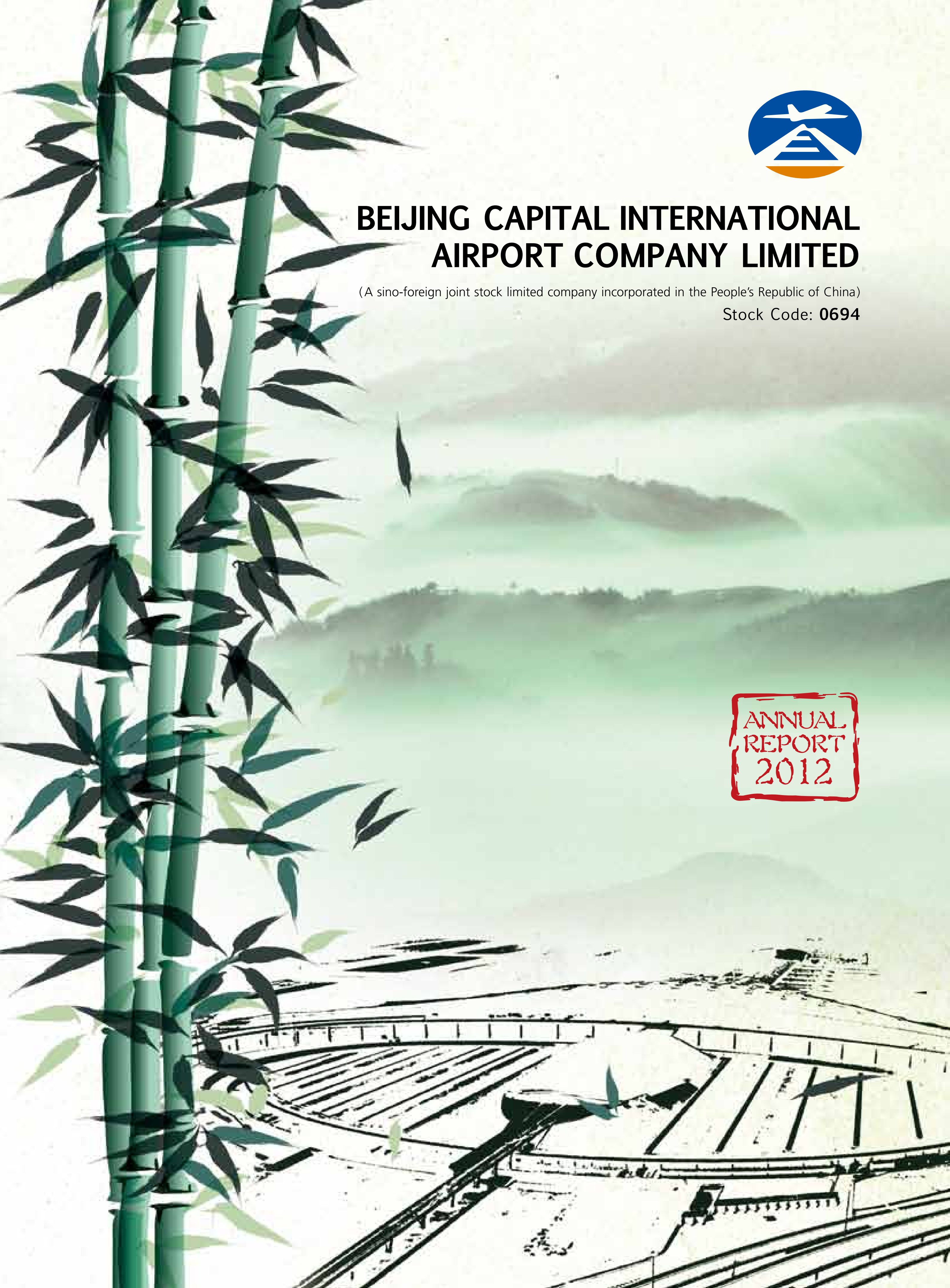

# BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED

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

Stock Code: **0694**

ANNUAL REPORT 2012

# Contents



# Financial Summary

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

| | **2012** | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Operating Results** | | | | | |
| Revenues | **6,862,660** | 6,500,216 | 5,776,731 | 4,964,869 | 4,624,438 |
| EBITDA | **3,716,854** | 3,718,707 | 3,016,061 | 2,293,210 | 860,391 |
| Profit before tax | **1,563,941** | 1,485,596 | 793,059 | 396,919 | 56,526 |
| Tax | **(391,358)** | (371,603) | (197,868) | (100,948) | (13,031) |
| Profit for the year | **1,172,583** | 1,113,993 | 595,191 | 295,971 | 43,495 |
| Attributable to: | | | | | |
| Equity holders of the Company | **1,172,583** | 1,113,993 | 595,191 | 295,971 | 43,495 |
| Non-controlling interests | **—** | — | — | — | — |
| Earnings per share — basic and diluted *(RMB)* | **0.27** | 0.26 | 0.14 | 0.07 | 0.01 |
| Return on Equity | **7.67%** | 7.70% | 4.43% | 2.32% | 0.35% |
| **Financial Position** | | | | | |
| **Assets** | | | | | |
| Non-current assets | **30,336,954** | 31,546,967 | 32,901,246 | 34,180,664 | 35,344,344 |
| Current assets | **3,085,762** | 2,352,162 | 2,079,366 | 2,550,100 | 2,463,416 |
| Total | **33,422,716** | 33,899,129 | 34,980,612 | 36,730,764 | 37,807,760 |
| **Equity and liabilities** | | | | | |
| Shareholders' equity | **15,282,781** | 14,471,646 | 13,434,786 | 12,733,676 | 12,437,705 |
| Non-controlling interests | **—** | — | — | — | — |
| Non-current liabilities | **8,014,311** | 16,933,884 | 18,604,220 | 6,675,361 | 8,567,671 |
| Current liabilities | **10,125,624** | 2,493,599 | 2,941,606 | 17,321,727 | 16,802,384 |
| Total | **33,422,716** | 33,899,129 | 34,980,612 | 36,730,764 | 37,807,760 |

Advocating and practising chinese – style services

Developing an international hub

# Company Profile

Beijing Capital International Airport Company Limited (the “Company”) was incorporated as a joint stock company with limited liability in the People’s Republic of China on 15 October 1999 to own and manage the aeronautical operations and certain ancillary commercial businesses at the international airport in Beijing, the PRC (the “Beijing Capital Airport”). On 27 January 2000, 1,346,150,000 H shares in the Company of RMB1.00 each were issued to the public at HK$1.87 per share and such shares were listed on the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 1 February 2000. Upon such issue, the total share capital of the Company increased from 2,500,000,000 shares to 3,846,150,000 shares. Among 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 the placing of H shares to institutional or professional investors in Hong Kong, on 4 October 2006 and 10 June 2008, respectively. Upon the completion of the above two placements, the total share capital of the Company increased to 4,330,890,000 shares. Among 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 principally engaged in aeronautical and non-aeronautical businesses at the Beijing Capital Airport.

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

By the end of 2012, there were 94 airliners operating fixed commercial flights at the Beijing Capital Airport, including 20 domestic airliners and 74 airliners from foreign countries, Hong Kong, Macau and Taiwan.

By the end of 2012, there were 236 flight points linking with the Beijing Capital Airport, including 126 domestic flight points and 110 international flight points.

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

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

# Chairman's Statement

**Mr. Dong Zhiyi**
**Chairman**

In 2012, the Beijing Capital Airport has maintained steady business growth and a favourable development momentum.

**To shareholders:**

In 2012, the Beijing Capital Airport has maintained steady business growth and a favourable development momentum against a backdrop of an ailing global economy. Meanwhile, through vigorously pressing ahead with the hub construction, and continuously strengthening the operation and management, the Company has firmly boosted the operation quality, and accomplished remarkable improvement in respect of security, operation and services while the operating results scaled a new high. With the prominent achievements that the Company attained in 2012, I am delighted to report to our shareholders the 2012 operating and financial results of the Company, as well as our prospects for 2013.

## STEADY GROWTH OF AIR TRAFFIC VOLUMES

In 2012, with an overall slowdown in the recovery of the global economy and sluggish economic growth, China was confronted with increasing pressure on economic adjustment and economic growth rate declined accordingly. The Beijing Capital Airport's air traffic volumes maintained its growth momentum on the whole, while the growth rate tended to level off. The annual aircraft movements reached 557,160 sorties, representing an increase of 4.5% over the previous year; the passenger throughput exceeded 80,000,000 person-times to 81,929,359 person-times, representing an increase of 4.1% over the previous year; the annual cargo and mail throughput was 1,799,864 tonnes, representing an increase of 9.7% over the previous year. According to the statistics of Airports Council International ("ACI"), the Beijing Capital Airport's passenger throughput once again maintained the second place and its turnovers of aircraft movements and cargo throughput ranked the sixth and the thirteenth respectively worldwide in 2012.

## NOTABLE IMPROVEMENTS IN SECURITY, OPERATION AND SERVICES

In 2012, the Company continued to enhance the airport's operation and security assurance capability, and ensured safe and steady operation throughout the year. Meanwhile, by enhancing all-round coordination and in-depth cooperation with resident entities of the airport, optimizing resource allocation, boosting resource utilization, and improving the assurance procedure for unusual weather conditions, the Beijing Capital Airport significantly raised its operation capability and ensured smooth and orderly operation all year long.

In 2012, the Company actively implemented and promoted its brand concept of "Enjoy the Service, Enjoy the Experience" by paying close attention to passengers' experiences and innovating its service products and approaches, with remarkable achievement in service enhancement and further expansion of its influence. In 2012, according to ACI's airport service quality survey, the satisfaction index of passengers at the Beijing Capital Airport for the whole year scaled a new high to hit 4.87 on a scale of 5, firmly maintaining the third place amid airports in the world.

## SOLID PERFORMANCE IN OPERATING RESULTS

The year of 2012 witnessed a flagging global economic growth and across-the-board decline in the profitability of the civil aviation industry. Although the Company's international business volume declined significantly especially in the second half of 2012, the Company still managed to realize growth in its financial results, with operating profit at its historic best level, by boosting the value of its resources, further tapping its potential while increasing efficiency, and continuously controlling the costs.

In 2012, the Company made great breakthroughs with its hub building initiative. The number of operating airlines and destinations linking with the Beijing Capital Airport further increased. The Company's passenger throughput maintained its leading position among Asian airports, steadily heading for the world number one. The Beijing Capital Airport has become the first among its domestic peers to implement the "72-hour Visa-free Transit " policy, and started the pilot project of "online luggage service (通程航班行李直掛服務)". Throughout 2012, benefiting from the continuous increase of routes, as well as the stable growth of air traffic volume, the Company recorded aeronautical revenues of RMB3,981,103,000, representing an increase of 4.6% over the previous year.

The Company continuously devoted its efforts to further tapping the potential of its non-aeronautical business, so that relevant revenue has been guaranteed to keep on rising. The Company further increased sales volume by actively expanding the retail business, especially the international duty-free goods sector, and promoting the per capita consumption of international passengers. Meanwhile, as the Company proceeded with



exploration of commercial resources and increased new advertisement resources, the concession revenues from advertising maintained a steady growth. Throughout 2012, the Company has achieved non-aeronautical revenues of RMB2,881,557,000, representing an increase of 7.0% over the previous year and accounting for 42% of the total revenue.

In 2012, the Company has finally achieved operating revenues of RMB6,862,660,000, representing an increase of 5.6% over the previous year.

The Company continued with strict cost control, and notably raised the business awareness among all departments. By optimizing centralized procurement and controlling the inventory, the Company substantially saved the purchase costs and reduced the inventory amount. Through effective communication and active response to the pilot implementation of levying Value Added Tax instead of Business Tax, the Company's tax costs were effectively lowered with policy support. Despite the pressure from material increases in expenditure of security assurance, labor costs, repair and maintenance during 2012, the Company managed to control its operating expenses within an anticipated range, which amounted to RMB4,498,782,000 for the whole year, representing a rise of 8.3% over the previous year.

In 2012, the Company continued to optimize its debt structure, and further improved its capital structure, with its liability-to-asset ratio dropping to 54.27%.

In 2012, the Company's net profit after tax was RMB1,172,583,000, representing an increase of 5.3% over the previous year. Throughout the year, the Company still maintained its solid and sustained profitability amid weak economic indicators worldwide.

In 2012, the Company's sustained admirable performance was highly recognized in the capital markets. The Company's shares were actively traded in the capital markets, and the share price outperformed that of its peers in the industry for a fairly long time, with an increase of over 40% throughout the year, far better than the general market performance and the industry average. The Company, as a result, won the "China Securities Golden Bauhinia Awards - Listed Company with the Most Investment Value (最具投資價值上市公司)" among the contest jointly sponsored by the Securities Association of China, the Hong Kong Securities Association and other authoritative institutions.

# Chairman's Statement (Continued)

## PROSPECTS OF 2013

In 2013, the world economy is still trapped in deep adjustment. The international civil aviation industry is expected to maintain a sluggish growth. In contrast, the domestic economy, on the whole, has shown signs of stabilization, and the existing capacity of the Beijing Capital Airport has reached saturation. Under pressures from both the domestic and international environments, the Beijing Capital Airport will further tap its potential and strive to maintain a steady and healthy growth momentum in 2013.

Preliminary statistics show that for the first two months of 2013, when comparing with the corresponding period of the previous year, the Beijing Capital Airport's aircraft movement has decreased by 0.33%, including the decrease in domestic routes by 0.58% and the growth of international and regional routes by 0.56%; the passenger throughput rose by 3.33% year on year, including domestic routes' growth by 2.94% and international and regional routes' growth by 4.66%. The increase rate of passenger throughput of international and regional routes rose over the second half of 2012, which indicates the market has gradually absorbed the downward pressure on business volume brought on by international business conditions. This, in turn, will help to drive sustainable growth in aeronautical revenues.

In January 2013, the State Council officially promulgated the "Work Division Plan for Key Tasks in Promoting the Development of the Civil Aviation Industry (《促進民航業發展重點工作分工方案》)", detailing and breaking down the targets and tasks as set out in the "Opinions of the State Council on Promoting the Development of the Civil Aviation Industry (《國務院關於促進民航業發展的若干意見》). "Vigorously building Beijing into a large, fully functional and globally-connected international aviation hub" has become a key task of the government, which provides favourable policy support and important opportunity for the Company to advance its hub-construction strategy.

In 2013, the Company will continue to push ahead the hub-construction process, strengthen mid and long-term strategic cooperation with Air China, improve the distribution of its international routes network by well seizing the opportunity presented by the 72-hour Visa-free Transit policy, reinforce coordination and collaboration with the airport area and the Beijing city, and raise its appeal to international and transit passengers to drive sustained growth of its international business volume. Meanwhile, the Company will also further step up development of the cargo business, aiming to achieve new breakthroughs with cargo profitability. Furthermore, the adjustment plan for the charging policy for "domestic airlines operating international routes" has been released lately and will formally take effect on 1 April 2013. The new charging policy will bring positive impact on the aeronautical revenues of the Company.

In 2013, the Company will continue to innovate its business model, boost the quality of commercial resources, constantly tap commercial potential, actively explore external markets and create new profit drivers to continuously increase the contribution of the non-aeronautical business. Meanwhile, the Company will further enhance cost management efforts and raise the business awareness of all the staff so as to effectively control capital expenditure.

In 2013, the Company will stay committed to improving the security, operation and service quality of the airport, continuously boost service efficiency, and foster its service brand. The Company will also boost its sustainable development level by innovating technology management, firmly perform its corporate social responsibility, and spare no efforts in building a safe, smoothly-operated, pleasant, beautiful and civilized large-scale hub airport.

At present, the pressure of capacity bottleneck on the operational resources of the Beijing Capital Airport tends to intensify, and it remains a great challenge in the near future for the Company to coordinate resources replenishment before the operation of the new airport, and solve the conflict between rising market demands and the shortage of operational resources. In 2013, the Company will further speed up planning and replenishment of operational resources, alleviate the capacity bottleneck of domestic passenger transport by commencing operation of the building D of Terminal Three ("T3D"), boost resources utilization efficiency by pushing forward the overall expanding retrofitting of Terminal Two ("T2"), deepen air-ground coordination and enhance operating efficiency by further optimizing flight schedules.

In 2013, according to the plan for the preliminary work for the construction of the new airport in Beijing, relevant construction work of the new airport will commence after obtaining the approval of relevant authorities. The Company will continuously pay close attention to the progress of this project, and follow up with the relevant research work on the construction and operation of the new airport.

Looking back in to 2012, the Beijing Capital Airport has accomplished outstanding progress. Through persistent efforts, the Company made new achievements in respect of hub construction, security foundation, service quality, operating results and talents development. I hereby would like to thank all shareholders for your trust and support, thank all governmental authorities that support the Beijing Capital Airport, thank all airlines and other parties operating at the Beijing Capital Airport, and thank all staff of the Company for their hard work and dedication in 2012.

**Dong Zhiyi**
*Chairman*

Beijing, the PRC, 18 March 2013

To promote the Development of the industry and
to show the world our image as the national gate

# 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 2012.

## OPERATING RESULTS AND FINANCIAL POSITION

The Company's operating results for the year ended 31 December 2012 and the financial position of the Company for the year ended 31 December 2012 were prepared basing on International Financial Reporting Standards ("IFRS") are set out on pages 83 to 168 of the annual report.

## DIVIDEND

The Board proposed to distribute final dividend of RMB0.0683 per share for the year 2012, amounting to the total sum of RMB295,800,000 (Note) (the dividend for the year 2011: RMB257,082,000). Such proposal shall be subject to the approval by the shareholders at the 2012 annual general meeting ("AGM") of the Company. The details of the payment of the final dividend will be set out in the notice of AGM to be issued by the Company in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company distributed the interim dividends of RMB0.04 per share for the six months ended 30 June 2012, amounting to the total sum of RMB173,236,000.

There was no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend during the year ended 31 December 2012.

*Note:* Pursuant to the "Enterprise Income Tax Law of the People's Republic of China" and the "Rules for the Implementation of the Enterprise Income Tax Law of the People's Republic of China", both implemented in 2008, and the "Notice of Withholding and Payment of Enterprise Income Tax Regarding China Resident Enterprise Paying Dividend to Non-Resident Enterprise Holders of Overseas H-Share" (No.897 GSH[2008]) issued by China's State Administration of Taxation on 6 November 2008, the Company is obliged to withhold and pay enterprise income tax at the rate of 10% when distributing the 2012 final dividend to the non-resident enterprise H share shareholders whose names appear on the register of members for H shares of the Company on the relevant record date (the "Record Date") to be announced by the Company in accordance with the requirements of the Listing Rules. For the holders of the H shares (the "H Shareholders") who are registered in the name of non-natural person registered shareholders (including HKSCC (Nominees) Limited, other corporate nominees, trustees, or other organisations or groups which shall be treated as "non-resident enterprises" shareholders) on the register of members for H shares of the Company on the Record Date, the Company will distribute the 2012 final dividend, after withholding and paying enterprise income tax of 10%.

