Beijing Capital International Airport Company Limited

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

Stock Code: 0694

annual report 2008

Welcome to Beijing Capital International Airport

Welcome to

Beijing Capital International Airport

CONTENTS


E09
Provides airport experience of
happiness, comfort, efficiency
and safety to passengers


15:33

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 on 15 October 1999 to own and manage the aeronautical operations and certain ancillary commercial businesses at the international airport in Beijing, the PRC (the "Beijing Capital 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. Upon such issue, the total share capital of the company has increased from 2,500,000,000 shares to 3,846,150,000 shares. Of which, Capital Airports Holding Company ("the Parent Company") holds 2,500,000,000 domestic shares, representing 65% of the total share capital; the public investors hold 1,346,150,000 H shares, representing 35% of the total share capital. On 18 May 2001, as approved by the Ministry of Foreign Trade and Economic Co-operation of the PRC (the former entity of the Ministry of Commerce of the PRC), the Company became a foreign invested joint stock limited company.

The Company has completed the placing of H Shares to institutional or professional investors in Hong Kong, respectively, on 4 October 2006 and 10 June 2008. Upon the above two placements, the total share capital of the company has increased to 4,330,890,000 shares. Of which, the Parent Company holds 2,451,526,000 domestic shares, representing 56.61% of the total share capital; the public investors hold 1,879,364,000 H shares, representing 43.39% of the total share capital.

At present, the Company is mainly engaged in aeronautical and non-aeronautical businesses at the Beijing Capital 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 air transportation enterprises.

By the end of 2008, there were 78 airliners operating at the Beijing Capital Airport, including 20 domestic airliners and 58 airliners from foreign countries, Hong Kong or Macau.

By the end of 2008, there were 187 flight points linking with the Beijing Capital Airport, including 96 domestic flight points and 91 international flight points.

The non-aeronautical business of the Company includes the franchise-based operating of: (1) ground handling agent services supplied for domestic and foreign airliners; (2) in-flight catering services; (3) operating of duty free and other retail shops in the terminals; (4) operating of restaurants and other catering businesses in the terminals; and (5) leasing of advertising spaces inside and outside the terminals in the Beijing Capital Airport.

The non-aeronautical business of the Company includes the self-operating of: (1) leasing of properties in the terminals; (2) provided car parking services , 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. In 2008, the aircraft movement and the passenger throughput at the Beijing Capital Airport reached 431,670 and 55,937,300, respectively, and the freight throughput reached 1,281,000 tonnes (excluding the container weight), ranking 21st, 8th and 19th, respectively, among airports in the world based on the preliminary ranking of Airports Council International ("ACI").

The Terminal 3 of the Beijing Capital Airport was formally put into operation on 26 March 2008, thus, three runways and three terminals in the Beijing Capital Airport were being operated at the same time. Accordingly, the designed passenger handling capacity of the Beijing Capital Airport has been expanded from 35 million to 78 million per year, and the designed freight handling capacity has been expanded from 0.78 million tonnes to 1.80 million tonnes per year. The available commercial area in the terminals has also been expanded by more than two times than before. The Company provides the airliners and passengers with excellent service by its brand new facilities and good environments, and especially provides airport experience of happiness, comfort, efficiency and safety to passengers.

Provides the airliners and passengers with excellent service by the brand new facilities and good environments

FINANCIAL SUMMARY

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

	2008	2007	2006	2005	2004
Operating Results					
Revenues	**4,624,438**	3,516,125	3,159,863	3,094,332	3,133,630
Profit before tax	**68,987**	1,675,743	1,625,472	1,342,440	1,126,079
Tax	**16,344**	(546,256)	(532,573)	(426,939)	(365,387)
Profit for the year	**85,331**	1,129,487	1,092,899	915,501	760,692
Attributable to:					
Equity holders of the Company	**85,331**	1,129,487	1,092,899	908,509	749,354
Minority interests	**—**	—	—	6,992	11,338
Earinngs per share					
— basic and diluted *(Rmb)*	**0.02**	0.28	0.28	0.24	0.19
Financial Position					
Assets					
Non-current assets	**35,216,503**	8,268,626	8,497,315	8,563,635	7,351,545
Current assets	**2,463,416**	4,011,947	3,567,129	2,298,225	2,349,862
	37,679,919	12,280,573	12,064,444	10,861,860	9,701,407
Equity and liabilities					
Shareholders' equity	**12,309,864**	10,739,012	9,833,339	8,188,110	7,644,139
Minority interests	**—**	—	—	3,155	35,020
Non-current liabilities	**8,567,671**	51,358	60,978	78,525	104,320
Current liabilities	**16,802,384**	1,490,203	2,170,127	2,592,070	1,917,928
	37,679,919	12,280,573	12,064,444	10,861,860	9,701,407

CHAIRMAN'S STATEMENT

Zhang Zhizhong
Chairman

To shareholders:

The year 2008 has been a milestone for the Company's history of development, which witnessed the smooth launch of Terminal 3, service for Beijing Olympics and Paralympics, as well as notable improvement in management level and service quality. With the significant achievements that the Company generated in 2008, I am pleased to report to shareholders the 2008 operating and financial results and our prospects for 2009.

OPERATING RESULTS

Steady growth of air traffic

The international financial crisis shrank the international traffic at the Beijing Capital Airport since the second half of 2008, so the aircraft movements on international, Hong Kong & Macau routes dropped by 1.9% from the previous year and the passenger throughput slowdown to an increase of 5.3% over the previous year. Nevertheless, benefiting from the favourable effects brought by the Beijing Olympics and the Paralympics as well as the surge in domestic business travel and tourism, the air traffic volumes at the Beijing Capital Airport has eventually achieved solid growth in 2008, annually recording 431,670 aircraft movements and 55,937,287 passengers, representing an increase of 8.0% and 4.4%, respectively, over the previous year, and 1,281,000 tonnes of freight (excluding the weight of containers), representing an increase of 7.4% over the previous year. According to the statistics of ACI, the passenger through at the Beijing Capital Airport in 2008 has made it the eighth busiest airport in the world.

Smooth launch of phase III assets

The day of 26 March 2008 announced the Beijing Capital Airport's smooth launch of its new Terminal 3. After the intense preliminary preparation and comprehensive simulating launch for six times, and under coordination and cooperation of all parties involved, 26 airlines including Air China as the main one transferred their flights to Terminal 3 in two batches, 3 airlines including China Southern moved to Terminal 2, and 4 airlines under Hainan Airline moved to Terminal 1, all smoothly. As the only airport that came to operation simultaneously with 3 runways, 3 terminals

and 2 air traffic control towers in the asia-pacific region, the Beijing Capital Airport has set a good example for international large terminals in the world, with its success in launching new terminal and transferring flights. Extensively spotlighted and highly appraised for this success, the Beijing Capital Airport was awarded the Best Airport Development of the Year 2008 by Center for Asia Pacific Aviation on Asian Aviation Forecasting Summit 2008.

In late December 2008, the Company's acquisition of the airfield assets of Phase III Expansion Project, the assets of Terminal 3 (T3A and T3B terminals), the roads, rapid transit systems, business area and other relevant facilities, equipment and machines, as well as the land use right of Terminal 3 and the sites on which the auxiliary buildings are located (together, the "Phase III Target Assets") was approved by the government authority, indicating the completion of Phase III Target Assets.

Service for Olympics and Improvement in Service Quality

The 2008 Beijing Olympics was a great event of Beijing City. As the National Gateway of China, the Beijing Capital Airport was strongly committed to provide good, efficient, safe and secure service to the Olympics. To fulfill this commitment, the Company has taken a series of measures such as optimising arrival and departure process, strengthening safety management system, seeking service innovation and establishing media and public relation linkage mechanism. During the 75 days of service for the Olympics and the Paralympics the Beijing Capital Airport ensured 7,744 flights and 98,420 passengers including 4,092 wheel-chaired with no incident, accident or complaint, for which the Company was awarded the Outstanding Team for Beijing Olympics and Paralympics by the CPC Central Committee and the State Council.

Taking the Olympics as an opportunity, the Company uplifted the overall quality of services by selective improvement programs, provided comfortable environment to passengers by electing Olympic ambassadors, building Olympic landscape, carrying out the "sweet smiles at the national gateway" and other activities, and took several measures to provide highly efficient operating support to airlines. Such measures achieved good results, According to ACI's Airport Service Quality (ASQ) survey in 2008, satisfaction index of passengers at the Beijing Capital Airport was 4.12 for the whole year and a remarkable 4.30 for the last quarter, ranking the third in 2008 Airport Service Quality (ASQ) evaluation among airports with over 40 million passengers in the world, together with Hong Kong Airport and Dallas Airport.

In light of its good performance, the Beijing Capital Airport received the ACI Director General's Special Recognition Award, the ASQ Best Improvement Award, as well as the Passenger Satisfaction Award for airports with over 15 million passengers and the Passenger Satisfaction Gold Medal granted by the Consumer Affairs Centre of the Civil Aviation Administration of China (CAAC), respectively, in 2008.

FINANCIAL RESULTS

With the phase III target assets being put into use, the air traffic volumes growing steadily and the non-aeronautical resources expanding significantly, revenues of the Company reached Rmb4,624,438,000 for the year 2008, representing an increase of 31.5% over the previous year. Meanwhile, the launch of Phase III Target Assets also largely raised the operating expenses, which was totally Rmb4,293,909,000, representing an increase of 152.3% over the previous year. The annual operating profit was Rmb 161,756,000, representing a decrease of 90.4% from the previous year. The annual net profit was Rmb85,331,000, representing a decrease of 92.4% from the previous year.

The airport industry is characterised by periodic occurrence of capital expenditure due to capacity expansion demands. The growth in air traffic volumes is linked with overall economic performance, and the performance is stable. This results in leap growth in the revenues, investments, expenses (such as depreciation and fixed operating expenses) of the airport industry in relation to resources, and results in smooth and stable growth in the revenues in relation to air traffic volumes. Upon long-term stable development and business performance growth since 1999, the year in which the Company is established, the Company acquired Phase III target assets in 2008, so that the capital expenditure increased significantly, the throughput capacity improved greatly, and the non-aeronautical resources increased significantly. All of these reflect the above-mentioned characteristic. This is also the main reason for the substantial decrease in the net profit of the Company in 2008. We believe that such decrease in the net profit happens within a short period of time only. From medium and long-term point of view, due to the long-term favourable trend of macro-economy, the air traffic volumes at the Beijing Capital Airport will keep the trend of increasing and the business results will be increased steadily.

PROSPECTS FOR 2009

Under globally severe and complicated economic conditions with impact of financial crisis spreading, China has to manage the complex challenges of growth slowdown, economic restructuring and industrial upgrading. The air traffic, especially the international air traffic, will predictably be slower in growth. Furthermore, ten measures that CAAC adopts against financial crisis to promote industry growth have addressed the ceiling price for airport charges for the first half of 2009 and thus the impossibility of raising the aircraft landing fee for these six months. All these factors above will, to a certain extent have negative impact on the Company's revenues for 2009.

In the first quarter of 2009, passenger throughput of Beijing Airport still sustained rapid growth to totally 15,153,600 with 21.8% increase compared to 2008 first quarter, including 3,183,900 international with 1.5% decrease and 11,969,711 domestic with 30.0% increase. Aircraft movements for the quarter was 116,098 in total with 26.7% growth, including 22,655 international with 6.4% decline and 93,443 domestic with 38.6% growth. Cargo throughput of Beijing Airport, struck by the global financial crisis, fell 5.2% compared to 2008 first quarter to 304,548tons, including 130,644 tons international and 173,903 tons domestic with a decrease of 6.1% and 4.5% respectively.

In 2009, in order to counteract the adverse effects of economic fluctuation on the Company's business results, the Company will take multiple measures such as detailed financing arrangement based on the capital market performance and tendency in rate of interest to reduce the financial expenses and optimize the financial profile of the Company; extensive participation of staff in activities to increase revenues and cut expenditure; stronger management on budget and strict cost control; energy conversation program to reduce operating expenses; and last but not least, various programs to increase revenues.

Chairman's Statements

In 2009, the Company will continue to pursue the guideline of continuous safety, take full consideration of the relationship between safety and profit, and further perfect the safety management system. In passenger service, the Company will improve consistently by establishing service standards and process control system, reinforcing airport staff entry rules, improving weakest points, carrying out cultural programs and increasing the brand value of Beijing Capital Airport as China's Premier National Gateway.

As a significant marketing move towards the world hub status, Beijing Capital Airport intends to host the 2009 World Route Development Forum (see note), for which over 2,000 professionals from airports, airlines and aviation suppliers all around the world are expected to present.

In 2009, the Company will continue to execute the strategy with hub-building as the focus and resource management and quality management as the support, to improve the overall management level, enhance safety, security and service quality, increase resource value, achieve all-round coordinated and sustainable development, and serve the economic and social development.

Note: The World Route Development Forum, organized by the Route Development Forum Centre under The Route Development Group Ltd (RDG), is the most influential annual global event of the aviation industry that gathers nearly 300 major airlines and 500 airports.

I hereby would like to thank CAAC and other governmental authorities, the airlines and other parties operating at the Beijing Capital Airport for their support, and thank all staff of the Company and their families for their hard work and dedication in 2008.

By order of the Board
Zhang Zhizhong
Chairman

24 April 2009
Beijing, the PRC

Serve the economic and social development.

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 2008.

PRINCIPAL BUSINESSES

The Company is principally engaged in the operation and the management both of aeronautical and non-aeronautical businesses at the Beijing Capital 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 2008 and the financial position of the Company for the year ended 31 December 2008 were prepared based on International Financial Reporting Standards ("IFRS") as set out on pages 66 to 149 of the annual report.

DIVIDENDS

The Board does not recommended the payment of dividend for the year ended 31 December 2008.

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 of the Company for the year ended 31 December 2007.

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 2008.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of holding the Annual General Meeting (the "AGM"), the register of members of the Company will be closed from Wednesday, 13 May 2009 to Friday, 12 June 2009 (both days inclusive). In order to be qualified 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, 12 May 2009.

RESERVES

Change in reserves of the Company for the fiscal year ended 31 December 2008 is set out on pages 116 to 117 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 6 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Company as at 31 December 2008 and their movements for the fiscal year ended 31 December 2007 are set out in Note 6 to the Financial Statements.

ISSUED SHARE CAPITAL

On 10 June 2008, the Company placed 313,214,000 H shares of HK$7.45 each. The placed shares include: (1) issue 284,740,000 new shares; and (2) based on "the Interim Measures for the Administration of the Reduction of State-owned Shares and Raising of Social Security Funds", the Parent Company reduced the holding of state-owned shares and transferred them to the National Social Security Fund Council, and changed to H shares and sold 28,474,000 shares. The number of placing shares accounted for approximately 19.999% of the existing issued H shares before placing and approximately 7.74% of registered capital of the Company, and approximately 16.67% of the enlaged H Shares after placing and approximately 7.23% of the enlarged total registered capital of the Company.

There are no other share capital issued by the Company during the fiscal year ended 31 December 2008.

The disclosure of interests of the Company as at 31 December 2008 is set out on pages 27 to 30 herein.

