Beijing Capital International Airport Company Limited

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

Stock Code: 0694

Welcome to Beijing Capital International Airport

annual report 2009


Welcome

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第一國門

The First National Gate of China

Beijing Capital International Airport is the only civil aviation airport in Beijing City, China. Located in the northeast of Beijing, the Capital of China, it serves not only as one of the largest aviation gateway of China and a window for international communication, but also an important hub of international civil aviation network for foreign visitors and China's outbound travelers.

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 HKD1.87 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" or "CAHC") 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 Cooperation 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 two placements of H shares to institutional or professional investors in Hong Kong, on 4 October 2006 and 10 June 2008, respectively. 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 operating and managing the 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 and rescue services for domestic and foreign air transportation enterprises.

By the end of 2009, there were 76 airliners operating business on a regular basis at the Beijing Capital Airport, including 19 domestic airliners and 57 airliners from foreign countries, Hong Kong, Macau and Taiwan.

By the end of 2009, there were 213 flight points linking with the Beijing Capital Airport, including 112 domestic flight points and 101 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 also includes the self-operating of: (1) leases of properties in the terminals; (2) provision of car parking services, and (3) 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 2009, the aircraft movement and the passenger throughput at the Beijing Capital Airport reached 488,495 and 65,372,012, respectively, and the cargo and mail throughput reached 1,475,649 tonnes, ranking 10th, 3th and 14th, respectively, among airports in the world based on the preliminary ranking of Airports Council International ("ACI").


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)

	2009	2008	2007	2006	2005
Operating Results					
Revenues	**4,964,869**	4,624,438	3,516,125	3,159,863	3,094,332
EBITDA	**2,293,210**	860,391	2,189,409	2,219,716	1,868,707
Profit before tax	**403,357**	68,987	1,675,743	1,625,472	1,342,440
Tax	**(102,557)**	16,344	(546,256)	(532,573)	(426,939)
Profit for the year	**300,800**	85,331	1,129,487	1,092,899	915,501
Attributable to:					
Equity holders of					
the Company	**300,800**	85,331	1,129,487	1,092,899	908,509
Minority interests	**—**	—	—	—	6,992
Earnings per share					
— basic and diluted *(Rmb)*	**0.07**	0.02	0.28	0.28	0.24
Return on Equity	**2.39%**	0.69%	10.52%	11.11%	11.10%
Financial Position					
Assets					
Non-current assets	**34,057,652**	35,216,503	8,268,626	8,497,315	8,563,635
Current assets	**2,550,100**	2,463,416	4,011,947	3,567,129	2,298,225
Total	**36,607,752**	37,679,919	12,280,573	12,064,444	10,861,860
Equity and liabilities					
Shareholders' equity	**12,610,664**	12,309,864	10,739,012	9,833,339	8,188,110
Minority interests	**—**	—	—	—	3,155
Non-current liabilities	**6,675,361**	8,567,671	51,358	60,978	78,525
Current liabilities	**17,321,727**	16,802,384	1,490,203	2,170,127	2,592,070
Total	**36,607,752**	37,679,919	12,280,573	12,064,444	10,861,860

Chairman's Statement

Mr. Dong Zhiyi
Chairman

To shareholders:

In 2009, Beijing Capital Airport has achieved steady business growth and strengthened the position as a worldwide large international airport. As the Premier National Gateway of China, the airport shows a representing image of the development and progress of Beijing as well as the People's Republic of China. Meanwhile, the Company has been performing persistently over the hard time, seeking increase of revenues, strengthening the cost control system, and having made notable improvement in the aspects of security, operation and services. With the significant achievements that the Company generated in 2009, I am pleased to report to shareholders the 2009 operating and financial results and our prospects for 2010.

STEADY GROWTH OF AIR TRAFFIC VOLUMES

In 2009, despite the depressing global economy, Beijing Capital Airport's air traffic volumes still maintain solid growth, benefitting from the rapid growth of China's domestic economy. The annual aircraft movements and passenger throughput are 488,495 and 65,372,012, representing an increase of 13.2% and 16.9% over the previous year, respectively. The annual cargo and mail throughput is 1,475,649 tonnes, representing an increase of 8.0% over the previous year. According to the statistics of ACI, Beijing Capital Airport's throughput of passengers ranks the third globally and its turnovers of aircraft movements and cargo and mail throughput rank the tenth and the fourteenth respectively in the world.

STEADY IMPROVEMENTS IN SECURITY AND SERVICE QUALITY

In 2009, the Company has taken measures for the airport's steady improvement in security. Meanwhile, the transit process has been optimised, cooperations have been made with airlines and other parties for a coordinated operating mechanism, and the supporting system for operations under difficult weather conditions has been improved. Therefore, the whole year's operation of Beijing Capital Airport has been assured in order and stayed normal and stable.

The Company has continued to adhere to customer needs-oriented and has been improving service quality and level by further completing the service standards and service manners. The Company is the first one among all China's domestic airports, which offers "advocating and practicing Chinese-style services" concept, continuously providing services with special features and high quality. The Company has also established an exhibiting platform called "Cultural National Gateway" to introduce China's different regions and their features. On the basis of carrying on with the Airport Service Quality survey from ACI for the satisfaction index of passengers, the Company has also participated in the global airports' service evaluation system of the British Skytrax and the service evaluation system organized by China Quality Long March Promoting Association, gaining all-round evaluations and assessments over Beijing Capital Airport's service quality. In 2009, according to ACI's Airport Service Quality survey, the satisfaction index of passengers at Beijing Capital Airport was 4.47 on a scale of 5 for the whole year, ranking the fourth globally. Meanwhile, Beijing Capital Airport was also certified by Skytrax as a 4 Star Airport, which is the first 4 Star Airport in Mainland China.

SIGNIFICANT RECOVERY OF BUSINESS PERFORMANCE

The year 2009 is the first full year of Beijing Capital Airport's operation after the Phase III Assets *(note)* have been put into full use. Facing the pressure from depreciation, other operating expenses and the substantial increase of financial costs, the Company worked with all diligence to enhance the income and strictly controlled the costs, having overcome the difficulties within the shortest time and got rid of the bottom status of its business performance.

In 2009, Beijing Capital Airport has successfully hosted the World Route Development Forum. Beijing Capital Airport has conducted fruitful and effective communications with many airlines and international airports from all over the world and this has brought great opportunities for Beijing Capital Airport expanding its aviation market, optimising routes' network and developing friendly relationships with other airports. Meanwhile, the Company has been actively looking for potential commercial opportunities, planning new business area of over 5,000 square metres in the terminals and has finished the development work of 2,400 square metres out of the newly planned area. The total business area of the airport has been increased to over 70,000 square metres, which has opened up a new space for sustainable and long term growth of non-aeronautical revenue. In 2009, the Company has achieved operating revenues of Rmb4,964,869,000, representing an increase of 7.4% over the previous year.

Apart from the efforts of gaining more revenue, the Company also reinforced the costs control system and has achieved significant result. In 2009, the Company's operating expenses totaled Rmb4,034,441,000, representing a decrease of 5.7% from the previous year. The Company has also taken measures to optimise the debt' structure. In February 2010, a total of Rmb4.9 billion of corporate bonds was issued and it partially eliminated the possible new pressure caused by the possible increase of the banks' interest rate in the upcoming period.

Note: Phase III Assets represent the assets acquired from the Parent Company, including the Airfield Assets, Terminal Three of the Beijing Capital Airport ("Terminal Three"), Terminal Three 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 Terminal Three and other related constructions are situated.

In 2009, the Company's net profit after tax was Rmb300,800,000, representing an increase of 252.5% over the previous year. This shows that the Company has successfully withstood the huge pressure from the depreciation, operating costs and financial costs that caused by the launch of the Phase III Assets and the Company has entered into a new period of business growth.

ACHIEVEMENTS IN THE INDUSTRY

Through continuous efforts, Beijing Capital Airport's work was widely recognised by all sectors of society. In 2009, Beijing Capital Airport has won special recognition awards from ACI Director-General, 2009 international aviation security Outstanding Organization Award, readers voted the world's best airport by Britain's leading travel magazine "Condé Nast Traveller", top 10 influential enterprises to Beijing people.

PROSPECTS FOR 2010

In 2010, the global macroeconomy is gradually stablized. The Civil Aviation Administration of China ("CAAC", formerly the General Administration of Civil Aviation of China)is planning the strategy of being part of the contribution to the nation's development by enhancing the civil aviation industry and the next developing goal of Beijing City has been set as developing into a global city. Influenced by the above mentioned factors, the air traffic volumes are therefore expected to show steady growth. In particular, the international and regional routes to Hong Kong, Macao and Taiwan are expected to show rather significant recovery.

Chairman's Statement

Preliminary statistics show that for the first two months of 2010, when comparing to 2009's first two months, Beijing Capital Airport's aircraft movements has been increased by 5.4%, including the growth of domestic routes at 4.8% and the growth of international and regional routes at 7.7%; the growth of passenger throughput is 8.2%, including domestic route's growth at 5.8% and international and regional routes' growth at 17.3%. The increase in air traffic volumes resulting from international and regional routes will help to optimise the overall flight structure of Beijing Capital Airport and to promote a rapid growth of related aeronautical revenues.

In 2010, the Company will continue its efforts to increase revenues and reduce expenditures. The Company will negotiate with the airlines to execute the surcharge of aircraft movement fees again. Also, efforts would be put to increase the proportion of international routes and large passenger aircrafts. The Company will further explore the passengers' needs, improve the service quality of non-aeronautical business and raise the non-aeronautical revenues by optimising products' category structure and brand portfolio. The Company will also continue to strengthen costs control system and to take various measures to control the financial costs, including seeking low-cost debt capital, optimising the structure of debt capital, reducing the risk caused by interest rates' fluctuation and effectively controlling capital expenditures.

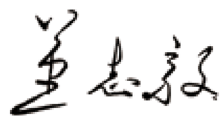
In 2010, the Company will continue to improve its security and service quality, further focus on energy efficiency and environmental protection, implement with the management over aviation noise abatement and special handling of aviation waste, sustainably reduce the energy consumption within the terminal and aim to operate as a "Green Airport."

As the air traffic volumes grow continuously, Beijing Capital Airport's capacity has gradually becoming saturated. From the mid-term development perspective, Beijing Capital Airport has to enhance its capacity in order to solve the problem brought by rapid increase in air traffic. The Company will further demonstrate several programmes about supplementary resources, including considering the acquisition of the building D of Terminal Three from the Parent Company and putting which into operation, establishing airside connections between Terminal Two and Terminal Three and building additional supporting facilities for A380 aircrafts' parking.

The Company will pay close attention to any policy adjustment and development trend in the industry that might impose influence on Beijing Capital Airport's future development, including: the policy of charging the civil airport construction and management fee (the "Airport Fee") which is to be expired by the end of this year; the challenge and opportunities to Beijing Capital Airport's business brought by the construction of the high-speed railway; the pre-construction research and preparation work for Beijing's new airport, etc.

Looking back in 2009, Beijing Capital Airport has come to its peak period of development. Through persistent efforts, the operating scale, security support and service quality of the airport have gained recognitions in the industry and the business performance has been accordingly improved. I hereby would like to thank all shareholders for your trust and support, thank all governmental authorities that support Beijing Capital Airport, thank all airlines and other parties operating at the Beijing Capital Airport for their support, thank the outgoing chairman Mr. Zhang Zhizhong for his diligence and enormous contribution to the Company's development, and thank all staff of the Company and their families for their hard work and dedication in 2009.

By order of the Board



DONG Zhiyi
Chairman

Beijing, the PRC, 22 March 2010


Serve the economic and
social development

REPORT OF THE BOARD

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 2009.

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 and rescue services for domestic and foreign airlines.

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

The non-aeronautical business of the Company also consists of self-operation the business of: (1) leasing of properties in the terminals; (2) operation of car park, and (3) 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 2009 and the financial position of the Company for the year ended 31 December 2009 were prepared basing on International Financial Reporting Standards ("IFRS") as set out on pages 66 to 156 of the annual report.

DIVIDENDS

The Board recommended the payment of a final dividend of Rmb0.03388 per share for the year of 2009, with a total amount of approximately Rmb146,731,000 intended to be distributed. The Company did not pay any dividend for the year of 2008. Such proposal is subject to the approval by the shareholders of the Company at the annual general meeting (the "AGM") scheduled to be held on Tuesday, 22 June, 2010. In the event that such approval is obtained, the dividend will be paid on or before Thursday, 15 July 2010 to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 27 May 2010.

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 2009, since the Company did not pay any dividend in 2009.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of holding the AGM and the payment of a final dividend, the register of members of the Company will be closed from Friday, 21 May 2010 to Tuesday, 22 June 2010 (both days inclusive). In order to be qualified for the payment of the final dividend and 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 Thursday, 20 May 2010.

RESERVES

Change in reserves of the Company for the fiscal year ended 31 December 2009 is set out on pages 119 to 120 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 2009 and their movements for the fiscal year ended 31 December 2009 are set out in Note 6 to the Financial Statements.

