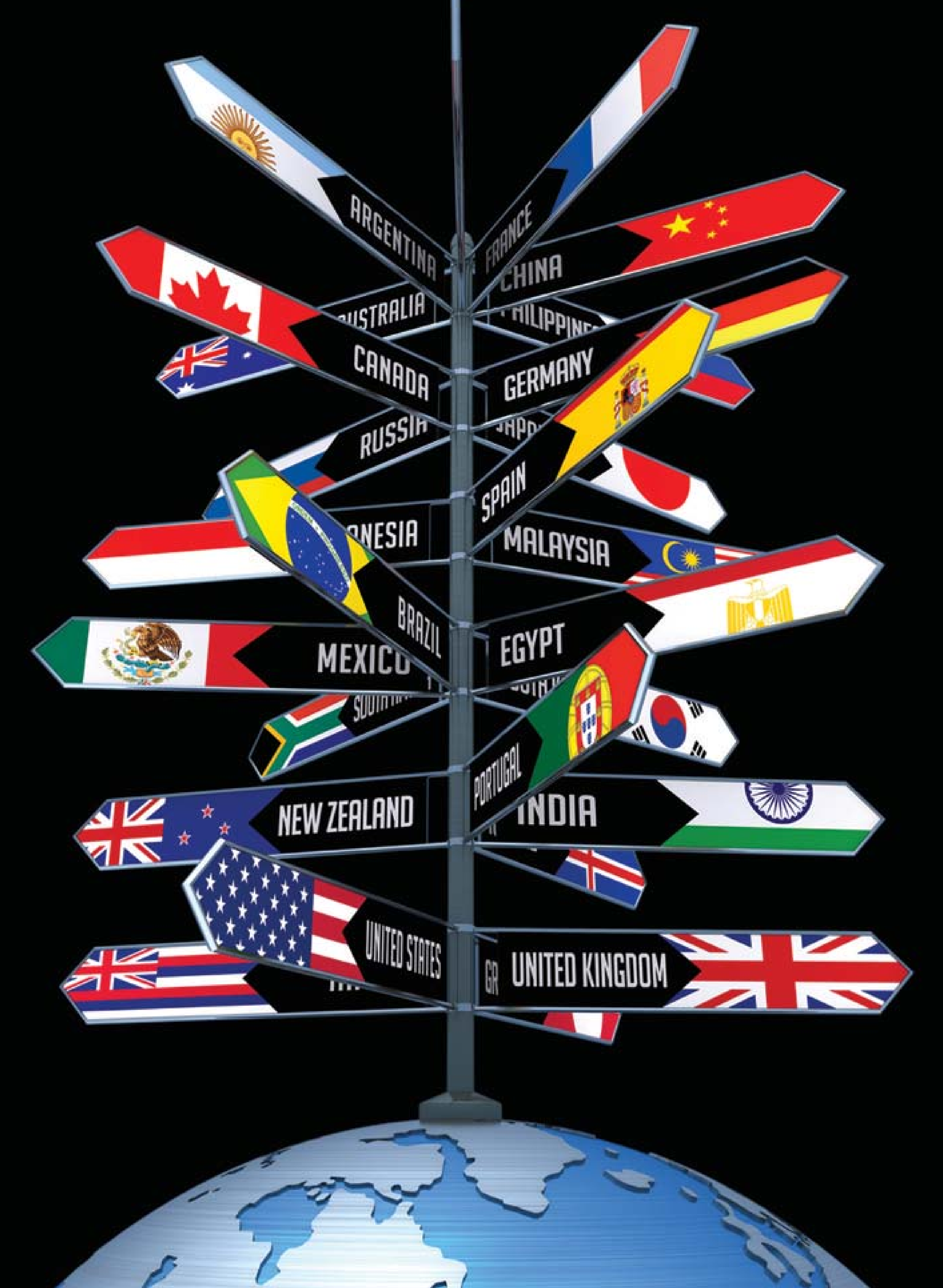
Announcement of interim results	24 August 2007
Payment date for interim dividend	31 October 2007
Announcement of final results	1 April 2008
Final Dividend Per Share	Rmb0.09123 per share
Ex-dividend date for final dividend	14 May 2008
Book closing dates for final dividend	14 May 2008 — 12 June 2008
Record date for final dividend	19 May 2008
Annual general meeting for 2007	12 June 2008
Payment date for final dividend	30 June 2008

SHARE INFORMATION

Name of H share:	Beijing Airport
Stock Code:	0694

Price and Turnover History

	Price per Share		Turnover of Shares
2007	**High**	**Low**	
	(HK$)	*(HK$)*	*(in millions)*
January	7.68	5.94	318.5
February	8.90	6.84	578.1
March	7.90	6.43	350.0
April	8.20	7.45	157.2
May	8.90	7.57	203.8
June	12.26	8.48	231.3
July	14.50	11.06	212.5
August	13.30	9.15	308.2
September	16.32	12.14	166.2
October	18.00	14.24	208.0
November	15.48	11.64	191.3
December	13.74	10.92	124.1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