TAXATION

Details of taxation of the Company for the fiscal year ended 31 December 2008 are set out in Note 25 to the Financial Statements.

ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2008, 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 19.9% and 54.9%, respectively, of the total revenues of the Company for the year ended 31 December 2008.

The largest supplier, Capital Airports Holding Company (the "Parent Company" or "CAHC") and the five largest suppliers of the Company represented 29.5% and 58.0%, respectively, of the total operating expenses of the Company for the year ended 31 December 2008.

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 2008. 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 2008.

ACQUISITION AND DISPOSAL

The Company has not conducted any major acquisition or disposal of its associated companies during the year ended 31 December 2008.

MATERIAL ACQUISITION AND MATERIAL FINANCING PLAN (NOTE)

At the end of December 2008, the Company received the "Letter from the Ministry of Finance Regarding the Approval for the Transfer of Certain Assets and Liabilities in the Expansion Project of Beijing Capital International Airport by Capital Airports Holding Company" issued by the Ministry of Finance dated 22 December 2008, the Ministry of Finance approved the acquisition of the Phase III Target Assets by the Company from the Parent Company. According to the Assets Transfer Agreement, the Supplemental Assets Transfer Agreement, the Airfield Land Lease Agreement and the Supplemental Airfield Land Lease Agreement, the Company and the Parent Company, after discussion, confirmed the follow-up arrangements relating to the completion of the acquisition of the Phase III Target Assets, details of which are set out as follows:-

(1) 1 October 2008 as the Acquisition Date under the Assets Transfer Agreement and the Supplemental Assets Transfer Agreement, i.e., the date of recognising the Phase III Target Assets as the assets of the Company. The parties agreed that the consideration of the Phase III Target Assets to be approximately RMB26,940,546,000

Note: Unless otherwise defined, the capitalized term used in the paragraph of material acquisition shall have the same meanings as defined in the circular date on 21 February 2008.

(2) the consideration to be fully settled by the Company by ways of direct payment or assumption of liabilities before 30 September 2009 according to the request of the Parent Company;

(3) the interests expenditure for the period from the date of initial payment to the date of full settlement of the remaining balance of the consideration would be adjusted on a dollar to dollar basis on the date of settlement of the consideration to the amount actually incurred;

(4) the parties agreed that price of the land use right of the Phase III Target Assets (which sum was included in the acquisition price) was to be based on the price of such land use right as approved by the relevant governmental authorities. The consideration would be adjusted according to the differences between the final price of the land use right as approved and filed and the price of the land use right as set out in the valuation report as at the valuation date; adjustment should also be made to the consideration on a dollar to dollar basis based on the differences between the final account of construction and the original book value, provided that such adjustment should not be more than 10% of the original valuation price. The parties should enter into further agreement in respect of the acquisition price in writing if the adjustment would be more than 10% of the original valuation price, which should be approved by the Ministry of Finance.

(5) the parties confirmed that the compensation payable for the Transitional Assets Use for the period from 26 March 2008 to 30 September 2008 to be RMB1,080,628,000;

(6) the rent for leasing the airfield land was provisionally agreed to be RMB28,000,000, which amount was subject to the rent as approved by the relevant governmental authorities. Such amount was payable by the Company to the Parent Company who would subsequently pay such amount to the Bureau of Land and Resources (note);

(7) the relevant liabilities in respect of the Phase III Target Assets were assumed by the Company, including the loan of approximately RMB2.489 billion from the European Investment Bank and the corporate bonds of RMB 6 billion of the Parent Company; and

(8) According to the "Beijing Capital Airport Phase III Expansion Project Credit Co-operation Agreement" entered into by the Parent Company, the Company and the Beijing Branch of the Bank of China Co., Ltd in May 2007, the parties would sign another debt transfer agreement revising the principal of the liabilities in respect of the Phase III Target Assets from the Parent Company to the Company.

Pursuant to the "Letter from the Ministry of Finance Regarding the Approval for the Transfer of Certain Assets and Liabilities in the Expansion Project of Beijing Capital International Airport by Capital Airports Holding Company, the Parent Company is required to report the relevant details of the follow up arrangements of the acquisition to the Ministry of Finance for filing after completion of the acquisition. The Parent Company had made such report to the Ministry of Finance through the General Administration of Civil Aviation ("CAAC"). As at 24 April 2009, the Parent Company had not received any feedback about such report from the CAAC and the Ministry of Finance.

Note: the related content could see also in the announcements of the Company dated of 26 October 2006 and 31 January 2008. According to the communication situation among the Company, Parent Company and the relevant government authorities, the Directors estimated that the relevant governmental authorities would ask for the land rental fees from the Parent Company for 2008. So the Company needs to pay for the land rental fees to the Parent Company for 2008.

To satisfy the capital demand of the acquisition of Phase III Target Assets of the Company, the Board proposed to the forthcoming Annual General Meeting ("AGM") to consider and approve the grant of a general and unconditional mandate to the Board of the Company to raise funds by way of debt financing in the PRC with a maximum amount up to RMB10 billion (including RMB10 billion), including the issuance of corporate bonds of the Company with a maximum amount up to Rmb5 billion (including RMB5 billion). The particulars of which are set out in the notice and circular of the 2008 AGM of the Company.

TRADE AND OTHER RECEIVABLES

On 31December 2008, the Company's trade and other receivables were RMB1,862,956,000, and representing a increase of 115.7% as compared with the previous year. The growth of trade and other receivables was mainly due to the increase in the landing and take-off fees and rental fee receivable.

The detail of the Company's trade and other receivables in the Note 10 to the financial statements, and the policies of the trade and other receivables and the impairment contained in the Note 2 to the financial statements.

CHANGES IN DEPRECIABLE LIVES OF FIXED ASSETS

The service life of asset management is expected to be extended accordingly due to the commencement of operation of the Phase III Target Assets which changed the existing housing and buildings, use of plant and equipment. According to the results of the technical study on the utilisation of its existing facilities and taking into account the historical experience on the utilisation of the facilities, the management has re-assessed the estimated useful lives of the assets, which was approved by the Board on 1 April 2008. The adjustment will reduce the cost of depreciation of fixed assets of about RMB99,539,000 for the 12 months ended 31 December 2008. Detail of which are set out in the Note 2 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended 31 December 2008, the Company has not redeemed, purchased or sold any of its listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of PRC, by which the shareholders of this Company would oblige the Company to offer new shares in proportion to their shareholding.

CONTINUING CONNECTED TRANSACTIONS

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

The schedule below include the details and transaction amounts 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 as at 31 December 2008 or in the previous announcements dated 25 October 2007, 18 January 2008, 31 January 2008, 12 February 2008, 8 April 2008, 26 September 2008 and 27 November 2008 and approved by the general meetings (if applicable), during the year ended 31 December 2008 is as follows:

Transaction	**Actual Figure for the year ended 31 December 2008** *Rmb'000*	Annual Cap for the year ended 31 December 2008 *Rmb'000*
1. Concessions from Beijing Food Airport Management Co., Ltd ("BAFM"), a subsidiary of the Parent Company	**78,314**	*Note* (i)
2. Concessions from Beijing Capital Airport Commercial & Trading Co., Ltd ("BACT"), a subsidiary of the Parent Company	**379,916**	*Note* (i)
3. Concessions from Beijing Aviation Ground Services Co., Ltd. ("BGS"), a jointly controlled entity of the Parent Company	**16,083**	33,524
4. Concessions from Beijing Airport Inflight Kitchen Ltd, a jointly controlled entity of the Parent Company	**6,048**	8,876
5. Rental income from BGS for leasing of counters and other premises comprising offices and warehouses in Terminal 1, Terminal 2 and Terminal 3	**58,853**	60,000

Transaction	**Actual Figure for the year ended 31 December 2008** *Rmb'000*	Annual Cap for the year ended 31 December 2008 *Rmb'000*
6. Rental income from BGS for leasing of Cargo station	**30,000**	30,000
7. Rental income from BGS for leasing of office building	**2,467**	2,486
8. Rental income from BGS for leasing of parking lot	**2,153**	3,200
9. Rental income from Capital Airport VIP Services Management Co., Ltd, a subsidiary of the Parent Company	**64,839**	83,200
10. Rental income from Beijing Capital Airport Tourism Co., Ltd. a subsidiary of the Parent Company	**4,017**	5,500
11. Rental income from BACT	**9,832**	*Note* (i)
12. Rental income from BAFM	**2,646**	*Note* (i)
13. The management commission income of ground transportation center ("GTC") paid by the Parent Company	**5,415**	5,500
14. Provision of aviation safety and security guard services by Capital Airports Aviation Security Co., Ltd., a subsidiary of the Parent Company	**296,245**	414,633
15. Provision of utilities and power supply by Capital Airports Power and Energy Company Limited ("CAPE"), a subsidiary of the Parent Company	**516,668**	834,001

Transaction	**Actual Figure for the year ended 31 December 2008** ***Rmb'000***	Annual Cap for the year ended 31 December 2008 *Rmb'000*
16. Provision of accessorial power and energy services by CAPE	**102,369**	114,327
17. Provision of certain sanitary services and baggage cart management services by Property Management Company Limited, a subsidiary of the Parent Company	**138,762**	138,799
18. Provision of greening and environmental maintenance services by BCPM	**37,181**	37,713
19. Leasing of Phase III Target Assets from the Parent Company	**1,080,628**	1,487,071 *Note (ii)*
20. Leasing of land on which the airfield and related areas of Phase III Target are situated from the Parent Company	**28,000**	28,000 *Note (iii)*
21. Leasing of the airfield assets from the Parent Company	**48,373**	52,500
22. Leasing of information technology center ("ITC") from the Parent Company	**7,110**	7,200
23. Leasing of land use right from the Parent Company	**6,764**	6,776 *Note (iv)*

Note:

i. During 2008, the Parent Company, acquired BAFM and BACT and they became subsidiaries of the Parent Company. The Company has announced these transaction on 27 November 2008 with no annual caps.

ii. According to the related announcement in on 31 January 2008, the monthly cap for this transaction was RMB240,100,000. The transaction was conducted from 26 March 2008 to 30 September 2008 and the total cap was RMB1,487,071,000.

iii. According to the communication among the Company, the Parent Company and relevant governmental authorities, the governmental authorities would ask for the land use rental fees from the Parent Company for 2008, since 1 January 2008, the airfield land is used by the Company, the Company needs to pay for the land rental fees to the Parent Company.

iv. As from 1999, the annual cap was no more than RMB5,600,000, which should not be increased by more than 10% for three consecutive years. The annual cap of 2008 should not be more than 21% of the cap for 1999, amounting to RMB6,776,000.

The transaction amounts for the above transactions did not exceed the maximum annual cap as disclosed in the relevant announcement or as approved in the general meeting (if applicable).

The aforesaid continuing connected transactions were reviewed by independent non-executive directors of the Company. The independent non executive directors confimed that the aforesaid connected transactions 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 auditor of the Company to perform certain agree-upon procedures on the above continuing connected transactions as identified by the management for the year ended 31 December 2008 (the "Transactions") on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has 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) in relation to those transactions involving provisions of goods and services by the Company (for the sample selected) their pricing was in accordance with the pricing policies of the Company;

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

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

DISCLOSURE OF INTERESTS

1. CAPITAL STRUCTURE

On 10 June 2008, the Company placed 313,214,000 H shares at HK$7.45 per share. The placing shares comprise (1) 284,740,000 new shares to be issued; and (2) 28,474,000 H-shares was to be converted from the same number of existing domestic shares that were transferred from the Parent Company to the National Council for Social Security Fund of the PRC pursuant to the Provisional Measures on the Administration of the Reduction of the State Owned Shares for Raising Social Security Funds. The number of Placing Shares represented approximately 19.999% and 7.74% of the H shares in issue and the entire registered capital of the Company, respectively, prior to the Placing and approximately 16.67% and 7.23% of the H shares and the entire registered capital of the Company, respectively, as enlarged by the issue of the Placing Shares. As at 31 December 2008, the total issued capital of the Company is 4,330,890,000 shares, comprising 1,879,364,000 H shares and 2,451,526,000 domestic shares.

As at 31 December 2008, the total number of issued share capital of the Company was 4,330,890,000, including:

	Number of shares	Percentage of total issued shares
Domestic shares	2,451,526,000	56.61%
H shares	1,879,364,000	43.39%

As at 31 December 2008, the interests and long positions and short positions held by the following persons the shareholders, other than directors or supervisors of the Company, as recorded in the register required to be kept by the Company under Section 336 of the Securities of Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") were as follows:

Name of substantial shareholder	Class of shares	Number of shares holding interest	Capacity	Percentage of shareholding to the relevant class	Percentage to the total issued shares
Capital Airports Holding Company *(note 1)*	Domestic Shares	2,451,526,000 (L)	Beneficial owner	100%	56.61%
Government of Singapore Investment Corporation Pte Ltd *(note 2)*	H shares	396,074,000 (L)	Investment manager	21.07%	9.15%
JPMorgan Chase & Co. *(note 3)*	H shares	111,294,769 (L)	Interest of corporation controlled by substantial shareholder	5.92%	2.57%
		7,984,014 (S)		0.42%	0.18%
		97,524,891 (P)		5.19%	2.25%

Name of substantial shareholder	Class of shares	Number of shares holding interest	Capacity	Percentage of shareholding to the relevant class	Percentage to the total issued shares
T. Rowe Price Associates, Inc. And its Affiliates *(note 4)*	H shares	129,181,100 (L)	Investment manager	6.87%	2.98%
Artio Global Management LLC (formerly Julius Baer Investment Management LLC) *(note 5)*	H shares	143,742,087 (L)	Investment manager	7.65%	3.32%

(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. Zhang Zhizhong, is the General Manager and Vice Secretary of Communist Party of Capital Airports Holding Company.

   Mr.Dong Zhiyi, is the Secretary of Communist Party and Vice General Manager of Capital Airports Holdings Company.

   Mr. Chen Guoxing, is the Vice General Manager of Capital Airports Holding Company.

   Mr. Gao Shiqing, is the Vice General Manager of Capital Airports Holding Company.

   Ms. Zhao Jinglu, is the Chief Accountant of Capital Airports Holding Company.

2. The registered address of Government of Singapore Investment Corporation Pte Ltd is located in Singapore.

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

4. The registered address of T.Rowe Price Associates, Inc. and its affiliates is located in Maryland, USA, and belongs to T.Rowe Price Group Inc.

5. The registered address of Artio Global Management LLC (formerly Julius Baer Investment Management LLC) is located in New York, USA, and is the member of Julius Baer Holdings, Inc.

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

As at 31 December 2008, 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 2008, 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 2008, none of the directors or supervisors of the Company directly or indirectly had any material interests in any contracts (defined as the Listing Rules) or arrangements (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 2008, none of the directors or supervisors of the Company had any interest in any business competing with the Company.

MATERIAL CONTRACTS

Save for those transactions described in the note headed "Related Party Transactions" in the Note 31 to the Financial Statements and the section headed "Connected Transactions and Continuing Connected Transactions" in the Report of the Directors above, there was no material contract:

(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 2008, no contracts 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) were 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 24 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 2008.