The Company will withhold and pay enterprise income tax on behalf of its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of the above withholding and payment.

Based on the Company's consultations with the relevant PRC tax authorities, for all natural persons whose names are registered on the register of members for H shares of the Company, being a foreign investment enterprise（外商投資企業）, on the Record Date, no income tax will be required to be withheld and paid by the Company.

## PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Company as at 31 December 2012 and their movements for the fiscal year ended 31 December 2012 are set out in Note 6 to the Financial Statements.

## RESERVES

Changes in reserves of the Company for the fiscal year ended 31 December 2012 is set out on page 131 of this annual report.

## 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 2 of this annual report.

## ISSUED SHARE CAPITAL

No share capital was issued by the Company during the fiscal year ended 31 December 2012.

The disclosure of equity interests of the Company as at 31 December 2012 is set out on pages 32 to 33 of this annual report.

## TAXATION

The details of taxation of the Company for the fiscal year ended 31 December 2012 are set out in Note 27 to the Financial Statements.

## ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2012, the Company has no entrusted loans or any fixed deposits matured but not yet withdrawn placed in financial institutions or any other entities.

# Report of the Board (Continued)

## MAJOR CUSTOMERS AND SUPPLIERS

The largest customer, Air China Limited (including its subsidiaries), and the five largest customers of the Company represented 19.0% and 55.4% respectively, of the total revenues of the Company for the year ended 31 December 2012.

The largest supplier, Capital Airports Power and Energy Co., Ltd. and the five largest suppliers of the Company represented 14.9% and 37.1% respectively, of the total operating expenses of the Company for the year ended 31 December 2012.

To the knowledge of the Board, none of the Company's directors and their respective associates (as defined in 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 2012. The Parent Company was one of the five largest suppliers and also held the equity interests of the five largest suppliers of the Company as follows: held 100% equity interest of Capital Airports Power and Energy Co., Ltd.; held 100% equity interest of Capital Airport Aviation Security Co., Ltd.; held 100% equity interest of Beijing Capital Airport Property Management Company Limited.

## SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITIES

The Company has no subsidiary but holds 60% equity interests in one jointly-controlled entity, Beijing Bowei Airport Support Limited ("Bowei"), as at 31 December 2012. Details are set out in Note 9 to the Financial Statements.

## ACQUISITION AND DISPOSAL

The Company has not conduct any other acquisition or disposal during the year ended 31 December 2012.

## MATERIAL ACQUISITION AND MATERIAL SUBSEQUENT EVENT

During the financial year ended 31 December 2012 and for the period from 1 January 2013 to 18 March 2013, the Company has no material acquisition and material subsequent event.

## TRADE AND OTHER RECEIVABLES

As at 31 December 2012, the Company's trade and other receivables (including non-current portion) were RMB1,196,333,000, representing an increase of 7.2% 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(k) to the Financial Statements.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the financial year ended 31 December 2012, 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 articles of association of the Company or the laws of PRC, by which the shareholders of the Company would oblige the Company to offer new shares in proportion to their shareholding.

## CONNECTED TRANSACTIONS

### Continuing Connected Transactions

According to the requirements under Chapter 14A of the Listing Rules, the continuing connected transactions of the Company, which are subject to the annual review requirements for the year ended 31 December 2012, are set out as follows:

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Transaction amounts for the year ended 31 December 2012 *RMB'000* | Annual Cap *RMB'000* |
|---|---|---|---|---|
| 1 | The Company and Beijing Capital Airport Food Management Company Limited ("BAFM") entered into the Restaurant Franchise-out Agreement on 1 January 2005 with effect from 1 January 2005 to 31 December 2014, pursuant to which the Company agreed to franchise the designated restaurants and related premises of Beijing Capital Airport from time to time to BAFM for its exclusive operation of restaurants business in Beijing Capital Airport. The execution of this agreement is expected to enhance the quality of restaurants and food & beverage services of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport and improving the cost control of the Company. Further, the rental receivable under this agreement will increase the overall income of the Company. For details of the relevant transactions, please refer to the Company's announcement on 27 November 2008. | The Parent Company is holding 100% equity interest of BAFM. | **114,536** | *Note (1)* |
| 2 | The Company and Beijing Capital Airport Commercial & Trading Company Limited ("BACT") entered into the Retail Franchise-out Agreement on 1 January 2005 with effect from 1 January 2005 to 31 December 2014, pursuant to which the Company agreed to the franchise the designated retail premises of Beijing Capital Airport from time to time to BACT for its exclusive operation of retail business in Beijing Capital Airport; the merchandises offered include cigarette, alcohol, cosmetics, packed food and beverage, arts and crafts, ornaments, fashion, bags & cases, books & audio/video products, and other merchandise falling in the scope of business of BACT as approved by the competent authorities. The execution of this agreement is expected to enhance the quality of trading and retail services of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport and improving the cost control of the Company. Further, the rental receivable under this agreement will increase the overall income of the Company. For details of the relevant transactions, please refer to the Company's announcement on 27 November 2008. | The Parent Company is holding 100% equity interest of BACT. | **864,875** | *Note (1)* |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Transaction amounts for the year ended 31 December 2012 *RMB'000* | Annual Cap *RMB'000* |
|---|---|---|---|---|
| 3 | The Company and Beijing Capital Airport Advertising Company Limited ("BAA") entered into the Advertising Franchise-out Agreement on 1 January 2005 with effect from 1 January 2005 to 31 December 2014, pursuant to which the Company agreed to franchise the designated advertising resources in certain areas of Beijing Capital Airport from time to time to BAA for its exclusive operation of advertising business in Beijing Capital Airport. The execution of this agreement is expected to enhance the quality of advertising services of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport and improving the cost control of the Company. Further, the rental receivable under this agreement will increase the overall income of the Company. For details of the relevant transactions, please refer to the Company's announcement on 27 November 2008. | The Parent Company is holding 100% equity interest of BAA. | **786,099** | *Note (1)* |
| 4 | The Company and Capital Airport VIP Services Management Co., Ltd. ("CAVIP") entered into the Traveller Services Franchise Agreement on 4 June 2012 with effect from 1 June 2012 to 31 December 2014, pursuant to which the Company agreed to permit CAVIP to use certain areas and resources at the terminals of the Beijing Capital Airport for the provision of various travellers' services to the passengers of the Beijing Capital Airport. Meanwhile, the Company and CAVIP agreed to terminate the Lease of Commercial Areas and Other Premises and Service Staff Engagement Agreement with effect from 1 June 2012. The execution of this agreement may enable the Company to conduct integrated planning and management of the resources used for the passenger services in the terminals to advance the utilization efficiency of the resources in the terminals. On the other hand, CAVIP would be able to coordinate and arrange its professional service staff to improve its service quality. For details of the relevant transaction, please refer to the Company's announcement on 4 June 2012. | The Parent Company is holding 100% equity interest of CAVIP. | **45,615** ***Note (2)*** | 48,000 *Note (3)* |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Transaction amounts for the year ended 31 December 2012 *RMB'000* | Annual Cap *RMB'000* |
|---|---|---|---|---|
| 5 | The Company and CAVIP entered into the Lease of Commercial Areas and Other Premises on 18 November 2011 with effect from 1 January 2012 to 31 December 2014, pursuant to which the Company agreed to lease the commercial areas and other premises (mainly including the service counters, the public rooms and the exhibition areas) at the terminals of the Beijing Capital Airport to CAVIP. The execution of this lease is expected to provide the passengers with quality services, and bring in a steady cash flow to the Company. For details of the relevant transactions, please refer to the Company's announcement on 22 November 2011. | The Parent Company is holding 100% equity interest of CAVIP. | **48,841** *Note (4)* | 99,000 |
| 6 | The Company and Capital Jet Company Co., Ltd. ("CACL") entered into the Business Jet Ground Services Joint Operation Agreement on 16 October 2012 with effect from 1 October 2012 to 30 September 2015, pursuant to which the Company agreed to permit CACL to be the exclusive service provider for the provision of ground services to business jets taking off and landing at the Beijing Capital Airport. The execution of this agreement with CACL may enable the Company to advance the utilization efficiency of the ground services resources for business jets in the Beijing Capital Airport, enhance services quality, management efficiency and market competitiveness. Meanwhile, the cooperation with CACL can also increase the revenue of the Company. For details of the relevant transaction, please refer to the Company's announcement on 16 October 2012. | The Parent Company is indirectly holding 56.651% equity interest of CACL. | **4,279** *Note (5)* | 4,350 *Note (6)* |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Transaction amounts for the year ended 31 December 2012 *RMB'000* | Annual Cap *RMB'000* |
|---|---|---|---|---|
| 7 | The Company and the Parent Company and its subsidiaries (other than the Company) entered into the IT System Management and Maintenance Agreement on 31 December 2009 with effect from 1 January 2010 to 31 December 2012, pursuant to which the Company agreed to provide the information technology system management and maintenance services and information technology system project implementation services to the Parent Company and its subsidiaries. The execution of this agreement is expected to bring in a steady cash flow to the Company, unify the management and enhance the security of the information technology system of Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement on 31 December 2009. | The Parent Company is holding 56.61% of the issued share capital of the Company. | **13,206** | 20,000 |
| 8 | The Company and Capital Airports Aviation Security Company Limited ("CAAS") entered into the Supply of Aviation Safety and Security Guard Services Agreement on 18 November 2011 with effect from 1 January 2012 to 31 December 2014, pursuant to which CAAS agreed to provide aviation safety and security guard services to the Company in the Beijing Capital Airport. Since CAAS has the expertise and experience on the provision of aviation safety and security guard services in Beijing Capital Airport, it is able to provide an integrated and complete range of aviation security services to the Company. The Company considers that the engagement of CAAS for the provision of aviation safety and security guard services will enable the Company to focus on developing and operating its core businesses in Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement on 22 November 2011. | The Parent Company is holding 100% equity interest of CAAS. | **424,505** | 450,000 |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Transaction amounts for the year ended 31 December 2012 *RMB'000* | Annual Cap *RMB'000* |
|---|---|---|---|---|
| 9 | The Company and Capital Airports Power and Energy Company Limited ("CAPE") entered into the Supply of Power and Energy Services Agreement on 18 November 2011 with effect from 1 January 2012 to 31 December 2014, pursuant to which CAPE agreed to supply water, electricity, steam, natural gas, air-conditioning and heating to the Company in the terminals and other areas of Beijing Capital Airport. The execution of this agreement is expected to have steady supply of water, electricity, steam, natural gas, air-conditioning and heating to the Company. In addition, CAPE is the only service provider for water, electricity, steam, natural gas and air-conditioning and heating in the area where the Beijing Capital Airport is located, and it has ample experience in the provision of the above services to the Company. For details of the relevant transactions, please refer to the Company's announcement on 22 November 2011. | The Parent Company is holding 100% equity interest of CAPE. | **572,580** | 660,000 |
| 10 | The Company and CAPE entered into the Supply of Operation and Maintenance Services of Power and Energy Facilities Agreement on 14 January 2011 with effect from 1 January 2011 to 31 December 2013, pursuant to which CAPE agreed to provide the operation and maintenance services of power and energy facilities to the Company at Beijing Capital Airport. The execution of this agreement is expected to provide the operation and maintenance services of power and energy facilities of power, water heating, air-conditioning, lightings, etc, at the zone where the Terminal One, Terminal Two and Terminal Three are located and electricity and water facilities of office building as well as the operation and maintenance services of sewage disposal station and garbage incineration station and the provision of other relevant services as requested by the Company. For details of the relevant transactions, please refer to the Company's announcement on 14 January 2011. | The Parent Company is holding 100% equity interest of CAPE. | **97,945** | 129,000 |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Transaction amounts for the year ended 31 December 2012 *RMB'000* | Annual Cap *RMB'000* |
|---|---|---|---|---|
| 11 | The Company and Beijing Capital Property Management Company Limited ("BCPM") entered into the Supply of Miscellaneous Property Services Agreement on 18 November 2011 with effect from 1 January 2012 to 31 December 2014, pursuant to which BCPM agreed to provide the Company with miscellaneous property services to Terminal One, Terminal Two, Terminal Three, the public area, airfield area and other designated area at the Beijing Capital Airport. The execution of this agreement is expected to help the Company control the overall costs, and enhance service quality in the related areas. For details of the relevant transactions, please refer to the Company's announcement on 22 November 2011. | The Parent Company is holding 100% equity interest of BCPM. | **173,864** | 228,000 |
| 12 | The Company and BCPM entered Into the Carpark Operation and Management Agreement on 16 April 2011, in relation to the operation and management of the car park in the west zone of Beijing Capital Airport, with effect from 16 April 2011 to 15 April 2014, pursuant to which BCPM agreed to (i) provide the Company with operation and management services in respect of the car park in the west zone of Beijing Capital Airport, including being responsible for the safety, services, operation and other matters in respect of all car park premises; and (ii) fully comply with the service standard, supervision and guidance of the Company in respect of the provision of the management services. The execution of this agreement is expected to reduce the operation cost to be paid by the Company for the management of the car park, while stimulating competition between the service providers in the east and west zones of Beijing Capital Airport and thus encouraging the two service providers to improve the quality of their services. For details of the relevant transactions, please refer to the Company's announcement on 19 April 2011. | The Parent Company is holding 100% equity interest of BCPM. | **27,664** | 29,870 |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Transaction amounts for the year ended 31 December 2012 *RMB'000* | Annual Cap *RMB'000* |
|---|---|---|---|---|
| 13 | The Company and the Parent Company entered into the Airfield Land Lease Agreement on 26 October 2006, for the lease of Airfield Land from the Parent Company. The term of the Airfield Land Lease Agreement is 20 years from the date on which the approval from the Beijing Bureau of Land and Resources on the transactions contemplated under the Airfield Land Lease Agreement is obtained, subject to renewal for 20 years on same terms and conditions upon request by the Company in accordance with the applicable PRC laws, and subject to further renewal for 10 years on same terms and conditions upon request by the Company in accordance with the applicable PRC laws. The execution of this agreement is expected to ensure the long term use of the said airfield areas and to save a substantial amount of capital expenditure in acquiring the land use rights to the Airfield Land. On 31 January 2008, the Company and the Parent Company entered into a supplemental agreement for adjustment of rental. For details of these transactions, please refer to the Company's announcements on 26 October 2006 and 31 January 2008. | The Parent Company is holding 56.61% of the issued share capital of the Company. | **28,000** *Note (7)* | 28,000 *Note (7)* |
| 14 | The Company and the Parent Company entered into the Information Technology Center Lease Agreement on 14 January 2011, for the lease of the information technology center from the Parent Company, with effect from 1 January 2011 to 31 December 2013, pursuant to which the Company leased the information technology center from the Parent Company as a command centre for Beijing Capital Airport and to house the information technology system in order to ensure the smooth operation of Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement on 14 January 2011. | The Parent Company is holding 56.61% of the issued share capital of the Company. | **16,321** | 17,000 |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Transaction amounts for the year ended 31 December 2012 *RMB'000* | Annual Cap *RMB'000* |
|---|---|---|---|---|
| 15 | The Company and the Parent Company entered into the Lease Agreement on 16 November 1999, for the lease of the land use rights to the runways, aprons and parking lands from the Parent Company. The term of the lease of the land use rights to the runways and aprons is 50 years, while the term of the lease of the land use rights to the parking lands is 40 years. For details of the relevant transactions, please refer to the Company's prospectus. | The Parent Company is holding 56.61% of the issued share capital of the Company. | **8,186** | 8,199 *Note (8)* |
| 16 | The Company and Beijing Capital Airport Property Management Center ("BAPMC") entered into the Lease of Office Building on 31 December 2009 for the lease of the office building from BAPMC, with effect from 1 January 2010 to 31 December 2012. The execution of this lease is expected to address the Company's need for a daily operation site. For details of the relevant transactions, please refer to the Company's announcement on 31 December 2009. | The Parent Company is holding 100% of the issued share capital of BAPMC. | **38,089** | 52,541 |
| 17 | The Company and CAVIP entered into the Service Staff Engagement Agreement on 13 February 2012 with effect from 1 January 2012 to 31 December 2014, pursuant to which CAVIP agreed to designate staff for Beijing Capital Airport to provide, among others, the travelling guidance service to the passengers at the terminals of Beijing Capital Airport. The execution of this agreement is expected to improve the quality of passenger services of Beijing Capital Airport and promote the image of Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement on 13 February 2012. | The Parent Company is holding 100% equity interest of CAVIP. | **8,082** ***Note (4)*** | 30,000 |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Transaction amounts for the year ended 31 December 2012 *RMB'000* | Annual Cap *RMB'000* |
|---|---|---|---|---|
| 18 | The Company and Beijing Aviation Construction Engineering Co., Ltd. ("BACE") entered into the Airfield Light and Cable Maintenance Agreement on 7 June 2011 with effect from 1 July 2011 to 30 June 2013, pursuant to which BACE agreed to provide the Company with regular and emergency inspection and maintenance services on the lights and cables in the airfield areas of Beijing Capital Airport. The execution of this agreement is expected to ensure the safety and reliability of the operation of lights and cables in Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement on 7 June 2011. | The Parent Company is indirectly holding 56.651% equity interest of BACE. | 6,133 | 6,800 |
| 19 | The Company and Beijing Capital Airport Group Finance Company Limited ("BAGF") entered into the Financial Service Agreement on 14 January 2011 with effect from 1 January 2011 to 31 December 2013, pursuant to which BAGF agreed to provide the Company with deposit services, loan and guarantee services, and other financial services. The execution of this agreement is expected to enable the Company to obtain the convenient and effective financial services. The Company and BAGF entered into the Supplemental Financial Services Agreement on 2 May 2012 to revise the annual caps for the deposit services. For details of the relevant transactions, please refer to the Company's announcements on 14 January 2011 and 2 May 2012. | The Parent Company is holding 100% equity interest of BAGF, either directly or indirectly. | 309,867 *Note (9)* | For deposit services: 320,000 For other financial services: 10,000 |

*Notes:*

(1) In 2008 and 2009, the Parent Company acquired the equity interests in BAFM, BACT and BAA, and such companies became its subsidiaries. As disclosed in the announcement of the Company dated 27 November 2008, no annual caps were set for the franchise agreements entered into with BAFM, BACT and BAA.

(2) This amount represents the transaction amount for the period from 1 June 2012 to 31 December 2012.

(3) This amount represents the maximum transaction amount for the period from 1 June 2012 to 31 December 2012.