ISSUED SHARE CAPITAL

There are no share capital issued by the Company during the fiscal year ended 31 December 2009.

The disclosure of interests of the Company as at 31 December 2009 is set out on pages 26 to 27 herein.

TAXATION

The details of taxation of the Company for the fiscal year ended 31 December 2009 are set out in Note 26 to the Financial Statements.

ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2009, the Company has no entrusted loans or any fixed deposits matured but not yet withdrawn placed in financial institutions or any other entities.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer, Air China Limited (including its subsidiaries), and the five largest customers of the Company represented 20.0% and 52.6%, respectively, of the total revenues of the Company for the year ended 31 December 2009.

The largest supplier, Capital Airports Power and Energy Co., Ltd. and the five largest suppliers of the Company represented 16.3% and 34.4%, respectively, of the total operating expenses of the Company for the year ended 31 December 2009.

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 2009. The Parent Company 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 75% of shareholders' equity of Beijing Capital Airport Property Management Company Limited directly and indirectly.

SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES

There is no subsidiary or jointly-controlled entity of the Company as at 31 December 2009.

ACQUISITION AND DISPOSAL

During the first half year of 2009, the liquidation of Global Airport Logistics Co., Ltd. was completed and the Company recovered the carrying value of this investment in full.

Save as disclosed above, the Company has not conducted any other acquisition or disposal during the year ended 31 December 2009.

MATERIAL ACQUISITION AND MATERIAL SUBSEQUENT EVENT

On 1 October 2008, the Company acquired the Phase III Assets from the Parent Company. The consideration has been fully settled by the Company by ways of direct payment or assumption of liabilities before 30 September 2009.

The application by the Company for the bonds issue was conditionally approved by the Issuance Examination Committee of the China Securities Regulatory Commission (the "CSRC") on 21 December 2009. The Company received the "Approval for the Public Issue of Corporate Bonds by Beijing Capital International Airport Company Limited" (Zheng Jian Xu Ke (2010) No.78) from the CSRC on 19 January 2010 whereby the Company was approved to issue domestic corporate bonds not exceeding Rmb4.9billion in value.

The Company issued the corporate bonds of 5-year (annual rate of 4.45%) and 7-year (annual rate of 4.65%) in the public market of Shanghai Stock Exchange on 5 February 2010, which raised funds of the total sum of Rmb4.9 billion. The corporate bonds were listed on Shanghai Stock Exchange on 10 March 2010.

TRADE AND OTHER RECEIVABLES

On 31 December 2009, the Company's trade and other receivables were Rmb1,808,599,000 and representing a decrease of 2.9% as compared with the previous year.

The details of the Company's trade and other receivables are set out in Note 10 to the Financial Statements, and the policies relating to the trade and other receivables and the impairment contained in Note 2(j) to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended 31 December 2009, 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

According to Chapter 14A of the Listing Rules, the continuing connected transactions of the Company, which should be reviewed in the annual report, are as follows:

The schedule of the continuing connected transactions of the Company for the year ended 31 December 2009 as set out in the waiver granted by the Hong Kong Stock Exchange on 28 March 2000 and in the previous announcements of the Company dated 31 January 2008, 12 February 2008, 26 September 2008, 25 November 2008, 27 November 2008, 5 May 2009, 14 August 2009, 8 December 2009 and 22 March 2010 is as follows:

	Transaction amounts for the year ended 31 December 2009 *Rmb'000*	**Annual Cap** *Rmb'000*	**Date of relevant agreement**	**Relationship between contracting parties**
1. Concessions income from Beijing Capital Airport Food Management Company Limited ("BAFM")	**91,290**	*note (1)*	January 1 2005	The Parent Company is holding 75% of the issued share capital of BAFM.
2. Concessions income from Beijing Capital Airport Commercial & Trading Company Limited ("BACT")	**414,948**	*note (1)*	January 1 2005	The Parent Company is holding 100% of the issued share capital of BACT.
3. Concessions income from Beijing Capital Airport Advertising Company Limited ("BAA")	**541,708**	*note (1)*	January 1 2005	The Parent Company is holding 100% of the issued share capital of BAA.
4. Concessions income from Beijing Aviation Ground Services Company Limited on the provision of ground handling services ("BGS")	**15,363**	18,193	May 5 2009	The Parent Company is holding 60% of the issued share capital of BGS.
5. Rental income from BGS for leasing of counters and other premises comprising offices and warehouses in Terminal One, Terminal Two and Terminal Three	**59,986**	67,000	January 31 2008; September 26 2008 (*)	The Parent Company is holding 60% of the issued share capital of BGS.
6. Rental income from BGS for leasing of cargo station	**30,000**	30,000	October 15 1999	The Parent Company is holding 60% of the issued share capital of BGS.
7. Rental income from BGS for leasing of office building	**2,467**	2,486	January 31 2008	The Parent Company is holding 60% of the issued share capital of BGS.

	Transaction amounts for the year ended 31 December 2009 *Rmb'000*	Annual Cap *Rmb'000*	Date of relevant agreement	Relationship between contracting parties
8. Rental income from BGS for leasing of parking lot	**2,189**	3,200	October 15 1999	The Parent Company is holding 60% of the issued share capital of BGS.
9. Rental income from Capital Airport VIP Services Management Company Limited ("CAVSM")*	**80,500**	90,000	May 5 2009	The Parent Company is holding 100% of the issued share capital of CAVSM.
10. Rental income from Beijing Capital Airport Tourism Company Limited ("BCAT")	**4,692**	5,500	January 31 2008	The Parent Company is holding 90% of the issued share capital of BCAT.
11. Management fee of Ground Transportation Center ('GTC") from the Parent Company on provision of management and operation service by the Company	**6,340**	6,500	May 5 2009	The Parent Company is holding 56.61% of the issued share capital of the Company.
12. Provision of aviation safety and security guard services by Capital Airports Aviation Security Company Limited ("CAAS")	**314,573**	342,860	November 27 2008	The Parent Company is holding 95% of the issued share capital of CAAS
13. Provision of utilities and power supply by Capital Airports Power and Energy Company Limited (''CAPE'')	**561,292**	671,000	November 27 2008	The Parent Company is holding 80% of the issued share capital of CAPE.
14. Provision of accessorial power and energy services by CAPE	**96,123**	131,441	January 31 2008	The Parent Company is holding 80% of the issued share capital of CAPE.
15. Provision of certain sanitary services and baggage cart management services by Beijing Capital Property Management Company Limited ("BCPM")	**142,773**	301,010	November 27 2008	The Parent Company is holding 75% of the issued share capital of BCPM directly and indirectly.
16. Provision of greening and environmental maintenance services by BCPM	**27,693**	44,552	January 31 2008	The Parent Company is holding 75% of the issued share capital of BCPM directly and indirectly.

	Transaction amounts for the year ended 31 December 2009 Rmb'000	Annual Cap Rmb'000	Date of relevant agreement	Relationship between contracting parties
17. Leasing of land on which the airfield and related areas of Phase III Asset are situated	**28,000** *note (2)*	28,000	October 26 2006 January 31 2008 (*)	The Parent Company is holding 56.61% of the issued share capital of the Company.
18. Leasing of Information Technology Center ("ITC") from CAHC	**16,343**	17,000	September 26 2008	The Parent Company is holding 56.61% of the issued share capital of the Company.
19. Leasing of land use rights from CAHC	**7,423**	7,454 *note (3)*	November 16 1999	The Parent Company is holding 56.61% of the issued share capital of the Company.
20. Provision of airport guidance services by CAVSM	**19,265**	20,000	May 5 2009	The Parent Company is holding 100% of the issued share capital of CAVSM.
21. Provision of airfield maintenance services by Beijing Aviation Construction Engineering Co., Ltd ("BAC")	**5,490**	5,490	May 5 2009	The Parent Company is holding 51.61% of the issued share capital of BAC indirectly.
22. Provision of engineering and lighting services for the construction of the M taxiway of the Beijing Airport by BAC	**27,635** *note (4)*	54,376 *note (4)*	August 14 2009	The Parent Company is holding 51.61% of the issued share capital of BAC indirectly.
23. Under the Financial Services Agreement: The maximum daily balance of the deposit with the Beijing Capital Airport Group Finance Company Limited("Finance Company")	**94,254**	87,000 *note (5)*	November 25 2008	The Parent Company is holding 100% of the issued share capital of Finance Company directly and indirectly.
24. Under the Financial Services Agreement: Provision of financial services except for the loan and guarantee services from Financial Company	**—**	10,000	November 25 2008	The Parent Company is holding 100% of the issued share capital of Finance Company directly and indirectly.

* refers to the date of related supplemental agreement.

Note:

(1) During the year 2008, CAHC acquired BAFM and BACT, both of which became subsidiaries of CAHC. During the year 2009, CAHC acquired BAA, and which became a subsidiary of CAHC. The Company announced on 27 November 2008 that no annual caps were set for the transactions with these companies.

(2) The agreement related to the leasing of land on which the airfield and related areas of Phase III Assets are situated from the Parent Company, including the rented areas and rental, is in the process of obtaining approval from the related land governmental authorities.

(3) With effect from 1999, the annual cap on the transaction is Rmb5,600,000. The cap on the transaction for 3 consecutive years should not be increased by more than 10%. The 2009 annual cap should not be more than 33.1% of the annual cap for 1999, amounting to Rmb7,454,000.

(4) The Restructure Engineering Services Agreement is for a term of 330 calendar days commencing within 5 days from 14 August 2009, the date of related services agreement. The maximum amount of the fee payable by the Company under the Restructure Engineering Services Agreement is approximately Rmb49,432,468 with any adjustment not more than 10% thereon, i.e., Rmb54,376,000. Up to 31 December 2009, a fee of Rmb27,635,000 was incurred.

(5) An announcement dated 25 November 2008 was issued regarding the annual cap of Rmb87,000,000 for daily deposit by the Company with the Finance Company for the year of 2009. The actual deposit for the year was Rmb94,254,000 and exceeded its annual cap, details of which was issued in the announcement of the Company dated 22 March 2010.

The aforesaid continuing connected transactions were reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed 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 2009 (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 samples 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. save for the maximum daily outstanding balance of deposits placed by the Company with Finance Company under the Financial Services Agreement as reported in the Company's announcement dated 22 March 2010, the amounts of the Transactions had not exceeded the relevant annual caps.

DISCLOSURE OF INTERESTS

As at 31 December 2009, 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.

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

As at 31 December 2009, the interests and long positions and short positions held by the following persons, 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	H shares	396,074,000(L)	Investment Manager	21.07%	9.15%
State Street Corporation	H shares	169,015,287(P)	Custodian	8.99%	3.90%
Artio Global Management LLC	H shares	150,572,516(L)	Investment Manager	8.01%	3.48%

(L) = Long Position

(S) = Short Position

(P) = Lending Pool

Note:

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

Mr. Dong Zhiyi, an executive director and the Chairman of the Board of the Company, is the General Manager and Vice Secretary of Communist Party of Capital Airports Holding Company.

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

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

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

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

As at 31 December 2009, 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 as set out in Appendix 10 of the Listing Rules. During the year ended 31 December 2009, 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 2009, 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 2009, 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 32 to the Financial Statements and the section headed "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 2009, 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

The details of emoluments of directors, supervisors and the five highest paid individuals during the financial year are set out in Note 25 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 2009.

PUBLIC FLOAT

As at 22 March 2010, the Board acknowledges that 1,879,364,000 H shares, representing 43.39% of the entire issued share capital of the Company are held by the public, which is in compliance with the minimum requirement of public float under Rule 8.08 of the Listing Rules.

AUDITORS

For the three years ended 31 December 2007, 2008 and 2009, 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 2009, to act as the Company's domestic and international auditor, respectively, for the year 2009.

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 2010 at the forthcoming AGM.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 12 June 2008, the annual general meeting 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 commenced from the conclusion of the annual general meeting on 12 June 2008 until the date of the annual general meeting of the Company to be held in 2011.

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 annual general meeting of the Company to be held in 2011, which will be the end of the fourth session of the Board. Also, the Board approved the appointment of Mr. Zhang Zhizhong as the Chairman of the Board with effect from 23 January 2009.

On 12 June 2009, the annual general meeting of the Company considered and approved the appointment of Mr. Yam Kum Weng as a non-executive director of the Company. His term will expire on the date of the annual general meeting of the Company to be held in 2011, which will be the end of the fourth session of the Board.

On 16 March 2010, Mr. Zhang Zhizhong tendered his resignation as the Chairman of the Board and the director of the Company as he has reached the retirement age. The Board considered and approved his resignation with effect immediately. On the same day, Mr. Dong Zhiyi was elected as the Chairman of the Board.

Currently, the Board Comprises nine directors, including one executive director, four 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. Seven board meetings (of which three meetings were held by way of circulating written documents) were held in the year of 2009, 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 annual general meeting 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 annual general meeting of the Company on 12 June 2008 until the date of the annual general meeting of the Company to be held in 2011.