SIGNIFICANT POST BALANCE SHEET EVENT

The Company has no significant post balance sheet events during the year ended on 24 April 2009.

PUBLIC FLOAT

As at 24 April 2009, the Board acknowledges that 1,879,364,000 H shares, representing 43.39% of the entire issued share 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 2006, 2007 and 2008, PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers were the Company's PRC and international auditor, respectively.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers were approved by way of a resolution passed at the annual general meeting of the Company held on 12 June 2008, to act as the Company's domestic and international auditor, respectively, for the year 2008.

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 auditor respectively for the year 2009 at the forthcoming annual general meeting.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 12 June 2008, the annual general meeting (the "AGM") of the Company considered and approved the election of the members of the fourth Board of the Company, pursuant to which Mr. Wang Jiadong and Mr.Dong Zhiyi were elected 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 the AGM on 12 June 2008 until the date of the 2011 annual general meeting of the Company.

On 25 November 2008, the Board considered and approved the resignation of Mr. Wang Jiadong as the director of the Company and the Chairman of the Board with effect from the date of conclusion of the extraordinary general meeting ("EGM") of the Company on 23 January 2009

On 23 January 2009, Mr. Zhang Zhizhong was elected as an executive director of the Company at the EGM of 23 January 2009 and his term will expire on the date of the 2011 annual general meeting of the Company, which is the end of the fourth term of Board. Also, the Board approved the appointment of Mr. Zhang Zhizhong as the Chairman of the Board with effect from 23 January 2009.

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. Nine board meetings (of which four meetings were held by way of circulating written documents) were held in the year of 2008, 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.

On 12 June 2008, the AGM of the Company considered and approved 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 the AGM of the Company on 12 June 2008 until the date of the 2011 AGM of the Company.

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 director's service contract with the Company with a term expiring on the date of the 2011 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. none of the directors or supervisors of the Company has entered or proposing to enter into a service contract with 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 staturory compensation).

On 12 June 2008, Mr. Liu Fuquan retired from the position of a deputy general manager of the Company.

On 23 January 2009, the Company appointed Mr. Huang Gang as the Managing deputy general manager.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Executive Directors

Mr. Zhang Zhizhong, aged 58, graduated from Cheung Kong Graduate School of Business with a Master's degree of Business Administration. From February 1987 to November 1990, Mr. Zhang was the Deputy Chief of the International Department in the General Administration Civil Aviation of China (the predecessor of the Civil Aviation Administration of China, "CAAC"). From December 1990 to January 1996, Mr. Zhang acted as the Vice President of Air China International Corporation (the predecessor of Air China Limited). Mr. Zhang also served as the Chief of Transportation Department in CAAC from February 1996 to March 2003 and the Chief of Planning and Finance Department in CAAC from March 2003 to January 2007. Mr.Zhang has served as the General Manager of Capital Airports Holding Company since January 2007. Mr. Zhang was appointed as an executive director and the Chairman of the Board on 23 January 2009.

Mr. Dong Zhiyi, aged 47, was re-appointed as an executive director of the Company on 12 June 2008. 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.

Mr. Wang Jiadong, aged 56, was re-appointed as an executive director of the Company on 12 June 2008 and was appointed as the chairman of the Board of the Company on 1 February 2007. He graduated from China Europe International Business School with Master of Business Administration degree. He has over 20 years of experience in civil aviation communications and airport management. From 1988 to 1993, Mr. Wang Jiadong was the deputy head of the human resources division of Beijing Capital International Airport (the former entity of Capital Airport Holding Company). From 1994 to 2000, he was the deputy general manager, and subsequently the general manager of Beijing Aviation Ground Services Company Limited. 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 the general manager of the Company in June 2005. Mr. Wang was appointed 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. Wang resigned from the position of director of the Company due to position transfer.

Non-executive Directors

Mr. Chen Guoxing, aged 55, was re-appointed as a non-executive director of the Company on 12 June 2008. 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, aged 48, was re-appointed as a non-executive director on 12 June 2008. 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, aged 38, was re-appointed as a non-executive director of the Company on 12 June 2008. Ms. Zhao 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. Kwong Che Keung, Gordon, aged 59, was re-appointed as an independent non-executive director of the Company on 12 June 2008. 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 non-executive 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, aged 57, 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 serves as deputy master of China Securities Law Society and directorates in several Law Societies. 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 studys on the companies' laws and securities laws. 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. 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). Mr. Dong was re-appointed as an independent non-executive director of the Company on 12 June 2008.

Mr. 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 and from 1 September 2008 till now, Mr. Law served as an independent non-executive director of Global Digital Creations Holdings Limited. From June 2005 till 30 September 2008, Mr. Law is serving as an independent non-executive director of International Financial Network Holdings Limited. From September 2005, he is serving as an independent non-executive director of Tianjin Port Development Holdings Limited. From 23 March 2008, he is also serving as an independent non-executive director of Wah Sang Gas Holdings Limited. Mr. Law was appointed as an independent non-executive director of the Company on 12 June 2008.

Mr. Wang Xiaolong, aged 54, 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 and department director 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 and standing deputy director 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. 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. Mr. Wang was appointed as an independent non-executive director of the Company on 12 June 2008.

Members of the Supervisory Committee

Mr. Wang Zuoyi, aged 47, was re-appointed as a supervisor of the Company and the chairman of the supervisory committee on 12 June 2008. Mr. Wang graduated from the School of Management, State University of New York at Buffalo, USA in 1990 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, aged 50, was re-appointed as a supervisor of the Company on 12 June 2008. 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, aged 30, was appointed as a supervisor of the Company on 12 June 2008. 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, aged 54, was re-appointed as an independent supervisor of the Company on 12 June 2008. 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, aged 55, was re-appointed as an independent supervisor of the Company on 12 June 2008. 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. Kwong Che Keung, Gordon, Mr. Dong Ansheng and Mr. Japhe Sebastian Law 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).

Other Senior Management

Mr. Huang Gang, aged 46, was re-appointed as a deputy general manager of the Company on 12 June 2008. 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. On 23 January 2009, the Company appointed Mr. Huang Gang as the Managing deputy general manager.

Ms. Gao Lijia, aged 44, was re-appointed as a deputy general manager of the Company on 12 June 2008. 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 a deputy general manager of the Company.

Mr. Zhang Bing, aged 56, was appointed as the deputy general manager of the Company on 12 June 2008. Mr. Zhang has acted as the director of convoy center of the Company, 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, aged 38. 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 was re-appointed as the deputy general manger of the Company on 12 June 2008.

Mr. Shu Yong, aged 36, was re-appointed as the secretary of the Board of the Company on 12 June 2008. 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.

By order of the Board
Zhang Zhizhong
Chairman

24 April 2009
Beijing, China

CONTINUOUS GROWTH OF AIR TRAFFIC VOLUME

In 2008, the air traffic volumes at the Beijing Capital Airport maintained a solid growth, details of which are set out as follows:

	2008	2007	Change (%)
Aircraft Movements	431,670	399,697	8.0%
Including: Domestic	333,171	299,266	11.3%
International, Hong Kong & Macau	98,499	100,431	(1.9%)
Passenger Throughput	55,937,287	53,583,664	4.4%
Including: Domestic	42,540,489	40,865,736	4.1%
International, Hong Kong & Macau	13,396,798	12,717,928	5.3%
Freight Throughput (tonnes)	1,281,000	1,192,554	7.4%
Including: Domestic	709,000	643,682	10.1%
International, Hong Kong & Macau	572,000	548,872	4.2%

Note: The freight throughput in 2008 excluded the weight of freight containers. With effect from 2009, the freight throghput will include the weight of freight containers in order to be consistent with the statistics of CAAC.

OVERVIEW OF THE AERONAUTICAL BUSINESS

From 1 March 2008, a new set of rates and policies for charges has come into effect for Beijing Capital Airport in accordance with the Reform Scheme for Civil Airport Charges promulgated by CAAC and the National Development and Reform Commission (the "Scheme"). According to the Scheme, the charges such as aircraft movement fees and related charges and passenger charges, have been substantially adjusted both in structure and in standard among domestic and foreign airlines. The new rates and policies and the growth of traffic volumes at Beijing Capital Airport resulted in steady growth in the aeronautical revenues in 2008 to Rmb2,813,722,000, representing an increase of 13.0% as compared with the previous year. Among these, the revenues from the passenger charges were Rmb1,070,586,000, representing an increase of 37.1% as compared with the previous year and the revenues from aircraft movement fees and related charges of the Company were Rmb1,021,623,000, representing an increase of 4.9% as compared with the previous year. According to the notice of relevant governmental authorities, the Company recognised 48% of total civil airport management and construction fees (the "Airport Fees") collected in Beijing Capital Airport in 2008, or Rmb721,513,000, as the Airport Fee revenues of the Company, representing a decrease of 1.9% as compared with the previous year.

AERONAUTICAL REVENUES

	2008	2007	Change
	Rmb'000	*Rmb'000*	*(%)*
Passenger charges	**1,070,586**	780,936	37.1%
Aircraft movement fees and related charges	**1,021,623**	973,860	4.9%
Airport fee	**721,513**	735,698	(1.9%)
Total aeronautical revenues	**2,813,722**	2,490,494	13.0%

NON-AERONAUTICAL REVENUES

	2008 Rmb'000	2007 Rmb'000	Change (%)
Concession	**1,205,092**	712,539	69.1%
Rentals	**539,553**	222,038	143.0%
Car parking fee	**38,085**	67,896	(43.9%)
Others	**27,986**	23,158	20.8%
Total non-aeronautical revenues	**1,810,716**	1,025,631	76.5%

For the year 2008, benefiting from the significantly increased commercial resources resulted from the commencement of operation of Phase III Target Assets, which enlarged the business area of the Company, and the advertising effect of the Beijing Olympic Games, the non-aeronautical revenues of the Company recorded a rapid growth to Rmb1,810,716,000, representing a substantial increase of 76.5% as compared with the previous year.

In 2008, the concession revenues of the Company were Rmb1,205,092,000, representing an increase of 69.1% as compared with the previous year, the details of which are set out as follows:

	2008 Rmb'000	2007 Rmb'000	Change (%)
Advertising	**657,015**	244,242	169.0%
Retailing	**379,916**	284,875	33.4%
Restaurants and food shops	**78,314**	60,980	28.4%
Ground handling service	**76,211**	114,568	(33.5%)
Air catering	**6,048**	5,589	8.2%
Other	**7,588**	2,285	232.1%
Total	**1,205,092**	712,539	69.1%

In 2008, the concession revenues from advertising were Rmb657,015,000, representing an increase of 169.0% as compared with the previous year, mainly because (i) the advertising resources increased significantly as a result of the commencement of operation of the Phase III Target Assets on 26 March 2008, (ii) the rates for advertising in Terminal 2 and Terminal 1 increased, and (iii) the revenue-sharing ratio charged on the franchisees increased in 2008. Benefiting from the commencement of operation of Phase III Target Assets, the total concession revenues from retailing and restaurants for the year of 2008 were Rmb379,916,000 and Rmb78,314,000, respectively, representing an increase of 33.4% and 28.4%, respectively, as compared with the previous year. In 2008, the concession revenues from ground handling service were Rmb 76,211,000, representing a decrease of 33.5% as compared with the previous year, which was mainly because the Company decreased the levies on concession of the related ground handling services after negotiation with the franchisee under the new revised rates and policies for charges which come into effect for Beijing Capital Airport since 1 March 2008. In 2008, the concession revenues from air catering were Rmb 6,048,000. And the other concession revenues, mainly the concession revenues from packaging services, were Rmb7,588,000.

In 2008, due to the increase in the available rental area after the commencement of operation of Phase III Target Assets, and the increase in the Company's rental rates as a result of the application of the new aeronautical changes, the rentals reached Rmb539,553,000, representing an increase of 143.0% as compared with the previous year.

In 2008, the revenues from car parking were Rmb 38,085,000, representing a decrease of 43.9% as compared with the previous year, which was mainly because that after the commencement of operation of Phase III Target Assets, the utilisation of car parking in Terminal 1 and Terminal 2 was diverted to the car parking building nearby Terminal 3 (the ground transportation center in the Beijing Capital Airport, "GTC"), which is owned by the Parent Company. However, the Company provided the operation and management services of the car park in GTC.

In 2008, other revenues of the Company were Rmb27,986,000, representing an increase of 20.8% as compared with the previous year, which mainly represented revenues from management and operation services fees of GTC, airport pass services revenues and etc.

OPERATING EXPENSES

	2008 Rmb'000	2007 Rmb'000	Change (%)
Rental expenses	**1,179,100**	50,048	2255.9%
Depreciation and amortisation	**699,184**	508,677	37.5%
Utilities and power	**517,009**	211,198	144.8%
Repairs and maintenance	**495,177**	142,330	247.9%
Staff costs	**344,366**	226,648	51.9%
Aviation safety and security guard expenses	**296,440**	213,712	38.7%
Greening and environmental maintenance	**211,099**	105,744	99.6%
Operating contracted service	**149,401**	62,313	139.8%
Real estate and other taxes	**127,416**	56,120	127.0%
Other costs	**274,717**	125,274	119.3%
Total operating expenses	**4,293,909**	1,702,064	152.3%

In 2008, the operating expenses of the Company were Rmb4,293,909,000, representing an increase of 152.3% as compared with the previous year, mainly because of the commencement of operation of Phase III Target Assets.

In 2008, the rental expenses of the Company were Rmb1,179,100,000, and this included the assets usage fee of the Terminal 3, the third runway and its supporting facilities and equipments payable to the Parent Company for the period from 26 March 2008 to 30 September 2008.

In 2008, the depreciation and amortisation expenses of the Company were Rmb699,184,000, representing an increase of 37.5% as compared with the previous year, The following factors affected the expenses of depreciation and amortisation of the Company: (i) The fixed assets increased significantly since the Phase III Target Assets was acquired on 1 October 2008, which resulted in the increase of the expenses of depreciation and amortisation; and (ii) Since 1 January 2008, according to the results of the technical study on the utilisation of its existing facilities and taking into account the historical experience on the utilisation of the facilities, the management has re-assessed the estimated useful lives of the assets, and such adjustment resulted in the decrease of the depreciation expenses of the Company for the year of 2008, amounted to Rmb99,539,000.

Due to the commencement of operation of Phase III Target Assets, the utilities and power expenses were Rmb 517,009,000, representing an increase of 144.8% as compared with the previous year. And the repairs and maintenance expenses were Rmb495,177,000, representing an increase of 247.9% as compared with the previous year.

In 2008, the staff costs of the Company were Rmb344,366,000, representing an increase of 51.9% as compared with the previous year, which was mainly resulted from (i) the increase of number of staff to satisfy the operation needs after the commencement of operation of Phase III Target Assets and the additional operational needs during the Beijing Olympic Games and Paralympics; and (ii) the number of average working hours of employees increased, so that the overtime fees and the bonus paid to the employees had increased in order to give the employees more incentive during the year.

In 2008, the aviation safety and security guard expenses of the Company were Rmb296,440,000, representing an increase of 38.7% as compared with the previous year, mainly because that (i) the demand of aviation safety and security guard services increased after the commencement of operation of Phase III Target Assets, and (ii) both the unit labor costs and the unit materials costs had increased in 2008 because of the rising of general cost of living.