(4) This amount represents the transaction amount for the period from 1 January 2012 to 31 May 2012. The agreement was terminated on 1 June 2012.

(5) This amount represents the transaction amount for the period from 1 October 2012 to 31 December 2012.

(6) This amount represents the maximum transaction amount for the period from 1 October 2012 to 31 December 2012.

(7) The Airfield Land Lease Agreement and the related supplemental agreement, including the rented areas and rental, is in the progress of obtaining approval from the related land governmental authorities.

(8) The cap for the year 1999 was no more than RMB5,600,000. Since 1999, the annual cap may increase by no more than 10% every three years; the cap for the year 2012 may increase by no more than 46.41% over the year 1999, to RMB8,198,960.

(9) This amount represents the maximum daily balance of deposit placed by the Company at BAGF during the year ended 31 December 2012.

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

1. in the ordinary and usual course of business of the Company;

2. either (i) on the normal commercial terms or (ii) on the terms no less favourable to the Company than the terms available to or from independent third parties (if applicable); 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.

The Company's auditor was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Company as above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

## CONNECTED TRANSACTIONS

According to the requirements under Chapter 14A of the Listing Rules, the connected transactions of the Company, which are subject to the annual review requirements for the year ended 31 December 2012, are set out as follows:

| | **Description of the transactions and date of the relevant announcements** | **Relationship between contracting parties** | **Consideration of connected transactions** *(RMB'000)* |
|---|---|---|---|
| 1 | The Company and BACE entered into the Central Runway Lights Replacement and Reconstruction Agreement on 2 May 2012, pursuant to which, BACE agreed to provide the replacement and reconstruction services to the Company for the replacement and reconstruction of lights at the central runway area of the Beijing Capital Airport. The term of the Central Runway Lights Replacement and Reconstruction Agreement is 120 days commencing from the commencement date of the provision of the Replacement and Reconstruction Services, which shall be within 5 days of the date of the Central Runway Lights Replacement and Reconstruction Agreement. The execution of this agreement is expected to satisfy the needs of safe operation of the Beijing Capital Airport and reduce the daily maintenance work of lights in the Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcement on 2 May 2012. | The Parent Company is indirectly holding 56.651% equity interest of BACE. | 8,299 |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Consideration of connected transactions *(RMB'000)* |
|---|---|---|---|
| 2 | The Company and BACE entered into the Boundary Security System Enhancement Agreement on 6 November 2012, pursuant to which, BACE agreed to provide the boundary security system enhancement services to the Company for the enhancement of boundary security system at the new 9A door airfield area of the Beijing Capital Airport. The term of the Boundary Security System Enhancement Agreement is 45 days commencing from the commencement date of the provision of the boundary security system enhancement services, which shall be within 5 days from the date of entering into the Boundary Security System Enhancement Agreement. The execution of this agreement is expected to satisfy the needs of the operation of Beijing Capital Airport and improve aviation safety. For details of the relevant transaction, please refer to the Company's announcement on 6 November 2012. | The Parent Company is indirectly holding 56.651% equity interest of BACE. | 1,883 |
| 3 | The Company and BACE entered into the South Lighting Station Standby Power Reconstruction Agreement on 6 November 2012, pursuant to which, BACE agreed to provide the standby power reconstruction services to the Company for the reconstruction of the standby power of the south lighting station at the western runway of the Beijing Capital Airport. The term of the South Lighting Station Standby Power Reconstruction Agreement is 90 days commencing from the commencement date of the provision of the south lighting station standby power reconstruction services, which shall be within 5 days from the date of entering into the South Lighting Station Standby Power Reconstruction Agreement. The execution of this agreement is expected to improve the reliability of the power supply to the airfield lighting equipment of the Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcement on 6 November 2012. | The Parent Company is indirectly holding 56.651% equity interest of BACE. | 1,485 |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Consideration of connected transactions *(RMB'000)* |
|---|---|---|---|
| 4 | The Company and BACE entered into the South and North Lighting Stations Reconstruction Agreement on 6 November 2012, pursuant to which, BACE agreed to provide the south and north lighting stations reconstruction services to the Company for the reconstruction of the south and north lighting stations at the eastern runway of the Beijing Capital Airport. The term of the South and North Lighting Stations Reconstruction Agreement is 90 days commencing from the commencement date of the provision of the south and north lighting stations reconstruction services, which shall be within 5 days from the date of entering into the South and North Lighting Stations Reconstruction Agreement. The execution of this agreement is expected to satisfy the needs of the operation of Beijing Capital Airport's airfields. For details of the relevant transaction, please refer to the Company's announcement on 6 November 2012. | The Parent Company is indirectly holding 56.651% equity interest of BACE. | 1,376 |
| 5 | The Company and BACE entered into the W7 Taxiway Enhancement and Reconstruction Agreement on 6 November 2012, pursuant to which, BACE agreed to provide the W7 taxiway enhancement and reconstruction services to the Company for the enhancement and reconstruction of the W7 taxiway at the north-end of the central runway of the Beijing Capital Airport. The term of the W7 taxiway Enhancement and Reconstruction Agreement is 30 days commencing from the commencement date of the provision of the W7 taxiway enhancement and reconstruction services, which shall be within 5 days from the date of entering into the W7 Taxiway Enhancement and Reconstruction Agreement. The execution of this agreement is expected to meet the operation requirement of class F aircrafts. For details of the relevant transaction, please refer to the Company's announcement on 6 November 2012. | The Parent Company is indirectly holding 56.651% equity interest of BACE. | 1,410 |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Consideration of connected transactions *(RMB'000)* |
|---|---|---|---|
| 6 | The Company and BACE entered into the W2 Taxiway Enhancement and Reconstruction Agreement on 6 November 2012, pursuant to which, BACE agreed to provide the W2 taxiway enhancement and reconstruction services to the Company for the enhancement and reconstruction of the W2 taxiway at the south-end of the central runway of the Beijing Capital Airport. The term of the W2 Taxiway Enhancement and Reconstruction Agreement is 30 days commencing from the commencement date of the provision of the W2 taxiway enhancement and reconstruction services, which shall be within 5 days from the date of entering into the W2 Taxiway Enhancement and Reconstruction Agreement. The execution of this agreement is expected to meet the operation requirement of class F aircrafts. For details of the relevant transaction, please refer to the Company's announcement on 6 November 2012. | The Parent Company is indirectly holding 56.651% equity interest of BACE. | 1,550 |
| 7 | The Company and BACE entered into the F4 and M4 Taxiways Enhancement and Reconstruction Agreement on 6 November 2012, pursuant to which, BACE agreed to provide the F4 and M4 taxiways enhancement and reconstruction services to the Company for the enhancement and reconstruction of the F4 and M4 taxiways at the west-end of the central runway of the Beijing Capital Airport. The term of the F4 and M4 taxiways enhancement and reconstruction agreement is 30 days commencing from the commencement date of the provision of the F4 and M4 taxiways enhancement and reconstruction services, which shall be within 5 days of entering into the F4 and M4 Taxiways Enhancement and Reconstruction Agreement. The execution of this agreement is expected to meet the operation requirement of class F aircrafts. For details of the relevant transaction, please refer to the Company's announcement on 6 November 2012. | The Parent Company is indirectly holding 56.651% equity interest of BACE. | 1,689 |

| | Description of the transactions and date of the relevant announcements | Relationship between contracting parties | Consideration of connected transactions *(RMB'000)* |
|---|---|---|---|
| 8 | The Company and BACE entered into the Guidance Sign Engineering Construction Agreement on 16 January 2012, pursuant to which, BACE agreed to provide the construction services to the Company for the construction of "no-entry guidance signs" at the 20 one-way exit taxiways located at the 3 runways at the airfield area of the Beijing Capital Airport, "runway number signs" and ancillary facilities at the entrance taxiway at the 12 non-runway end of the Beijing Capital Airport. The execution of this agreement is expected to meet the operation requirement of the airfield area of the Beijing Capital Airport as well as the relevant civil aviation laws and regulations. For details of the relevant transaction, please refer to the Company's announcement on 16 January 2012. | The Parent Company is indirectly holding 56.651% equity interest of BACE. | 10,788 |

The continuing connected transactions and connected transactions of the Company disclosed above also constitute transactions with related parties ("Related Party Transactions") as set out in Note 33(b) to the financial statements. The Company confirms that in respect of these transactions which are both (i) Related Party Transactions; and (ii) connected/continuing connected transactions, it has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules.

## DISCLOSURE OF INTERESTS

As at 31 December 2012, the total issued capital of the Company is 4,330,890,000 shares, comprising 1,879,364,000 H shares and 2,451,526,000 domestic shares.

As at 31 December 2012, 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. *(note 2)* | H shares | 413,896,000 (L) | Investment Manager | 22.02% | 9.56% |
| Blackrock, Inc. *(note 3)* | H shares | 135,971,859 (L) | Interest of corporation controlled by the substantial shareholder | 7.23% | 3.14% |
| | | 2,465,704 (S) | | 0.13% | 0.06% |
| The Northern Trust Company (ALA) *(note 4)* | H shares | 411,728,738(P) | Interest of corporation controlled by the substantial shareholder | 21.91% | 9.15% |

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

*Note:*

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

   Mr. Dong Zhiyi, an executive director and the Chairman of the Board, 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.

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

   Ms. Zhang Musheng, a non-executive director of the Company, is the Deputy General Manager of Capital Airports Holding Company.

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

3. The registered office of BlockRock, Inc. is in New York, the US.

4. The registered office of Northern Trust Company (ALA) is in Chicago, the US.

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

As at 31 December 2012, 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 2012, 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 2012, none of the directors or supervisors of the Company directly or indirectly had any material interests in any contracts of significance (as defined in 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 2012, 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 33 to the Financial Statements and the section headed "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

During the year ended 31 December 2012, 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, SUPERVISORS AND SENIOR MANAGEMENT

The details of emoluments of directors, supervisors, senior management and the five highest paid individuals during the financial year are set out on page 48 of the annual report and in Note 26 to the Financial Statements.

## MATERIAL LITIGATION OR ARBITRATION

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2012.

## PUBLIC FLOAT

As at 18 March 2013, the Board confirmed 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 2009, 2010 and 2011, 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 AGM of the Company held on 7 June 2012, to act as the Company's PRC and international auditor, respectively, for the year 2012.

The Board will present the resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP (previously PricewaterhouseCoopers Zhong Tian CPAs Limited Company) and PricewaterhouseCoopers as the Company's PRC and international auditor, respectively, for the year 2013 at the forthcoming 2012 AGM.

## PROFILE OF 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 50, was re-appointed as an executive director of the Company on 15 June 2011. 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 nearly 30 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 (CAAC, 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, and re-appointed as the Chairman of the Board of the Company on 15 June 2011. Mr.Dong also serve as a member of Airports ACI Global Council and secondary deputy chairman of ACI Asia-Pacific Regional Committee.

**Mr. Zhang Guanghui,** aged 59, was re-appointed as an executive director of the Company on 15 June 2011. He 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 since 22 March 2010 .

**Non-executive Directors**

**Mr. Chen Guoxing,** aged 59, joined the Company since March 2003. He was further re-appointed as a non-executive director of the Company on 15 June 2011. He is a senior engineer, graduated from Tongji University. He has extensive experience in infrastructure constructions, especially in airport constructions. He had served as general commander for the construction of Terminal Three and relevant facilities at the Beijing Capital Airport, which played a positive role for the successful holding of the 29th Olympic Games in Beijing. 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 52, joined the Company since June 2005. He was further re-appointed as a non-executive director of the Company on 15 June 2011. 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.

**Mr. Yao Yabo,** aged 51, was appointed as a non-executive director of the Company on 15 June 2011. He graduated from the Civil Engineering and Architecture Department of Hebei Polytechnic College majoring in civilian construction, and was awarded a Bachelor's degree. Mr. Yao obtained MBA degree from China Europe International Business School. He worked for China Civil Airport Designing Academy from July 1983 to January 1991 and served as senior staff of Human Resources and Labor Division of CAAC, deputy chief and chief of Infrastructure and Airport Division from January 1991 to September 1998. Mr. Yao served as deputy general manager of China Civil Aviation Engineering Consultancy Company from September 1998 to January 2000, and served as deputy general manager and general manager of China Airport Construction Corporation from January 2001 to September 2009. He has been deputy general manager of Parent Company since September 2009 and has concurrently served as executive chief commander of Beijing New Airport Construction Headquarters since December 2010.

**Mr. Zhang Musheng,** aged 54, was appointed as a non-executive director of the Company on 15 June 2011. He holds Bachelor's degree in economic management from Party School of the Central Committee. He worked for Beijing Administrative Bureau of CAAC from November 1972 to May 1989, and served as deputy director of Publicity and Education Division, deputy chief and chief of Publicity Department of Beijing Capital International Airport from May 1989 to April 2000. Mr. Zhang was party secretary and deputy general manager of Construction Engineering Investment Company of Capital Airports Holding Company from April 2000 to June 2002, head of CCP working group of Capital Airports Holding Company from June 2002 to January 2003, deputy general manager, general manager, chairman and party secretary of Tianjin Binhai International Airport from January 2003 to December 2005, and assistant to general manager of Capital Airports Holding Company, chairman and Party secretary of Beijing Capital Airport Advertising Co., Limited from November 2007 to September 2009. Mr. Zhang has been deputy general manager of the Parent Company since September 2009.

**Mr. Lau Eng Boon,** aged 52, was appointed as a non-executive director of the Company on 15 June 2011. He is a Senior Vice President, Senior Portfolio Specialist of the Government Investment Corporation of Singapore (GIC). He has the responsibilities to manage GIC's portfolio in the Transportation, Business Services and Technology/Media/Telecoms sectors. Before joining GIC, Eng Boon was the Chairman & President of TELUS International (listed on the Toronto Stock Exchange), the international business of TELUS Communications, the 2nd largest Telecommunications company in Canada. Mr. Lau has also worked as the General Manager of Avanade Asia and Cap Gemini. Mr. Lau was the vice-president of Operations and Six Sigma at Honeywell. He has extensive board experience, including chairmanship of boards of all TELUS International group companies in US, UK, Singapore, Hong Kong, Korea, the Philippines and LatAm. He also served on the boards of Singapore Stock Exchange listed United Papers and Pulp (listed on the Singapore Stock Exchange), and Indonesia Stock Exchange Listed Matahari Departmental Stores (listed on the Indonesia Stock Exchange). Mr. Lau has a Bachelor of Engineering at Kobe University, Japan, and a MBA at National University of Singapore.

**Mr. Yam Kum Weng*,** aged 48, was further re-appointed as a non-executive director of the Company on 15 June 2011. He 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 2006 to 2007, 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). Since February 2013, Mr. Yam was also overseeing various capacity expansion and infrastructural development projects at Changi Airport besides his air hub development portfolio. 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. Japhet Sebastian Law,** aged 61, Mr. Law joined the Company since June 2008 and was further re-appointed as an independent non-executive director of the Company on 15 June 2011. Mr. Law graduated from the University of Texas at Austin with Ph.D. in Mechanical/Industrial Engineering in 1976. He was a Professor in the Department of Decision Sciences and Managerial Economics of the Chinese University of Hong Kong from 1986 until 2012.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 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 2009, he is also serving as an independent non-executive director of BinHai Investment Company Limited (Formerly "Wah Sang Gas Holdings Limited"). From 29 December 2011, he is also serving as an independent non-executive director of Ever Fortune International Holdings Limited (listed on the Hong Kong Stock Exchange). Mr. Law was appointed as an independent non-executive director of the Company on 12 June 2008. From 18 June 2012, he is serving as an independent non-executive director of Regal Hotels International Holdings Limited (listed on the Hong Kong Stock Exchange) .From 13 August 2012, he is also serving as an independent non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (listed on the Hong Kong Stock Exchange).

* *Mr. Yam resigned on 21 March 2013*

**Mr. Wang Xiaolong,** aged 58, Mr. Wang joined into the Company since June 2008 and was further re-appointed as an independent non-executive director of the Company on 15 June 2011. He 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.

**Mr. Jiang Ruiming,** aged 47, was appointed as an independent non-executive director of the Company on 15 June 2011. He graduated from Department of Law of Peking University with a Bachelor's degree. He obtained a MBA degree from Tsinghua SEM. Mr. Jiang had been executive chief editor of China Food Industry Magazine, partner of Beijing Guofang Law Firm, executive partner of Beijing Grandfield Law Offices and a member of 10th and 11th Issuance Examination Commission of CSRC. He is currently executive partner of Beijing Grandway Law Offices, independent director of Lan-Tian Environmental Engineering Co., Ltd., Wuxi Shangji Grinding Machine Co., Ltd., Zhejiang Xinhua Chemical Co., Ltd., Beijing ChineseAll Digital Publishing Co., Ltd.

**Mr. Liu Guibin,** aged 46, was appointed as an independent non-executive director of the Company on 15 June 2011. He graduated from Zhongnan University of Economics and Law in 1989, is a Certified Public Accountant and one of the first group of senior members (practicing) of CICPA. Mr. Liu is senior partner of RSM China Certified Public Accountants, in charge of internal training, risk quality control and operation instruction of major projects of the firm. Mr. Liu has served as a CPA for over 20 years and has extensive experience and theoretical knowledge. He is an expert in financial audit and consultancy. Meanwhile, Mr. Liu has accumulated abundant experience in restructuring and listing of enterprises and has profound research and unique point of view in restructuring and listing of enterprises as well as finance and securities. He also serves as a member of Professional Ethics Committee of CICPA and member of Beijing Institute of Certified Public Accountants.

**Members of the Supervisory Committee**

**Mr. Liu Yanbin,** aged 58, was appointed as a supervisor of the Company on 15 June 2011, he holds Master's degree in economic management from Party School of the Central Committee. Mr. Liu served as secretary, deputy chief and chief of secretary department of CAAC office, office director, deputy director and director of execution department of CAAC from April 1984 to October 2008, and as deputy party secretary of Capital Airports Holding Company and party secretary of Beijing Capital International Airport Co., Ltd. from October 2008 to March 2010. He has been the party secretary of the Parent Company since March 2010.

**Mr. Cui Youjun,** aged 56 was appointed as a supervisor of the Company on 15 June 2011, he graduated from History Department of Peking University with Bachelor's degree in Chinese history. Mr. Cui was a clerk and chief of human resources department, deputy director of supervision office, and deputy secretary of discipline committee of China National Overseas Trading Corporation from July 1993 to April 1997, and inspector (deputy director level and director level) and chief of Case Inspection Office of Discipline Committee (Inspection Bureau) of CAAC from April 1997 to July 2005. Mr. Cui has been deputy party secretary, leader of discipline inspection team and chairman of labor union of the Parent Company since July 2005.