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 annual general meeting of the Company to be held in 2011. 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 statutory compensation).

Due to reallocation of job appointment, Mr. Huang Gang tendered his resignation as the executive Deputy General Manager of the Company on 2 December 2009. On the same date, the Board considered and approved Mr. Huang's resignation which was effective immediately.

On 22 March 2010, the Board considered and approved the appointment of Mr. Zhang Guanghui as the General Manager of the Company and the appointment of Ms. Gao Lijia as the executive Deputy General Manager of the Company, both of their terms will expire on the date of the annual general meeting of the Company to be held in 2011, which will be the end of the fourth session of the Board. On the same date, the Board considered and approved the appointment of Mr. Zhang Guanghui as an executive director of the Company and will submit this proposal to the forthcoming AGM of the Company for consideration and approval.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Executive Director

Mr. Dong Zhiyi, aged 48, 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). 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 the general manager of the Parent Company since March 2010. From 1 February 2007 to 22 March 2010, Mr. Dong was the General Manager of the Company. On 16 March 2010, Mr. Dong was appointed as the Chairman of the Board of the Company.

Non-executive Directors

Mr. Chen Guoxing, aged 56, 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 Deputy General Manager of the Parent Company.

Mr. Gao Shiqing, aged 49, 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 Deputy General Manager of the Parent Company from July 2005.

Ms. Zhao Jinglu, aged 39, 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 has been the chief accountant and the manager of the Finance Department of Capital Airports Holding Company.

Mr. Yam Kum Weng, aged 45, graduated from the National University of Singapore with a Bachelor of Science Degree(Honours) in 1990. He has a Master's Degree in Business Administration from the Nanyang Technological University of Singapore. He started his career with the Civil Aviation Authority of Singapore in 1990 and has accumulated 20 years of experience in various management roles ranging from airport commercial development, airport management, aviation policy formulation, air traffic rights negotiations to air hub development. Mr. Yam held various leadership roles in the Civil Aviation Authority of Singapore. As Director (Airport Management) from 1999 to 2004, he led his team to win numerous world's best airport awards for Changi Airport. From October 2006 to April 2008, he was the Senior Director of the Changi Airport team, responsible for operating Abu Dhabi International Airport. Mr. Yam was Senior Director in-charge of air hub development of Changi Airport from June 2007 to June 2009, overseeing the marketing of Changi Airport to airlines, cargo companies and passengers. At the same time, he also served as leader of the Singapore delegation in bilateral air services negotiations. Following the corporatisation of Changi Airport in July 2009, Mr. Yam was appointed as Executive Vice President (Air Hub Development) of the Changi Airport Group (Singapore). Mr. Yam was awarded the Public Service Medal (Silver) by the President of the Republic of Singapore in 2003. He has been a non-executive director of the Company since June 2009.

Independent Non-executive Directors

Mr. Kwong Che Keung, Gordon, aged 60, has been an Independent Non-executive Director of the Company since October 1999. Mr. Kwong is also the Independent Non-executive Director of a number of companies listed on the Stock Exchange, namely Tianjin Development Holdings Limited, Cosco International Holdings Limited, Frasers Property (China) Limited, NWS Holdings Limited, China Oilfield Services Limited, OP Financial Investments Limited(Formerly known as Concepta Investments Ltd), China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, Quam Limited, CITIC 1616 Holdings Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, and Agile Property Holdings Limited. He has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants. From 1984 to 1998, Mr. Kwong was a partner of the Pricewaterhouse and was an independent member of the Council of the Hong Kong Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the compliance committee and the listing committee. He previously served as an independent non-executive director of New World Mobile Holdings Limited (listed in Hong Kong) until his resignation in February 2007, an independent non-executive director of Tom Online Inc. (previously listed in Hong Kong), which was privatized in September 2007, and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd with a term of 3-year ended on June 2009.

Mr. Dong Ansheng, aged 58, 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 studies 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), Sichuan Western Resources Holding Co., Ltd. (listed on the Shanghai 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 58. 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 BinHai Investment Company Limited (Formerly "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 55, graduated from School of Economics of Peking 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. 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 48, 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 51, 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 degree of Executive Master of 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. She was the chairman of labor union of the Company and the general secretary of the disciplinary committee of the Company on January 2003. Ms. Li has been the party secretary of the Company since March 2010.

Mr. Tang Hua, aged 31, was re-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; the manager of the union under the department of CCP working group in June 2005; and the manager of Customer Service Center of the Company in October 2007. Mr. Tang has been a manager of Operation Plan of the Company since April 2008.

Mr. Han Xiaojing, aged 55, 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 Political Science 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. He was also one of the initiators of the Commerce & Finance Law Office in Beijing, which was founded in 1992. In addition, Mr. Han is the independent non-executive director of Overseas Chinese Town Holding Limited and Sino-Ocean Land Limited. Mr. Han has been a supervisor of the Company since October 1999.

Mr. Xia Zhidong, aged 56, 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 vice chairman and partner of Tin Wha CPAs; while Mr Xia is the independent non-executive director of CITIC-Prudential Fund Management Company Ltd.. From March 2006 to November 2009, Mr. Xia was the independent non-executive director of Beijing Shougang Company Limited. 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 in 2008, and the independent non-executive directorship of each of Mr. Kwong Che Keung, Gordon, Mr. Dong Ansheng, Mr. Japhet Sebastian Law, Mr Han Xiaojing and Mr. Xia Zhidong 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. Zhang Guanghui, aged 56, graduated from Radio Engineering department of Northern Jiaotong University, and obtained Master's degree of Law Theory of Party School of the Central Committee of C.P.C. Mr. Zhang has over 20 years of experience in civil aviation industry. From July 1974 to July 1988, Mr. Zhang was in service for China Civil Airport Designing Institute consecutively as technician, assistant engineer, engineer and the Deputy Director of communication office. From July 1988 to November 1991, Mr. Zhang worked as the Deputy Director of Navigation & Communication division of China Civil Airport Designing Academy. From November 1991 to January 2000, Mr. Zhang served as the Vice President of China Civil Airport Designing Academy, the Deputy General Manager of China Civil Aviation Airport Construction & Engineering Company in succession. From January 2000 to March 2003, Mr. Zhang Guanghui served as the Deputy Chief of Civil Airport Department of CAAC. From March 2003 to March 2010, Mr. Zhang Guanghui served as the Chief of Civil Airport Department of CAAC. Mr. Zhang was appointed as the General Manager of the Company on 22 March 2010.

Ms. Gao Lijia, aged 45, 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. On 22 March 2010, Ms. Gao was appointed as the executive Deputy General Manager of the Company.

Mr. Zhang Bing, aged 57, was re-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 39, was re-appointed as the Deputy General Manger of the Company on 12 June 2008. 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 of CAAC; from December 2005 to November 2007, he served as director of the General Office of CAAC.

Mr. Shu Yong, aged 37, 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 manager assistant 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
Dong Zhiyi
Chairman

Beijing, the PRC, 22 March 2010

CONTINUOUS GROWTH OF AIR TRAFFIC VOLUME

In 2009, driven by strong domestic demand and the increase in capacity caused by Terminal Three's operation, the air traffic volumes at the Beijing Capital Airport maintained a double-digit rapid growth, details of which are set out as follows:

		2009	2008	Change *(%)*
Aircraft Movements		**488,495**	431,670	13.2%
Including:	Domestic	**392,663**	333,171	17.9%
	International, Hong Kong, Macau & Taiwan	**95,832**	98,499	-2.7%
Passenger Throughput		**65,372,012**	55,937,300	16.9%
Including:	Domestic	**51,273,605**	42,540,500	20.5%
	International, Hong Kong, Macau & Taiwan	**14,098,407**	13,396,800	5.2%
Cargo and Mail Throughput *(unit: tonnes)*		**1,475,649**	1,365,768	8.0%
Including:	Domestic	**842,612**	727,192	15.9%
	International, Hong Kong, Macau & Taiwan	**633,037**	638,576	-0.9%

OVERVIEW OF THE REVENUES

In 2009, the Company's revenues were Rmb4,964,869,000, representing an increase of 7.4% as compared with the previous year; of which, aeronautical revenues were Rmb3,130,319,000, representing an increase of 11.3% as compared with the previous year and non-aeronautical revenues were Rmb1,834,550,000, representing an increase of 1.3% as compared with the previous year.

Aeronautical Revenues

In 2009, through the rapid growth of aircraft movements in domestic routes, the Company's revenues from passenger charges were Rmb1,258,969,000, representing a significant increase of 17.6% as compared with the previous year. In respect of aircraft movement and related fees, the surcharge of the aircraft movement fees (10% of aircraft movement fees payable by the airline clients) was suspended to be levied for the year of 2009, according to the ten measures by CAAC to cope with the financial crisis. Affected by the above measure, the aircraft movement fees and related charges were Rmb1,043,848,000 in 2009, representing an increase of 2.2% as compared with the previous year, and did not match the increase in air traffic volumes as a result. In 2009, the Company's airport fee revenues were Rmb827,502,000, representing an increase of 14.7% as compared with the previous year.

	2009 ***Rmb'000***	2008 *Rmb'000*	Change *(%)*
Passenger charges	**1,258,969**	1,070,586	17.6%
Aircraft movement fees and related charges	**1,043,848**	1,021,623	2.2%
Airport Fee	**827,502**	721,513	14.7%
Total aeronautical revenues	**3,130,319**	2,813,722	11.3%

Non-aeronautical Revenues

In 2009, the Company's non-aeronautical revenues did not realize substantial growth due to the impacts of the economic crisis. The concession revenues of the Company were Rmb1,080,443,000 in 2009, representing a decrease of 10.3% as compared with the previous year. The concession revenues from advertising were Rmb541,708,000, representing a decrease of 17.6% as compared with the previous year, which were mainly because several advertising clients cut costs and decreased their advertising expenses due to the impacts of the economic crisis. The total concession revenues from retail and restaurants for the year of 2009 were Rmb414,948,000 and Rmb91,290,000 respectively, an increase of 9.2% and an increase of 16.6% as compared with the previous year, which was mainly resulting from the recovery of the businesses of retail and restaurants caused by the recovery of economy in the second half year of 2009. In 2009, the concession revenues from ground handling service declined to Rmb24,167,000, representing a decrease of 68.3% as compared with the previous year, mainly because the Company and certain ground handling service providers were unable to reach an agreement governing the relevant terms of transaction in respect of the ground handling service income. In 2009, other concession revenues of the Company were Rmb8,330,000, representing a decrease of 38.9% as compared with the previous year, mainly because the Company no longer charged a concession fee for air catering services.

In 2009, as Terminal Three was put into operation on 26 March 2008, there were 3 more months for the commercial areas being rented out in the reporting period as compared with the previous year, and consequently the rental income of the Company were Rmb693,532,000, representing an increase of 28.5% as compared with the previous year.

In 2009, the Company's revenues from car parking were Rmb31,763,000, representing a decrease of 16.6% as compared with the previous year, mainly because after Terminal Three were put into use, utilisation of car parking in Terminal One and Terminal Two was diverted and the vehicle flow decreased as compared with the previous year.

In 2009, other revenues of the Company were Rmb28,812,000, representing an increase of 3.0% as compared with the previous year, which include revenues from management and operation service fees of the ground traffic centre ("GTC"), airport pass service revenues, etc.

		2009	2008	change
		Rmb'000	*Rmb'000*	*(%)*
Concession revenues		**1,080,443**	1,205,092	-10.3%
Including:	Advertising	**541,708**	657,015	-17.6%
	Retail	**414,948**	379,916	9.2%
	Restaurants	**91,290**	78,314	16.6%
	Ground handling	**24,167**	76,211	-68.3%
	Other concession	**8,330**	13,636	-38.9%
Rentals		**693,532**	539,553	28.5%
Car parking fee		**31,763**	38,085	-16.6%
Others		**28,812**	27,986	3.0%
Total non-aeronautical revenues		**1,834,550**	1,810,716	1.3%

OPERATING EXPENSES

	2009 Rmb'000	2008 Rmb'000	change (%)
Depreciation and amortisation	**1,555,748**	699,184	122.5%
Utilities and power	**562,408**	517,009	8.8%
Repairs and maintenance	**438,280**	495,177	-11.5%
Staff costs	**323,153**	344,366	-6.2%
Aviation safety and security guard costs	**317,527**	296,440	7.1%
Greening and environmental maintenance	**196,734**	211,099	-6.8%
Operating contracted service	**191,194**	149,401	28.0%
Real estate and other taxes	**144,908**	127,416	13.7%
Rental expenses	**65,603**	1,179,100	-94.4%
Other costs	**238,886**	258,765	-7.7%
Total operating expenses	**4,034,441**	4,277,957	-5.7%

In 2009, due to the scale effect of the utilisation of the Phase III Assets and the significant results from costs control measures, the total operating expenses of the Company were Rmb4,034,441,000, representing a decrease of 5.7% as compared with the previous year.