In 2008, the greening and environmental maintenance expenses were Rmb211,099,000, representing an increase of 99.6% as compared with the previous year, mainly resulted from the increase of greening and environmental maintenance area after the commencement of operation of Phase III Target assets.

In 2008, the operating contracted service expenses were Rmb149,401,000, representing an increase of 139.8% as compared with the previous year, mainly because the related accessorial power and energy services, operating contract services and the free trolley services in the terminals increased after the commencement of operation of Phase III Target Assets.

In 2008, the real estate and other taxes were Rmb127,416,000, representing an increase of 127.0% as compared with the previous year, mainly because the related taxes increased after the commencement of operation of Phase III Target Assets.

In 2008, other costs of the Company were Rmb274,717,000, representing an increase of 119.3% as compared with the previous year, mainly because the related business expenses increased after the commencement of the operation of Phase III Target Assets.

OTHER ITEMS IN THE INCOME STATEMENT

In 2008, other income of the Company were Rmb37,476,000, representing an increase of 455.5% as compared with the previous year. This amount mainly represented a large increase of interest income arising from the increase of the balance of seven-day-notice deposits and the new subsidies income of Rmb11,218,000 from the government for the Beijing Olympic Games and Paralympics.

In 2008, the financial costs of the Company were Rmb92,769,000, representing the interest expenses of the Company as a result of the assumption of liabilities from the Parent Company from 1 October 2008 as part of the Consideration of Phase III Target Assets.

In 2008, the defered tax assets in respect of the retirement benefit obligations and the accelerated accounting depreciation of fixed assets increased, which were credited to the current tax expense of the Copmany for the reporting period, therefore the total income expense of the Company was a credit of Rmb16,344,000.

PROFIT FOR THE YEAR

For the year ended 31 December 2008, the profit for the year totalled Rmb85,331,000, representing a decrease of 92.4% as compared with 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 fees 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.

According to the whole plan of acquisition of Phase III Target Assets, since 1 October 2008, the Company would assume the US dollar-denominated loans of US$364,195,000 from the European Investment Bank related to the Phase III Target Assets and the interest thereof, accordingly, the fluctuation of RMB exchange rate against the U.S. dollar will effect the financial results of the Company.

On 10 June 2008, the Company raised HK$2,093,120,000 (Rmb1,854,651,000) by placing of H Shares and the Company entered into a forward foreign exchange contract to sell Hong Kong Dollars for Renminbi to reduce the impact of exchange fluctuation on the HK Dollar proceeds. This contract was settled in July 2008. Save as the above disclosed, the Company did not involve in any foreign currency hedging activities during the reporting period.

As at 31 December 2008, the assets and liabilities of the Company denominated in foreign currencies (mainly in USD and HKD) included cash and cash equivalents of approximately Rmb6,456,000 (as at 31 December 2007: Rmb5,235,000), trade and other receivables of approximately Rmb9,477,000 (as at 31 December 2007: Rmb56,188,000), trade and other payables of approximately Rmb137,000 (as at 31 December 2007: Rmb146,000), and loans of approximately Rmb2,489,126,000 (as at 31 December 2007: Rmb0) from the Parent Company. During the year 2008, the Company recorded an exchange loss of Rmb15,952,000.

EXPOSURE TO FLUCTUATIONS IN INTERESTS RATES

The non-current liability of the Company is Rmb8,567,671,000, which includes the loans from the European Investment Bank at an interest rates of six-month LIBOR plus 0.4% and the corporate bonds from the Parent Company at an interest rate with reference to published inter-bank repo rate issued by China Foreign Exchange Trading Centre & National Interbank Funding Centre. As such, any change in these rates will affect the interest expenses and financial results of the Company.

CONTINGENT LIABILITIES

As at 31 December 2008, the Company had no significant contingent liabilities.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's net cash generated from operating activities in 2008 amounted to Rmb1,221,748,000, representing a decrease of Rmb745,844,000 as compared with Rmb1,967,592,000 for the year of 2007. Net cash outflow from investing activities in 2008 amounted to Rmb5,250,439,000, of which the payment made for the purchase of property, plant and equipment amounting to Rmb5,277,625,000. In 2008, the Company's net cash inflow from financing activities amounted to Rmb1,485,521,000, of which, proceeds from issuance of ordinary shares amounted to Rmb1,854,651,000.

As at 31 December 2008, the Company had total cash and cash equivalents amounting to Rmb576,458,000, as compared to the cash and cash equivalents of the Company amounted to Rmb3,134,996,000 as at 31 December 2007.

As at 31 December 2008, the current ratio of the Company was 0.15, and that as at 31 December 2007 was 2.69. Such ratios were computed by dividing the total current assets by total current liabilities as at those respective dates.

As at 31 December 2008, the liability to asset ratio of the Company was 67.33%, and as compared to that as at 31 December 2007 was 12.55%. Such ratios were computed by dividing the total amount of liabilities by the total assets as at those respective dates.

The decrease of current ratio and the increase of the liability to asset ratio were mainly because that the Company acquired the Phase III Target Assets, including assuming certain long-term loans under the project by the Parent Company, which resulted in the significant increase of non-current liabilities, and settling off the balance of the consideration of the acquisition before 30 September 2009, which resulted in the significant increase of current liabilities. Considering the above information, the Board proposed to the forthcoming AGM to consider and approve the grant of a general and unconditional mandate to the Board of the Company to raise funds by way of debt financing in the PRC with a maximum amount up to RMB10 billion (including RMB10 billion), including the issuance of corporate bonds of the Company with a maximum amount up to Rmb5 billion (including RMB5 billion). The details will be set out in the notice of AGM and the circular to be dispatched.

As at 31 December 2008, the capital and reserves of the Company was Rmb12,309,864,000 and as compared to that as at 31 December 2007 was Rmb10,739,012,000.

So far as the directors of the Company are aware, the Airport Fee shall continue to be levied until 31 December 2010. For the year ended 31 December 2008, the Company recognized 48% of the collected Airport Fee of the Beijing Capital Airport as revenues, according to the notice of related government authorities. The Company will pay prompt attention to any adjustment of policies related to the Airport Fee and disclose any updated information to shareholders through announcement.

BANK LOANS

As at 31 December 2008, 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:**

	2008	2007
Total employees	1,965	1,666
Contracted employees with the term over one year	1,965	850
Contracted employees with the term of one year and less than one year	0	816

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 16 to the Financial Statements.

3. **Employees' housing benefits**

Details of the employees' housing benefits are set out in Note 17 to the Financial Statements.

4. **Employees' basic medical insurance and commercial medical insurance**

With effect from 1 January 2003, the Company and its subsidiaries have complied with the regulations of the Beijing Municipal Government for basic medical insurance. According to the regulations, 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 and its subsidiaries 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 ending on 31 December 2008.

MATERIAL INVESTMENT, MATERIAL INVESTMENT PLAN AND MATERIAL FINANCING PLAN

The material acquisition and material financing plan for the year of 2008 are set on pages 18 to 21 of the annual report.

For the year ending on 31 December 2008, 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 24 April 2009, 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 Code for Securities Transaction by Directors and Staff" to regulate the securities transaction by directors and staff. The Standard of the Code is no less exacting than the required standard of the Model Code for Securities Transactions by Directors of listed companies as set out 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 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 2008.

During the year ended 31 December 2008 and to the date of 24 April 2009, 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 ("Code Provisions").

BOARD OF DIRECTORS

Composition and Appointment

The fourth term of the Board of the Company was established on 12 June 2008 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 2011 annual general meeting of the Company. The change of directors, the list of directors and their respective biographies are set out on pages 32 to 41 of the annual report.

As per the articles of associations of the Company, the responsibilities of the Board include: 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 appoint or dismiss the manager and to appoint 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. Zhang Zhizhong 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. Kwong Che Keung, Gordon, Mr. Dong Ansheng, Mr. Japhet Sebastian Law and Mr. Wang Xiaolong.

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-thirds of the directors or the manager of the Company.

During 2008, the Board held nine meetings (of which four meetings were held by way of circulating written documents) in total with the average attendance rate of 100% to discuss and determine the strategic development, material operational matters, financial matters and other matters of the Company under the articles of association.

Records of directors' attendance at meetings in 2008 are set out as follows:

		Number of attendance
Wang Jiadong	Chairman, executive director (Resigned on 23 January 2009)	9/9
Dong Zhiyi	General manager, executive director	9/9
Zhao Jinglu	Non-executive director	9/9
Chen Guoxing	Non-executive director	9/9
Gao Shiqing	Non-executive director	9/9
Japhet Sebastian Law	Independent non-executive director (Appointed on 12 June 2008)	5/5
Kwong Che Keung, Gordon	Independent non-executive director	9/9
Wang Xiaolong	Independent non-executive director (Appointed on 12 June 2008)	5/5
Dong Ansheng	Independent non-executive director	9/9
Long Tao	Independent non-executive director (Resigned on 12 June 2008)	4/4
Moses Cheng Mo Chi	Independent non-executive director (Resigned on 12 June 2008)	4/4

Note 1: Mr. Zhang Zhizhong was elected as executive director and the Chairman of the Board respectively at the extraordinary general meeting and the Board Meeting on 23 January 2009, therefore, he did not attended any Board meetings in 2008.

During the year ended 31 December 2008, 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 are diligent, committed to his work and devoted to make contributions to the Company and the shareholder's interests as a whole.

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

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.

CHAIRMAN AND GENERAL MANAGER

For the year ended 31 December 2008 and during the year ended 24 April 2009, 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 the meeting of the Board and promote corporate governance of the Company, while the General Manager is responsible for taking part in material decisions made by the Board and the daily operation of the Company. Their duties are separate and there are no financial, business or relative relations between them. Powers and positions of the governance structure of the Company are instinct and defined clearly and fulfilled separately.

THE TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Mr. Chen Guoxing, Mr. Gao Shiqing and Ms. Zhao Jinglu were elected as non-executive directors of the Company at the annual general meeting of the Company on 12 June 2008 and their term is from the conclusion of the annual general meeting dated on 12 June 2008 to the date of the 2011 annual general meeting of the Company, being the period during the term of office of the fourth board of directors.

INSURANCE ARRANGEMENT

Under the Recommended Best Practices A.1.9 of the Code on Corporate Governance Practices, that an issuer should arrange appropriate insurance in respect of any legal action that may be threatened 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. On 12 June 2008, the fourth board re-appointed the members of the remuneration committee. At present, the remuneration committee is comprised of six members, including four independent non-executive directors, one non-executive director and one executive director, namely Mr. Wang Xiaolong (the Chairman of the remuneration committee), Mr. Japhet Sebastian Law, Mr. Kwong Che Keung, Gordon, Mr. Dong Ansheng, Mr. Gao Shiqing and Mr. Zhang Zhizhong.

The duties of the Remuneration Committee, include without limitation: to review and approve the general policies concerning strategic compensations; to give advice to the Board concerning the remuneration policies and structure of all directors and senior management of the Company, as well as the establishment of formal and transparent procedures aiming at formulating remuneration policies; to be responsible for determining all 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 companies of similar kind, 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 portion and floating portion, which is detailed in the Note 24 to the Financial Statements together with other directors' emoluments.

Two meetings were held by the Remuneration Committee for the year 2008. During the meetings, the committee passed the resolutions to propose to the general meeting to authorize the Board to fix the remuneration of the members of the fourth Board and to approve the remuneration in proposal of the fourth Board. The resolution to authorize the Board to determine the remuneration of the directors of the fourth Board was approved at the general meeting of the Company held on 12 June 2008. At the same time, the Board approved the proposal of remuneration of the directors of the fourth Board.

Records of members' attendance at the Remuneration Committee meetings in 2008 are as follws:

Committee Member	Number of Attendance
Long Tao (Resigned on 12 June 2008)	1/1
Moses Cheng Mo Chi (Resigned on 12 June 2008)	1/1
Wang Jiadong (Resigned on 23 January 2009)	2/2
Kwong Che Keung, Gordon	2/2
Gao Shiqing	2/2
Wang Xiaolong (Appointed on 12 June 2008)	1/1
Japhet Sebastian Law (Appointed on 12 June 2008)	1/1
Dong Ansheng (Appointed on 12 June 2008)	1/1
Zhang Zhizhong (Appointed on 23 January 2009)	0/0

Note: Mr. Wang Xiaolong, Mr. Japhet Sebastian Law and Mr. Dong Ansheng were appointed as Remuneration Committee members on 12 June 2008, and Mr. Zhang Zhizhong was appointed as Remuneration Committee member on 23 January 2009, therefore, they have not attended the Remuneration Committee meetings held before 12 June 2008.

THE NOMINATION COMMITTEE

The Board decided to establish a Nomination Committee under the Board on 26 March 2007. On 12 June 2008, the fourth board of the Company re-appointed the members of the Nomination Committee.The members of the Nomination Committee are appointed out of the directors of the Company by the Board, and the majority of the members shall be independent non-executive directors. The Nomination Committee shall comprise at least two members. 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 Nomination Committee is currently comprised of Mr. Dong Ansheng, Mr. Japhet Sebastian Law, Mr. Wang Xiaolong, Mr. Kwong Che Keung and Mr. Dong Zhiyi with Mr. Dong Ansheng being the Chairman.

The term of the office 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 main duties of the Nomination Committee include 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 succession planning for directors.

The nomination procedures of the Nomination Committee mainly include 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 of the educational background and qualifications of such candidates and check against the need as well as the actual situations of the Company and submit appointment recommendations to the Board.

Two meetings were held by the Nomination Committee for the year 2008, which reviewed and approved respectively the resolutions to propose at the general meeting to electe the directors of the fourth board and to appoint Mr. Zhang Zhizhong as the executive director of the Company. The resolutions to electe the directors of the fourth board and to appoint Mr. Zhang Zhizhong as the executive director of the Company were approved at the general meetings of the Company held on 12 June 2008 and 23 January 2009, respectively.

Attendance records of individual members at the meetings of the committee are as follws:

Committee Member	**Number of Attendance**
Moses Cheng Mo Chi (Resigned on 12 June 2008)	1/1
Long Tao (Resigned on 12 June 2008)	1/1
Kwong Che Keung, Gordon	2/2
Dong Zhiyi	2/2
Dong Ansheng (Appointed on 12 June 2008)	1/1
Wang Xiaolong (Appointed on 12 June 2008)	1/1
Japhet Sebastian Law (Appointed on 12 June 2008)	1/1

Note: Mr. Wang Xiaolong, Mr. Japhet Sebastian Law and Mr. Dong Ansheng were appointed as Nomination Committee members on 12 June 2008, therefore, they did not attended the Nomination Committee meetings held before 12 June 2008.

AUDITOR'S REMUNERATION

The external auditors of the Company are PricewaterhouseCoopers (Certified Public Accountants, Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Limited Company which provide the Company with audit services. During the year ended 31 December 2008 and the period up to the date of publication of this annual report, a total service fee of RMB2,700,000 was paid by the Company in respect of the audit and audit related services. For the year ended 2008, the auditors did not provide any non-audit service to the Company.