**Ms. Zhao Jinglu,** aged 42, was appointed as a supervisor of the Company on 15 June 2011, she 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 of the Parent Company. From December 2007 to June 2011, Ms. Zhao was appointed as a non-executive director of the Company.

**Ms. Li Xiaomei,** aged 54, Ms. Li acted as supervisor of the Company since March 2003 and was re-appointed as a supervisor of the Company on 15 June 2011. 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 2000, she was the deputy director of the Beijing Capital Airport's human resources division and the human resources manager of the Company from January 2000 to January 2003. Since January 2003, she has been the vice party secretary, the general secretary of the disciplinary committee and chairman of labor union of the Company. Ms. Li has been the party secretary of the Company since March 2010. Ms. Li also serves as first vice Chairman of Human Resources Committee of ACI (Asian-Pacific Region).

**Mr. Deng Xianshan,** aged 47, has been appointed as supervisor of the Company since 6 June 2012. Mr. Deng graduated from the Department of History of Xiangtan University and was awarded an EMBA from Cheung Kong Graduate School of Business. Mr. Deng served as a lecturer for School of Textile Science and Technology of Beijing Union University from June 1990 to December 1994; the officer the Publicity Department of Beijing Capital Airport from January 1995 to November 1995; the director of the Party Office of Beijing Airport Inflight Kitchen Ltd. from November 1995 to May 1998; the deputy director of the Publicity Department of Beijing Capital Airport from May 1998 to November 1999; manager of the Administrative Management Division of Beijing Capital Airport Company Limited from November 1999 to November 2000; general manager, deputy party secretary and director of Beijing Airport Inflight Kitchen Ltd. from December 2001 to January 2009; deputy general manager and deputy party secretary of Jiangxi Airports Group Company from January 2009 to March 2012; deputy party secretary and the general secretary of the Disciplinary Committee of the Company from March 2012. He has been elected as the chairman of the Labour Union of the Company at the third staff representative meeting of the Company since 6 June 2012.

**Mr. Kwong Che Keung, Gordon**, aged 63, was appointed as a supervisor of the Company on 15 June 2011, Mr. Kwong was 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 China Cosco Holdings Company Limited, NWS Holdings Limited, OP Financial Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, CITIC Telecom International 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. Mr. Kwong had served as independent non-executive director of China Oilfield Services Limited ,Frasers Property (China) Limited, China Cosco Holdings Company Limited, Quam Limited and the Company in the past three years.

**Mr. Dong Ansheng,** aged 61, was appointed as a supervisor of the Company on 15 June 2011. Mr. Dong joined the Company since December 2007 and appointed as an independent non-executive director from December 2007 to June 2011. Mr. Dong 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 PRC 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, 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 Hong Kong Stock Exchange).

**Mr. Chang Jun**, aged 35, was appointed as supervisor of the Company on 6 June 2012. Mr. Chang graduated from the Civil Aviation Institute of China, majored in air traffic control, and also had an MBA degree of School of Economics and Management, Beijing University of Aeronautics and Astronautics. From July 1999 to October 2002, Mr. Chang served as a seat allocation officer of Operation Management Department, commander and coordinator, and airfield business assistant. From October 2002 to July 2006, he worked as a secretarial assistant of Personnel Administration Department of the Company. From July 2006 to October 2009, he served as a duty manager of the Operational Control Centre of the Company. From October 2009 to May 2011, he worked as a deputy manager of the Operational Control Centre of the Company. Since May 2011, he has served as deputy head of Working Group of the Party of the Company.

Save and except for the directorships and supervisorships in the Company, and save and except for the non-executive directorship of Mr. Lau Eng Boon in a listed company, and the independent non-executive directorship of Mr. Japhet Sebastian Law and Mr. Jiang Ruiming in several other listed companies, and the Supervisors Mr. Kwong Che Keung and Mr. Dong Ansheng in serveral 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.

**Other Senior Management**

**Ms. Gao Lijia,** aged 48, was re-appointed as the Vice Executive President of the Company on 15 June 2011. 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 Company. 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 Vice President of the Company. Ms Gao was appointed as Vice Executive President of the Company on 22 March 2010, Ms Gao also serves as a member of Environment Standing Committee and Airport Information Technology Standing Committee of ACI.

**Mr. Zhang Bing,** aged 60, was re-appointed as the Deputy General Manager of the Company on 15 June 2011. 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. Liu Zengyu,** aged 40, a senior engineer, Mr. Liu holds the bachelor's degree in highway and city road from the Road Engineering Department of Chongqing Jiaotong College, and MBA degree from City University of Hong Kong. From July 1995 to August 2000 he served as member and deputy chief of the Airport Service Section under the Airport Management Department of the Company; deputy supervisor, supervisor and party secretary of the Airport Service Team of the Company, and working for two years' in assistance to Tibet at Gonggar Airport under Tibet Bureau, CAAC from August 2000 to August 2002; from January 2002 to December 2005 he served as vice manager of the Airport Management Division of the Company; manager of the Flying Area Assurance Sub-division under the Property Management Division; manager of the Flying Area Assurance Sub-division under the Operation Management Division; party secretary and responsible person of the Flying Area Management Division of the Company; from January 2006 to November 2007 he served as director, general manager, and deputy party secretary of Jiangxi Airports Group Company, and from December 2007 to June 2009, he was the chairman, general manager, deputy party secretary of BCIA Property Management Co., Ltd.. From June 2009 to March 2012, he served as the general manager and deputy party secretary of Guizhou Airports Group Company. On 9 March 2012, Mr. Liu was appointed as deputy general manager of the Company.

**Mr. Zhang Wei,** aged 47, an engineer, Mr. Zhang holds the bachelor's degree in environmental monitoring from the Environment & Chemistry Department of Beijing University of Technology, and the master's degree in agriculture extension from Beijing Forestry University. Mr. Zhang served as assistant and league secretary of the Environmental Protection & Greening Section under the Airport Management Department of the Company; chief of the Environmental Protection & Greening Section; supervisor of the Greening Team under the Airport Management Department; vice manager of the Airport Management Division of the Company; manager of the Administrative Management Division from July 1988 to June 2003; and as general manager, chairman and party secretary of Beijing Capital Airport Food Management Company Limited from June 2003 to January 2009; as deputy party secretary, secretary of the Disciplinary Committee, chairman of the labor union and deputy general manager of Chongqing Airports Group Company from January 2009 to March 2012. On 9 March 2012, Mr. Zhang was appointed as deputy general manager of the Company.

**Mr. Du Qiang,** aged 43, Mr. Du holds the master's degree from the University of International Business and Economics. He served in a broad range of positions: assistant at the deputy chief level of the Transportation Services Department of Inner Mongolia Bureau, Civil Aviation Administration of China; chief of the Transportation Section; assistant, vice manager and manager of the Transportation Services Department, and chief of the Marketing Section; and vice general manager of Inner Mongolia Airports Group Company. From January 2009 to July 2011, he served as director and general manager of Beijing Aviation Ground Services Company Limited. Since July 2011, he has served as director of operations of the Company and member of the party committee.

**Mr. Zuo Xu,** aged 49, graduated from South China Institute of Tropical Crops. Mr. Zuo also holds the MBA degree from the City University of Hong Kong. From July 1986 to October 1988, he worked for the Construction Section of Beijing Bureau, Civil Aviation Administration of China, as a technician; from October 1988 to October 1999, he worked for the Company's Aircraft Management Department as deputy supervisor and supervisor. From October 1999 to October 2005, he worked for the Company's Property Management Division as manager. From October 2005 to January 2009, he worked for the Procurement Center of Capital Airports Holding Limited as general manager. Since January 2009, he has served as director of technology of the Company.

**Mr. Liu Renjie,** aged 51, holds the master's degree in management science and engineering from Harbin University of Science and Technology. From October 1993 to July 2003, he worked for Heilongjiang Bureau, Civil Aviation Administration of China in a range of positions: member at the deputy head level of the Communications Section under the Political Department; deputy director and director of the Organization Department of the Party Committee; party secretary of Security Inspection Department; party secretary of the On-site Command Center; secretary of the Discipline Inspection Commission. From December 2003 to May 2010, he worked for Heilongjiang Airports Management Group Co., Ltd. as vice general manager and party committee member. Since May 2010, he has served as the director of operations of the Company.

**Mr. Wen Wu,** aged 37, graduated from Civil Aviation Flight University of China with a degree in air control. Mr. Wen also holds EMBA degree from the City University of Hong Kong. From 1998 to January 2006, he worked for the Company in a variety of positions: commander of the External Command Center, Operation Management Division; head of the Operation Monitoring & Command Center, Operation Management Division; manager of the Operation Monitoring & Command Center, Operation Management Division; and responsible person of the Operation Monitoring & Command Center. From January 2006 to January 2010, he worked as the manager of the Operation Monitoring & Command Center. In January 2010, he was appointed the director of operations of the Company. Since March 2012 he has concurrently served as the general manager of the Flying Area Management Division of the Company.

**Ms. Hao Ling,** aged 39, graduated from Renmin University of China with the bachelor's degree in history. From August 1996 to June 2009, she worked for the Company in a variety of positions: vice manager of the Terminal Area Sub-division under the Operation Management Division; assistant manager of Terminal Building West Area Management Department; manager of the Party-Masses Work Department; and party secretary and vice manager of the Terminal Building East Area Management Department. From June 2009 to January 2010, she worked as the manager of BCIA Quality & Security Department. In January 2010, she was appointed the director of services of the Company. Since March 2012 She has concurrently served as the general manager of the Terminal Building Management Division of the Company.

**Mr. Ma Yin,** aged 39, graduated from the Automation Department of Shanghai Jiaotong University with the bachelor's degree in engineering. Mr. Ma also holds the master's degree in traffic engineering from the Civil Aviation University of China. From August 1996 to October 1999, he worked as assistant engineer of Emergency Rescue & Command Office of the Company, and deputy director of the Terminal Area Monitoring & Command Center of the Company. From October 1999 to March 2007, he worked for the Company in a range of positions: deputy director of the Terminal Area Monitoring & Command Center under the Operation Management Division; director of the Integrated Services Office; supervisor of aviation affairs; vice manager of the Business Sub-division, Operation Management Division; vice manager of the Operation Monitoring & Command Center; assistant to the manager of the Property Management Division; and manager of the Technical Procurement Division. Form March 2007 to May 2010, he has worked as the manager of Terminal Building West Area Management Division of the Company. In May 2010, he was appointed as director of business of the Company. Since March 2012 he has concurrently served as the general manager of the Operational Control Centre of the Company.

**Mr. Zhu Wenxin,** aged 39, graduated from the College of Automation, Beijing Union University, with a bachelor's degree in engineering. Mr. Zhu also holds the MBA degree from the City University of Hong Kong. From 1997 to 2000, he served as supervisor of Shipping Department and Personnel Administration Department of BGS. From 2000 to 2007, he served as office supervisor of the Company, vice manager of the domestic stores of BACT, manager of the Terminal Building Sub-division of the Company, Manager of the Management Division of the Terminal one and manager of the Quality & Security Division of the Company. From 2008 to 2010, he served as manager of the Public Area Management Department of the Company. In May 2010, he was appointed as director of business of the Company.

**Mr. Kong Yue,** aged 46, holds the MBA degree from Guanghua School of Management, Peking University. From July 1988 to December 2000, he worked as chief of International Office of the Company. From December 2000 to January 2008, he served as assistant to the manager of Planning & Development Division of the Company; manager of the Business Sub-division of the Company, Operation Management Division of the Company; manager of the Operation Management Division of the Company; manager of the Aviation Business Division of the Company; manager of the Marketing Division of the Company; and manager of the Planning & Development Division of the Company. In January 2010, he was appointed as director of Commerce of the Company. Since March 2013 he has concurrently served as the general manager of the Public Area Management Department of the Company.

# Report of the Board (Continued)

**Mr. Shu Yong,** aged 40, was re-appointed as the secretary of the Board of the Company on 15 June 2011. 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 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. From May 2010 to July 2011, Mr. Shu was the manager of Legal Department. He has been the secretary of the Board of the Company since January 2003.

The details of emoluments of directors and supervisors mentioned above are set out in Note 26(a) to the Financial Statements.

The annual emoluments of other senior management fell within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2012** | 2011 |
| Below HK$1,000,000 (equivalent to RMB 810,850) | **6** | 9 |
| HK$1,000,001 - HK$1,500,000 (approximately equivalent to RMB 810,851 - RMB 1,216,275) | **7** | 2 |
| | **13** | 11 |

By order of the Board

**Dong Zhiyi**

*Chairman*

Beijing, the PRC, 18 March 2013

# Management Discussion and Analysis

## OVERVIEW OF THE REVENUES

In 2012, the total revenues of the Company from its principal business were RMB6,862,660,000, representing an increase of 5.6% over the previous year, among which, the aeronautical revenues were RMB3,981,103,000, representing an increase of 4.6% over the previous year, and the non-aeronautical revenues were RMB2,881,557,000, representing an increase of 7.0% over the previous year. In 2012, the Company's business tax and levies amounted to RMB239,718,000, representing a decrease of 15.9% from the previous year, mainly due to the fact that part of the Company's revenues was subject to value added tax, instead of business tax, starting from 1 September 2012 pursuant to the relevant notices issued by the Ministry of Finance and China's State Administration of Taxation. The details concerning value added tax and business tax are set out in note 27(b) to the Financial Statements.

## AVIATION BUSINESS OVERVIEW

In 2012, under the background of a decelerated macro-economic growth, the air traffic volume of Beijing Capital Airport maintained a sustained and stable growth, thanks to the Company's vigorous marketing strategy. Among which, the cumulative aircraft movements reached 557,160 sorties, representing an increase of 4.5% over the previous year. The cumulative passenger throughput reached 81,929,359 person-times, representing an increase of 4.1% over the previous year. The cumulative cargo and mail throughput reached 1,799,864 tonnes, representing an increase of 9.7% over the previous year.

The details are as follows:

| | 2012 | 2011 | Change (%) |
|---|---|---|---|
| **Aircraft Movements** *(unit: sorties)* | **557,160** | 533,257 | 4.5% |
| including: Domestic | **435,644** | 419,015 | 4.0% |
| International, Hong Kong, Macau & Taiwan | **121,516** | 114,242 | 6.4% |
| **Passenger Throughput** *(unit: person-times)* | **81,929,359** | 78,675,058 | 4.1% |
| including: Domestic | **62,793,726** | 61,084,488 | 2.8% |
| International, Hong Kong, Macau & Taiwan | **19,135,633** | 17,590,570 | 8.8% |
| **Cargo and Mail Throughput** *(unit: tonnes)* | **1,799,864** | 1,640,247 | 9.7% |
| including: Domestic | **1,005,806** | 926,681 | 8.5% |
| International, Hong Kong, Macau & Taiwan | **794,058** | 713,566 | 11.3% |

## AERONAUTICAL REVENUES

| | 2012 *RMB'000* | 2011 *RMB'000* | Change (%) |
|---|---|---|---|
| Passenger charges | **1,565,920** | 1,526,025 | 2.6% |
| Aircraft movement fees and related charges | **1,371,817** | 1,278,346 | 7.3% |
| Airport fee *(Note)* | **1,043,366** | 1,001,936 | 4.1% |
| Total aeronautical revenues | **3,981,103** | 3,806,307 | 4.6% |

*Note:* Airport fee represents civil airport management and construction fee and Civil Aviation Development Fund (the "Airport Fee"). Pursuant to the "Notice regarding the Issuance of Levy and Utilisation Methods of Civil Aviation Development Fund" issued by Ministry of Finance of the People's Republic of China on 17 March 2012, with effect from 1 April 2012 to 31 December 2015 , the civil airport management and construction fee has been converted to the Civil Aviation Development Fund. Based on management's best estimation, the Company calculated its Airport Fee revenue for current year at the rate of 48% of total civil airport management and construction fee and Civil Aviation Development Fund collected from outbound passengers, which was as same as that of previous years. As at 31 December 2012, the Company had fully collected from CAAC the Airport Fee for current year as above.

In 2012, the aeronautical revenues of the Company were RMB3,981,103,000 in total, representing an increase of 4.6% over the previous year. Among which, the revenue from passenger charges was RMB1,565,920,000, representing an increase of 2.6% over the previous year; the revenue from aircraft movement fees and related charges was RMB1,371,817,000, representing an increase of 7.3% over the previous year, due to an increase in aircraft movements and a higher percentage of large aircrafts; and the revenue from airport fee was RMB1,043,366,000, representing an increase of 4.1% over the previous year, which was in line with the increase of passenger throughput.

## NON-AERONAUTICAL REVENUES

| | | 2012<br>*RMB'000* | 2011<br>*RMB'000* | Change<br>*(%)* |
|---|---|---|---|---|
| Concessions | | **1,994,327** | 1,853,049 | 7.6% |
| Including: | Retailing | **864,875** | 761,492 | 13.6% |
| | Advertising | **786,099** | 707,511 | 11.1% |
| | Ground handling | **126,952** | 224,622 | -43.5% |
| | Restaurants and food shops | **114,536** | 107,459 | 6.6% |
| | VIP services | **45,615** | — | — |
| | Others | **56,250** | 51,965 | 8.2% |
| Rentals | | **798,910** | 764,608 | 4.5% |
| Car parking fee | | **60,378** | 48,415 | 24.7% |
| Others | | **27,942** | 27,837 | 0.4% |
| Total non-aeronautical revenues | | **2,881,557** | 2,693,909 | 7.0% |

In 2012, the non-aeronautical revenues of the Company were RMB2,881,557,000, representing an increase of 7.0% over the previous year.

In 2012, the concession revenues of the Company were RMB1,994,327,000, representing an increase of 7.6% over the previous year. Among which, the concession revenues from retailing were RMB864,875,000, representing an increase of 13.6% over the previous year, mainly as a combined result of additional arrival duty-free shops at the Terminal Two, increase of passenger flow and enhanced consumption willing power of passengers. The concession revenues from advertising were RMB786,099,000, representing an increase of 11.1% over the previous year, mainly because the Company introduced new advertisement resources in the second half of 2011 and the first half of 2012, such as outdoor LED media and vertical light boxes. The concession revenues from ground handling services were RMB126,952,000, representing a decrease of 43.5% over the previous year, mainly because in 2011, the Company reached consensus with airline companies in charging concession fees in previous years and recognised revenue correspondingly, which resulted in notable increases in relevant revenues in 2011. The concession revenues from restaurants and food shops were RMB114,536,000, representing an increase of 6.6% over the previous year, mainly driven by the growth of passenger throughput. In June 2012, the Company changed the relevant service model from leasing the areas at the terminals to CAVIP to franchising CAVIP to provide VIP services at the airport and receiving franchise fee in return. The Company recorded concession revenues from VIP services of RMB45,615,000 in 2012. Other concession revenues of the Company in 2012 were RMB56,250,000, representing an increase of 8.2% over the previous year, which mainly including concessions revenues from network services and packing-luggage services.