In 2009, the depreciation and amortisation expenses of the Company were Rmb1,555,748,000, representing an increase of 122.5% as compared with the previous year, mainly because there were additional nine months' depreciation and amortisation expenses in the reporting period for the Phase III Assets acquired by the Company from the Parent Company on 1 October 2008, as compared with the previous year.

In 2009, the utilities and power expenses of the Company were Rmb562,408,000, representing an increase of 8.8% as compared with the previous year, mainly due to the longer energy-supply period in the reporting period as the Phase III Assets were operated for a full year basis in 2009 while the related assets were put into trial run operation since 29 February 2008.

In 2009, the repairs and maintenance expenses of the Company were Rmb438,280,000, representing a decrease of 11.5% as compared with the previous year, mainly because the projects of renovation and decoration of certain buildings had been completed in the previous year in order to enable the utilisation of Phase III Assets to meet the demand of business and operation while there was no such project in the reporting period.

In 2009, the staff costs of the Company were Rmb323,153,000 representing a decrease of 6.2% as compared with the previous year, mainly because the decrease in the cost related to the retirement benefit plan charged to the statement of comprehensive income as a result of an adjustment in the applicable discount rate.

In 2009, the aviation safety and security guard costs of the Company were Rmb317,527,000, representing an increase of 7.1% as compared with the previous year, which were mainly due to the increase in aviation and security guard services resulting from the longer operating time of Terminal Three when comparing with previous year and the increase in passenger throughput.

In 2009, the greening and environmental maintenance expenses of the Company were Rmb196,734,000, representing a decrease of 6.8% as compared with the previous year, mainly because there were some extraordinary expenses in the previous year to facilitate the operation of the Phase III Assets while there were no such expenses in 2009.

In 2009, the operating contracted service expenses of the Company, comprised primarily the operating service fees for the luggage system, the boarding bridge system, the driverless electric train system, etc, were Rmb191,194,000, representing an increase of 28.0% as compared with the previous year, which were mainly resulted from the longer operating time for the Phase III Assets in 2009, as compared with the previous year.

In 2009, the real estate taxes and other taxes of the Company were Rmb144,908,000, representing an increase of 13.7% as compared with the previous year, mainly because the Company was responsible for two more months' real estate taxes levied on the Phase III Assets in 2009 as compared with 2008.

In 2009, the rental expenses of the Company were Rmb65,603,000, representing a decrease of 94.4% as compared with the previous year, mainly because the Company rented the Phase III Assets from the Parent Company from 26 March 2008 to 30 September 2008 while there were no such expenses in 2009.

In 2009, the other costs of the Company were Rmb238,886,000, representing a decrease of 7.7% as compared with the previous year, mainly because of the decline in related expenditures as a result of stronger costs control measures taken by the Company.

OTHER ITEMS IN THE INCOME STATEMENT

In 2009, other income of the Company was Rmb21,180,000, which mainly included foreign exchange gain and government subsidies.

In 2009, the financial costs of the Company were Rmb337,269,000, representing the interest expenses of the Company for the year as a result of the assumption of liabilities from the Parent Company from 1 October 2008 as part of the consideration for the acquisition of the Phase III Assets.

In 2009, the income tax expense of the Company was Rmb102,557,000.

PROFIT FOR THE YEAR

For the financial year ended 31 December 2009, the profit of the Company for the year totaled RMB300,800,000, representing an increase of 252.5% as compared with the previous year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Company's businesses are principally denominated in Rmb, except for non-aeronautical revenues, the purchases of certain equipment, goods and materials and payment of consulting fees which are paid in United States dollars ("US dollars" or "USD") and Hong Kong dollars ("HK dollars" or "HKD"). Dividends to the shareholders of the Company holding H Shares are declared in Rmb and payable in HK dollars.

According to the overall plan of acquisition of the Phase III Assets, the Company assumed the US dollar-denominated loans of USD391,442,000 from the European Investment Bank related to the Phase III Assets and the interest thereof since 1 October 2008. Accordingly, the fluctuation of Rmb exchange rate against the US dollar will affect the financial results of the Company.

As at 31 December 2009, the assets and liabilities of the Company denominated in foreign currencies (mainly in USD and HKD) included cash and cash equivalents of approximately Rmb7,689,000 (2008: Rmb6,456,000), trade and other receivables of approximately Rmb43,121,000 (2008: Rmb9,477,000), trade and other payables of approximately Rmb136,000 (2008: Rmb137,000), and loans of approximately Rmb2,672,841,000 (2008: Rmb2,489,126,000) from the Parent Company. During the year of 2009, the Company recorded an exchange gain of Rmb2,443,000.

EXPOSURE TO FLUCTUATIONS IN INTERESTS RATES

The total amount of the long-term loans from the Parent Company and current portion of the long-term loans from the Parent Company of the Company is Rmb8,672,841,000, which includes the loans from the European Investment Bank which was assumed from the Parent Company at an interest rate 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 LIBOR and rates of People's Bank of China will affect the interest expenses and financial results of the Company.

CONTINGENT LIABILITIES

As at 31 December 2009, the Company had no significant contingent liabilities. The details of the Company's contingencies are set out in Note 29 to the Financial Statements.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's net cash generated from operating activities in 2009 amounted to Rmb1,327,726,000, representing an increase of Rmb105,978,000 as compared with Rmb1,221,748,000 for the year of 2008. Net cash outflow from investing activities in 2009 amounted to Rmb881,802,000, of which the payment made for the purchase of property, plant and equipment amounting to Rmb331,447,000. In 2009, the Company's net cash outflow from financing activities amounted to Rmb338,777,000.

As at 31 December 2009, the Company had total cash and cash equivalents amounting to Rmb683,595,000, as compared to the cash and cash equivalents of the Company amounted to Rmb576,458,000 as at 31 December 2008.

As at 31 December 2009, the current ratio of the Company was 0.15, and that as at 31 December 2008 was 0.15. Such ratios were computed by dividing the total current assets by total current liabilities as at those respective dates.

As at 31 December 2009, the liability-to-asset ratio of the Company was 65.55%, and that as at 31 December 2008 was 67.33%. Such ratios were computed by dividing the total amount of liabilities by the total assets as at those respective dates.

As at 31 December 2009, the capital and reserves of the Company was Rmb12,610,664,000 and that as at 31 December 2008 was Rmb12,309,864,000.

As at 31 December 2009, the Company had unutilised loan facilities totalling approximately Rmb19,941,398,000 (2008: Rmb13,500,000,000). The Company may use the bank credit mentioned above partly or totally according to the requirements of the operation of the Company.

THE POLICY RELATED TO THE AIRPORT FEE

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 2009, the Company recognised 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 2009, the Company's bank loans amounted to Rmb12,800,000,000 at an annual interest rate of 3.5%.

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:**

	2009	2008
Total employees	**1,997**	1,965

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

The details of the employees' pension scheme are set out in Note 17 to the Financial Statements.

3. Employees' housing benefits

The details of the employees' housing benefits are set out in Note 18 to the Financial Statements.

4. Employees' basic medical insurance and commercial medical insurance

With effect from 1 January 2003, the Company 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 provides supplemental medical insurance benefits to its employees on certain amount. Other than this, the Company no longer pays cash medical subsidies or medical compensations to its employees.

CHARGE ON ASSETS

There were no assets charged or pledged for the year ended 31 December 2009.

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 2009.

During the year ended 31 December 2009 and to the date of 22 March 2010, 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 session 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 annual general meeting of the Company to be held in 2011. The changes of directors, the list of directors and their respective biographies are set out on pages 30 to 36 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 is comprised of nine directors, including one executive director: Mr. Dong Zhiyi; four non-executive directors: Mr. Chen Guoxing, Mr. Gao Shiqing, Ms. Zhao Jinglu and Mr. Yam Kum Weng; 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 2009, the Board held seven meetings (of which three meetings were held by way of circulating written documents) 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 2009 are set out as follows:

		Number of attendance
Zhang Zhizhong	Chairman, executive director (Appointed on 23 January 2009 and resigned on 16 March 2010)	7/7
Dong Zhiyi	General manager, executive director (Elected as Chairman of the Board on 16 March 2010 and resigned as the General Manager on 22 March 2010)	7/7
Chen Guoxing	Non-executive director	7/7
Gao Shiqing	Non-executive director	7/7
Zhao Jinglu	Non-executive director	7/7
Yam Kum Weng	Non-executive director (Appointed on 12 June 2009) *(note)*	5/5
Kwong Che Keung, Gordon	Independent non-executive director	7/7
Dong Ansheng	Independent non-executive director	7/7
Japhet Sebastian Law	Independent non-executive director	7/7
Wang Xiaolong	Independent non-executive director	7/7

Note: Mr. Yam Kum Weng was elected as a non-executive director of the Board at the annual general meeting of the Company on 12 June 2009, therefore, he did not attend any Board meetings before 12 June 2009.

During the year ended 31 December 2009, the number of board meetings, the meeting procedures, the meeting records, rules of procedures and other related matters are all in compliance with the code provisions. The number of board meetings and individual attendance of each director represent that each director is diligent, committed to his work and devoted to make contributions to the Company and the shareholder's interests as a whole.

The Board has reviewed the effectiveness of the internal control system of the Company and confirmed 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 2009 and during the period ended 16 March 2010, two executive directors of the Company, Mr. Zhang Zhizhong 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.

CHANGES OF MANAGEMENT

On 2 December 2009, Mr. Huang Gang resigned from the position as executive deputy general manager and the Board approved the resignation of Mr. Huang on the same date.

On 22 March 2010, Mr. Dong Zhiyi, the chairman of the Board and the executive director of the Company, resigned from the position of General Manager of the Company. On the same date, the Board of the Company considered and approved the appointment of Mr. Zhang Guanghui as the General Manager of the Company and the appointment of Ms. Gao Lijia as the executive deputy general manager of the Company.

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 on 12 June 2008 to the date of the annual general meeting of the Company to be held in 2011, being the period during the term of office of the fourth session of the Board. On 12 June 2009, the annual general meeting of the company considered and approved the appointment of Mr. Yam Kum Weng as the non-executive director of the Company, whose term will expire on the date of the annual general meeting of the Company to be held in 2011, which is the end of the fourth session of the Board.

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 session of the Board re-appointed the members of the Remuneration Committee. At present, the Remuneration Committee is comprised of five members, including four independent non-executive directors and one non-executive director, namely Mr. Wang Xiaolong (the Chairman of the Remuneration Committee), Mr. Japhet Sebastian Law, Mr. Kwong Che Keung, Gordon, Mr. Dong Ansheng and Mr. Gao Shiqing.

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 the current session of the Board, each executive director's annual emolument includes both fixed portion and floating portion, which is detailed in Note 25 to the Financial Statements together with other directors' emoluments.

THE NOMINATION COMMITTEE

The Board decided to establish a Nomination Committee under the Board on 26 March 2007. On 12 June 2008, the fourth session of the Board 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 meetings.

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 plans 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 qualifications 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.

THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 10 January 2000. On 12 June 2008, the fourth session of the Board 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 three meetings in 2009 and the average attendance rate was 100%. Records of attendance of the Audit Committee members in 2009 are as follows:

Committee Members	**Number of Attendance**
Mr. Kwong Che Keung, Gordon *(Chairman)*	3/3
Dong Ansheng	3/3
Japhet Sebastian Law	3/3
Wang Xiaolong	3/3

At the meetings of Audit Committee in 2009, 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 2009, the Audit Committee has also assessed the internal control system of the Company and considered it's effective. The Audit Committee has reviewed the 2009 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 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 session of the Board re-appointed the members of the Strategy Committee. The members of the Strategy Committee are appointed out of the executive directors by the Board.

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;

- to 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, 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 three meetings in 2009. 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 2009 had been discussed in meetings before they were submitted to the Board for approval.

AUDITOR'S REMUNERATION

The external auditors of the Company are PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company which provide the Company with audit services. During the year ended 31 December 2009 and the period up to the date of publication of this annual report, a total service fee of Rmb3,300,000 was paid by the Company in respect of the audit and audit related services. And the Company incurred Rmb100,000 for non-auditing service performed by PricewaterhouseCoopers Zhong Tian CPAs Limited Company for the period up to the date of publication of this annual report.

In the annual general meeting of the Company held on 12 June 2009, 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 2009.

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 manners:

1. Delivery of the interim and annual results and reports and publication of the annual and interim results, and 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, compiling reports regularly, and selectively adopting them to the operations of the Company; and

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

To all shareholders:

During the year ended 31 December 2009, in accordance with the PRC Company Law, the Listing Rules and the Company's articles of association, all members of the Supervisory Committee have performed their duties properly and carried out their work on the principles of reasonableness, prudence, diligence and initiative.

The fourth session of the Supervisory Committee was elected by the Company's shareholders and was established on 12 June 2008. The term of the office will last till the annual general meeting of the Company to be held in 2011.

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

During the reporting period, the Supervisory Committee of the Company held one meeting.

On 24 April 2009, Supervisory Committee held the meeting for this year was which presided by Mr. Wang Zuoyi. The Supervisory Committee considered and approved "*The Report of Supervisory Committee of the Company for 2008*".