In the annual general meeting of the Company held on 12 June 2008, the resolution to re-appoint PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers as PRC and international auditor of the Company, respectively, was approved, and the Board was authorized to determine their remuneration in 2008.

THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was eastablished on 10 January 2000. On 12 June 2008, the fourth board of the Company re-appointed the members of the Audit Committee. At present, the Audit Committee of the Company is composed of four independent non-executive directors of the Company. Mr. Kwong Che Keung, Gordon acts as the Chairman.

The duties of the Audit Committee include: 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 2008 and the average attendance rate was 100%.

Records of attendance at the Audit Committee members in 2008 are as follows:

Committee Members	Number of Attendance
Mr. Kwong Che Keung, Gordon (Chairman)	2/2
Dong Ansheng (Appointed on 31 December 2008)	2/2
Moses Cheng Mo Chi (Resigned on 12 June 2008)	1/1
Long Tao (Resigned on 12 June 2008)	1/1
Wang Xiaolong (Appointed on 12 June 2008)	1/1
Japhet Sebastian Law (Appointed on 12 June 2008)	1/1

Note: Mr. Dong Ansheng was elected as an independent non-executive director of the Company and the member of the audit committee respectively at the extraordinary general meeting and the Board Meeting on 31 December 2007. Mr. Wang Xiaolong and Mr. Japhet Sebastian Law were appointed as Audit Committee members on 12 June 2008, therefore, they did not attended any Audit Committee meetings held before 12 June 2008.

At the meetings of Audit Committee in 2008, the Audit Committee mainly reviewed the accounting principles and methods adopted by the Company, discussed the internal control matters, reviewed the financial statements prepared under IFRS and China accounting standards respectively. It 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 2008, the Audit Committee has also assessed the Company system of internal control and considered it's effective.

The Audit Committee has reviewed the 2008 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 have understood and acknowledged their responsibilities 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 Board decided to establish a Strategy Committee under the Board on 12 June 2002. On 12 June 2008, the fourth board of the Company re-appointed the members of the Strategy Committee.

The members of the Strategy Committee are appointed out of the executive directors by the Board. At present, the Strategy Committee is composed of Mr. Zhang Zhizhong and Mr. Dong Zhiyi.

Mr. Zhang Zhizhong is the chairman of the Strategy Committee. The chairman of the Strategy Committee will be responsible for convening and presiding over the Strategy Committee meeting.

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 formulate the basic direction, goals and implementation plan 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 long-term and mid-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 as required by the Board.

INTERNAL CONTROL

The Company at all times attaches great importance to the 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 annually. 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 main outcome of each audit will also be discussed with the Audit Committee. The Board and Audit Committee carefully review the number and seriousness of the inspection results submitted by the internal audit department, and the corrective measures taken by the department concerned.

The Audit Committee held 2 meetings in 2008. In each meeting, the external and internal auditors were invited to attend. The Audit Committee conducted reviews of the report results from external and internal auditors, accounting principles and practices, and internal controls adopted by the Company and compliance with the requirements of the Listing Rules. The committee also conducted reviews of internal and external audits, internal control, risk management and financial statements. The results for the first half and the annual results of Company for 2008 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 and answering their relevant questions;

   - arranging their 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 via the Company's website.

To all shareholders:

During the year ended 31 December 2008, in accordance with the PRC Company Law, the Listing Rules and the Company's articles of association, all members of the Supervisory Committee of the Company have performed their supervisory duties properly and carried out their work on the principles of credit, prudence, diligence and initiative.

The fourth Supervisory Committee of the Company was elected by the Company's shareholders and was established on 12 June 2008. Its term of the office lasts until the conclusion of the annual general meeting of the Company in 2011.

Currently, the Supervisory Committee of the Company comprises five supervisors, including two external supervisors, two supervisors as representatives of employees and one supervisor as representative of shareholders. Supervisors as representatives of shareholders and external supervisor were elected by the Company's general meeting. Supervisor as representatives of employees was elected democratically by employees of the Company.

During the Reporting Period, the Supervisory Committee of the Company held two meetings respectively.

The first Supervisory Committee meeting for this year was held on 1 April 2008 which was presided over by Mr. Wang Zuoyi. The supervisory Committee considered and approved "The Report of Supervisory Committee of the Company for 2007" and "proposal concerning the election of the members of Supervisory Committee of the Company" in this meeting.

The second Supervisory Committee meeting for this year was held on 12 June 2008 which was presided over by Mr. Wang Zuoyi. The Supervisory Committee considered and approved the "proposal concerning the election of the chairman of the fourth Supervisory Committee of the Company" in this meeting.

Records of the attendance at the Supervisory Committee members in 2008 are as follows:

Supervisory Committee Members	Class of Supervisors	Attendance at Meetings
Wang Zuoyi (Chairman)	Supervisor as representatives of shareholders	2/2
Li Xiaomei	Supervisor as representatives of employees	2/2
Tang Hua	Supervisor as representatives of employees	2/2
Han Xiaojing	external supervisor	2/2
Xia Zhidong	external supervisor	1/2

During the Reporting Period, the Supervisory Committee attended the board meetings for five times, and participated in important activities of the Company, such as the working meetings of the general manager, reviewed and gave advice on the Company's financial results, daily management and operation condition. The Supervisory Committee has reviewed dedicatedly the operating situations of the Company for 2008, and is 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 to be submitted to the annual general meeting of the Company for 2008 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 into their primary consideration also considers that facing the challenges of the negative effects of natural disasters on the traffic volumes, launch of Phase III Target Assets, serving for the Beijing Olympics and Paralympics and shrinks of the civil aviation industy by the international financial crisis, they overcomed the difficulties to make sure that the Company being good operation position and making sustainable profit.

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 all shareholders and the Company.

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

24 April 2009
Beijing, the PRC

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, 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 68 to 149, which comprise the balance sheet as at 31 December 2008, 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 (IFRSs) 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 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 April 2009

BALANCE SHEET

As at 31 December 2008

	Note	2008 *Rmb'000*	2007 *Rmb'000*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**34,217,029**	7,986,574
Land use rights	7	**760,414**	218,155
Intangible assets	8	**127,013**	23,437
Investment in an associate	9	**24,689**	25,802
Deferred income tax assets	15	**87,358**	14,658
		35,216,503	8,268,626
Current assets			
Inventories		**24,002**	13,210
Trade and other receivables	10	**1,862,956**	863,741
Cash and cash equivalents	11	**576,458**	3,134,996
		2,463,416	4,011,947
Total assets		**37,679,919**	12,280,573
EQUITY			
Capital and reserves			
Share capital	12	**4,330,890**	4,046,150
Share premium		**4,602,735**	3,032,824
Capital reserve	13(a)	**300,000**	300,000
Statutory and discretionary reserves	13(b)	**1,937,032**	1,718,655
Retained earnings		**1,139,207**	1,272,253
Proposed final dividend	27	**—**	369,130
Total equity		**12,309,864**	10,739,012

As at 31 December 2008

	Note	2008 Rmb'000	2007 Rmb'000
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	16	**66,616**	40,418
Deferred income	18	**11,929**	10,940
Loan from Parent Company	19	**8,489,126**	—
		8,567,671	51,358
Current liabilities			
Trade and other payables	14	**16,756,172**	1,174,815
Current income tax liabilities		**44,173**	313,771
Current portion of retirement benefit obligations	16	**2,039**	1,617
		16,802,384	1,490,203
Total liabilities		**25,370,055**	1,541,561
Total equity and liabilities		**37,679,919**	12,280,573
Net current (liabilities)/assets		**(14,338,968)**	2,521,744
Total assets less current liabilities		**20,877,535**	10,790,370

On behalf of the Board

Zhang Zhizhong
Chairman

Dong Zhiyi
Director

The notes on pages 75 to 149 are an integral part of these financial statements.

INCOME STATEMENT

For the year ended 31 December 2008

	Note	2008 *Rmb'000*	2007 *Rmb'000*
Revenues			
Aeronautical	5	**2,813,722**	2,490,494
Non-aeronautical	5	**1,810,716**	1,025,631
		4,624,438	3,516,125
Business tax and levies			
Aeronautical		**(91,165)**	(80,692)
Non-aeronautical		**(115,084)**	(59,711)
		(206,249)	(140,403)
Operating expenses			
Rental expenses		**(1,179,100)**	(50,048)
Depreciation and amortisation	6, 7 and 8	**(699,184)**	(508,677)
Utilities and power		**(517,009)**	(211,198)
Repairs and maintenance		**(495,177)**	(142,330)
Staff costs	20	**(344,366)**	(226,648)
Aviation safety and security guard costs		**(296,440)**	(213,712)
Greening and environmental maintenance		**(211,099)**	(105,744)
Operating contracted service		**(149,401)**	(62,313)
Real estate and other taxes		**(127,416)**	(56,120)
Other costs		**(274,717)**	(125,274)
		(4,293,909)	(1,702,064)

For the year ended 31 December 2008

	Note	2008 Rmb'000	2007 Rmb'000
Other income/(expense) — net	21	**37,476**	6,746
Operating profit	22	**161,756**	1,680,404
Finance costs	23	**(92,769)**	(4,989)
Share of profit of associates	9	**—**	328
Profit before income tax		**68,987**	1,675,743
Income tax credit/(expense)	25	**16,344**	(546,256)
Profit for the year		**85,331**	1,129,487
Earnings per share, basic and diluted (Rmb)	26	**0.02**	0.28
Dividends			
Interim dividend declared	27	**—**	166,782
Final dividend proposed	27	**—**	369,130

The notes on pages 75 to 149 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Note	Share capital Rmb'000	Share premium Rmb'000	Capital reserve Rmb'000	Statutory and discretionary reserves Rmb'000	Retained earnings 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							
— 2006 final dividend		—	—	—	—	(357,032)	(357,032)
— 2007 interim dividend	27	—	—	—	—	(166,782)	(166,782)
Cash contribution from Parent Company	13(a)	—	—	300,000	—	—	300,000
Transfer to statutory and discretionary reserves	13(b)	—	—	—	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

	Note	Share capital Rmb'000	Share premium Rmb'000	Capital reserve Rmb'000	Statutory and discretionary reserves Rmb'000	Retained earnings Rmb'000	Total equity Rmb'000
Balance at 1 January 2008		4,046,150	3,032,824	300,000	1,718,655	1,641,383	10,739,012
Profit for the year		–	–	–	–	85,331	85,331
New shares issue	12	284,740	1,569,911	–	–	–	1,854,651
2007 final dividend	27	–	–	–	–	(369,130)	(369,130)
Transfer to statutory and discretionary reserves	13(b)	–	–	–	218,377	(218,377)	–
Balance at 31 December 2008		4,330,890	4,602,735	300,000	1,937,032	1,139,207	12,309,864
Representing:							
Share capital and reserves		4,330,890	4,602,735	300,000	1,937,032	1,139,207	12,309,864
2008 proposed final dividend		–	–	–	–	–	–
Balance at 31 December 2008		4,330,890	4,602,735	300,000	1,937,032	1,139,207	12,309,864

The notes on pages 75 to 149 are an integral part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2008

	Note	2008 Rmb'000	2007 Rmb'000
Cash flows from operating activities			
Cash generated from operations	30	**1,547,702**	2,517,946
Interest paid		**—**	(4,989)
Income tax paid		**(325,954)**	(545,365)
Net cash from operating activities		**1,221,748**	1,967,592
Cash flows from investing activities			
Payment for acquisition of Phase III Assets	6	**(4,900,000)**	—
Purchase of property, plant and equipment		**(377,625)**	(669,051)
Refund of prepayment by Parent Company		**—**	2,000,000
Purchase of intangible assets		**(11,673)**	(2,438)
Net cash inflow on disposal of associates		**—**	784
Proceeds from sale of property, plant and equipment		**14,022**	597
Dividends received		**—**	388
Interest received		**24,837**	6,774
Net cash (used in)/from investing activities		**(5,250,439)**	1,337,054
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**1,854,651**	—
Cash contribution from Parent Company		**—**	300,000
Draw down of short-term bank borrowings		**—**	229,793
Repayment of short-term bank borrowings		**—**	(229,793)
Dividends paid		**(369,130)**	(622,139)
Net cash from/(used in) financing activities		**1,485,521**	(322,139)
Net (decrease)/increase in cash and cash equivalents		**(2,543,170)**	2,982,507
Cash and cash equivalents at beginning of year		**3,134,996**	152,818
Exchange adjustment		**(15,368)**	(329)
Cash and cash equivalents at end of year	11	**576,458**	3,134,996

The notes on pages 75 to 149 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 on 24 April 2009.

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 at 31 December 2008, the current liabilities of the Company exceeded the current assets by approximately Rmb14,338,968,000, which comprised primarily the short term payable to the Parent Company of Rmb14,851,477,000. Given the debt obligations and working capital requirements, management has thoroughly considered the Company's available sources of funds as follows:

- The Company's continuous net cash inflow from operating activities;
- Unutilised long term banking facilities of approximately RMB13.5 billion; and
- Aggregated bank loans of approximately Rmb10 billion currently borrowed by the Parent Company which can be assumed by the Company to reduce the amount payable to Parent Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

In addition, the Company will continue to optimise its fund raising strategy from long-term perspectives and to seize the opportunity in the current capital market to take advantage of the low interest rates by issuing medium to long-term debts with low financing cost.

Based on the above considerations, the Board is of the opinion that the Company has sufficient available financial resources to meet or refinance its working capital requirements as and when they fall due. As a result, the financial statements of the Company for the year ended 31 December 2008 have been prepared on a going concern basis.

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

Amendments and interpretations effective in 2008 but not relevant to the Company

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Company's operations:

- Amendment on IAS 39, 'Financial Instruments: Recognition and Measurement' and related amendment on IFRS 7, 'Financial Instruments: Disclosures'.

- IFRIC - Int 11, 'IFRS 2 - Group and Treasury Share Transactions'.

- IFRIC - Int 12, 'Service Concession Arrangements'.

- IFRIC - Int 14, 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

The adoption of these amendments and interpretations to published standards in the current year did not result in any significant changes to the Company's accounting policies and had no material effect on the financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, and have not been early adopted:

- IAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- IAS 23 (Revised), 'Borrowing Costs' (effective from 1 January 2009). The amendment 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. It is the Company's accounting policy to capitalise borrowing costs directly attributable to the construction of any qualifying assets as part of the cost of the assets and hence it is not expected to have any impact on the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

- IFRS 3 (Revised), 'Business Combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 8, 'Operating Segments' (effective from 1 January 2009). This standard replaces IAS 14, 'Segment Reporting', 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. Management does not anticipate that this will have a material impact on the presentation of the Company's financial statements.