In 2012, the rental revenues of the Company were RMB798,910,000, representing an increase of 4.5% over the previous year, mainly due to the increase in the rental demands driven by the air traffic volume.

In 2012, the car parking service fee of the Company was RMB60,378,000, representing an increase of 24.7% over the previous year, mainly due to the Company took special measures to attract long-time parking cars and night parking cars, which led to a significant rise of approximately 38.2% in the flow of night parking cars.

In 2012, the other revenues of the Company were RMB27,942,000, representing an increase of 0.4% over the previous year. The other revenues mainly included the management fees and revenues from provision of certificate handling services.

## OPERATING EXPENSES

| | 2012 RMB'000 | 2011 RMB'000 | Change (%) |
|---|---|---|---|
| Depreciation and amortisation | **1,516,421** | 1,506,589 | 0.7% |
| Repair and maintenance | **593,543** | 520,709 | 14.0% |
| Utilities and power | **556,942** | 536,398 | 3.8% |
| Staff costs | **460,277** | 391,557 | 17.6% |
| Aviation safety and security guard costs | **431,679** | 353,998 | 21.9% |
| Operating contracted services | **224,591** | 200,101 | 12.2% |
| Greening and environmental maintenance | **192,059** | 189,710 | 1.2% |
| Real estate and other taxes | **149,687** | 152,004 | -1.5% |
| Rental expenses | **97,234** | 101,430 | -4.1% |
| Other costs | **276,349** | 202,699 | 36.3% |
| Total operating expenses | **4,498,782** | 4,155,195 | 8.3% |

In 2012, the total operating expenses of the Company were RMB4,498,782,000, representing an increase of 8.3% over the previous year.

In 2012, the depreciation and amortisation expenses of the Company were RMB1,516,421,000, representing an increase of 0.7% over the previous year.

In 2012, the repair and maintenance expenses of the Company were RMB593,543,000, representing an increase of 14.0% over the previous year, mainly due to the comprehensive maintenance carried out to all the facilities in terminals which had been used frequently, and some production equipments and systems of the terminals had been in operation for five years and reached the condition requiring maintenance and repair.

In 2012, the utilities and power expenses of the Company were RMB556,942,000, representing an increase of 3.8% over the previous year, mainly due to the extended duration of heat supply during the reporting period and a rise in the tariff of electricity since 1 December 2011, as required in the "Notice on Adjusting the Tariff of Electricity for Non-residential Use" (《關於調整非居民用電價格的通知》) issued by Beijing Municipal Commission of Development and Reform.

In 2012, the staff costs of the Company were RMB460,277,000, representing an increase of 17.6% over the previous year, mainly because the average salary of the staff synchronized with the growth of average salary of the staff in the civil aviation industry, and the number of staff of the Company had increased.

In 2012, the aviation safety and security guard expenses of the Company were RMB431,679,000, representing an increase of 21.9% over the previous year, mainly as a result of the increase in labour costs for hiring security guards and enhanced safety levels of the Company.

In 2012, the operating contracted services expenses of the Company were RMB224,591,000, representing an increase of 12.2% over the previous year, which was mainly due to the higher relevant expenses as a result of increased business volume, and higher outsourcing service fees (the outsourcing service fee in 2012 covered an additional 3.5 months period as compared with that in 2011), as the Company outsourced the management of the car park in the west district of the Beijing Capital Airport since 16 April 2011.

In 2012, the greening and environmental maintenance expenses of the Company were RMB192,059,000, representing an increase of 1.2% over the previous year.

In 2012, the real estate and other taxes of the Company were RMB149,687,000, representing a decrease of 1.5% over the previous year.

In 2012, the rental expenses of the Company were RMB97,234,000, representing a decrease of 4.1% over the previous year.

In 2012, the other costs of the Company were RMB276,349,000, representing an increase of 36.3% over the previous year, mainly due to the combined effect of provision of bad debts against trade receivables, the increase in the loss from disposed fixed assets and the rise of training expenses.

## OTHER ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

In 2012, the other income of the Company was RMB58,079,000, representing an increase of 350.9% as compared with the previous year, which was mainly resulted from the disposal of warehouses in the north area of Beijing Capital Airport by the Company in the reporting period, which recorded the gains of RMB55,039,000.

In 2012, the net finance costs after deducting finance income of the Company were RMB619,975,000, representing an increase of 5.2% as compared with the previous year.

In 2012, the income tax expense of the Company was RMB391,358,000, representing an increase of 5.3% as compared with the previous year.

## PROFIT FOR THE YEAR

For the financial year ended 31 December 2012, the profit of the Company for the year amounted to RMB1,172,583,000, representing an increase of 5.3% as compared with the previous year.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

According to the overall plan of the acquisition of the Phase III Assets(*), the Company assumed the US dollar-denominated loans from the European Investment Bank in respect of the Phase III Assets and the interest thereof as at 31 December 2012. Therefore, the fluctuation of RMB exchange rate against the US dollar will affect the financial results of the Company.

* In 2008, the Company acquired the airfield assets (including runway base courses, runway wearing courses, taxiways, road non-asphalt layers, road asphalt layers, aprons and tunnels, lighting and other airfield facilities), Terminal Three ("T3"), T3 related assets, roads within the 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 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")

As at 31 December 2012, the assets and liabilities of the Company denominated in USD included cash and cash equivalents of approximately RMB44,507,000 (2011: RMB59,320,000), trade and other receivables of approximately RMB16,661,000 (2011: RMB17,587,000), trade and other payables of approximately RMB5,735,000 (2011: RMB598,000), and loans from the Parent Company of approximately RMB2,705,399,000 (2011: RMB2,570,116,000). During the year of 2012, the Company recorded a net exchange gain of RMB6,213,000.

## EXPOSURE TO FLUCTUATIONS IN INTEREST RATES

The total amount of the long-term and current portion of the loans from the Parent Company of the Company is RMB3,205,398,000, 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 of the Parent Company at an interest rate with reference to published interbank repo rate announced by China Foreign Exchange Trading Centre and 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 2012, the Company had no significant contingent liabilities.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Company had total cash and cash equivalents amounting to RMB1,818,404,000, while the cash and cash equivalents of the Company amounted to RMB948,542,000 as at 31 December 2011.

As at 31 December 2012, the long-term bank borrowings of the Company which would be matured within one year were RMB7,500,000,000, and loans from the Parent Company were RMB3,205,398,000. As at the date of this annual report, the Company is in the course of negotiation with the relevant financial institutions about the renewal of the bank borrowings, it is expected that the renewal will be proceeded smoothly and will not cause any significant impact on the financial position of the Company.

As at 31 December 2012, the current ratio of the Company was 0.3, and as at 31 December 2011, the current ratio of the Company was 0.94. Such ratios were computed by dividing the amount of the total current assets by the amount of the total current liabilities as at those respective dates. The marked decrease in currents ratio was due to the long-term bank borrowings of RMB7,500,000,000 of the Company during the Reporting Period will be matured within one year and was reclassified as current liabilities.

As at 31 December 2012, the liability-to-asset ratio of the Company was 54.27%, and that as at 31 December 2011, the liability to asset ratio of the Company was 57.31%. Such ratios were computed by dividing the total amount of liabilities by the amount of the total assets as at those respective dates.

As at 31 December 2012, the capital and reserves of the Company was RMB15,282,781,000 and that as at 31 December 2011, the capital and reserves of the Company was RMB14,471,646,000.

As at 31 December 2012, the Company had unutilised loan facilities totalling RMB16,000,000,000 (2011: RMB16,000,000,000). The Company may consider to use the unutilised loan facilities mentioned above partly or totally according to the requirements of the business operation and cash management of the Company.

## BANK BORROWINGS

As at 31 December 2012, the Company's bank borrowings amounted to RMB7,500,000,000 which are repayable within one year, at an annual interest rate of 4.3%.

## 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:**

| | **2012** | 2011 |
|---|---|---|
| Total employees | **1,664** | 1,614 |

The remuneration policy of employees of the Company is determined by the management based on market practice. A position performance-based salary regimen is adopted for the Company's remuneration policy and long-term incentive plan, on the basis of position value and centred on performance evaluation. The remuneration system, under dynamic management, is both competitive externally and fair internally, and fulfils concurrent growth in the employees' income and the Company's profit as well as concurrent increase in remuneration of labour and labour productivity.

**2. Employees' Pension scheme**

The details of the employees' pension scheme of the Company are set out in Note 19 and Note 22(a) to the Financial Statements.

**3. Employees' housing benefits**

The details of the employees' housing benefits of the Company are set out in Note 2(r)(3) 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 may on a voluntary basis provide supplemental medical insurance benefits to its employees on certain amount within 4% of the average monthly salaries of its employees in the previous year. Meanwhile, the Company no longer pays cash medical subsidies or medical compensations to its employees. As such, implementation of the aforesaid medical insurance regulations will not have any material effects on the balance sheet or statement of comprehensive income of the Company.

## CHARGE ON ASSETS

There were no assets charged or pledged for the year ended 31 December 2012.

# Corporate Governance Report

The Company is well aware that good corporate governance is an important prerequisite for sustainable development, continuous improvement of the Company's value and safeguarding shareholders' rights and interests. During the reporting period, the Company adhered to good and prudent governance style and continuously improved corporate governance level to achieve efficient management and standardized operation.

In 2011, the Hong Kong Stock Exchange amended the Corporate Governance Code (the "Code") and the relevant Listing Rules. The amended Code and relevant Listing Rules took effect on 1 January 2012 and 1 April 2012 respectively. The Board confirmed that the Company complied with all the provisions of the Code save for the deviation from provision A.6.7 for reasonable grounds (to be explained below) during the period from 1 January 2012 to 31 December 2012.

## CORPORATE GOVERNANCE PRACTICES

All members of the Board responsible for the corporate governance function, including:

(a) to formulate and review the corporate governance policy and practices of the Company and give suggestions to the Board;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policy and practices in relation to compliance with laws and regulations;

(d) to formulates, review and monitor the code of conduct and compliance handbook (if any) for employees and directors; and

(e) to review the compliance of the Company with the Code and relevant disclosure in the Corporate Governance Report.

## THE SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted "the Code for Securities Transaction by Directors and Staff" to regulate the securities transaction by directors. The Standard of the Code is no less exacting than the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code").

Having made specific enquiry on 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" adopted by the Company throughout the year ended 31 December 2012.

## BOARD OF DIRECTORS

**Composition and Term of Office**

The fifth session of the Board consists of twelve directors, including two executive directors, six non-executive directors and four independent non-executive directors. In line with the Listing Rules, the Company has no less than three independent non-executive directors, representing at least one third of the members of the Board, at least one of whom has the appropriate professional qualifications or expertise in accounting or related financial management. The fifth session of the Board was established on 15 June 2011 and elected by the Company's shareholders at the annual general meeting for 2010. The term of office of all directors (including non-executive directors) will be three years and will end on day on convening the annual general meeting of the Company for 2013. The composition and changes of directors, the list of directors and their respective biographies are set out in the report of the Board.

The members of the Board know their own obligations and responsibilities very well, and treat all shareholders equally without discrimination. In order to make sure that the interests of all investors are protected properly, the members of the Board are provided with the documents and materials in connection with the Company's operations in a timely manner. The independent non-executive directors have performed their responsibilities in accordance with the relevant laws, rules and regulations, safeguarding the rights of the Company and all its shareholders. The Company has received the confirmation of independence from all independent non-executive directors pursuant to Rule 3.13 of the Listing Rules.

### Duties and Operation

According to the Articles of Association of the Company, the Board has been elected by and reported to the shareholders at the annual general meeting, and has made decisions on the business development plans and investment policies, while the general manager shall be responsible for the daily operation and internal management.

Pursuant to the Articles of Association of the Company or as authorized by the general meeting, the following important decisions are made by the Board: the important business plans and investment proposals; the annual financial budgets and final accounts; the plans for profit distribution and plans for making up losses; the internal management structure and other important duties.

The Board and its members have carried out the corporate governance earnestly, and all the directors have, with due diligence, attended the Board meetings, performed their duties, committed themselves to the overall interests of the Company and its shareholders.

### Board Meetings

Board Meetings shall be held at least four times a year and convened by the chairman. Notice of a Board meeting shall be served on all directors at least 14 days prior to the meeting. In case of any emergency, an interim Board meeting may be held with the proposal by no less than one-third of the directors or the general manager of the Company.

In 2012 the Board held eight meetings (of which one was held by way of telephone conference call and four were held by way of circulating written documents) to discuss and determine the strategic development, major operational matters, financial affairs and other matters of the Company set out in the Articles of Association of the Company.

Records of the directors' attendance at Board meetings in 2012 are as follows:

| | | **Attendance rate Number of meetings attended/number of meetings held** |
|---|---|---|
| Dong Zhiyi | Chairman, executive director | 7/8 |
| Zhang Guanghui | General manager, executive director | 7/8 |
| Chen Guoxing | Non-executive director | 4/8 |
| Gao Shiqing | Non-executive director | 8/8 |
| Yao Yabo | Non-executive director | 8/8 |
| Zhang Musheng | Non-executive director | 6/8 |
| Lau Eng Boon | Non-executive director | 8/8 |
| Yam Kum Weng | Non-executive director | 6/8 |
| Japhet Sebastian Law | Independent non-executive director | 8/8 |
| Wang Xiaolong | Independent non-executive director | 7/8 |
| Jiang Ruiming | Independent non-executive director | 8/8 |
| Liu Guibin | Independent non-executive director | 8/8 |

On 7 June 2012, the Company held the annual general meeting for 2011, save as Mr. Japhet Sebastian Law, the independent non-executive director, all other members of the Board were absent due to other business commitment. Matters considered at the annual general meeting were all regular ones and all resolutions were approved. After the annual general meeting, the Company sent minutes of the meeting to all directors for their information.

**Chairman and General Manager**

For the year ended 31 December 2012 and during the period up to the date of publication of this annual report, two executive directors of the Company, Mr. Dong Zhiyi and Mr. Zhang Guanghui, hold the positions of Chairman and General Manager (i.e., chief executive under the Listing Rules), respectively. The chairman's responsibilities are to convene the Board meetings and promote the corporate governance of the Company, while the general manager is responsible for taking part in the critical decision-making as part of the Board and taking charge of the daily operation of the Company. Their duties and responsibilities are clearly separated and there are no financial, business or relative relationship between them. The governance structure of the Company features the clearly defined rights and responsibilities and express division of work, with each one performing his own duties.

# Corporate Governance Report (Continued)

**Changes to the Management**

On 30 March 2012, Mr. Liu Zengyu and Mr. Zhang Wei were appointed as Deputy General Manager of the Company. The details to the management are set out in the report of the Board.

**Insurance Arrangement**

According to the provision A.1.8 of the Code, an issuer shall arrange appropriate insurance in respect of any legal action that may be threatened against its directors. The Company has arranged liability insurance for its directors, supervisors and other senior executives.

**Training**

The Company provided all members of the Board with monthly updates on the Company's operation, financial conditions, prospect and relevant market and regulation dynamics from 1 April 2012.

The Company also encouraged the Board to participate in the continuous professional development program to improve and upgrade their knowledge and skills. The Company also organized relevant trainings to ensure directors had comprehensive information and proper expertise to make contribution to the Board. The Company kept training records to help directors record the training courses they had attended, and required directors to submit relevant training records to the Company each year.

The Company hosted workshops commencing from 1 April 2012 in collaboration with relevant professional institutions in connection with related rules amendments by the Hong Kong Stock Exchange in 2012, and, as part of the directors' continuous professional development program, supplied detailed information in respect of the rules amendments to directors. Directors also attended and participated in other training courses or seminars relating to their expertise and/or duties. During the year ended 31 December 2012, the record of training received by directors are summarized as follows:

| | Corporate Governance Code and relevant amendments to the Listing Rules | Environmental, Social and Governance Reporting Guide and relevant amendments to the Listing Rules | Consultation Paper on Board Diversity and relevant amendments to the Listing Rules | Securities and Futures (Amendment) Ordinance and amendments to the Listing Rules in respect of inside information | Other trainings relating to directors' role, function and responsibilities (if any) |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Mr. Dong Zhiyi | √ | √ | √ | √ | √ |
| Mr. Zhang Guanghui | √ | √ | √ | √ | √ |
| **Non-executive directors** | | | | | |
| Mr. Chen Guoxing | √ | √ | √ | √ | |
| Mr. Gao Shiqing | √ | √ | √ | √ | √ |
| Mr. Yao Yabo | √ | √ | √ | √ | |
| Mr. Zhang Musheng | √ | √ | √ | √ | |
| Mr. Lau Eng Boon | √ | √ | √ | √ | |
| Mr. Yam Kum Weng* | √ | √ | √ | √ | |
| **Independent non-executive directors** | | | | | |
| Mr. Japhet Sebastian Law | √ | √ | √ | √ | √ |
| Mr. Wang Xiaolong | √ | √ | √ | √ | |
| Mr. Jiang Ruiming | √ | √ | √ | √ | |
| Mr. Liu Guibin | √ | √ | √ | √ | |

* *Mr. Yam resigned on 21 March 2013*

## COMMITTEE OF THE BOARD

**The Remuneration And Evaluation Committee**

**Composition and Term of Office**

The Remuneration and Evaluation Committee of the Company (the "Remuneration and Evaluation Committee") was established on 2 June 2005. On 15 June 2011, the fifth session of the Board re-appointed the members of the Remuneration and Evaluation Committee with their term of office to end on the day of convening of the annual general meeting of the Company for 2013. At present, the Remuneration and Evaluation Committee is comprised of four independent non-executive directors, namely, Mr. Japhet Sebastian Law (chairman of the Remuneration and Examination Committee), Mr. Wang Xiaolong, Mr. Jiang Ruiming and Mr. Liu Guibin.

**Duties**

The main duties, roles and function of the Remuneration and Evaluation Committee are set out as follows:

(i) To establish a remuneration plan or scheme, which should include benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, for directors and senior management, based on and considering the main scope of the management post of directors and senior management, duties, time commitment, importance, salaries paid by comparable companies to comparable posts and employment termsof other posts in the Company, and to make recommendations to the Board;

(ii) To review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives;

(iii) To review the performance of duties of directors (including independent non-executive directors) and senior management and to make their annual performance evaluation;

(iv) To monitor the implementation of the remuneration system of the Company;

(v) To review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that such compensation is consistent with the relevant contractual terms and that such compensation is otherwise fair and reasonable and not excessive for the Company;

(vi) To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are consistent with the relevant contractual terms and are otherwise reasonable and appropriate;

(vii) To make recommendations to the Board on the Company's policy and structure for all remuneration of directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(viii) To make recommendations to the Board of on the remuneration of non-executive directors;

(ix) To ensure that no director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration; and

(x) To be responsible for other matters delegated by the Board.