During the reporting period, the Supervisory Committee attended the Board meetings for fourth times, and participated in important activities of the Company, such as the working meetings of the general managers, reviewed and gave advice on the Company's finance, operations and daily management. The Supervisory Committee has carefully reviewed the operating results and financial position of the Company for the year of 2009, and is not aware of any action against the interests of the shareholders, the Company, the Company's articles of association and the relevant laws.

The Supervisory Committee has carefully reviewed the report of the directors, the financial statements and the profit appropriation proposal to be submitted to the AGM of the Company for the year ended 31 December 2009 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 diligence and fiduciary principles, performing their duties in good faith with taking the interests of the shareholders and the Company as their primary consideration. The Company is in excellent operation.

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

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

Beijing, the PRC, 22 March 2010

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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 156, which comprise the balance sheet as of 31 December 2009, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 judgement, 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 of 31 December 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2010

BALANCE SHEET

As at 31 December 2009

	Note	2009 Rmb'000	2008 Rmb'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**33,095,556**	34,217,029
Land use rights	7	**744,184**	760,414
Intangible assets	8	**106,291**	127,013
Investment in an associate	9	**—**	24,689
Deferred income tax assets	16	**111,621**	87,358
		34,057,652	35,216,503
Current assets			
Inventories		**57,906**	24,002
Trade and other receivables	10	**1,808,599**	1,862,956
Cash and cash equivalents	11	**683,595**	576,458
		2,550,100	2,463,416
Total assets		**36,607,752**	37,679,919
EQUITY			
Capital and reserves			
Share capital	12	**4,330,890**	4,330,890
Share premium		**4,602,735**	4,602,735
Capital reserve	13(a)	**300,000**	300,000
Statutory and discretionary reserves	13(b)	**1,974,416**	1,937,032
Retained earnings		**1,255,892**	1,139,207
Proposed final dividend	28	**146,731**	—
Total equity		**12,610,664**	12,309,864

	Note	2009 Rmb'000	2008 Rmb'000
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	17	**60,950**	66,616
Deferred income	19	**8,391**	11,929
Loans from Parent Company	20	**6,606,020**	8,489,126
		6,675,361	8,567,671
Current liabilities			
Trade and other payables	14	**2,361,178**	16,756,172
Short-term bank borrowings	15	**12,800,000**	—
Current income tax liabilities		**91,577**	44,173
Current portion of retirement benefit obligations	17	**2,151**	2,039
Current portion of loans from Parent Company	20	**2,066,821**	—
		17,321,727	16,802,384
Total liabilities		**23,997,088**	25,370,055
Total equity and liabilities		**36,607,752**	37,679,919
Net current liabilities		**(14,771,627)**	(14,338,968)
Total assets less current liabilities		**19,286,025**	20,877,535

The notes on pages 75 to 156 are an integral part of these financial statements.

The financial statements on pages 68 to 156 were authorised for issue by the Board of Directors on 22 March 2010 and were signed on its behalf.

Dong Zhiyi
Chairman

Zhao Jinglu
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 Rmb'000	2008 Rmb'000
Revenues			
Aeronautical	5	**3,130,319**	2,813,722
Non-aeronautical	5	**1,834,550**	1,810,716
		4,964,869	4,624,438
Business tax and levies			
Aeronautical		**(101,422)**	(91,165)
Non-aeronautical		**(113,971)**	(115,084)
		(215,393)	(206,249)
Operating expenses			
Depreciation and amortisation	6, 7 and 8	**(1,555,748)**	(699,184)
Utilities and power		**(562,408)**	(517,009)
Repairs and maintenance		**(438,280)**	(495,177)
Staff costs	21	**(323,153)**	(344,366)
Aviation safety and security guard costs		**(317,527)**	(296,440)
Greening and environmental maintenance		**(196,734)**	(211,099)
Operating contracted service		**(191,194)**	(149,401)
Real estate and other taxes		**(144,908)**	(127,416)
Rental expenses		**(65,603)**	(1,179,100)
Other costs		**(238,886)**	(258,765)
		(4,034,441)	(4,277,957)
Other income/(expenses) — net	22	**21,180**	(5,847)
Operating profit	23	**736,215**	134,385

For the year ended 31 December 2009

	Note	2009 Rmb'000	2008 Rmb'000
Finance income	24	**4,411**	27,371
Finance costs	24	**(337,269)**	(92,769)
		(332,858)	(65,398)
Profit before income tax		**403,357**	68,987
Income tax (expense)/credit	26	**(102,557)**	16,344
Profit for the year		**300,800**	85,331
Total comprehensive income for the year		**300,800**	85,331
Earnings per share, basic and diluted *(Rmb)*	27	**0.07**	0.02
Dividends			
Interim dividend declared	28	**—**	—
Final dividend proposed	28	**146,731**	—

The notes on pages 75 to 156 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Note	Share capital	Share premium	Capital reserve	Statutory and discretionary reserves	Retained earnings	Total equity
	Note	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*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
Total comprehensive income for the year		—	—	—	—	85,331	85,331
New shares issue	12	284,740	1,569,911	—	—	—	1,854,651
2007 final dividend		—	—	—	—	(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
Balance at 31 December 2008		4,330,890	4,602,735	300,000	1,937,032	1,139,207	12,309,864

	Note	Share capital	Share premium	Capital reserve	Statutory and discretionary reserves	Retained earnings	Total equity
		Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*	*Rmb'000*
Balance at 1 January 2009		4,330,890	4,602,735	300,000	1,937,032	1,139,207	12,309,864
Profit for the year		—	—	—	—	300,800	300,800
Total comprehensive income for the year		—	—	—	—	300,800	300,800
Transfer to statutory and discretionary reserves	13(b)	—	—	—	37,384	(37,384)	—
Balance at 31 December 2009		4,330,890	4,602,735	300,000	1,974,416	1,402,623	12,610,664
Representing:							
Share capital and reserves		4,330,890	4,602,735	300,000	1,974,416	1,255,892	12,463,933
2009 proposed final dividend	28	—	—	—	—	146,731	146,731
Balance at 31 December 2009		4,330,890	4,602,735	300,000	1,974,416	1,402,623	12,610,664

The notes on pages 75 to 156 are an integral part of these financial statements.

For the year ended 31 December 2009

	Note	2009 Rmb'000	2008 Rmb'000
Cash flows from operating activities			
Cash generated from operations	31	1,407,142	1,547,702
Income tax paid		(79,416)	(325,954)
Net cash from operating activities		1,327,726	1,221,748
Cash flows from investing activities			
Purchase of property, plant and equipment		(331,447)	(377,625)
Purchase of intangible assets		(15,063)	(11,673)
Payment for acquisition of Phase III Assets		(567,705)	(4,900,000)
Proceeds from dissolution of an associate		24,689	—
Proceeds from sale of property, plant and equipment		157	14,022
Interest received		7,567	24,837
Net cash used in investing activities		(881,802)	(5,250,439)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		—	1,854,651
Draw down of short-term bank borrowings		84,535	—
Repayment of short-term bank borrowings		(84,535)	—
Interest paid		(338,777)	—
Dividends paid		—	(369,130)
Net cash (used in)/from financing activities		(338,777)	1,485,521
Net increase/(decrease) in cash and cash equivalents		107,147	(2,543,170)
Cash and cash equivalents at beginning of year		576,458	3,134,996
Effect of exchange rate changes		(10)	(15,368)
Cash and cash equivalents at end of year	11	683,595	576,458

The notes on pages 75 to 156 are an integral part of these financial statements.

1 GENERAL INFORMATION

Beijing Capital International Airport Company Limited (the "Company") was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 15 October 1999 and is listed on The Stock Exchange of Hong Kong Limited since 1 February 2000. The Company is majority owned by Capital Airports Holding Company, a state-owned enterprise established in the PRC ("CAHC" or the "Parent Company").

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

These financial statements were authorised for issue by the Board of Directors on 22 March 2010.

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 2009, the current liabilities of the Company exceeded the current assets by approximately Rmb14,771,627,000 (2008: Rmb14,338,968,000), which comprised primarily short-term bank borrowings of Rmb12,800,000,000. Given the debt obligations and working capital requirements, management has thoroughly considered the Company's available sources of funds as follows:

- Proceeds from domestic corporate bond offering of Rmb4.9 billion (Note 33);

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

- The Company's continuous net cash inflow from operating activities; and

- Unutilised long-term banking facilities of Rmb18.5 billion.

Based on the above considerations, the Board of Directors 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 2009 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 judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

The following new/revised standards and amendments to standards are mandatory for the financial year beginning on 1 January 2009:

IAS 1 (Revised) and Amendment	"Presentation of Financial Statements"
IAS 16 Amendment	"Property, Plant and Equipment"
IAS 19 Amendment	"Employee Benefits"
IAS 20 Amendment	"Accounting for Government Grants and Disclosure of Government Assistance"
IAS 23 (Revised) and Amendment	"Borrowing Costs"
IAS 27 Amendment	"Consolidated and Separate Financial Statements"
IAS 28 Amendment	"Investments in Associates"
IAS 31 Amendment	"Interests in Joint Ventures"
IAS 32 Amendment and IAS 1 Amendment	"Puttable Financial Instruments and Obligations Arising on Liquidation"
IAS 34 Amendment	"Interim Financial Reporting"
IAS 36 Amendment	"Impairment of Assets"
IAS 38 Amendment	"Intangible Assets"
IAS 39 Amendment	"Financial Instruments: Recognition and Measurement"
IAS 40 Amendment	"Investment Property"
IFRS 1 and IAS 27 Amendments	"Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
IFRS 2 Amendment	"Share-based Payment - Vesting Conditions and Cancellations"
IFRS 7 Amendment	"Improving Disclosures about Financial Instruments"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

IFRS 8	"Operating Segments"
IFRIC 15	"Agreements for the Construction of Real Estate"
IFRIC 16	"Hedges of a Net Investment in a Foreign Operation"
IFRIC 9 and IAS 39 Amendments	"Embedded Derivatives"

Except for certain presentational changes as described below, the adoption of the above new/revised standards and amendments to standards does not have any significant impact on the financial statements.

- IAS 1 (revised), 'Presentation of Financial Statements'. The revised standard prohibits 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' are required to be shown in a performance statement.

  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).

  The Company has elected to present one statement: a statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

- IFRS 8, 'Operating Segments'. IFRS 8 replaces IAS 14, 'Segment Reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes as set out in Note 2(c).

In 2009, the Company has also early adopted IAS 24 (revised), 'Related Party Disclosures" which is effective for annual periods beginning on or after 1 January 2011. The amendment introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government-related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually-significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted:

		Effective for accounting periods beginning on or after
New or revised standards, interpretations and amendments		
IAS 27 (Revised)	"Consolidated and Separate Financial Statements"	1 July 2009
IAS 32 Amendment	"Classification of Right Issues"	1 February 2010
IAS 39 Amendment	"Financial Instruments: Recognition and Measurement - Eligible hedged items"	1 July 2009
IFRS 1 (Revised)	"First-time Adoption of International Financial Reporting Standards"	1 July 2009
IFRS 1 Amendment	"Additional Exemptions for First-time Adopters"	1 January 2010
IFRS 2 Amendment	"Group Cash-settled Share-based Payment Transactions"	1 January 2010
IFRS 3 (Revised)	"Business Combinations"	1 July 2009
IFRS 9	"Financial Instruments"	1 January 2013
IFRIC 14 Amendment	"Prepayments of a Minimum Funding Requirement"	1 January 2011
IFRIC 17	"Distributions of Non-cash Assets to Owners"	1 July 2009
IFRIC 18	"Transfer of Assets from Customers"	1 July 2009
IFRIC 19	"Extinguishing Financial Liabilities with Equity Instruments"	1 July 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

		Effective for accounting periods beginning on or after
Improvements to existing standards		
IAS 1 Amendment	"Presentation of Financial Statements"	1 January 2010
IAS 7 Amendment	"Statement of Cash Flows"	1 January 2010
IAS 17 Amendment	"Leases"	1 January 2010
IAS 18 Amendment	"Revenue"	1 January 2010
IAS 36 Amendment	"Impairment of Assets"	1 January 2010
IAS 38 Amendment	"Intangible Assets"	1 July 2009
IAS 39 Amendment	"Financial Instruments: Recognition and Measurement"	1 January 2010
IFRS 2 Amendment	"Share-based Payments"	1 July 2009
IFRS 5 Amendment	"Non-current Assets Held for Sale and Discontinued Operations"	1 January 2010
IFRS 8 Amendment	"Operating Segments"	1 January 2010
IFRIC 9 Amendment	"Reassessment of Embedded Derivatives"	1 July 2009
IFRIC 16 Amendment	"Hedges of a Net Investment in a Foreign Operation"	1 July 2009

Management is in the process of assessing the impact of these new standards, amendments to standards and interpretations on the financial statements.

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 statement of comprehensive income, 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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Strategy Committee that makes strategic decisions.

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 statement of comprehensive income. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other expenses'.

(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 statement of comprehensive income during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

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)).