- International Accounting Standards Board's ("IASB") annual improvements to IFRSs published in 2008:

There are a number of amendments to IFRS which are unlikely to have a significant impact on the Company's financial statements and have therefore not been analysed in detail.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

		Effective for accounting periods beginning on or after
IAS 1 (Amendment)	"Presentation of Financial Statements"	1 January 2009
IAS 8 (Amendment)	"Accounting Policies, Changes in Accounting Estimates and Errors"	1 January 2009
IAS 10 (Amendment)	"Events after the Balance Sheet Date"	1 July 2009
IAS 18 (Amendment)	"Revenue"	1 January 2009
IAS 19 (Amendment)	"Employee Benefits"	1 January 2009
IAS 23 (Amendment)	"Borrowing Costs"	1 January 2009
IAS 34 (Amendment)	"Interim Financial Reporting"	1 January 2009
IAS 36 (Amendment)	"Impairment of Assets"	1 January 2009
IAS 39 (Amendment)	"Financial Instruments: Recognition and Measurement"	1 July 2009
IFRS 5 (Amendment)	"Non-current Assets Hold for Sale and Discontinued Operations"	1 July 2009
IFRS 7 (Amendment)	"Financial Instruments: Disclosures"	1 January 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investment in an associate

Associate is entity 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. All foreign exchange gains and losses are presented in the income statement within 'other costs'.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives. The estimated useful lives of these assets are summarised as follows:

Buildings and improvements	8 - 45 years
Runways	40 years
Plant, furniture, fixtures and equipment	5 - 15 years
Motor vehicles	6 - 12 years

The residual values of the property, plant and equipment and their useful lives are reviewed, and adjusted if appropriate, at each financial year end. 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)).

With effect from 1 January 2008, the useful lives of property, plant and equipment were revised, details of which is set out in Note 4(a)(i). The net book value of property, plant and equipment as at 31 December 2008 and the profit before income tax for the year then ended have been increased by approximately Rmb99,539,000 by way of a decrease in depreciation charge for the year as a result of such changes to the useful lives of property, plant and equipment.

The gains or losses on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (continued)

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.

(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 lease period of 50 years.

(g) Intangible assets

Acquired 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 on a straight line basis.

(h) Impairment of investments in associates and 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 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 costs'. 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 costs' 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

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 associate 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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 only 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, Sino-US Metlife Insurance Co., Ltd. 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 immediately.

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, Sino-US Metlife Insurance Co., Ltd.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(r) Government subsidies

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Airport fee is recognised when the related services are rendered to the outbound passengers departing from the airport.

(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, restaurants 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 General Administration of Civil Aviation of China (the "CAAC").

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue/income recognition (continued)

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(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 United States dollar ("US dollar") and Hong Kong dollar ("HK dollar"). Foreign currency risk arises from transactions including revenue from aeronautical business, purchases of equipment, goods and material, payment of consulting fee and part of loan from parent company. In addition, dividends to equity holders holding H-Shares are declared in Rmb and paid in HK dollar.

As at 31 December 2008, all of the Company's assets and liabilities were denominated in Rmb except that cash and cash equivalents of approximately Rmb6,456,000 (2007: Rmb5,235,000), trade and other receivables of approximately Rmb9,477,000 (2007: Rmb56,188,000), trade and other payables of approximately Rmb137,000 (2007: Rmb146,000) and loan from parent company of approximately Rmb2,489,126,000 (2007: nil) were denominated in foreign currencies, principally in US dollar and HK dollar.

As at 31 December 2008, if Rmb had weakened/strengthened by 5% against the US dollar and HK dollar with all other variables held constant, post-tax profit and equity would have decreased/increased by Rmb92,750,000 (2007: increased/decreased by Rmb2,053,000), mainly as a result of foreign exchange losses/gains in translation of US dollar and HK dollar denominated cash and cash equivalents, trade and other receivables, trade and other payables and loans from parent company.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(i) Market risk (continued)

(2) Interest rate risk

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.

Loans from Parent Company are at floating interest rates and expose the Company to cash flow interest rate risk. These loans were denominated in Renminbi and US dollar.

The Company analyses its interest rate exposure on a dynamic basis by simulating various options available for financing.

If the interest rate had increased/decreased by 0.5% with all other variables held constant, post-tax profit and equity would have been lower/higher by Rmb31,834,000.

(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 stated-owned 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 and to limit the credit exposure on trade receivables for services. The Company assesses the credit quality and set credit limits on all its customers by taking into account their financial position, their credit history and other factors such as market conditions.

The maximum credit exposure is the carrying amount of cash and cash equivalents and trade and other receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(iii) Liquidity risk

The Company adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through short and long term banks loans from an adequate amount of committed credit facilities to meet its capital commitments and working capital requirements.

Management maintains rolling forecast of the Company's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Company maintains flexibility in funding through having adequate amount of cash and cash equivalents and utilising different sources of financing when necessary.

As at 31 December 2008, the Company had unutilised loan facilities totalling approximately Rmb 13,500,000,000 (2007: Rmb23,500,000,000). In addition, an aggregated bank loans of approximately Rmb10 billion currently borrowed by the Parent Company can be assumed by the Company.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

As at 31 December 2008 and 2007, the amounts disclosed are the contractual undiscounted cash flows of the Company's financial liabilities, which are primarily trade and other payables and loan from parent company.

	Less than 1 year *Rmb'000*	Between 1 and 2 years *Rmb'000*	Between 2 and 5 years *Rmb'000*	Over 5 years *Rmb'000*
As at 31 December 2008				
Trade and other payables	16,756,172	—	—	—
Loan from Parent Company	192,473	2,272,243	811,801	6,688,557
	16,948,645	2,272,243	811,801	6,688,557
As at 31 December 2007				
Trade and other payables	1,174,815	—	—	—

In respect of the Company's going concern basis of assumption for the preparation of its financial statements, please refer to the details to Note 2(a).

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.

The liability to asset ratios at 31 December were as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Total liabilities	**25,370,055**	1,541,561
Total assets	**37,679,919**	12,280,573
Liability to asset ratio	**67%**	13%

The increase in the liability to asset ratio during 2008 was resulted primarily from the acquisition of the Phase III Assets (note 4(a)(ii)). Total capital is calculated as "equity" as shown in the Company's balance sheet plus non-current borrowings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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, and loans from Parent Company approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 addressed below:

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Property, plant and equipment

(i) 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 the opening of the Terminal Three of Beijing Capital Airport, it has provided additional capacity to the existing facilities. As such, the management has undertaken a technical study on the utilisation of its existing facilities. Based on the results of the technical study, management has re-assessed the estimated useful lives of the assets, taking into account the historical experience on the utilisation of the facilities, the useful lives of these assets were extended. Management has revised the estimated useful lives of the assets as below:

	Original estimated useful lives	**Revised estimated useful lives**
Buildings and improvements	20-35 years	25-45 years
Runways	30 years	40 years
Motor vehicles (special type)	6 years	12 years

This represents a change in accounting estimate and has been accounted for prospectively from 1 January 2008 (note 2(e)).

With all other variables held constant, if the useful lives differed by 10% from management estimates, the depreciation expense would lower/higher by Rmb167,497,000/Rmb134,492,000 in the next year.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Property, plant and equipment (continued)

(ii) The Company acquired the Airfield Assets, Terminal Three of the Beijing Capital International Airport (T3), T3 related assets, roads within airport area, the driverless electric train system, commercial areas and other relevant equipment, machinery and facilities and the land use rights of the land on which T3 and other related constructions is situated (collectively the "Phase III Assets").

The cost of Phase III Assets is determined based on the valuation performed by independent valuer and is subject to final adjustment when the final account of construction by the surveyors in respect of Phase III Assets.

Due to the size of Phase III Assets, the final account of construction by the surveyors in respect of Phase III Assets is expected to be completed in 2009. Hence, the total cost is subject to future adjustment according to the final account of construction by the surveyors.

Management does not expect the final account of construction by the surveyors to have an adjustment of more than 10% of the cost of the Phase III Assets. Any adjustment will be accounted for as a change in accounting estimate and prospectively from 1 January 2009.

(b) Impairment of receivables

The risk of impairment 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 impairment of trade receivables would be required.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (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' withdrawal 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' withdrawal rate is based on historical trends of the Company.

Additional information is disclosed in Note 16.

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. 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 2008. The Company also operates within one geographical segment because its revenues are primarily generated and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

Analysis of revenue by category	**2008**	2007
	Rmb'000	*Rmb'000*
Aeronautical:		
Passenger charges	**1,070,586**	780,936
Aircraft movement fees and related charges	**1,021,623**	973,860
Airport fee *(note a)*	**721,513**	735,698
	2,813,722	2,490,494
Non-aeronautical:		
Concessions *(note b)*	**1,205,092**	712,539
Rentals	**539,553**	222,038
Car parking fee	**38,085**	67,896
Other	**27,986**	23,158
	1,810,716	1,025,631
Total revenues	**4,624,438**	3,516,125

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) The charge rates of the airport fee are regulated by relevant authorities. Pursuant to the approval document (Ju Fa Ming Dian [2008] No. 4591) issued by General Administration of Civil Aviation of China (the "CAAC") on 8 December 2008, for the year ended 31 December 2008, the charge rates for the airport fee is 48% (2007: 50%) of total amount collected from outbound passengers when departing the airport.

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

	2008	2007
	Rmb'000	*Rmb'000*
Advertising	**657,015**	244,242
Retailing	**379,916**	284,875
Restaurants and food shops	**78,314**	60,980
Ground handling service	**76,211**	114,568
Air Catering	**6,048**	5,589
Other	**7,588**	2,285
Total concessions	**1,205,092**	712,539

6 PROPERTY, PLANT AND EQUIPMENT

	2008					
	Buildings and improvements *Rmb'000*	**Runways** *Rmb'000*	**Plant, furniture, fixtures and equipment** *Rmb'000*	**Motor vehicles** *Rmb'000*	**Assets under construction** *Rmb'000*	**Total** *Rmb'000*
Cost						
At beginning of year	6,706,336	2,540,821	2,144,970	190,165	51,889	11,634,181
Additions	14,388,777	6,697,973	5,372,623	296,648	166,578	26,922,599
Transfers	30,417	—	52,232	—	(82,649)	—
Disposals	(3,329)	—	(96,428)	(9,743)	—	(109,500)
At end of year	21,122,201	9,238,794	7,473,397	477,070	135,818	38,447,280
Accumulated depreciation						
At beginning of year	1,619,717	466,168	1,409,703	152,019	—	3,647,607
Charge for the year	245,709	101,006	317,153	10,790	—	674,658
Disposals	(1,259)	—	(84,559)	(6,196)	—	(92,014)
At end of year	1,864,167	567,174	1,642,297	156,613	—	4,230,251
Net book value						
At end of year	19,258,034	8,671,620	5,831,100	320,457	135,818	34,217,029
At beginning of year	5,086,619	2,074,653	735,267	38,146	51,889	7,986,574

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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)

The Company and the Parent Company entered into assets transfer agreement and supplemental assets transfer agreement on 26 October 2006 and 31 January 2008 respectively ("collectively SPA") in respect of the proposed acquisition of the Airfield Assets, Terminal Three of the Beijing Capital International Airport (T3), T3 related assets, roads within airport area, the driverless electric train system, commercial areas and other relevant equipment, machinery and facilities and the land use rights of the land on which T3 and other related constructions is situated (collectively the "Phase III Assets"). The proposed acquisition of the Phase III Assets was approved by the independent shareholders of the Company at the extraordinary general meeting on 28 March 2008. On 22 December 2008, the Company obtained the approval and endorsement of the acquisition from the Ministry of Finance ("MOF"), all conditions precedent to the acquisition was fulfilled in 2008. In the approval notification from the MOF in December, the MOF acknowledged an acquisition date of 26 March 2008 previously applied by the Company and the Parent Company.

As permitted under the SPA, the Company and the Parent Company have agreed the date of completion of the acquisition of the Phase III Assets to be 1 October 2008. This requires the Parent Company to submit a report to the MOF through CAAC for further endorsement from the MOF. In this connection, on 30 March 2009, the Parent Company had filed the report with CAAC which would be further submitted to the MOF for endorsement. Based upon the PRC laws and regulation, the Company would require a lapse of 20 working days after the submission to obtain no objection from the MOF. As of the date of approval of the financial statements, the Company, the Parent Company and CAAC have verbally communicated this matter with the MOF. As such, the Board is of the opinion that the MOF would endorse 1 October 2008 as the date of completion of the acquisition of Phase III Assets.

The consideration for this acquisition was determined to be Rmb26,940,546,000 (note 31(b)), which is payable by the following means:

a) Prepayment of Rmb4,900,000,000 in cash during the year.

b) Assumption of the loans of Parent Company from the European Investment Bank amounting to Rmb2,489,126,000 (note 19).

c) Assumption of bonds issued by Parent Company amounting to Rmb6,000,000,000 (note 19).

d) The remaining balance amounting to approximately Rmb13,551,420,000 for the acquisition will be repaid by the company within one year (note 31(a)).

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In addition, pursuant to the SPA, for the period from the formal operation of Phase III Assets on 26 March 2008 to the completion of the acquisition on 1 October 2008, the Parent Company had agreed to provide the Phase III Assets to the Company for use as a transitional arrangement at a fee of approximately Rmb1,080,628,000 (note 31(b)).

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

	2008	2007
	Rmb'000	*Rmb'000*
Cost	**966,888**	531,514
Accumulated depreciation	**(186,360)**	(177,944)
Net book amount	**780,528**	353,570

Interest expenses capitalised in assets under construction for the year ended 31 December 2008 amounted to Rmb nil (2007: Rmb2,086,000). 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.

As at 31 December 2008, buildings and taxiways with net book value of Rmb702,121,000 (2007: Rmb744,404,000) and Rmb1,081,875,000 (2007: Rmb1,109,322,000) respectively are situated on parcels of allocated land owned by Parent Company and a third party. These parcels of land are occupied by the Company at nil consideration. As at the date of approval of the financial statements, the Company is in the process of applying for the building ownership certificates of these buildings.

As at 31 December 2008, buildings and terminal with net book value of Rmb10,133,770,000 are situated on parcels of land (note 7). As at the date of approval of the financial statements, 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:

	2008	2007
	Rmb'000	*Rmb'000*
Cost		
At beginning of year	**261,015**	261,015
Additions	**550,273**	—
At end of year	**811,288**	261,015
Accumulated amortisation		
At beginning of year	**(42,860)**	(37,635)
Amortisation	**(8,014)**	(5,225)
At end of year	**(50,874)**	(42,860)
Net book amount		
At end of year	**760,414**	218,155

During the year, as part of the acquisition of Phase III Assets, the Company acquired from Parent Company the land use rights of parcels of land in the amount of Rmb550,273,000. As at the date of approval of the financial statements, the Parent Company is in the process of applying and obtaining the land use rights certificate from the Beijing Municipal Bureau of Land and Resource in order to complete the transfer of the land use rights to the Company.

8 INTANGIBLE ASSETS

Intangible assets comprised software and software use rights which are amortised on a straight-line basis between 4 to 10 years respectively, and their net book values are analysed as follows:

	2008 **Software** ***Rmb'000***	2007 Software *Rmb'000*
Cost		
At beginning of year	**58,650**	27,688
Additions	**120,088**	588
Transfers from property, plant and equipment *(note 6)*	**—**	30,374
At end of year	**178,738**	58,650
Accumulated amortisation		
At beginning of year	**(35,213)**	(15,565)
Transfers from property, plant and equipment *(note 6)*	**—**	(10,541)
Amortisation	**(16,512)**	(9,107)
At end of year	**(51,725)**	(35,213)
Net book amount		
At end of year	**127,013**	23,437

9 INVESTMENT IN AN ASSOCIATE

	2008	2007
	Rmb'000	*Rmb'000*
At beginning of year	**25,802**	26,674
Share of profits after taxation	**–**	328
Dividend received	**–**	(388)
Disposal of investment in an associate	**–**	(812)
Impairment of investment in an associate	**(1,113)**	–
At end of year	**24,689**	25,802

The associate, unlisted, is as follows:

	Place of incorporation	**Percentage of equity interest directly held**	
		2008	2007
Global Airport Logistics Co., Ltd.	Beijing, the PRC	**33%**	33%

As at 31 December 2008, the associate was under liquidation. Management has assessed the recoverable amount of the investment and made an impairment provision of Rmb1,113,000.