The Remuneration and Evaluation Committee has been provided with sufficient resources to perform its duties and responsibilities.

**Meeting**

The Remuneration and Evaluation Committee held one meeting during the reporting period. The committee has reviewed the Company's remuneration policy and the implementation thereof, its members made recommendations to the Board on the remuneration plan. The Remuneration and Evaluation Committee played the role of an adviser to the Board, giving advice to the Board in respect of the directors' and senior management's remuneration policy for its determination.

The records of attendance of the members of the Remuneration and Evaluation Committee are as follows:

| Members | Attendance rate<br>Number of meetings attended/<br>number of meetings held |
|---|---|
| Japhet Sebastian Law *(chairman)* | 1/1 |
| Wang Xiaolong | 1/1 |
| Jiang Ruiming | 1/1 |
| Liu Guibin | 1/1 |

**The Nomination Committee**

**Composition and Term of Office**

The Nomination Committee of the Company (the "Nomination Committee") was established on 26 March 2007. On 15 June 2011, the fifth session of the Board of Directors of the Company re-appointed the members of the Nomination Committee with their term of office to end on the day of convening of the annual general meeting of the Company for 2013. At present, the Nomination Committee is comprised of six members, including four independent non-executive directors and two executive director, namely, Mr. Jiang Ruiming (chairman of the Nomination Committee), Mr. Japhet Sebastian Law, Mr. Wang Xiaolong, Mr. Liu Guibin, Mr. Dong Zhiyi and Mr. Zhang Guanghui.

**Duties**

The main duties, roles and function of the Nomination Committee are set out as follows:

(i) To make recommendations to the Board on the size and composition of the Board according to the business condition and the scale of assets and operation of the Company;

(ii) To consider the standards and procedures of selection of directors and senior management of the Company and make recommendations to the Board;

(iii) To review the qualifications of the candidates of directors and senior management and make recommendations;

(iv) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(v) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(vi) To assess the independence of the independent non-executive directors;

(vii) To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive; and

(viii) To be responsible for other matters delegated by the Board.

**Meeting**

The Nomination Committee held one meeting during the reporting period. The committee members examined profiles of candidates for senior management and made recommendation to the Board of the Company. On 30 March 2012, the Company appointed two new deputy general managers with the approval of the Board of the Company. Change of the senior management as well as their names and profiles are set out in the report of the Board contained in this annual report.

The records of attendance of the members of the Nomination Committee are as follows:

| Members | Attendance rate<br>Number of meetings attended/<br>number of meetings held |
|---|---|
| Jiang Ruiming *(chairman)* | 1/1 |
| Japhet Sebastian Law | 1/1 |
| Wang Xiaolong | 1/1 |
| Liu Guibin | 1/1 |
| Dong Zhiyi | 1/1 |
| Zhang Guanghui | 1/1 |

### The Audit Committee

#### Composition and Term of Office

The Audit Committee of the Company (the "Audit Committee") was established on 10 January 2000. On 15 June 2011, the fifth session of the Board of Directors re-appointed the members of the Audit Committee with their term of office to end on the day of convening of the annual general meeting of the Company for 2013. At present, the Audit Committee is comprised of four independent non-executive directors, namely, Mr. Liu Guibin (chairman of the Audit Committee, Chinese CPA, and one of the first batch of the senior members (practising) of Chinese Insistitute of Certified Public Accountant), Mr. Japhet Sebastian Law, Mr. Wang Xiaolong and Mr. Jiang Ruiming.

#### Duties

The main duties, roles and function of the Audit Committee are set out as follows:

(i) To be responsible for making recommendations to the Board of the Company on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(ii) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(iii) To develop and implement policy on engaging an external auditor to supply non-audit services. For which purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(iv) To monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;

(v) To monitor the Company's financial reporting system and internal control system;

(vi) To review the Company's financial controls, internal control and risk management systems;

(vii) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(viii) To consider major investigation findings on internal control matters as delegated by the Board of the Company or on its own initiative and management's response to these findings;

(ix) To ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(x) To review the Company's financial and accounting policies and practices;

(xi) To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; to ensure that the Board of the Company provides a timely response to the issues raised in the external auditor's management letter;

(xii) To report to the Board of the Company on the matters in the code provision of the Corporate Governance Code under Appendix 14 to the Listing Rules;

(xiii) To review arrangements that the employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(xiv) To act as the key representative body for overseeing the Company's relations with the external auditor;

(xv) To consider other issues, as defined by the Board of the Company; and

(xvi) To consider other issues delegated by the Board of the Company.

**Meetings**

The Audit Committee shall hold at least two meetings a year, and the notice of meeting shall be delivered to all its members seven days prior to the meetings.

The attendance of the members of the Audit Committee are as follows:

| Members | Attendance rate<br>Number of meetings attended/<br>number of meetings held |
|---|---|
| Liu Guibin *(chairman)* | 3/3 |
| Japhet Sebastian Law | 3/3 |
| Wang Xiaolong | 3/3 |
| Jiang Ruiming | 3/3 |

The work performed by the Audit Committee of the Company for 2012 is summarized as follows:

In 2012, the Audit Committee reviewed the financial statements for 2012, and issued an opinion on the financial report for 2012; reviewed the report on compliance of continuing connected transactions of the year, issued an opinion on the report on compliance of continuing connected transactions of the year; reviewed the internal control evaluation report of the Company, issued an opinion on the internal control evaluation report; learned about issues relating to amendments to the Code and the Listing Rules; reviewed the proposal for re-appointment of external auditors, and defined their remuneration and term.

The Audit Committee has reported the aforesaid jobs and results to the Board of Directors of the Company.

The Audit Committee has been provided with sufficient resources, including the advices from external auditors and internal audit department, to perform its duties and responsibilities.

**The Strategy Committee**

**Composition and Term of Office**

The Strategy Committee of the Company (the "Strategy Committee") was established on 12 June 2002. On 15 June 2011, the fifth session of the Board of Directors of the Company re-appointed the members of the Strategy Committee with their term of office to end on the date of the annual general meeting of the Company for 2013. At present, the Strategy Committee is comprised of seven members, including two executive directors, four non-executive directors, and one independent non-executive director, namely, Mr. Dong Zhiyi (chairman of the Strategy Committee), Mr. Zhang Guanghui, Mr. Chen Guoxing, Mr. Gao Shiqing, Mr. Yao Yabo, Mr. Zhang Musheng and Mr. Wang Xiaolong.

**Duties**

The main duties, roles and function of the Strategy Committee are set out as follows:

(i) 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;

(ii) 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;

(iii) 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

(iv) To consider other matters as required by the Board.

## RESPONSIBILITIES OF THE DIRECTORS AND AUDITOR FOR ACCOUNTS

The directors of the Company hereby confirm the responsibilities for preparation of the financial statements of the Company. The directors of the Company confirm that the financial statements of the Company for the year were prepared in accordance with the relevant rules and regulations as well as applicable accounting rules. The directors of the Company ensure that the financial statements of the Company will be published in due course. The responsibilities of the external auditor for the shareholders are described on page 81 to 82.

## INTERNAL CONTROL

**System Composition**

The objectives of the internal control system of the Company are to insure the efficiency of the business activities, the safety of the assets, as well as the reliability of the business information and financial report. By means of risk management, the system is very complete and covers every aspect of the management and operation of the Company. The internal control system of the Company consists of the Supervisory Committee, the Board of Directors of the Company and the Audit Committee, as well as the internal audit department of the Company.

**Operations**

The internal audit department of the Company is responsible for making audit plan, which will be implemented after having been reviewed by the Audit Committee of the Company; the internal audit department is also responsible for conducting the independent audit on whether or not the internal control system of the Company is sufficient and effective according to the audit plan, and the independent audit report will be delivered to the management of the Company; the internal audit department will keep audit track of the corrective measures taken by the related departments according to the instructions of the management of the Company; the internal audit department is required to make internal audit report to the Audit Committee of the Company every year.

The work performed by the internal audit department of the Company for 2012 is summarized as follows:

In 2012, the internal audit department conducted the proactive internal audit in the business-critical fields and high-risk areas of the Company. In the same year, the internal audit department reported its internal control work to the Audit Committee twice, and the Audit Committee reported to the Board of Directors of the Company accordingly. The Board of Directors of the Company has conducted a review of the effectiveness of the internal control of the Company and believes that, in the year ended 31 December 2012, the existing internal control system of the Company is prudent and sufficient to assure the interests of the Company and all shareholders.

## AUDITORS' REMUNERATION

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian CPAs Limited Company as the international auditor and PRC auditor, respectively, for 2012. During the year ended 31 December 2012, the above auditors charged the Company RMB3,100,000 and RMB300,000 respectively as service fees in respect of the audit and non-audit services. Non-audit services were tax consulting services.

## COMPANY SECRETARY

Mr. Shu Yong served as the company secretary of the Company since 2003 and is familiar with the Company's day-to-day business operation. Mr. Shu provided advice on corporate governance issues for the Board of the Company by reporting to the Chairman of the Board or the chief executive of the Company and made arrangement for directors' induction training and professional development. Mr. Shu confirmed he received 28.5 hours relevant professional training during the reporting period.

## SHAREHOLDERS' RIGHTS

### CONVENING AN EXTRAORDINARY GENERAL MEETING

According to the Articles of Association of the Company, an extraordinary general meeting may be convened on the written request of requisitionists holding 10% or more of the issued shares of the Company which carries the right of voting. Meanwhile, at an annual general meeting, shareholders holding 5% or more of the total shares which carries the right of voting are entitled to raise new proposals in writing to the Company, and the Company shall incorporate the proposals which falls within the scope of duties of the general meeting into the agenda of the meeting.

Procedure for convening an extraordinary general meeting and making proposals are as follows:

Requisitionists must sign a written requisition, specifying the principal matters intended to be considered at the extraordinary general meeting and deposit it at the Company's registered office in Hong Kong;

The Company will check with our share registrar to understand the situation. If the main matters proposed by the requisitionists fall within the scope of the general meeting's terms of reference, the company secretary will request the Board to hold an extraordinary general meeting and dispatch a notice to all registered shareholders in accordance with the Listing Rules and the Articles of Association of the Company; An extraordinary general meeting will not be held if the issues or the main matters proposed by requisitionists for consideration are deemed inappropriate after investigation, and the Company will inform relevant shareholders of the results;

If the Board of the Company fails to proceed duly to convene an extraordinary general meeting within 21 days of receiving the request, requisitionists, themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

## INQUIRIES TO THE BOARD

Shareholders may make inquiries to the Board by phone (+8610 6450 7789) or email (ir@bcia.com.cn).

## INVESTOR RELATIONS

During the reporting period, there is no material change to the constitutional documents of the Company.

## COMMUNICATION WITH SHAREHOLDERS

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

1. The Company delivers the interim and annual results and reports to all shareholders and publishes the announcements on the annual and interim results and other information on the Hong Kong Stock Exchange's website and the Company's website.

2. The general meeting of the Company is also one of the communication channels between the Board of the Company and the shareholders.

3. The Company constantly strengthens ongoing communications with its shareholders, investors and analysts through:

   establishing specialized agencies and personnel for receiving investors and analysts and answering the relevant questions raised by them;

   arranging on-site visits by investors and analysts to the Company to facilitate their timely understanding of the business conditions and latest development of the business of the Company;

   gathering, in a timely manner, various kinds of opinions and suggestions from securities analysts and investors on the operation of the Company, compiling reports regularly, and selectively adopting them to the operation of the Company; and

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

# Report of the Supervisory Committee

**To all shareholders:**

During 2012, in accordance with the Company Law of the People's Republic of China, the Listing Rules and the Company's articles of association, the Supervisory Committee of the Company actively conducted supervision and inspection in the best interests of the shareholders and the Company and pursuant to regulatory laws and regulations as well as the requirements for corporate governance. During the year, all supervisors performed their supervisory duties conscientiously and effectively by convening and attending meetings, listening to the management's reports, attending regulation conferences and training. Acting on the principle of honesty and diligence, the Supervisory Committee successfully executed its work plan for 2012 and continuously improved the Company's governance practices.

The fifth session of the Supervisory Committee was established on 15 June 2011, upon election and confirmation by the Company's shareholders at the annual general meeting. The term of office for all the supervisors is three years, and will expire on the day when the 2013 annual general meeting is held.

Currently, the fifth session of the Supervisory Committee comprises eight members, including Mr. Liu Yanbin, Mr. Cui Youjun, and Ms. Zhao Jinglu as representatives of shareholders, Ms. Li Xiaomei, Mr. Deng Xianshan and Mr. Chang Jun as representatives of employees, and Mr. Kwong Che Keung, Gordon and Mr. Dong Ansheng as external supervisors. Among them, Mr. Deng Xianshan and Mr. Chang Jun were elected as supervisors representing employees at the staff representative congress held on 6 June 2012. Mr. Tang Hua ceased to serve as a supervisor due to other work arrangement from 6 June 2012.

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

On 30 March 2012, the Supervisory Committee held the first meeting of this year, at which the 2011 work details of the Supervisory Committee were summarized, and the Report of the Supervisory Committee of the Company for 2011 was considered and approved. The secretary to the Board was authorized to incorporate the report into the 2011 annual report for review by the Company's shareholders.

During the reporting period, supervisors attended 3 on-site Board meetings, 3 meetings for the Audit Committee, 1 meeting for each of the Remuneration and Evaluation Committee and Nomination Committee, and monitored the decision making process of the Board, the completeness of the minutes of the Board meetings and implementation of the resolutions passed at the Board meetings. Supervisors also involved themselves in major operational events including general manager's work meeting, and audited the Company's financial, daily management and operational status as well as the operating results and financial condition in 2012.

Meanwhile, the Supervisory Committee carefully reviewed the Report of the Board, the financial statements and the profit distribution proposal to be submitted to the 2012 annual general meeting and is of the view that the shareholders' equity continued to grow, the Company's profitability was enhanced, liability-to-asset ratio lowered, dividend distribution policy was reasonable and the overall financial position was sound in 2012.

## INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

### Legality of the Company's Operation

The Company's business operation is in compliance with the Company Law, the Law of Commercial Banks and the Articles of Association. The decision making procedure is lawful and valid. During the reporting period, the members of the Board , the general manager and other senior management observed the principle of diligence and honesty, and performed their duties in good faith and in the interests of the shareholders and the Company. The Supervisory Committee was not aware of any breach of laws, regulations and the Articles of Association or actions to the detriment of the interests of the shareholders and the Company on the part of directors, senior management in carrying out their duties.

### Truthfulness of the Company's Financial Information

The financial report for the year gives a true, objective, fair and accurate view of the Company's financial position and operating results.

# Report of the Supervisory Committee (Continued)

**Acquisition and Disposal of Assets**

During the reporting period, the Supervisory Committee was not aware of any acquisition and disposal of assets to the detriment of shareholders' interests or leading to loss of the Company's assets or insider trading.

**Connected Transactions**

During the reporting period, the Company entered into connected transactions by following the legal decision making procedure, in strict compliance with the principle of fairness, in accordance with the Listing Rules, with open and transparent information disclosure and without harming the interests of the Company.

In 2012, the Beijing Capital Airport, as the world's second biggest airport, saw its passenger throughput surpassing 80 million, with security, operation, services and management continuously improving. The traffic volume of the Beijing Capital Airport is expected to maintain a stable growth momentum in 2013. The Supervisory Committee is fully confident in the prospects of the Company's future development. Meanwhile, we will continue to safeguard the interests of all the shareholders and the Company, carry out our duties diligently and focus on monitoring the Company's actions for fulfilling its commitments to shareholders.

By order of the Supervisory Committee
**Liu Yanbin**
*Chairman of the Supervisory Committee*

Beijing, the PRC, 18 March 2013

# Independent Auditor's Report

羅兵咸永道

**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 83 to 168, which comprise the balance sheet as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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.

*PricewaterhouseCoopers, 22F, Prince's Building, Central, Hong Kong*
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

# Independent Auditor's Report (Continued)

pwc 羅兵咸永道

## OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2012, and of its profit 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, 18 March 2013

# Balance Sheet

*As at 31 December 2012*

| | Note | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **29,490,286** | 30,660,155 |
| Land use rights | 7 | **699,092** | 715,396 |
| Intangible assets | 8 | **40,505** | 61,421 |
| Investment in a jointly controlled entity | 9 | **52,911** | 54,464 |
| Other non-current assets | 10 | **54,160** | 55,531 |
| | | **30,336,954** | 31,546,967 |
| **Current assets** | | | |
| Inventories | | **125,185** | 129,801 |
| Trade and other receivables | 10 | **1,142,173** | 1,060,858 |
| Cash and cash equivalents | 11 | **1,818,404** | 948,542 |
| | | **3,085,762** | 2,139,201 |
| Assets held for sale | 12 | **—** | 212,961 |
| | | **3,085,762** | 2,352,162 |
| **Total assets** | | **33,422,716** | 33,899,129 |

# Balance Sheet (Continued)

*As at 31 December 2012*

| | Note | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | 13 | **4,330,890** | 4,330,890 |
| Share premium | | **5,055,425** | 5,055,425 |
| Capital reserve | 14(a) | **621,520** | 552,650 |
| Statutory and discretionary reserves | 14(b) | **2,661,587** | 2,321,530 |
| Retained earnings | | **2,317,559** | 1,954,069 |
| Proposed final dividend | 29 | **295,800** | 257,082 |
| **Total equity** | | **15,282,781** | 14,471,646 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term bank borrowings | 16 | **—** | 7,500,000 |
| Bonds payable | 17 | **4,885,832** | 4,881,695 |
| Deferred income tax liabilities | 18 | **34,929** | 23,680 |
| Retirement benefit obligations | 19 | **30,544** | 94,769 |
| Deferred income | 20 | **12,202** | 2,549 |
| Loans from Parent Company | 21 | **3,050,804** | 4,431,191 |
| | | **8,014,311** | 16,933,884 |

# Balance Sheet (Continued)

*As at 31 December 2012*

| | Note | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | 15 | **2,160,383** | 2,027,502 |
| Interest payable | | **226,234** | 260,313 |
| Current income tax liabilities | | **78,603** | 61,760 |
| Current portion of long-term bank borrowings | 16 | **7,500,000** | — |
| Current portion of retirement benefit obligations | 19 | **5,810** | 5,099 |
| Current portion of loans from Parent Company | 21 | **154,594** | 138,925 |
| | | **10,125,624** | 2,493,599 |
| **Total liabilities** | | **18,139,935** | 19,427,483 |
| **Total equity and liabilities** | | **33,422,716** | 33,899,129 |
| **Net current liabilities** | | **(7,039,862)** | (141,437) |
| **Total assets less current liabilities** | | **23,297,092** | 31,405,530 |

The notes on pages 91 to 168 are an integral part of these financial statements.