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 statement of comprehensive income.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Land use rights

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

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value of inventories, represented by the spare parts and consumable items, is the expected amount to be realised from use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default 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 statement of comprehensive income within 'other expenses'. When a trade or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'other costs' in the statement of comprehensive income.

(k) Cash and cash equivalents

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

(l) Share capital

Ordinary shares are classified as equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 statement of comprehensive income over the period of the borrowings using the effective interest method.

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

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Current and deferred income tax (Continued)

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, 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, Towers Perrin (a Towers Waston Company), 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 statement of comprehensive income immediately.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (Continued)

(1) Pension obligations (Continued)

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

(2) Other post-employment obligations

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

(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 statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenues / income recognition

Revenues comprise 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. The amount of revenues is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenues when the amount of revenues 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 revenues 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 revenues comprise 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 Civil Aviation Administration of China (the "CAAC").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenues / income recognition (Continued)

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Rmb. The Company is exposed to foreign currency risk with respect to primarily United States dollar ("US dollar" or "USD") and Hong Kong dollar ("HK dollar" or "HKD"). Foreign currency risk arises from transactions including revenues from non-aeronautical revenues, purchases of equipment, goods and materials, payment of consulting fee and part of the loans 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 2009, all of the Company's assets and liabilities were denominated in Rmb except that cash and cash equivalents of approximately Rmb7,689,000 (2008: Rmb6,456,000), trade and other receivables of approximately Rmb43,121,000 (2008: Rmb9,477,000), trade and other payables of approximately Rmb136,000 (2008: Rmb137,000) and loans from Parent Company of approximately Rmb2,672,841,000 (2008: Rmb2,489,126,000) were denominated in foreign currencies, principally in US dollar and HK dollar.

As at 31 December 2009, 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 Rmb98,331,000 (2008: decreased/increased by Rmb92,750,000), 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(1) Foreign exchange risk (Continued)

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.

(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.

Short-term bank borrowings are at fixed interest rates and expose the Company to fair value interest rate risk. Loans from Parent Company are at floating interest rates and expose the Company to cash flow interest rate risk. These loans were denominated in Rmb and US dollar.

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

As at 31 December 2009, 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 Rmb80,523,000 (2008: Rmb31,834,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk

Credit risk mainly arises from deposits with banks and a financial institution as well as credit exposure to the customers. The Company has limited credit risk with its banks and financial institution, which are leading and reputable and are assessed as having low credit risk. The Company has policies that limit the amount of credit exposure to any financial institution.

The Company has policies in place to ensure that sales of services are made to customers with appropriate credit history 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 2009, the Company had unutilised loan facilities totalling approximately Rmb19,941,398,000 (2008: Rmb13,500,000,000).

As at 31 December 2009, the amounts disclosed are the contractual undiscounted cash flows of the Company's financial liabilities, which are primarily short-term bank borrowings and loans from Parent Company (2008: trade and other payables and loans from Parent Company).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	Rmb'000	*Rmb'000*	*Rmb'000*	*Rmb'000*
As at 31 December 2009				
Trade and other payables	1,968,872	—	—	—
Short-term bank borrowings	12,978,208	—	—	—
Loans from Parent Company	2,255,332	284,140	847,177	6,330,404
	17,202,412	284,140	847,177	6,330,404
As at 31 December 2008				
Trade and other payables	16,306,388	—	—	—
Loans from Parent Company	192,473	2,272,243	811,801	6,688,557
	16,498,861	2,272,243	811,801	6,688,557

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:

	2009 ***Rmb'000***	2008 *Rmb'000*
Total liabilities	**23,997,088**	25,370,055
Total assets	**36,607,752**	37,679,919
Liability to asset ratio	**66%**	67%

There is no significant change in the liability to asset ratio during 2009 after the acquisition of the Phase III Assets (Note 4(a)(ii)) in 2008. 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, short-term bank borrowings 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

(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 all other variables held constant, if the useful lives differed by 10% from management estimates, the depreciation expense would lower/higher by Rmb159,390,000/ Rmb198,572,000 in the next year.

(ii) The Company acquired the Airfield Assets, Terminal Three of the Beijing Capital 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 are situated (collectively the "Phase III Assets").

The cost of the 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 the Phase III Assets.

Due to the size of the Phase III Assets, the final account of construction by the surveyors in respect of the Phase III Assets has not completed as at 31 December 2009. The total cost is therefore 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 prospectively as a change in accounting estimate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Impairment of trade and other receivables

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

(c) Employee benefits

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

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 17.

5 REVENUES AND SEGMENT INFORMATION

The Strategy Committee reviews the Company's internal reporting in order to assess performance and allocate resources.

The Company runs a single business of operating and managing an airport and provision of related services in the PRC. Financial information on revenues is available for the Strategy Committee to make operating decisions.

Analysis of revenues by category	**2009** ***Rmb'000***	2008 *Rmb'000*
Aeronautical:		
Passenger charges	**1,258,969**	1,070,586
Aircraft movement fees and related charges	**1,043,848**	1,021,623
Airport Fee *(note a)*	**827,502**	721,513
	3,130,319	2,813,722
Non-aeronautical:		
Concessions *(note b)*	**1,080,443**	1,205,092
Rentals	**693,532**	539,553
Car parking fee	**31,763**	38,085
Others	**28,812**	27,986
	1,834,550	1,810,716
Total revenues	**4,964,869**	4,624,438

5 REVENUES 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 [2009] No. 2326) issued by CAAC on 17 July 2009, for the year ended 31 December 2009, the charge rates for the Airport Fee is 48% (2008: 48%) of total amount collected from outbound passengers when departing the airport.

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

	2009	2008
	Rmb'000	*Rmb'000*
Advertising	**541,708**	657,015
Retailing	**414,948**	379,916
Restaurants and food shops	**91,290**	78,314
Ground handling	**24,167**	76,211
Air catering	**—**	6,048
Other	**8,330**	7,588
Total concessions	**1,080,443**	1,205,092

The Company is domiciled in the PRC from where all of its revenues from external customers are derived and in where all of its assets are located.

6 PROPERTY, PLANT AND EQUIPMENT

	2009					
	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	21,122,201	9,238,794	7,473,397	477,070	135,818	38,447,280
Additions	1,831	—	144,460	36,573	214,556	397,420
Transfers	117,169	—	60,565	—	(177,734)	—
Disposals	—	—	(16,889)	(65)	—	(16,954)
At end of year	21,241,201	9,238,794	7,661,533	513,578	172,640	38,827,746
Accumulated depreciation						
At beginning of year	1,864,167	567,174	1,642,297	156,613	—	4,230,251
Charge for the year	520,979	220,386	734,584	29,982	—	1,505,931
Disposals	—	—	(3,929)	(63)	—	(3,992)
At end of year	2,385,146	787,560	2,372,952	186,532	—	5,732,190
Net book amount						
At end of year	18,856,055	8,451,234	5,288,581	327,046	172,640	33,095,556
At beginning of year	19,258,034	8,671,620	5,831,100	320,457	135,818	34,217,029

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2008					
	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	6,706,336	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 amount						
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)

In 2008, pursuant to the relevant assets transfer agreements, the Company and the Parent Company had agreed the date of completion of the acquisition of the Phase III Assets to be 1 October 2008. The date was different from the previously acknowledged acquisition date of 26 March 2008 by the Ministry of Finance ("MOF"). Management is of the view that further submission from the Parent Company to the MOF through CAAC for further endorsement from the MOF would suffice the regulatory requirements. The Board of Directors is of the view that the MOF would endorse 1 October 2008 as the date of completion of the acquisition of the Phase III Assets. As of the date of approval of the financial statements, CAAC is in the process of submitting the report to the MOF for endorsement.

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

	2009 ***Rmb'000***	2008 *Rmb'000*
Cost	**1,097,597**	966,888
Accumulated depreciation	**(264,415)**	(186,360)
Net book amount	**833,182**	780,528

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Interest expenses capitalised in assets under construction for the year ended 31 December 2009 amounted to Rmb620,000 (2008: Rmb nil). The capitalisation rate used to determine the amount of borrowing cost eligible for the capitalisation was 2.17% for the year ended 31 December 2009.

As at 31 December 2009, buildings and taxiways with net book value of Rmb680,436,000 (2008: Rmb702,121,000) and Rmb1,054,427,000 (2008: Rmb1,081,875,000) respectively are situated on parcels of allocated land owned by Parent Company and a third party. These parcels of allocated 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 2009, buildings and terminal with net book value of Rmb9,905,319,000 (2008: Rmb10,133,770,000) are situated on parcels of land which had been acquired from Parent Company as part of the acquisition of the Phase III Assets (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:

	2009	2008
	Rmb'000	*Rmb'000*
Cost		
At beginning of year	**811,288**	261,015
Additions	**—**	550,273
At end of year	**811,288**	811,288
Accumulated amortisation		
At beginning of year	**(50,874)**	(42,860)
Amortisation	**(16,230)**	(8,014)
At end of year	**(67,104)**	(50,874)
Net book amount		
At end of year	**744,184**	760,414

In 2008, as part of the acquisition of the 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:

	2009	2008
	Rmb'000	*Rmb'000*
Cost		
At beginning of year	**178,738**	58,650
Additions	**12,865**	120,088
At end of year	**191,603**	178,738
Accumulated amortisation		
At beginning of year	**(51,725)**	(35,213)
Amortisation	**(33,587)**	(16,512)
At end of year	**(85,312)**	(51,725)
Net book amount		
At end of year	**106,291**	127,013

9 INVESTMENT IN AN ASSOCIATE

	2009	2008
	Rmb'000	*Rmb'000*
At beginning of year	**24,689**	25,802
Disposal	**(24,689)**	—
Impairment	**—**	(1,113)
At end of year	**—**	24,689

The details of the associate, unlisted, are as follows:

	Place of incorporation	**Percentage of equity interest directly held**	
		2009	2008
Global Airport Logistics Co., Ltd.	Beijing, the PRC	—	33%

During the year, the liquidation of Global Airport Logistics Co., Ltd. was completed and the Company recovered the carrying value of this investment in full.

10 TRADE AND OTHER RECEIVABLES

	2009 Rmb'000	2008 Rmb'000
Trade receivables		
— CAHC, its fellow subsidiaries and related parties *(Note 32(a))*	**416,900**	489,174
— other parties	**1,331,989**	1,273,563
	1,748,889	1,762,737
Less: Provision for impairment	**(37,046)**	(25,253)
	1,711,843	1,737,484
Notes receivable		
— other parties	**32,407**	—
Prepayments and other receivables		
— CAHC, its fellow subsidiaries and related parties *(Note 32(a))*	**49,810**	65,967
— other parties	**14,539**	59,505
	64,349	125,472
	1,808,599	1,862,956

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

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

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables is as follows:

	2009 Rmb'000	2008 Rmb'000
Less than 3 months	898,799	989,790
4 - 6 months	288,355	398,839
7 - 12 months	325,303	283,410
1 - 2 years	214,581	84,050
2 - 3 years	15,532	6,648
Over 3 years	6,319	—
	1,748,889	1,762,737

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

Currency	2009 Rmb'000	2008 Rmb'000
RMB	1,765,478	1,853,479
US dollar	43,121	9,477
	1,808,599	1,862,956

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2009, trade receivables of RMB752,764,000 (2008: RMB673,130,000) were past due but were considered not impaired by management. These receivables relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2009	2008
	Rmb'000	*Rmb'000*
Past due up to 3 months	**248,068**	362,808
Past due 4 - 6 months	**160,044**	132,692
Past due 6 - 12 months	**233,558**	154,737
Past due over 1 years	**111,094**	22,893
	752,764	673,130

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2009, trade receivables of Rmb402,974,000 (2008: Rmb389,578,000) were impaired. Out of which, a provision of Rmb37,046,000 (2008: Rmb25,253,000) was made. The impaired trade receivables arise mainly from revenue of aeronautical customers and these receivables are considered individually for impairment. These receivables mainly relate to debtors who have some degree of difficulties in repayment. It was assessed that a substantial portion of these receivables are expected to be recovered. The ageing of these receivables is as follows:

	2009 ***Rmb'000***	2008 *Rmb'000*
Less than 3 months	**228,722**	170,513
4 - 6 months	**114,140**	115,959
7 - 12 months	**18,194**	82,851
1 - 2 years	**26,840**	13,607
2 - 3 years	**8,759**	6,648
Over 3 years	**6,319**	—
	402,974	389,578

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2009	2008
	Rmb'000	*Rmb'000*
At beginning of year	25,253	5,291
Provision for impairment of receivables	11,793	20,862
Receivables written off during the year as uncollectible	—	(900)
At end of year	37,046	25,253

Prepayment and other receivables and balances due from CAHC, its fellow subsidiaries and related parties do not contain impaired assets.

The Company does not hold any collateral as security.