10 TRADE AND OTHER RECEIVABLES

	2008	2007
	Rmb'000	*Rmb'000*
Trade receivables		
— third parties	**1,273,563**	674,921
— related parties *(note 31(a))*	**489,174**	151,423
	1,762,737	826,344
Less: Provision for impairment	**(25,253)**	(5,291)
	1,737,484	821,053
Prepayments and other receivables	**59,505**	35,437
Due from related parties *(note 31(a))*	**65,967**	7,251
	1,862,956	863,741

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

Currency	**2008**	2007
	Rmb'000	*Rmb'000*
RMB	**1,853,479**	807,553
US dollar	**9,477**	55,721
HK dollar	**—**	467
	1,862,956	863,741

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

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables is as follows:

	2008 Rmb'000	2007 Rmb'000
Less than 3 months	989,790	656,161
4 - 6 months	398,839	122,336
7 - 12 months	283,410	31,243
Over 12 months	90,698	16,604
	1,762,737	826,344

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

The carrying amount of trade receivables is determined individually to be impaired. These receivables mainly relate to debtors who have some degree of difficulties in repayment. It was assessed that a portion of these receivables are expected to be recovered. The movements on the provision for impairment of trade receivables are as follows:

	2008 Rmb'000	2007 Rmb'000
Gross amount	389,578	185,082
Less: Provision for impairment	(25,253)	(5,291)
At end of year	364,325	179,791

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

The impaired trade receivables arise mainly from revenue of aeronautical customers.

	2008 Rmb'000	2007 Rmb'000
At beginning of year	**5,291**	6,929
Provision for impairment of receivables	**20,862**	—
Receivables written off during the year as uncollectible	**(900)**	(1,638)
At end of year	**25,253**	5,291

The ageing of the impaired receivables is as follows:

	2008 Rmb'000	2007 Rmb'000
Less than 3 months	**170,513**	28,536
4 - 6 months	**115,959**	117,669
7 - 12 months	**82,851**	31,273
Over 12 months	**20,255**	7,604
	389,578	185,082

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of trade receivables past due but not impaired is as follows:

	2008 Rmb'000	2007 Rmb'000
Past due up to 3 months	**362,808**	—
Past due 4 - 6 months	**132,692**	—
Past due over 6 months	**177,630**	—
	673,130	—

Trade and other receivables that are neither past due nor impaired are substantially companies with good credit history and low default rate. Based on past experience, management believed that no impairment allowance is necessary in respect of these balances as there has been no significant change in credit quality and the balances are considered fully recoverable. These companies are mainly reputable stated owned airlines.

Prepayment and other receivables and balances due from related parties do not contain impaired assets.

The Company does not hold any collateral as security.

11 CASH AND CASH EQUIVALENTS

	2008	2007
	Rmb'000	*Rmb'000*
Cash at bank and on hand	**85,641**	134,996
Short term bank deposits	**490,817**	3,000,000
	576,458	3,134,996
Maximum exposure to credit risk	**576,456**	3,134,995

In 2008, the effective interest rate on short term bank deposits was 1.70% per annum (2007: 1.71%) and such deposits had maturities of less than one month.

12 SHARE CAPITAL

	2008		2007	
	Number of ordinary shares *(thousands)*	**Nominal value *RMB'000***	Number of ordinary shares *(thousands)*	Nominal value *RMB'000*
Registered, issued and fully paid				
H-Shares of Rmb1.00 each	**1,879,364**	**1,879,364**	1,566,150	1,566,150
Domestic shares of Rmb1.00 each	**2,451,526**	**2,451,526**	2,480,000	2,480,000
At 31 December	**4,330,890**	**4,330,890**	4,046,150	4,046,150

The Domestic shares rank pari passu, in all material respects, with H-Share. Nonetheless, the transfer of Domestic shares is subject to certain restrictions imposed by the PRC law.

12 SHARE CAPITAL (CONTINUED)

A summary of the movements in the Company's issued share capital during the year is as follows:

	2008			2007		
	H-Shares	**Domestic shares**	**Total**	H-Shares	Domestic Shares	Total
	Rmb'000	***Rmb'000***	***Rmb'000***	*Rmb'000*	*Rmb'000*	*Rmb'000*
At 1 January	**1,566,150**	**2,480,000**	**4,046,150**	1,566,150	2,480,000	4,046,150
New H-shares issued	**313,214**	**(28,474)**	**284,740**	—	—	—
At 31 December	**1,879,364**	**2,451,526**	**4,330,890**	1,566,150	2,480,000	4,046,150

On 10 June 2008, the Company issued 313,214,000 H-shares with par value of Rmb1 each at HK$7.45 per share, of which 28,474,000 H-shares issued in exchange of the Domestic shares held by CAHC and 284,740,000 H-shares issued through placement to institutional investors. The net proceeds of the placement was about Rmb1,854,651,000 (HK$2,093,120,000).

13 RESERVES

(a) Capital reserve

In 2007, the Company received Rmb300,000,000 from CAHC as an equity contribution in cash.

In accordance with the relevant laws and regulations of PRC, this amount is to be accounted for as capital reserve of the Company and it is not to be distributed as dividend. In future, when the Company increases its share capital, the capital reserve may be converted into shares of the Company to be held by CAHC, provided appropriate conditions are met. The conversion is however subject to obtaining prior approval from the relevant government authorities and shareholders.

13 RESERVES (CONTINUED)

(b) 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 financial statements) 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 Board of 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 2008, the Board proposed appropriations of 10% and 20% of profit after tax (2007: 10% and 20%) respectively, as determined under the PRC accounting standards, of Rmb4,017,000 and Rmb8,034,000 (2007: Rmb107,180,000 and Rmb214,360,000) respectively to the statutory surplus reserve fund and the discretionary surplus reserve fund respectively.

The proposed profit appropriation of Rmb8,034,000 to the discretionary surplus reserve fund for the year ended 31 December 2008 will be recorded in the financial statements for the year ending 31 December 2009.

The appropriation to discretionary surplus reserve fund of Rmb214,360,000 (2006: Rmb203,320,000) proposed for the year ended 31 December 2007 by the Board of Directors on 1 April 2008 was recorded in the financial statements for the year ended 31 December 2008.

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 2008, the reserve available for distribution was approximately Rmb821,967,000 (2007: Rmb1,369,309,000).

14 TRADE AND OTHER PAYABLES

	2008	2007
	Rmb'000	*Rmb'000*
Trade payables *(note a)*	**18,769**	8,239
Other payables		
Payable to parent company *(note b, note 31(a))*	**14,851,477**	61,800
Payables to related parties *(note 31(a))*	**385,615**	137,527
Construction payable	**393,747**	471,240
Tax payable *(note b)*	**324,722**	—
Maintenance fee payable	**190,964**	97,134
Payroll and welfare payable	**113,172**	69,132
Deposits received	**84,736**	27,074
Business tax payable	**76,258**	54,536
Receipts on behalf of North China Air Traffic Control Bureau *(note c)*	**71,509**	71,170
Housing subsidy payable to employees *(note d)*	**12,525**	12,024
Other payables	**232,678**	164,939
	16,737,403	1,166,576
	16,756,172	1,174,815

14 TRADE AND OTHER PAYABLES (CONTINUED)

(a) As at 31 December 2007 and 2008, all trade payables were aged within one year.

(b) The amount represents payable to tax bureau for deed taxes and stamp duties in respect of the acquisition of Phase III Assets.

(c) 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.

(d) 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.

15 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2007: 25%), which is the corporate income tax rate applicable to the Company starting from 1 January 2008 (note 25).

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

	2008 ***Rmb'000***	2007 *Rmb'000*
At beginning of year	**14,658**	21,172
Effect of change in tax rate *(note 25)*	**–**	(4,691)
Credited/(Charged) to income statement *(note 25)*	**72,700**	(1,823)
At end of year	**87,358**	14,658

15 DEFERRED INCOME TAXES (CONTINUED)

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

Deferred income tax assets	**Retirement benefit obligations (note a)** *Rmb'000*	**Accelerated accounting depreciation (note b)** *Rmb'000*	**Other temporary differences (note c)** *Rmb'000*	**Total** *Rmb'000*
As at 1 January 2007	15,849	14,363	6,213	36,425
(Charged)/Credited to income statement	(1,977)	1,247	(2,233)	(2,963)
Effect of change in tax rate	(3,363)	(3,784)	(965)	(8,112)
As at 31 December 2007	10,509	11,826	3,015	25,350
As at 1 January 2008	10,509	11,826	3,015	25,350
Credited to income statement	6,655	60,970	4,748	72,373
As at 31 December 2008	**17,164**	**72,796**	**7,763**	**97,723**

15 DEFERRED INCOME TAXES (CONTINUED)

Deferred income tax liabilities	**Other temporary differences** *(note c)* *Rmb'000*
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
As at 1 January 2008	10,692
Credited to income statement	(327)
As at 31 December 2008	10,365

(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) Temporary differences arose from differences between tax bases of fixed assets and their carrying amounts in the financial statements.

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

15 DEFERRED INCOME TAXES (CONTINUED)

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:

	2008	2007
	Rmb'000	*Rmb'000*
Deferred income tax assets	**97,723**	25,350
Deferred income tax liabilities	**(10,365)**	(10,692)
	87,358	14,658

The amounts shown in the balance sheets include the following:

	2008	2007
	Rmb'000	*Rmb'000*
Deferred income tax assets to be recovered after more than 12 months	**94,260**	23,802
Deferred income tax liability to be settled after more than 12 months	**10,037**	10,193

16 RETIREMENT BENEFIT OBLIGATIONS

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

	2008	2007
	Rmb'000	*Rmb'000*
Pension subsidies	**43,760**	25,307
Medical benefits	**24,895**	16,728
	68,655	42,035
Less: Amounts due within one year included in current liabilities	**(2,039)**	(1,617)
	66,616	40,418

The amounts recognised in the income statement are as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Charged/(credited) to pension subsidies *(note a)*	**20,044**	(12,146)
Post-employment medical benefits *(note b)*	**8,333**	7,497
Total, charged/(credited) to staff cost *(note 20)*	**28,377**	(4,649)

16 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Pension subsidies

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

	2008 *Rmb'000*	2007 *Rmb'000*
At beginning of year	**25,307**	38,685
Total cost/(gain)	**20,044**	(12,146)
Payment made in the year	**(1,591)**	(1,232)
At end of year	**43,760**	25,307

The amounts recognised in the income statement are as follows:

	2008 *Rmb'000*	2007 *Rmb'000*
Current service cost	**1,600**	2,289
Interest cost	**2,329**	2,362
Past service cost	**3,575**	1,152
Net actuarial losses /(gains) recognised	**12,540**	(17,949)
	20,044	(12,146)

16 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Pension subsidies (continued)

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

	2008	2007
Discount rate	**3.60%**	4.95%
Pension cost inflation rate	**1.00%**	2.00%
Employee withdrawal rate	**2.60%**	2.60%

(b) Post-retirement medical benefits

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

	2008	2007
	Rmb'000	*Rmb'000*
At beginning of year	**16,728**	9,342
Total cost	**8,333**	7,497
Payment made in the year	**(166)**	(111)
At end of year	**24,895**	16,728

16 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Post-retirement medical benefits (continued)

The amounts recognised in the income statement are as follows:

	2008 *Rmb'000*	2007 *Rmb'000*
Current service cost	730	279
Interest cost	824	355
Net actuarial losses recognised	6,779	6,863
	8,333	7,497

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

	2008	2007
Discount rate	3.60%	4.95%
Inflation rate of average medical benefit	7.00%	7.00%
Employee withdrawal rate	2.60%	2.60%

17 HOUSING FUND AND SUBSIDIES

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 2008, the Company's contribution to the housing fund was approximately Rmb10,150,000 (2007: Rmb8,201,000) (note 20).

In addition, during the year ended 31 December 2008, the Company provided Rmb3,430,000 (2007: Rmb3,660,000) 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 (note 20).

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.

18 DEFERRED INCOME

Pursuant to an approval document issued by Beijing State Tax Bureau on 27 April 2005, the Company has been granted a corporate 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.

During the year, the Company received subsidies from government amounting to Rmb12,000,000 in respect of certain construction projects for the preparation of Beijing Olympics and Paralympics. Such subsidies are deferred and recognised in the income statement over the estimated useful lives of the related fixed assets.

19 LOAN FROM PARENT COMPANY

As at 31 December 2008, loan from Parent Company is as follows:

a) Loan amount of USD364,195,000 (equivalent to approximately Rmb2,489,126,000)

The loan is unsecured, interest bearing at LIBOR plus 0.4%. The interest is payable semi-annually. The principal amount is repayable semi-annually commencing on 15 December 2010 with maturity through 15 June 2030.

b) Loan amount of Rmb2,000,000,000

The loan is unsecured and the interest rate is referenced to published inter-bank repo rates issued by China Foreign Exchange Trading Center & National Interbank Funding Center and repriced every half yearly. The interest is payable semi-annually and the principal amount is repayable in full in 2015 with an option for early repayment on 20 July 2010.

c) Loan amount of Rmb4,000,000,000

The loan is unsecured and the interest rate is referenced to published inter-bank repo rates issued by China Foreign Exchange Trading Center & National Interbank Funding Center and repriced every half yearly. The interest is payable semi-annually and the principal amount is repayable in full in 2016.

On 29 December 2008, as part of the completion of the acquisition of Phase III Assets, the Company entered into agreements with the Parent Company to assume these borrowings which were previously obtained by the Parent Company from European Investment Bank and domestic financial institutions with same terms. The borrowings were not reassigned into the name of the Company.

20 STAFF COSTS

	2008	2007
	Rmb'000	*Rmb'000*
Wages and salaries	**253,333**	176,433
Staff welfare	**2,774**	2,731
Housing fund *(note 17)*	**10,150**	8,201
Housing subsidies *(note 17)*	**3,430**	3,660
Pension costs — statutory pension *(note a)*	**15,776**	11,157
Pension costs/(benefits) — defined benefit plan *(note 16)*	**28,377**	(4,649)
Other allowances and benefits	**30,526**	29,115
	344,366	226,648

(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 2008 and 2007 respectively.

(b) Staff costs include emoluments payable to the Company's directors, supervisors and senior management as set out in Note 24.