The financial statements on pages 83 to 168 were approved by the Board of Directors on 18 March 2013 and were signed on its behalf.

| | |
|---|---|
| **Dong Zhiyi** | **Zhang Guanghui** |
| *Chairman* | *Director* |

# Statement of Comprehensive Income

*For the year ended 31 December 2012*

| | Note | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|---|
| **Revenues** | | | |
| Aeronautical | 5 | **3,981,103** | 3,806,307 |
| Non-aeronautical | 5 | **2,881,557** | 2,693,909 |
| | | **6,862,660** | 6,500,216 |
| **Business tax and levies** | | | |
| Aeronautical | | **(88,438)** | (130,602) |
| Non-aeronautical | | **(151,280)** | (154,567) |
| | | **(239,718)** | (285,169) |
| **Operating expenses** | | | |
| Depreciation and amortisation | 6, 7 and 8 | **(1,516,421)** | (1,506,589) |
| Repairs and maintenance | | **(593,543)** | (520,709) |
| Utilities and power | | **(556,942)** | (536,398) |
| Staff costs | 22 | **(460,277)** | (391,557) |
| Aviation safety and security guard costs | | **(431,679)** | (353,998) |
| Operating contracted services | | **(224,591)** | (200,101) |
| Greening and environmental maintenance | | **(192,059)** | (189,710) |
| Real estate and other taxes | | **(149,687)** | (152,004) |
| Rental expenses | | **(97,234)** | (101,430) |
| Other costs | | **(276,349)** | (202,699) |
| | 24 | **(4,498,782)** | (4,155,195) |
| Other income | 23 | **58,079** | 12,881 |
| **Operating profit** | | **2,182,239** | 2,072,733 |

# Statement of Comprehensive Income (Continued)

*For the year ended 31 December 2012*

| | Note | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|---|
| Finance income | 25 | 18,740 | 139,761 |
| Finance costs | 25 | (638,715) | (729,161) |
| | | (619,975) | (589,400) |
| **Share of post-tax profits of a jointly controlled entity** | | 1,677 | 2,263 |
| **Profit before income tax** | | 1,563,941 | 1,485,596 |
| Income tax expense | 27(a) | (391,358) | (371,603) |
| **Profit for the year** | | 1,172,583 | 1,113,993 |
| **Total comprehensive income for the year** | | 1,172,583 | 1,113,993 |
| Earnings per share, basic and diluted *(RMB)* | 28 | 0.27 | 0.26 |

The notes on pages 91 to 168 are an integral part of these financial statements.

| | Note | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|---|
| **Dividends** | | | |
| Interim dividend declared | 29 | 173,236 | 77,133 |
| Final dividend proposed | 29 | 295,800 | 257,082 |

# Statement of Changes In Equity

*For the year ended 31 December 2012*

| | 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 2011** | | 4,330,890 | 5,055,425 | 552,650 | 2,092,121 | 1,403,700 | 13,434,786 |
| Total comprehensive income for the year | | — | — | — | — | 1,113,993 | 1,113,993 |
| 2011 interim dividend | 29 | — | — | — | — | (77,133) | (77,133) |
| Transfer to statutory and discretionary reserves | 14(b) | — | — | — | 229,409 | (229,409) | — |
| **Balance at 31 December 2011** | | 4,330,890 | 5,055,425 | 552,650 | 2,321,530 | 2,211,151 | 14,471,646 |
| Representing: | | | | | | | |
| Share capital and reserves | | 4,330,890 | 5,055,425 | 552,650 | 2,321,530 | 1,954,069 | 14,214,564 |
| 2011 proposed final dividend | | — | — | — | — | 257,082 | 257,082 |
| **Balance at 31 December 2011** | | 4,330,890 | 5,055,425 | 552,650 | 2,321,530 | 2,211,151 | 14,471,646 |

# Statement of Changes In Equity (Continued)

*For the year ended 31 December 2012*

| | 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 2012** | | 4,330,890 | 5,055,425 | 552,650 | 2,321,530 | 2,211,151 | 14,471,646 |
| Total comprehensive income for the year | | — | — | — | — | 1,172,583 | 1,172,583 |
| Cash contribution from Parent Company | 14(a) | — | — | 68,870 | — | — | 68,870 |
| 2011 final dividend | 29 | — | — | — | — | (257,082) | (257,082) |
| 2012 interim dividend | 29 | — | — | — | — | (173,236) | (173,236) |
| Transfer to statutory and discretionary reserves | 14(b) | — | — | — | 340,057 | (340,057) | — |
| **Balance at 31 December 2012** | | 4,330,890 | 5,055,425 | 621,520 | 2,661,587 | 2,613,359 | 15,282,781 |
| Representing: | | | | | | | |
| Share capital and reserves | | 4,330,890 | 5,055,425 | 621,520 | 2,661,587 | 2,317,559 | 14,986,981 |
| 2012 proposed final dividend | 29 | — | — | — | — | 295,800 | 295,800 |
| **Balance at 31 December 2012** | | 4,330,890 | 5,055,425 | 621,520 | 2,661,587 | 2,613,359 | 15,282,781 |

The notes on pages 91 to 168 are an integral part of these financial statements.

# Statement of Cash Flows

*For the year ended 31 December 2012*

| | Note | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 32 | **3,665,552** | 3,255,701 |
| Income tax paid | | **(363,266)** | (412,858) |
| Net cash generated from operating activities | | **3,302,286** | 2,842,843 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(241,479)** | (346,562) |
| Purchase of intangible assets | | **(10,520)** | (7,039) |
| Cash paid for purchase of the jointly controlled entity | | **—** | (52,201) |
| Proceeds from sale of assets held for sale | | **187,600** | — |
| Interest received | | **10,779** | 9,897 |
| Government subsidy for assets | | **10,000** | — |
| Proceeds from sale of property, plant and equipment | | **—** | 618 |
| Net cash used in investing activities | | **(43,620)** | (395,287) |
| **Cash flows from financing activities** | | | |
| Repayment of loans from Parent Company | | **(1,647,007)** | (1,640,466) |
| Interest paid | | **(668,852)** | (723,375) |
| Dividends paid | | **(430,318)** | (77,133) |
| Proceeds from loans from Parent Company | | **288,928** | 63,962 |
| Cash contribution from Parent Company | 14(a) | **68,870** | — |
| Net cash used in financing activities | | **(2,388,379)** | (2,377,012) |
| **Net increase in cash and cash equivalents** | | **870,287** | 70,544 |
| Cash and cash equivalents at beginning of year | | **948,542** | 882,185 |
| Effect of exchange rate changes | | **(425)** | (4,187) |
| **Cash and cash equivalents at end of year** | 11 | **1,818,404** | 948,542 |

The notes on pages 91 to 168 are an integral part of these financial statements.

# Notes to the Financial Statements

*For the year ended 31 December 2012*

## 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 has been 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") under the control of the Civil Aviation Administration of China ("CAAC").

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. The address of its registered office is Capital Airport, Beijing, the PRC.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and were approved for issue by the Board of Directors on 18 March 2013.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

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 2012, the current liabilities of the Company exceeded the current assets by approximately RMB7,039,862,000 (2011: RMB141,437,000). Given the debt obligations and working capital requirements, management has thoroughly considered the Company's available sources of funds as follows:

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

- Unutilised long-term banking facilities of RMB16 billion.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (Continued)

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 2012 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.

#### *(1) Amendments to standards which are effective in 2012 and adopted by the Company*

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012:

| | | |
|---|---|---|
| IAS 12 (Amendment) | Deferred tax - Recovery of underlying assets | 1 January 2012 |
| IFRS 1 (Amendment) | Severe hyperinflation and removal of fixed dates for first-time adopters | 1 July 2011 |
| IFRS 7 (Amendment) | Disclosures - Transfers of financial assets | 1 July 2011 |

The adoption of those amendments does not have any significant impact to the Company's results for the year ended 31 December 2012 and the Company's financial position as at 31 December 2012.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (Continued)

#### *(2) New and revised standards and amendments and interpretation to standards not yet effective for the financial year beginning 1 January 2012 and have not been early adopted by the Company*

| New and revised standards and amendments and interpretation to standards | | Effective for accounting periods beginning on or after |
|---|---|---|
| IAS 1 (Amendment) | Financial statements presentation regarding other comprehensive income | 1 July 2012 |
| IAS 19 (Amendment) | Employee benefits | 1 January 2013 |
| IAS 27 (revised 2011) | Separate financial statements | 1 January 2013 |
| IAS 28 (revised 2011) | Associates and joint ventures | 1 January 2013 |
| IAS 32 (Amendment) | Financial instruments: Presentation on assets and liabilities offsetting | 1 January 2014 |
| IFRS 1 (Amendment) | First time adoption on government loans | 1 January 2013 |
| IFRS 7 (Amendment) | Financial instruments: Disclosures on assets and liabilities offsetting | 1 January 2013 |
| IFRS 9 | Financial instruments | 1 January 2015 |
| IFRS 7 and 9 (Amendment) | Mandatory effective date and transition disclosures | 1 January 2015 |
| IFRS 10 | Consolidated financial statements | 1 January 2013 |
| IFRS 11 | Joint arrangements | 1 January 2013 |
| IFRS 12 | Disclosures of interests in other entities | 1 January 2013 |
| IFRS 10,11 and 12 (Amendment) | Transition guidance | 1 January 2013 |
| IFRS 13 | Fair value measurement | 1 January 2013 |
| IFRIC - Int 20 | Stripping costs in the production phase of a surface mine | 1 January 2013 |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of preparation (Continued)

#### *(2) New and revised standards and amendments and interpretation to standards not yet effective for the financial year beginning 1 January 2012 and have not been early adopted by the Company (Continued)*

None of new and revised standards and amendments and interpretation to standards mentioned above is expected to have a significant effect on the financial statements of the company, except the following set out below:

IAS 19, 'Employee benefits', was amended in June 2011. The impact on the company will be as follows: to immediately recognise all past service costs; to recognise the actuarial gains and losses from experience adjustments and changes in actuarial assumptions in other comprehensive income of equity; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The amendments should be applied retrospectively. The company is yet to assess the full impact of the amendments.

### (b) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Company together with the other venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Company's investment in jointly controlled entities includes goodwill identified on acquisition.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Jointly controlled entities (Continued)

The Company's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

The Company determines at each reporting date whether there is any objective evidence that the investment in the jointed controlled entity is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the jointly controlled entity and its carrying value and recognises the amount adjacent to 'share of post-tax profit/(loss) of a jointly controlled entity' in statement of comprehensive income.

Profits and losses from upstream and downstream transactions between the Company and its jointly controlled entity are recognised in the Company's financial statements only to the extent of unrelated investor's interest in the jointly controlled entity. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities 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, who is responsible for allocating resources and assessing performance of the operating segments, 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 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income/(expenses) - net'.

### (e) Property, plant and equipment

Property, plant and equipment are 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. The carrying amount of the replaced part is derecognised. All the 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, 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income within 'other costs'.

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

### (f) Land use rights

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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 of 5 years to 10 years on a straight-line basis.

### (h) Impairment of non-financial assets

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

### (i) Non-current assets held-for-sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

### (j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value of 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)

### (k) 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 costs'. When a trade or other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'other costs' in the statement of comprehensive income.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

### (l) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### (m) 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)

### (n) 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.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

### (o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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 end of reporting period.

### (p) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) 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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

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

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

Deferred income tax is provided on temporary differences arising on investments in jointly controlled entity, except for deferred income tax liability 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Employee benefits

#### *(1) Pension obligations*

The Company operates various pension schemes.

All of the Company's full-time Chinese employees are covered by a state-sponsored pension plan under which the Company was required to make monthly contributions at rate of 20% of the employees' basic salaries for the year.

In addition, the Company also has a retirement benefit plan for retirees and an annuity plan (the "Annuity Plan") which includes both the defined contribution schemes as well as the defined benefit schemes for all current participating employees:

(i) The defined contribution scheme under the Annuity Plan applies to all current participating employees that the Company will make annual contributions determined by a specified level of the salary of the participating employees to a privately administered pension insurance plan.

(ii) The defined benefit scheme represents the additional benefits guaranteed by the Company to certain employees, who have been employed by the Company before 1 January 2011 and whose accumulated fund under the defined contribution scheme of the Annuity Plan will be not able to meet the amount guaranteed by the Company upon their retirement. The Company will provide such employees additional benefits up to the guaranteed amount of pension benefit on their retirement. The Company will make further payments to the trustee, which constitutes plan assets being held in the trust for the purpose of meeting the corresponding additional retirement benefit obligations.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Employee benefits (Continued)

#### *(1) Pension obligations (Continued)*

*Defined contribution plans*

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employees service in the current and prior periods. The contributions are recognised as staff costs when they are due.

*Defined benefit plans*

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

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, less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries, Aon Hewitt, 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 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 in “Staff costs” immediately.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Employee benefits (Continued)

#### *(2) Other post-employment obligations*

The Company provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age. 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to statement of comprehensive income in "Staff Costs" in the period in which they arise. These obligations are valued annually by Aon Hewiit, the independent qualified actuaries.

#### *(3) Housing funds and housing subsidies*

All full-time employees of the Company are entitled to participate in a government-sponsored housing fund. The Company contributes on a monthly basis to the fund based on certain percentages of the salaries of the employees. The Company's liability in respect of this fund is limited to the contributions payable in each period.

In addition, the Company provides cash housing subsidies to its employees, which 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.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Employee benefits (Continued)

#### *(4) 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.

### (s) 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 future operating losses.

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) 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 costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

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.

### (u) Revenues / income recognition

Revenues is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sale of goods and services, stated net of value-added tax, returns, rebates and discounts. The Company recognises revenues when the amount of revenues can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. 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 represents civil airport management and construction fee and Civil Aviation Development Fund (the "Airport Fee") which are recognised when the related services are rendered to the outbound passengers departing from the airport. The charge rates of the Airport Fee are regulated by relevant authorities. Revenues are recognised according to the authorised charge rates attributable to the Company collected from outbound passengers (Note4(c)).

(ii) Aeronautical revenues other than Airport Fee such as passenger charges and aircraft movement fees are recognised when the related airport services are rendered.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Revenues / income recognition (Continued)

(iii) Concession revenues comprise sales-related revenue from retailing, restaurants, advertising, ground handling service, VIP service and other services in Beijing Capital Airport and is recognised at the same time when the services are provided by the franchisee.

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

Concession revenues from ground handling are recognised based on mutual negotiations with the franchisee and with reference to the charge rates promulgated by CAAC.

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

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

(vi) Management service fees are recognised when the management services are rendered.

(vii) Interest income is recognised 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.

### (v) Leases

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

***(1) 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Leases (Continued)

#### *(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.

### (w) 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 or directors, where appropriate.

## 3 FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

The Company conducts its operations in the PRC and accordingly is subject to certain specific 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. Also the Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The Company's overall financial risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Company's financial performance. 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 2012, all of the Company's assets and liabilities were denominated in RMB except that cash and cash equivalents of approximately RMB44,507,000 (2011: RMB59,320,000), trade and other receivables of approximately RMB16,661,000 (2011: RMB17,587,000), trade and other payables of approximately RMB5,735,000 (2011: RMB598,000) and loans from Parent Company of approximately RMB2,705,399,000 (2011: RMB2,570,116,000) were denominated in US dollar.

As at 31 December 2012, if RMB had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit would have decreased/increased by RMB99,374,000 (2011: decreased/increased by RMB93,518,000), mainly as a result of foreign exchange losses/gains in translation of US dollar denominated cash and cash equivalents, trade and other receivables, trade and other payables and loans from Parent Company.

The Company did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended 31 December 2012 and 2011.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial risk factors (Continued)

#### *(i) Market risk (Continued)*

*(2) Interest rate risk*

The Company has no significant interest-bearing assets, other than cash and cash equivalents. The impact of the changes in interest rate is not expected to be material.

Long-term bank borrowings and bonds payable 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. Long-term bank borrowings and bonds payable are denominated in RMB. Loans from Parent Company are denominated in RMB and US dollar.

The Company analyses its interest rate exposure on a dynamic basis by simulating various options available for financing, and considers an interest rate swap arrangement to hedge its interest rate risk when appropriate.

As at 31 December 2012, if the interest rate on those loans with floating interest rates had increased/decreased by 0.5% with all other variables held constant, post-tax profit and equity would have been lower/higher by RMB12,020,000 (2011: RMB17,138,000).

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial risk factors (Continued)

#### *(ii) Credit risk*

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Company mainly arises from debtors and deposits with banks and a financial institution.

In order to minimise the credit risk arising from debtors, management of the Company has delegated a team responsible for determination of credit limits and credit approval. In assessing the credit quality and set credit limits of the customers, the Company considers the customers' financial position, credit history as well as other factors such as market conditions. The utilisation of credit limits is regularly monitored. The Company has policies in place to limit the credit exposure on trade receivables. Debtors with overdue balances will be requested to settle their outstanding balance. The Company reviews the recoverable amount of each debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Company believes that adequate provision for doubtful debts has been made in the financial statements.

The Company's bank deposits are all deposited in state-owned banks/financial institution and other reputable listed bank with high credit quality. Management considers that the credit risk associated with the deposits with banks and a financial institution is low.

#### *(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.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial risk factors (Continued)

#### *(iii) Liquidity risk (Continued)*

As at 31 December 2012, the Company had unutilised loan facilities totaling approximately RMB16,000,000,000 (2011: RMB16,000,000,000).

As at 31 December 2012 and 2011, the amounts disclosed are the contractual undiscounted cash flows of the Company's financial liabilities, which are primarily trade and other payables (excluding payroll and welfare payable, housing subsidy payable to employees, advance for customers and tax payable), interest payable, long-term bank borrowings, bonds payable and loans from Parent Company.

| | Less than 1 year *RMB'000* | Between 1 and 2 years *RMB'000* | Between 2 and 5 years *RMB'000* | Over 5 years *RMB'000* |
|---|---|---|---|---|
| **As at 31 December 2012** | | | | |
| Trade and other payables | 1,602,521 | — | — | — |
| Interest payable | 226,234 | — | — | — |
| Long-term bank borrowings | 7,611,083 | — | — | — |
| Bonds payable | 19,643 | 224,050 | 5,403,050 | — |
| Loans from Parent Company | 187,460 | 198,289 | 1,051,633 | 2,030,924 |
| | 9,646,941 | 422,339 | 6,454,683 | 2,030,924 |
| **As at 31 December 2011** | | | | |
| Trade and other payables | 1,468,629 | — | — | — |
| Interest payable | 260,313 | — | — | — |
| Long-term bank borrowings | 317,125 | 7,621,833 | — | — |
| Bonds payable | 20,257 | 224,050 | 2,487,600 | 3,139,500 |
| Loans from Parent Company | 215,514 | 265,454 | 2,736,808 | 2,009,565 |
| | 2,281,838 | 8,111,337 | 5,224,408 | 5,149,065 |

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:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Total liabilities | **18,139,935** | 19,427,483 |
| Total assets | **33,422,716** | 33,899,129 |
| Liability-to-asset ratio | **54%** | 57% |

There is no significant change in the liability-to-asset ratio during 2012.