11 CASH AND CASH EQUIVALENTS

	2009	2008
	Rmb'000	*Rmb'000*
Cash at bank and on hand	**587,941**	85,641
Short-term bank deposits	**95,654**	490,817
	683,595	576,458
Maximum exposure to credit risk	**683,593**	576,456

In 2009, the effective interest rate on short term bank deposits was 1.35% per annum (2008: 1.70%) and such deposits had maturities of less than one month.

12 SHARE CAPITAL

	2009		2008	
	Number of ordinary shares	**Nominal value**	Number of ordinary shares	Nominal value
	(thousands)	***RMB'000***	*(thousands)*	*RMB'000*
Registered, issued and fully paid				
H shares of Rmb1.00 each	**1,879,364**	**1,879,364**	1,879,364	1,879,364
Domestic shares of Rmb1.00 each	**2,451,526**	**2,451,526**	2,451,526	2,451,526
At 31 December	**4,330,890**	**4,330,890**	4,330,890	4,330,890

The Domestic shares rank pari passu, in all material respects, with H shares. 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:

	2009			2008		
		Domestic			Domestic	
	H shares	**shares**	**Total**	H shares	Shares	Total
	Rmb'000	***Rmb'000***	***Rmb'000***	*Rmb'000*	*Rmb'000*	*Rmb'000*
At 1 January	**1,879,364**	**2,451,526**	**4,330,890**	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**	1,879,364	2,451,526	4,330,890

On 10 June 2008, the Company issued 313,214,000 H shares with par value of Rmb1 each at HKD7.45 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 (HKD2,093,120,000).

13 RESERVES

(a) Capital reserve

Capital reserve represents an equity contribution from CAHC in cash received in 2007.

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 2009, the Board of Directors proposed appropriations of 10% and 20% of profit after tax (2008: 10% and 20%) respectively, as determined under the PRC accounting standards, of Rmb29,350,000 and Rmb58,700,000 (2008: Rmb4,017,000 and Rmb8,034,000) respectively to the statutory surplus reserve fund and the discretionary surplus reserve fund respectively.

The proposed profit appropriation of Rmb58,700,000 to the discretionary surplus reserve fund for the year ended 31 December 2009 will be recorded in the financial statements for the year ending 31 December 2010.

The appropriation to discretionary surplus reserve fund of Rmb8,034,000 (2007: Rmb214,360,000) proposed for the year ended 31 December 2008 by the Board of Directors on 24 April 2009 was recorded in the financial statements for the year ended 31 December 2009.

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 IFRS. As at 31 December 2009, the reserve available for distribution was approximately Rmb1,078,084,000 (2008: Rmb821,967,000).

14 TRADE AND OTHER PAYABLES

	2009	2008
	Rmb'000	*Rmb'000*
Payable to Parent Company *(Note 32(a))*	**134,994**	14,851,477
Payables to CAHC's fellow subsidiaries and related parties *(Note 32(a))*	**700,202**	385,615
Tax payable *(note b)*	**312,578**	324,722
Construction payable	**379,860**	393,747
Notes payable *(note c)*	**58,602**	—
Maintenance fee payable	**143,805**	190,964
Payroll and welfare payable	**170,199**	113,172
Deposits received	**74,370**	84,736
Receipts on behalf of North China Air Traffic Control Bureau *(note d)*	**71,509**	71,509
Business tax payable	**19,284**	76,258
Housing subsidy payable to employees *(note e)*	**13,191**	12,525
Other payables	**282,584**	251,447
	2,361,178	16,756,172

14 TRADE AND OTHER PAYABLES (CONTINUED)

(a) The ageing analysis of trade and other payables is as follows:

	As at 31 December 2009	As at 31 December 2008
	Rmb'000	*Rmb'000*
Less than 3 months	**1,074,274**	15,152,804
4 - 6 months	**187,916**	517,001
7 - 12 months	**91,762**	891,685
Over 12 months	**1,007,226**	194,682
	2,361,178	16,756,172

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

(c) This represents the bank acceptance bills issued for the operating cost payables with maximum maturity period of up to six months.

(d) 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.

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

15 SHORT-TERM BANK BORROWINGS

This represents bank borrowings which are unsecured, repayable within one year, denominated in Rmb and bear interests at 3.5%. They are bank borrowings previously obtained by the Parent Company which were assumed by and reassigned into the name of the Company during the year (Note 32(a)).

16 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2008: 25%).

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

	2009	2008
	Rmb'000	*Rmb'000*
At beginning of year	**87,358**	14,658
Credited to statement of comprehensive income *(Note 26)*	**24,263**	72,700
At end of year	**111,621**	87,358

16 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*	**Accruals** *(note b)* *Rmb'000*	**Other temporary differences** *Rmb'000*	**Total** *Rmb'000*
As at 1 January 2008	10,509	11,826	—	3,015	25,350
Credited to statement of comprehensive income	6,655	60,970	—	4,748	72,373
As at 31 December 2008	17,164	72,796	—	7,763	97,723
As at 1 January 2009	17,164	72,796	—	7,763	97,723
Credited/(charged) to statement of comprehensive income	(1,389)	3,686	18,968	2,670	23,935
As at 31 December 2009	15,775	76,482	18,968	10,433	121,658

16 DEFERRED INCOME TAXES (CONTINUED)

Deferred income tax liabilities	**Other temporary differences**
	Rmb'000
As at 1 January 2008	10,692
Credited to statement of comprehensive income	(327)
As at 31 December 2008	10,365
As at 1 January 2009	10,365
Credited to statement of comprehensive income	(328)
As at 31 December 2009	10,037

(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, payroll and welfare payable and their carrying amounts in the financial statements.

16 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:

	2009	2008
	Rmb'000	*Rmb'000*
Deferred income tax assets	**121,658**	97,723
Deferred income tax liabilities	**(10,037)**	(10,365)
	111,621	87,358

The amounts shown in the balance sheets include the following:

	2009	2008
	Rmb'000	*Rmb'000*
Deferred income tax assets to be recovered after more than 12 months	**101,106**	94,260
Deferred income tax liability to be settled after more than 12 months	**9,709**	10,037

17 RETIREMENT BENEFIT OBLIGATIONS

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

	2009	2008
	Rmb'000	*Rmb'000*
Pension subsidies	**42,781**	43,760
Medical benefits	**20,320**	24,895
	63,101	68,655
Less: Amounts due within one year included in current liabilities	**(2,151)**	(2,039)
	60,950	66,616

The amounts recognised in the statement of comprehensive income are as follows:

	2009	2008
	Rmb'000	*Rmb'000*
Charged to pension subsidies *(note a)*	**1,415**	20,044
Post-retirement medical benefits *(note b)*	**(4,394)**	8,333
Total, (credited)/charged to staff cost *(Note 21)*	**(2,979)**	28,377

17 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Pension subsidies

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

	2009	2008
	Rmb'000	*Rmb'000*
At beginning of year	**43,760**	25,307
Total cost	**1,415**	20,044
Payment made in the year	**(2,394)**	(1,591)
At end of year	**42,781**	43,760

The amounts recognised in the statement of comprehensive income are as follows:

	2009	2008
	Rmb'000	*Rmb'000*
Current service cost	**2,545**	1,600
Interest cost	**2,499**	2,329
Past service cost	**1,411**	3,575
Net actuarial (gains)/losses recognised	**(5,040)**	12,540
	1,415	20,044

17 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Pension subsidies (Continued)

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

	2009	2008
Discount rate	**4.00%**	3.60%
Pension cost inflation rate	**1.00%**	1.00%
Employee withdrawal rate	**2.60%**	2.60%

(b) Post-retirement medical benefits

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

	2009	2008
	Rmb'000	*Rmb'000*
At beginning of year	**24,895**	16,728
Total (gain)/cost	**(4,394)**	8,333
Payment made in the year	**(181)**	(166)
At end of year	**20,320**	24,895

17 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Post-retirement medical benefits (Continued)

The amounts recognised in the statement of comprehensive income are as follows:

	2009	2008
	Rmb'000	*Rmb'000*
Current service cost	**1,257**	730
Interest cost	**892**	824
Net actuarial (gains)/losses recognised	**(6,543)**	6,779
	(4,394)	8,333

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

	2009	2008
Discount rate	**4.00%**	3.60%
Inflation rate of average medical benefit	**7.00%**	7.00%
Employee withdrawal rate	**2.60%**	2.60%

18 HOUSING FUND AND SUBSIDIES

In accordance with the PRC housing reform regulations, the Company is required to make contributions to the State-sponsored housing fund at 12% (2008: 12%) 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 2009, the Company's contribution to the housing fund was approximately Rmb13,541,000 (2008: Rmb10,150,000) (Note 21).

In addition, during the year ended 31 December 2009, the Company provided Rmb3,230,000 (2008: Rmb3,430,000) to its employees as cash housing subsidies and the amount has been charged to the statement of comprehensive income. These cash housing subsidies are determined based on a number of factors, including the position, length of service and 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 21).

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

19 DEFERRED INCOME

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

In 2008, the Company also received subsidies from government in respect of certain construction projects for the preparation of Beijing Olympics and Paralympics. Such subsidies are deferred and recognised in the statement of comprehensive income over the estimated useful lives of the related fixed assets.

20 LOANS FROM PARENT COMPANY

As part of the acquisition of the Phase III Assets, the Company entered into agreements with the Parent Company to assume the following long-term borrowings which were previously obtained by the Parent Company with the same terms. The borrowings were not reassigned into the name of the Company.

	Loans previously obtained by the Parent Company from		
	European Investment Bank	**domestic financial institutions**	**Total**
	(note a)	*(note b)*	
	Rmb'000	*Rmb'000*	*Rmb'000*
As at 31 December 2009			
Loans from Parent Company	2,672,841	6,000,000	8,672,841
Less: current portion	(66,821)	(2,000,000)	(2,066,821)
	2,606,020	4,000,000	6,606,020
As at 31 December 2008			
Loans from Parent Company	2,489,126	6,000,000	8,489,126

20 LOANS FROM PARENT COMPANY (CONTINUED)

(a) This loan is denominated in US dollar, unsecured and 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.

During the year, the Company assumed a loan amount of USD27,247,000 (equivalent to approximately Rmb183,715,000) further borrowed by the Parent Company. Accordingly, the amount payable to Parent Company was reduced by the same amount (Note 32(a)).

(b) These loans are denominated in Rmb and unsecured. 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.

A principal amount of Rmb2,000,000,000 is repayable in full in 2015 with an option for early repayment on 20 July 2010. The remaining principal amount of Rmb4,000,000,000 is repayable in full in 2016.

21 STAFF COSTS

	2009	2008
	Rmb'000	*Rmb'000*
Wages and salaries	**245,093**	253,333
Staff welfare	**4,009**	2,774
Housing fund *(Note 18)*	**13,541**	10,150
Housing subsidies *(Note 18)*	**3,230**	3,430
Pension costs — statutory pension *(note a)*	**21,912**	15,776
Pension (benefits)/costs — defined benefit plan *(Note 17)*	**(2,979)**	28,377
Other allowances and benefits	**38,347**	30,526
	323,153	344,366

21 STAFF COSTS (CONTINUED)

(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 2009 and 2008 respectively.

(b) Staff costs include emoluments payable to the Company's directors, supervisors and senior management as set out in Note 25.

22 OTHER INCOME/(EXPENSES) — NET

	2009	2008
	Rmb'000	*Rmb'000*
Foreign exchange gains/(losses) — net	**2,443**	(15,952)
Government subsidies	**18,737**	11,218
Impairment of investment in an associate *(Note 9)*	**—**	(1,113)
	21,180	(5,847)

23 OPERATING PROFIT

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

	2009 *Rmb'000*	2008 *Rmb'000*
Depreciation on property, plant and equipment		
— owned assets	**1,481,457**	656,562
— owned assets leased out under operating leases	**24,474**	18,096
Loss on disposal of property, plant and equipment	**2,565**	7,931
Amortisation of land use rights	**16,230**	8,014
Amortisation of intangible assets	**33,587**	16,512
Operating lease rentals		
— land use rights on which the airfield and related areas of Phase III Assets are situated *(Note 32(b)(i))*	**28,000**	28,000
— land use rights *(Note 32(b)(ii))*	**7,423**	6,764
— information technology center *(Note 32(b))*	**16,343**	7,110
— Phase III Assets *(Note 32(b))*	**—**	1,080,628
— airfield assets *(Note 32(b))*	**—**	48,373
— other rentals	**13,837**	8,225
Impairment charge on trade receivables	**11,793**	20,862
Auditor's remuneration	**2,800**	2,700

24 FINANCE INCOME/(COSTS)

	2009 Rmb'000	2008 Rmb'000
Finance income:		
Interest income on bank deposits	**4,411**	27,371
Finance costs:		
Interest for loans from Parent Company *(Note 32(b))*	**(216,706)**	(92,220)
Interest for short-tem bank borrowings *(Note 15)*	**(115,733)**	—
Interest for notes payable	**(1,666)**	—
Bank charges	**(3,164)**	(549)
	(337,269)	(92,769)
	(332,858)	(65,398)

25 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:

	2009	2008
	Rmb'000	*Rmb'000*
Fees	**700**	700
Salaries, housing and other allowances, and benefits in kind	**689**	779
Discretionary bonuses	**813**	846
Contributions to the retirement scheme	**78**	69
	2,280	2,394

25 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 2009 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					
Zhang Zhizhong *(note i and ii)*	—	—	—	—	—
Dong Zhiyi	—	309	26	415	750
Gao Shiqing *(note i)*	—	—	—	—	—
Chen Guoxing *(note i)*	—	—	—	—	—
Zhao Jinglu *(note i)*	—	—	—	—	—
Yam Kum Weng *(note iii)*	—	—	—	—	—
Kwong Che Keung	150	—	—	—	150
Dong Ansheng	150	—	—	—	150
Japhet Sebastian Law	150	—	—	—	150
Wang Xiaolong	150	—	—	—	150
Name of supervisor					
Wang Zuoyi *(note i)*	—	—	—	—	—
Li Xiaomei	—	245	26	329	600
Tang Hua	—	135	26	69	230
Han Xiaojing	50	—	—	—	50
Xia Zhidong	50	—	—	—	50
	700	689	78	813	2,280

25 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	150	—	—	—	150
Wang Xiaolong	150	—	—	—	150
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

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

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

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. Zhang Zhizhong was appointed as executive director on 23 January 2009.