21 OTHER INCOME/(EXPENSE) — NET

	2008	2007
	Rmb'000	*Rmb'000*
Interest income	**27,371**	6,774
Government subsidies	**11,218**	—
Net loss on disposal of an associate	**—**	(28)
Impairment of investment in an associate *(note 9)*	**(1,113)**	—
	37,476	6,746

22 OPERATING PROFIT

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

	2008 **_Rmb'000_**	2007 *Rmb'000*
Depreciation on property, plant and equipment		
— owned assets	**656,562**	472,473
— owned assets leased out under operating leases	**18,096**	21,872
Loss on disposal of property, plant and equipment	**7,931**	2,875
Amortisation of land use rights	**8,014**	5,225
Amortisation of intangible assets	**16,512**	9,107
Operating lease rentals		
— Phase III Assets *(note 31(b))*	**1,080,628**	—
— land use rights on which the airfield and related areas of Phase III Asset are situated *(note 31(b)(iii))*	**28,000**	—
— airfield assets *(note 31(b)(i))*	**48,373**	35,000
— land use rights *(note 31(b)(ii))*	**6,764**	8,035
— buildings	**15,335**	7,013
Impairment charge on trade receivables	**20,862**	—
Foreign exchange loss/(gain) — net	**15,952**	(303)
Auditors' remuneration	**2,700**	2,400

23 FINANCE COST

	2008 Rmb'000	2007 Rmb'000
Interest for loan from parent company *(note 31(b))*	**92,220**	—
Bank charges for the interest	**549**	
Interest for short-term loans	**—**	4,989
	92,769	4,989

24 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:

	2008 Rmb'000	2007 Rmb'000
Fees	**700**	550
Salaries, housing and other allowances, and benefits in kind	**779**	848
Discretionary bonuses	**846**	645
Contributions to the retirement scheme	**69**	63
	2,394	2,106

24 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 2008 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	–	350	23	427	800
Gao Shiqing *(note i)*	–	–	–	–	–
Chen Guoxing *(note i)*	–	–	–	–	–
Zhao Jinglu *(note i)*	–	–	–	–	–
Kwong Che Keung	150	–	–	–	150
Dong Ansheng	150	–	–	–	150
Japhet Sebastian Law *(note ii)*	150	–	–	–	150
Wang Xiaolong *(note ii)*	150	–	–	–	150

24 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

(a) Directors' and Supervisors' emoluments (continued)

	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 supervisor					
Wang Zuoyi *(note i)*	–	–	–	–	–
Li Xiaomei	–	280	23	337	640
Tang Hua	–	149	23	82	254
Han Xiaojing	50	–	–	–	50
Xia Zhidong	50	–	–	–	50
	700	779	69	846	2,394

24 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 *(note iii)*	150	–	–	–	150
Kwong Che Keung	150	–	–	–	150
Cheng Mo Chi *(note iii)*	150	–	–	–	150
Dong Ansheng	–	–	–	–	–

24 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

(a) Directors' and Supervisors' emoluments (continued)

	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 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

Note:

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

(ii) Mr. Japhet Sebastian Law and Mr. Wang Xiaolong were appointed as independent non-executive director on 12 June 2008.

(iii) Mr. Long Tao and Mr. Cheng Mo Chi retired as independent non-executive director on 12 June 2008.

24 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

(a) Directors' and Supervisors' emoluments (continued)

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

During the year ended 31 December 2008, no emoluments were paid by the Company to the directors and supervisors as an inducement to join or upon joining the Company or as compensation for loss of office (2007: nil).

(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 (2007: one director, one supervisor and three senior executives). The details of the emoluments of the directors and supervisors are set out above. The emoluments payables to the remaining senior executives are as follows:

	For the year ended 31 December	
	2008	2007
	Rmb'000	*Rmb'000*
Salaries, housing and other allowances, and benefits in kind	**840**	1,013
Discretionary bonuses	**1,011**	844
Contributions to the retirement scheme	**69**	63
	1,920	1,920

24 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

(b) Five highest paid individuals (continued)

During the year ended 31 December 2008, no emoluments were paid by the Company to the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office (2007: nil).

During the year ended 31 December 2008 and 2007, the emoluments of each of the above senior executive paid by the Company were below HK dollar 1,000,000 individually.

25 TAXATION

(a) Corporate income tax

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

Under the Corporate Income Tax law of the People's Republic of China (the "new CIT Law") which is effective from 1 January 2008, the Company is subject to corporate income tax at a rate of 25% (2007: 33%) on the taxable income as reported in their statutory financial statements which are prepared using the accounting principles and financial regulations applicable to PRC enterprises.

	2008	2007
	Rmb'000	*Rmb'000*
Current tax	**56,356**	539,742
Deferred income tax (credit)/charge *(note 15)*	**(72,700)**	6,514
	(16,344)	546,256

25 TAXATION (CONTINUED)

(a) Corporate income tax (continued)

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

	2008 *Rmb'000*	2007 *Rmb'000*
Profit before income tax	**68,987**	1,675,743
Tax calculated at a tax rate of 25% (2007: 33%)	**17,247**	552,995
Share of profits after taxation from the associate	**—**	(108)
Income not subject to taxation	**(1,367)**	(10,262)
Expense not deductable for tax purpose	**929**	67
Tax credit on qualified purchases of domestically manufactured equipment	**(832)**	(1,127)
Recognition of temporary difference in prior years	**(32,321)**	—
Effect on deferred income tax assets/liabilities due to the change in tax rate	**—**	4,691
Tax (credit)/charge	**(16,344)**	546,256

(b) 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 TAXATION (CONTINUED)

(c) Withholding tax ("WHT") on dividend paid to foreign investors

In accordance with the Corporate Income Tax Law of the PRC and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H share of the Company when distributing dividends to them. Any H shares of the Company registered other than in the name(s) of individual(s), including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed to be shares held by non-resident enterprise shareholder(s). Such H-shares shareholders will receive their dividends after the deduction of corporate income tax.

26 EARNINGS PER SHARE

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

	2008	2007
Profit of the Company *(Rmb'000)*	**85,331**	1,129,487
Weighted average number of ordinary shares in issue *(thousands)*	**4,204,339**	4,046,150
Basic earnings per share *(Rmb per share)*	**0.02**	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 2008 and 2007.

27 DIVIDENDS

	2008	2007
Dividend declared		
Interim dividend *(Rmb'000)*	–	166,782
Interim dividend per share *(Rmb)*	–	0.04122
Dividend proposed		
Final dividend *(Rmb'000)*	–	369,130
Final dividend per share *(Rmb)*	–	0.09123

The Board does not recommend the payment of a dividend for the year ended 31 December 2008.

28 CONTINGENCIES

The Board of Directors 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 Board of 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 and therefore no provision has been made in the financial statements.

29 COMMITMENTS

Capital commitments

Capital commitments primarily relate to the construction of and equipment to be installed at the airport terminal and other airport facilities upgrading projects. The Company had the following outstanding capital commitments not provided for in the financial statements as at 31 December:

	2008 ***Rmb'000***	2007 *Rmb'000*
Authorised and contracted for	**272,934**	15,943,097
Authorised but not contracted for	**343,547**	6,722,781
Total	**616,481**	22,665,878

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:

	2008 ***Rmb'000***	2007 *Rmb'000*
Not later than 1 year	**51,085**	42,086
Later than 1 year and not later than 5 years	**155,376**	27,055
Later than 5 years	**635,197**	249,446
	841,658	318,587

29 COMMITMENTS (CONTINUED)

Operating lease arrangements — where the Company is the lessors

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

	2008 *Rmb'000*	2007 *Rmb'000*
Not later than 1 year	146,449	48,642
Later than 1 year and not later than 5 years	89,683	19,217
Later than 5 years	20,000	—
	256,132	67,859

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:

	2008 *Rmb'000*	2007 *Rmb'000*
Not later than 1 year	812,972	314,555
Later than 1 year and not later than 5 years	532,000	1,258,218
Later than 5 years	133,000	629,109
	1,477,972	2,201,882

30 NOTES TO CASH FLOW STATEMENT

Reconciliation of profit for the year to cash generated from operations

	2008	2007
	Rmb'000	*Rmb'000*
Profit for the year	**85,331**	1,129,487
Adjustments for:		
Taxation	**(16,344)**	546,256
Depreciation	**674,658**	494,345
Amortisation of land use rights	**8,014**	5,225
Amortisation of intangible assets	**16,512**	9,107
Impairment charge of trade receivables	**20,862**	—
Impairment charge of inventory	**4,688**	—
Impairment charge of investment in an associate	**1,113**	—
Loss on disposal of property, plant and equipment	**7,931**	2,875
Share of profit of associates	**—**	(328)
Interest income	**(27,371)**	(6,774)
Finance costs	**92,769**	4,989
Foreign exchange losses/(gains), net	**15,952**	(303)
Net loss on disposal of an associate	**—**	28
Changes in working capital:		
Inventories	**(15,480)**	724
Trade and other receivables	**(931,781)**	536,636
Trade and other payables	**1,583,239**	(194,915)
Retirement benefit obligations	**26,620**	(5,992)
Deferred income	**989**	(3,414)
Cash generated from operations	**1,547,702**	2,517,946

31 RELATED PARTY TRANSACTIONS

The Company is controlled by CAHC which owns 57% of the Company's shares. The remaining 43% of the shares are widely held. The Board of directors consider CAHC, which is a PRC state-owned enterprise under the supervision of CAAC, to be the ultimate holding company.

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

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

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

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

Other than the transactions as disclosed in the respective notes, the following is a summary of significant transactions carried out with related parties in the ordinary course of business.

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties

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

	2008	2007
	Rmb'000	*Rmb'000*
Trade and other receivables from CAHC, its fellow subsidiaries and related parties *(note 10 and (i))*	**555,141**	158,674
Trade and other payables to CAHC *(note 14 and (i))*		
— Consideration payable of Phase III Assets *(note 6)*	**13,551,420**	—
— Transitional usage fee of Phase III Assets *(note 6)*	**1,080,628**	—
— Interest payable on loan from Parent Company	**92,220**	—
— Lease of land on which the airfield and related areas of Phase III Assets are situated *(note 31(b)(iii))*	**28,000**	—
— Lease of airfield assets of Phase III Assets *(note 31(b)(i))*	**14,211**	35,000
— Other payables	**84,998**	26,800
	14,851,477	61,800
Trade and other payables to other related parties *(note 14 and (i))*	**385,615**	137,527
Loan from Parent Company *(note 19)*	**8,489,126**	—
Balances with other state-owned enterprises:		
Trade and other receivables *(note ii)*	**1,079,488**	433,939
Trade and other payables *(note ii)*	**461,971**	507,396
Bank deposits *(note iii)*	**219,937**	2,694,248

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties (continued)

(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 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.

(b) Transactions with related parties

	2008	2007
	Rmb'000	*Rmb'000*
Transactions with CAHC, its fellow subsidiaries and related parties		
Revenues:		
Concessions from related parties	**1,143,402**	608,334
Rental income from related parties for leasing of counters, premises and office space	**123,726**	65,515
Leasing of premises to subsidiaries of CAHC	**64,839**	24,651
Aeronautical revenue from related parties	**15,014**	22,995
Management fee from CAHC	**5,415**	—

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

	2008	2007
	Rmb'000	*Rmb'000*
Expenses:		
Leasing of Phase III assets from CAHC *(note 6)*	**1,080,628**	—
Provision of utilities and power supply by a subsidiary of CAHC	**516,668**	209,674
Provision of aviation safety and security guard services by a subsidiary of CAHC	**296,245**	213,712
Provision of certain sanitary services, baggage cart management services and greening and environmental maintenance services by an associate of CAHC	**161,505**	46,186
Provision of accessorial power and energy services by a subsidiary of CAHC	**102,369**	57,557
Interest charges on loan from Parent Company	**92,220**	—
Leasing of airfield assets of Phase III Assets from CAHC *(note i)*	**48,373**	35,000
Leasing of Information Technology Center from CAHC	**7,110**	—
Leasing of land use rights from CAHC *(note ii)*	**6,764**	6,764
Leasing of land on which the airfield and related areas of Phase III Assets are situated *(note iii)*	**28,000**	—
Leasing of apartment from CAHC	**2,608**	1,862
Provision of beverage service by a subsidiary of CAHC	**3,089**	2,100
Provision of airport guidance service by a subsidiary of CAHC	**2,121**	—

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

	2008 *Rmb'000*	2007 *Rmb'000*
Other:		
Acquisition of Phase III Assets *(note 6)*	**26,940,546**	—
Provision of construction service from subsidiaries of CAHC	**10,707**	7,370

(i) 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. On 31 January 2008, this lease arrangement was extended to cover the period from 29 February 2008 to 25 March 2008 (both days inclusive) at the same fee.

(ii) 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 (2007: 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.

(iii) On 31 January 2008, the Company entered into an supplemental lease agreement with CAHC in relation to the lease agreement dated 26 October 2006 in respect of the land on which the airfield and related areas of Phase III Assets are situated at an annual rental of Rmb28,000,000.

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (continued)

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

	2008	2007
	Rmb'000	*Rmb'000*
Transactions with other state-owned enterprises		
Revenues:		
Passenger charges, aircraft movement fees and related charges	**1,494,532**	1,368,933
Concessions	**61,690**	101,920
Rentals	**278,102**	83,396
Interest income received	**18,894**	5,973
Expenses:		
Interest expenses paid	**–**	7,075
Subcontracting labour fee for maintenance	**97,651**	109,208
Insurance paid	**14,691**	8,440
Other transactions:		
Purchases of property, plant and equipment	**169,599**	206,584
Short-term bank loans borrowed	**–**	229,793
Short-term bank loans repaid	**–**	229,793

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.

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:	21/F., ICBC Tower, Citibank Plaza 3 Garden Road, Hong Kong
Legal Representative:	Mr. Zhang Zhizhong
Company Secretary:	Mr. Shu Yong
Contact for the Company's news and information:	Secretariat to the Board
Major bank:	Bank of China
Auditor:	PricewaterhouseCoopers

BOARD OF DIRECTORS

Executive Directors

Zhang Zhizhong *(Chairman, executive director)*
Dong Zhiyi *(General manager, executive director)*

Non-executive Directors

Chen Guoxing
Gao Shiqing
Zhao Jinglu

Independent Non-executive Directors

Kwong Che Keung, Gordon
Dong Ansheng
Japhet Sebastian Law
Wang Xiaolong

COMMITTEES

Audit Committee

Kwong Che Keung, Gordon *(Chairman)*
Dong Ansheng
Japhet Sebastian Law
Wang Xiaolong

Remuneration Committee

Wang Xiao Long *(Chairman)*
Kwong Che Keung, Gordon
Dong Ansheng
Japhet Sebastian Law
Zhang Zhizhong
Gao Shiqing

Nomination Committee

Dong Ansheng *(Chairman)*
Wang Xiao Long
Kwong Che Keung, Gordon
Japhet Sebastian Law
Dong Zhiyi

Company Information

SHAREHOLDER INFORMATION

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Contact telephone number:	8610 6454 5304
Contact address:	Secretariat to the Board Beijing Capital International Airport Company Limited Beijing, China
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 OF 2008

Announcement of interim results:	26 September 2008
Announcement of final results:	24 April 2009
Book closing dates for AGM:	13 May 2009 - 12 June 2009
Date of 2008 AGM:	12 June 2009