(iii) Mr. Yam Kum Weng was appointed as non-executive director on 12 June 2009. The emoluments of this director were paid by a shareholder of the Company.

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

During the year ended 31 December 2009, 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 (2008: nil).

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

(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 (2008: 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	
	2009	2008
	Rmb'000	*Rmb'000*
Salaries, housing and other allowances, and benefits in kind	**736**	840
Discretionary bonuses	**986**	1,011
Contributions to the retirement scheme	**78**	69
	1,800	1,920

During the year ended 31 December 2009, 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 (2008: nil).

During the year ended 31 December 2009 and 2008, the emoluments of each of the above senior executive paid by the Company were below HKD1,000,000 individually.

26 TAXATION

(a) Corporate income tax

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

The Company is subject to corporate income tax at a rate of 25% (2008: 25%) on its taxable income as determined in accordance with the relevant PRC income tax rules and regulations.

	2009 *Rmb'000*	2008 *Rmb'000*
Current tax	**126,820**	56,356
Deferred income tax credit *(Note 16)*	**(24,263)**	(72,700)
	102,557	(16,344)

26 TAXATION (CONTINUED)

(a) Corporate income tax (Continued)

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

	2009	2008
	Rmb'000	*Rmb'000*
Profit before income tax	**403,357**	68,987
Tax calculated at a tax rate of 25% (2008: 25%)	**100,839**	17,247
Income not subject to taxation	**—**	(1,367)
Expenses not deductible for tax purpose	**2,336**	929
Tax credit on qualified purchases of domestically manufactured equipment	**(618)**	(832)
Recognition of temporary difference in prior years	**—**	(32,321)
Tax charge/(credit)	**102,557**	(16,344)

26 TAXATION (CONTINUED)

(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 handling and air catering, 5% of other concessions, rental income and car parking fee income

(c) Real estate tax

The Company is subject to real estate tax at an annual rate of 1.2% on 70% of the cost of its buildings.

(d) 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 shares 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.

27 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.

	2009	2008
Profit of the Company *(Rmb'000)*	**300,800**	85,331
Weighted average number of ordinary shares in issue *(thousands)*	**4,330,890**	4,204,339
Basic earnings per share *(Rmb per share)*	**0.07**	0.02

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 2009 and 2008.

28 DIVIDENDS

	2009	2008
	Rmb'000	*Rmb'000*
Dividend proposed		
Final dividend *(Rmb'000)*	**146,731**	—
Final dividend per share *(Rmb)*	**0.03388**	—

The Board of Directors did not recommend the payment of any interim dividend for the year ended 31 December 2009.

The final dividend for the year ended 31 December 2009 was proposed at the Board of Directors meeting held on 22 March 2010. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

29 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 aircrafts, 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 date, 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.

30 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:

	2009	2008
	Rmb'000	*Rmb'000*
Authorised but not contracted for	**1,190,094**	343,547
Contracted but not provided for	**112,101**	272,934
Total	**1,302,195**	616,481

Operating lease commitments — where the Company is the lessee

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

	2009	2008
	Rmb'000	*Rmb'000*
Not later than 1 year	**51,719**	51,085
Later than 1 year and not later than 5 years	**141,693**	155,376
Later than 5 years	**623,496**	635,197
	816,908	841,658

30 COMMITMENTS (CONTINUED)

Operating lease arrangements — where the Company is the lessor

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

	2009	2008
	Rmb'000	*Rmb'000*
Not later than 1 year	412,751	146,449
Later than 1 year and not later than 5 years	99,140	89,683
Later than 5 years	15,000	20,000
	526,891	256,132

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:

	2009	2008
	Rmb'000	*Rmb'000*
Not later than 1 year	133,080	812,972
Later than 1 year and not later than 5 years	532,000	532,000
Later than 5 years	—	133,000
	665,080	1,477,972

31 NOTES TO CASH FLOW STATEMENT

Reconciliation of profit for the year to cash generated from operations

	2009	2008
	Rmb'000	*Rmb'000*
Profit for the year	**300,800**	85,331
Adjustments for:		
Taxation	**102,557**	(16,344)
Depreciation	**1,505,931**	674,658
Amortisation of land use rights	**16,230**	8,014
Amortisation of intangible assets	**33,587**	16,512
Impairment charge of trade receivables	**11,793**	20,862
Impairment charge of inventories	**—**	4,688
Impairment charge of investment in an associate	**—**	1,113
Loss on disposal of property, plant and equipment	**2,565**	7,931
Interest income	**(4,411)**	(27,371)
Finance costs	**335,456**	92,769
Foreign exchange (gains)/losses, net	**(2,443)**	15,952
Changes in working capital:		
Inventories	**(33,904)**	(15,480)
Trade and other receivables	**(18,525)**	(931,781)
Trade and other payables	**(833,402)**	1,583,239
Retirement benefit obligations	**(5,554)**	26,620
Deferred income	**(3,538)**	989
Cash generated from operations	**1,407,142**	1,547,702

32 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. The Directors of the Company consider that the transactions between the Company and members of the CAHC group are 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.

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, "Related Party Disclosure", government-related entities and their subsidiaries, other than CAHC group companies, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are also defined as related parties of the Company. On that basis, related parties include CAHC and its subsidiaries (other than the Company), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and CAHC as well as their close family members.

A significant portion of the Company's business activities are conducted with state-owned enterprises. Sale of 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. In this connection, the Company has significant trading balances with state-owned enterprises which have similar terms of repayments as balances with third parties.

In addition, a large portion of the Company's bank deposits/bank borrowings were held at/borrowed from state-owned financial institutions in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties in concern at prevailing market terms and rates.

For the purpose of the related party transaction disclosures, the Directors believe that meaningful information in respect of related party transactions has been adequately disclosed.

32 RELATED PARTY TRANSACTIONS (CONTINUED)

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.

(a) Balances with related parties

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

	2009 ***Rmb'000***	*2008* *Rmb'000*
Trade and other receivables from CAHC, its fellow subsidiaries and related parties *(Note 10 and (i))*	**466,710**	555,141
Deposits placed with a subsidiary of CAHC *(note (ii))*	**94,254**	—
Trade and other payables to CAHC *(Note 14 and (i))*		
— Consideration payable of Phase III Assets *(note (iii))*	**—**	13,551,420
— Transitional usage fee of Phase III Assets	**—**	1,080,628
— Interest payable on loans from Parent Company	**75,659**	92,220
— Lease of land on which the airfield and related areas of Phase III Assets are situated *(Note 32(b)(i))*	**—**	28,000
— Lease of airfield assets of Phase III Assets	**—**	14,211
— Other payables	**59,335**	84,998
	134,994	14,851,477
Trade and other payables to CAHC's fellow subsidiaries and related parties *(Note 14 and (i))*	**700,202**	385,615
Loans from Parent Company *(Note 20)*	**8,672,841**	8,489,126

32 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) The deposits were entered into in accordance with the terms as set out in the respective agreements. The interest rates were set at prevailing market rates.

(iii) The consideration payable in respect of the Phase III Assets of Rmb13,551,420,000 was fully settled in 2009 by:

- assumption of short-tem bank borrowings of Rmb12,800,000,000 previously obtained by the Parent Company (Note 15);
- assumption of a long-term loan of Rmb183,715,000 further borrowed by the Parent Company in 2009 (Note 20(a)); and
- cash amounted to Rmb567,705,000.

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	2009	2008
	Rmb'000	*Rmb'000*
Transactions with CAHC, its fellow subsidiaries and related parties		
Revenues:		
Concessions from subsidiaries of CAHC and related parties	1,071,638	1,143,402
Rental income from subsidiaries of CAHC and related parties for leasing of premises, office space and counters	201,092	188,565
Aeronautical revenue from related parties	13,342	15,014
Management fee from CAHC	6,340	5,415

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

	2009 **Rmb'000**	2008 Rmb'000
Expenses:		
Provision of utilities and power supply by a subsidiary of CAHC	**561,292**	516,668
Provision of aviation safety and security guard services by a subsidiary of CAHC	**314,573**	296,245
Provision of certain sanitary services, baggage cart management services and greening and environmental maintenance services by a subsidiary of CAHC	**153,913**	161,505
Provision of terminal maintenance services by related parties	**136,906**	—
Provision of accessorial power and energy services by a subsidiary of CAHC	**96,123**	102,369
Leasing of land on which the airfield and related areas of Phase III Asset are situated from CAHC *(note i)*	**28,000**	28,000
Provision of airport guidance service by a subsidiary of CAHC	**19,265**	2,121
Leasing of information technology center from CAHC	**16,343**	7,110
Leasing of land use rights from CAHC *(note ii)*	**7,423**	6,764
Provision of airfield maintenance services from a subsidiary of CAHC	**5,490**	—
Provision of air-condition channel cleaning services from a subsidiary of CAHC	**4,530**	—
Provision of beverage service by a subsidiary of CAHC	**3,197**	3,089
Leasing of apartments from a subsidiary of CAHC	**2,700**	—
Leasing of apartments from CAHC	**1,100**	2,608
Leasing of Phase III assets from CAHC	**—**	1,080,628
Leasing of airfield assets of Phase III Assets from CAHC	**—**	48,373
Interest charges on loans from Parent Company	**216,706**	92,220
Other:		
Acquisition of Phase III Assets	**—**	26,940,546
Provision of construction service from subsidiaries of CAHC	**39,395**	10,707

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

For the year ended 31 December 2009, the Company occupied part of the office building owned by the Parent Company at nil consideration.

(i) On 31 January 2008, the Company entered into a 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 the Phase III Assets are situated at an annual rental of Rmb28,000,000.

(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 Rmb7,423,000 (2008: 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.

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.

33 EVENTS AFTER THE BALANCE SHEET DATE

On 5 February 2010, the Company issued bonds with an aggregate principal amount of Rmb4,900,000,000 with maturity periods of 5 and 7 years. An amount of Rmb4,000,000,000 was used to repay the existing short-tem bank borrowings and the remaining of the proceeds will be used to meet general working capital requirement of the Company.

The bonds are unsecured and interest-bearing at 4.45% to 4.65%. The interest is payable annually and the principal amount is repayable in 2015 and 2017.

34 PRIOR YEAR COMPARATIVES

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

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, Gloucester Tower, the Landmark, 15 Queen's Road Central, Hong Kong
Legal Representative:	Mr. Dong Zhiyi
Company Secretary:	Mr. Shu Yong
Contact for the Company's news and information:	Secretariat to the Board
Major bank:	Bank of China Industrial and Commercial Bank of China
Auditor:	PricewaterhouseCoopers

BOARD OF DIRECTORS

Executive Directors

Dong Zhiyi *(Chairman)*

Non-executive Directors

Chen Guoxing
Gao Shiqing
Zhao Jinglu
Yam Kum Weng

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
Gao Shiqing

Nomination Committee

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

SHAREHOLDER INFORMATION

Website:	www.bcia.com.cn
E-mail address:	ir@bcia.com.cn
Fax number:	8610 6450 7700
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 2009

Announcement of interim results:	16 August 2009
Announcement of final results:	22 March 2009
Book closing dates for AGM:	21 May 2010 - 22 June 2010
Date of 2009 AGM:	22 June 2010

SHARE INFORMATION

Name of H shares:	Beijing Airport
Stock code:	00694

Year	Price per Share		
2009	High	Low	Turnover of share
	(HK$)	*(HK$)*	*(in millions)*
January	4.40	3.18	156.8
February	3.79	2.88	143.6
March	3.72	2.55	278.8
April	5.25	3.45	252.5
May	6.32	4.95	141.8
June	6.59	4.70	208.6
July	5.93	4.83	242.3
August	5.77	4.30	183.9
September	5.07	4.29	154.3
October	5.68	4.50	147.5
November	6.30	5.00	140.8
December	5.59	4.78	150.5