### (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, long-term bank borrowings and loans from Parent Company approximate their fair values.

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

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

### (a) Estimated useful lives of property, plant and equipment

The Company's major operating assets represent buildings and improvements, runways and plant, furniture, fixtures and equipment. Management determines the estimated useful lives of its property, plant and equipment based on management's experience in operating airport and the conditions of the property, plant and equipment.

With all other variables held constant, if the useful lives differ by 10% from management estimates, the depreciation expense would be lower/higher by RMB231,300,000/RMB206,582,000 for the year ended 31 December 2012.

### (b) The cost of the Phase III Assets

The Company acquired from CAHC the airfield assets (including runway base courses, runway wearing courses, taxiways, road non-asphalt layers, road asphalt layers, aprons and tunnels, lighting and other airfield facilities), Terminal Three of the Beijing Capital Airport ("T3"), T3 related assets, roads within the 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").

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (b) The cost of the Phase III Assets (Continued)

Pursuant to the relevant assets transfer agreements, the Company acquired from the Parent Company the Phase III Assets on 1 October 2008. The date was different from the previously acknowledged acquisition date of 26 March 2008 by the Ministry of Finance ("MOF"). During the period from 26 March 2008 to 30 September 2008, the Phase III assets were used by the Company under operating leases arrangements. As of the date of approval of the financial statements, a submission through CAAC has been made to the MOF for endorsement of the acquisition date of 1 October 2008. The Board of Directors is of the view that such submission will be endorsed.

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 is available. Due to the size of the Phase III Assets, the final account of construction by the surveyors in respect of the Phase III Assets had not completed as at 31 December 2012. 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.

### (c) The charge rates attributable to the Company on the Airport Fee collected

Pursuant to the "Notice regarding the Issuance of Levy and Utilisation Methods of Civil Aviation Development Fund" issued by Ministry of Finance of the People's Republic of China on 17 March 2012, with effect from 1 April 2012 to 31 December 2015, the civil airport management and construction fee has been converted to the Civil Aviation Development Fund which is imposed on passengers at the same rate of the previously charged civil airport management and construction fee.

The charge rates of the Airport Fee were regulated by relevant authorities and the Company recognised the revenue of Airport Fee according to the authorised charge rates attributable to the Company on the Airport Fee collected from outbound passengers.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (c) The charge rates attributable to the Company on the Airport Fee collected (Continued)

During the year, the Company did not receive any notice from relevant authorities for the updated charge rates attributable to the Company on the Airport Fee collected from outbound passengers. Based on management's best estimation, the Company calculated its revenue of Airport Fee for the year ended 31 December 2012 at the rate of 48% of total amount collected from outbound passengers, which was as same as that of previous years.

As at 31 December 2012, the Company has received from CAAC the Airport Fee for the year ended 31 December 2012 in full at the rate of 48% of total amount collected from outbound passengers departing from Beijing Capital Airport.

### (d) 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.

### (e) Employee benefits

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 loss/gain for pensions include the selection of discount rate, pension cost inflation rate, salary inflation rate, employees' withdrawal rate, mortality rate and expected return on plan assets. 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 pension cost inflation rate and salary inflation rate are 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 19.

## 5 REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Strategy Committee which is appointed out of the directors by the Board of Directors. This 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 and resources are allocated based on what is beneficial to the Company in enhancing the value as a whole rather than any special unit. The Strategy Committee considers the performance assessment of the Company should be based on the results of the Company as a whole. Therefore, management considers there to be only one operating segment under the requirement of IFRS 8.

| **Analysis of revenues by category** | **2012** *RMB'000* | 2011 *RMB'000* |
|---|---|---|
| Aeronautical: | | |
| Passenger charges | **1,565,920** | 1,526,025 |
| Aircraft movement fees and related charges | **1,371,817** | 1,278,346 |
| Airport fee *(Note 4(c))* | **1,043,366** | 1,001,936 |
| | **3,981,103** | 3,806,307 |
| Non-aeronautical: | | |
| Concessions *(note a)* | **1,994,327** | 1,853,049 |
| Rentals | **798,910** | 764,608 |
| Car parking fee | **60,378** | 48,415 |
| Management service fee | **20,113** | 20,512 |
| Others | **7,829** | 7,325 |
| | **2,881,557** | 2,693,909 |
| Total revenues | **6,862,660** | 6,500,216 |

# Notes to the Financial Statements (Continued)

*For the year ended 31 December 2012*

## 5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

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

| | 2012<br>*RMB'000* | 2011<br>*RMB'000* |
|---|---|---|
| Retailing | 864,875 | 761,492 |
| Advertising | 786,099 | 707,511 |
| Ground handling | 126,952 | 224,622 |
| Restaurants and food shops | 114,536 | 107,459 |
| VIP service | 45,615 | — |
| Other | 56,250 | 51,965 |
| | 1,994,327 | 1,853,049 |

As the Company is domiciled in the PRC from where all of its revenues from external customers for the years ended 31 December 2012 and 2011 are derived and in where all of its assets are located, no geographical segment information is shown.

For the year ended 31 December 2012, approximately 19.0% (2011: 21.2%) of the total revenues of the Company are derived from a single external customer (including its subsidiaries).

## 6 PROPERTY, PLANT AND EQUIPMENT

| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and improvements *RMB'000* | Runways *RMB'000* | Plant, furniture, fixtures and equipment *RMB'000* | Motor vehicles *RMB'000* | Assets under construction *RMB'000* | Total *RMB'000* |
| **Cost** | | | | | | |
| At beginning of year | 21,248,844 | 9,873,183 | 7,855,294 | 631,016 | 217,067 | 39,825,404 |
| Additions | 1,338 | — | 38,037 | 3,552 | 277,087 | 320,014 |
| Reclassification between categories | 8,089 | 145,747 | 37,835 | 8,018 | (199,689) | — |
| Disposals and other decreases | (21,256) | — | (17,554) | (1,348) | — | (40,158) |
| At end of year | 21,237,015 | 10,018,930 | 7,913,612 | 641,238 | 294,465 | 40,105,260 |
| **Accumulated depreciation and impairment** | | | | | | |
| At beginning of year | 3,513,092 | 1,655,235 | 3,749,669 | 238,317 | 8,936 | 9,165,249 |
| Charge for the year | 531,011 | 223,531 | 670,139 | 42,946 | — | 1,467,627 |
| Disposals and other decreases | (3,709) | — | (13,008) | (1,185) | — | (17,902) |
| At end of year | 4,040,394 | 1,878,766 | 4,406,800 | 280,078 | 8,936 | 10,614,974 |
| **Net book amount** | | | | | | |
| At end of year | 17,196,621 | 8,140,164 | 3,506,812 | 361,160 | 285,529 | 29,490,286 |

## 6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and improvements RMB'000 | Runways RMB'000 | Plant, furniture, fixtures and equipment RMB'000 | Motor vehicles RMB'000 | Assets under construction RMB'000 | Total RMB'000 |
| **Cost** | | | | | | |
| At beginning of year | 21,519,993 | 9,732,271 | 7,844,398 | 516,638 | 115,555 | 39,728,855 |
| Additions | — | — | 39,030 | 119,507 | 359,925 | 518,462 |
| Reclassification between categories | 10,203 | 196,090 | 37,584 | 14,536 | (258,413) | — |
| Disposals and other decreases | (41,891) | (55,178) | (37,184) | (19,665) | — | (153,918) |
| Transferred to the assets held for sale | (239,461) | — | (28,534) | — | — | (267,995) |
| At end of year | 21,248,844 | 9,873,183 | 7,855,294 | 631,016 | 217,067 | 39,825,404 |
| **Accumulated depreciation and impairment** | | | | | | |
| At beginning of year | 3,028,651 | 1,440,591 | 3,121,803 | 218,010 | 8,936 | 7,817,991 |
| Charge for the year | 526,190 | 214,644 | 679,129 | 39,338 | — | 1,459,301 |
| Disposals and other decreases | (3,490) | — | (34,488) | (19,031) | — | (57,009) |
| Transferred to the assets held for sale | (38,259) | — | (16,775) | — | — | (55,034) |
| At end of year | 3,513,092 | 1,655,235 | 3,749,669 | 238,317 | 8,936 | 9,165,249 |
| **Net book amount** | | | | | | |
| At end of year | 17,735,752 | 8,217,948 | 4,105,625 | 392,699 | 208,131 | 30,660,155 |

## 6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost | **1,016,826** | 1,027,439 |
| Accumulated depreciation | **(361,405)** | (331,197) |
| Net book amount | **655,421** | 696,242 |

As at 31 December 2012, buildings with net book value of RMB280,935,000(2011: RMB294,966,000) are situated on parcels of allocated land owned by Parent Company. These parcels of land are occupied by the Company at nil consideration. As at 31 December 2012, buildings and terminal with a net book value of RMB9,179,635,000 (2011: RMB9,422,128,000) 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.

As at 31 December 2012, taxiways and structures with net book value of RMB1,235,566,000 (2011: RMB1,167,402,000) are situated on parcels of allocated land owned by Parent Company and another party. These parcels of land are occupied by the Company at nil consideration.

## 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:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Cost** | | |
| At beginning of year | **814,984** | 811,288 |
| Additions | **—** | 3,696 |
| At end of year | **814,984** | 814,984 |
| **Accumulated amortisation** | | |
| At beginning of year | **(99,588)** | (83,334) |
| Amortisation | **(16,304)** | (16,254) |
| At end of year | **(115,892)** | (99,588) |
| **Net book amount** | | |
| At end of year | **699,092** | 715,396 |

In 2008, as part of the acquisition of the Phase III Assets, the Company acquired from Parent Company the land use rights for 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 certificates from the Beijing Municipal Bureau of Land and Resource.

## 8 INTANGIBLE ASSETS

Intangible assets comprised software and software use rights which are amortised on a straight-line basis between 5 years to 10 years respectively, and their net book values are analysed as follows:

| | 2012<br>*RMB'000* | 2011<br>*RMB'000* |
|---|---|---|
| **Cost** | | |
| At beginning of year | 185,985 | 177,300 |
| Additions | 11,574 | 8,685 |
| At end of year | 197,559 | 185,985 |
| **Accumulated amortisation** | | |
| At beginning of year | (124,564) | (93,530) |
| Amortisation | (32,490) | (31,034) |
| At end of year | (157,054) | (124,564) |
| **Net book amount** | | |
| At end of year | 40,505 | 61,421 |

## 9 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| At beginning of year | **54,464** | 52,201 |
| Share of profit | **1,677** | 2,263 |
| Dividends declared | **(3,230)** | — |
| At end of year | **52,911** | 54,464 |

The details of the jointly controlled entity, unlisted, are as follows:

| | Place of incorporation | Percentage of equity interest directly held<br>2012 | 2011 |
|---|---|---|---|
| Beijing Bowei Airport Support Limited ("Bowei") | Beijing, the PRC | **60%** | 60% |

Pursuant to Bowei's Articles of Association, the strategic operating, investing and financing activities of Bowei are jointly controlled by the Company and the other joint venture partner. Accordingly, the Company accounts for Bowei as a jointly controlled entity using the equity method.

As at 31 December 2012, the total assets and total liabilities of Bowei, as well as its revenue and net profit for the year then ended are as follows:

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Total assets | **219,240** | 225,803 |
| Total liabilities | **202,487** | 195,308 |
| Revenue | **351,658** | 399,286 |
| Net profit | **2,796** | 3,773 |

## 10 TRADE AND OTHER RECEIVABLES

| | 2012<br>*RMB'000* | 2011<br>*RMB'000* |
|---|---|---|
| Trade receivables | | |
| — CAHC and its fellow subsidiaries *(Note 33(a))* | 210,192 | 217,420 |
| — a jointly controlled entity *(Note 33(a))* | 112 | 73 |
| — third parties | 856,597 | 841,276 |
| | 1,066,901 | 1,058,769 |
| Less: Provision for impairment | (30,627) | (17,257) |
| | 1,036,274 | 1,041,512 |
| Bill receivable | | |
| — third parties | 14,079 | — |
| Dividends receivable | | |
| — a jointly controlled entity *(Note 33(a))* | 3,230 | — |
| Prepayments and other receivables | | |
| — CAHC and its fellow subsidiaries and related parties *(Note 33(a))* | 130,401 | 50,366 |
| — third parties | 12,349 | 24,511 |
| | 142,750 | 74,877 |
| Total trade and other receivables | 1,196,333 | 1,116,389 |
| Less: non-current portion | (54,160) | (55,531) |
| Current portion | 1,142,173 | 1,060,858 |

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

## 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

| Currency | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| RMB | **1,179,672** | 1,098,802 |
| US dollar | **16,661** | 17,587 |
| | **1,196,333** | 1,116,389 |

The ageing analysis of the trade receivables is as follows:

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Less than 3 months | **702,370** | 729,357 |
| 4 - 6 months | **47,981** | 57,865 |
| 7 - 12 months | **71,024** | 81,285 |
| 1 - 2 years | **141,239** | 135,892 |
| 2 - 3 years | **75,323** | 41,583 |
| Over 3 years | **28,964** | 12,787 |
| | **1,066,901** | 1,058,769 |

## 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

The credit terms given to trade customers are determined on an individual basis with normal credit period mainly between 1 to 3 months.

As at 31 December 2012, trade receivables of RMB261,925,000 (2011: RMB38,841,000) were past due but were considered not impaired by management. These receivables relate to a number of customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Past due up to 3 months | **35,641** | 19,195 |
| Past due 4 - 6 months | **31,606** | 4,875 |
| Past due 7 - 12 months | **59,779** | 8,229 |
| Past due over 1 year | **134,899** | 6,542 |
| | **261,925** | 38,841 |

As at 31 December 2012, trade receivables of RMB76,173,000 (2011: RMB272,223,000) have indication of impairment. The amounts mainly related to non-aeronautical customers which were either in an unexpected difficult economic situation or in negotiation of the settlement amounts. It was assessed that after mutual negotiations, a substantial portion of these receivables are expected to be recovered. Consequently, specific provision of RMB30,627,000 (2011: RMB17,257,000) was made.

## 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

For trade receivables which have indication of impairment, ageing analysis is as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Past due up to 3 months | **14,617** | 37,573 |
| Past due 4 - 6 months | **6,091** | 35,325 |
| Past due 7 - 12 months | **9,886** | 66,384 |
| Past due over 1 year | **45,579** | 132,941 |
| | **76,173** | 272,223 |

For trade receivables which were impaired and provision was made, ageing analysis is as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Past due up to 3 months | **648** | 250 |
| Past due 4 - 6 months | **451** | 368 |
| Past due 7 - 12 months | **722** | 593 |
| Past due over 1 year | **28,806** | 16,046 |
| | **30,627** | 17,257 |

## 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| At beginning of year | 17,257 | 25,638 |
| Provision/(reversal of provision) for impairment of receivables | 13,370 | (9,334) |
| Collection of receivables previously written off | — | 953 |
| At end of year | 30,627 | 17,257 |

Prepayment and other receivables do not contain impaired assets.

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

## 11 CASH AND CASH EQUIVALENTS

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Cash on hand | 1 | 2 |
| Deposits placed with a subsidiary of CAHC *(Note 33(a) and a)* | 302,148 | 188,756 |
| Bank deposits | 1,516,255 | 759,784 |
| | 1,818,404 | 948,542 |

(a) Deposits placed with a subsidiary of CAHC bear interest at prevailing market rates.

(b) The interest rates on time deposits placed with a subsidiary of CAHC and banks as at 31 December 2012 were in the range of 1.35% to 2.86% (2011: 1.49%) per annum and such deposits had maturities of no more than three months. The deposits earn interests at floating rates based on prevailing market rates.

## 12 ASSETS HELD FOR SALE

On 23 December 2011, the Company entered into an agreement with Airport City Development Co., Ltd, an associate of Parent Company, to dispose of the buildings with related fixtures and equipment in 2012 at a consideration of RMB268,000,000. Accordingly, these assets were reclassified as assets held for sale on 31 December 2011.

The Company completed the disposal on 26 June 2012 with a profit before tax of RMB55,039,000.

## 13 SHARE CAPITAL

| | **Number of ordinary shares** | **H-Shares of RMB1.00 each** | **Domestic Shares of RMB1.00 each** | **Total** |
|---|---|---|---|---|
| | *(thousands)* | *RMB'000* | *RMB'000* | *RMB'000* |
| Registered, issued and fully paid | | | | |
| As at 31 December 2012 and 2011 | 4,330,890 | 1,879,364 | 2,451,526 | 4,330,890 |

The Domestic shares rank pari passu, in all material respects, with H shares except that all dividends in respect of H shares are declared in RMB and paid in HK dollar. In addition, the transfer of Domestic shares is subject to certain restrictions imposed by the PRC law.

## 14 RESERVES

### (a) Capital reserve

Capital reserve represents equity contributions from CAHC in cash to which CAHC is fully entitled.

In accordance with CAAC's instruction, 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.

### (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 PRC 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 2012, the Board of Directors proposed appropriations of 10% and 20% of profit after tax (2011: 10% and 20%) respectively, as determined under Chinese Accounting Standards ("CAS"), of RMB117,258,000 and RMB234,517,000 (2011: RMB111,399,000 and RMB222,799,000) respectively to the statutory surplus reserve fund and the discretionary surplus reserve fund respectively.

The proposed profit appropriation of RMB234,517,000 to the discretionary surplus reserve fund for the year ended 31 December 2012 has been approved by the Board of Directors on 18 March 2013, which will be recorded in the financial statements for the year ending 31 December 2013.

The appropriation to discretionary surplus reserve fund of RMB222,799,000 (2011: RMB118,010,000) proposed for the year ended 31 December 2011 by the Board of Directors on 30 March 2012 was recorded in the financial statements for the year ended 31 December 2012.

# Notes to the Financial Statements (Continued)

*For the year ended 31 December 2012*

## 15 TRADE AND OTHER PAYABLES

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Payables to Parent Company *(Note 33(a))* | **70,238** | 47,576 |
| Payables to CAHC's fellow subsidiaries *(Note 33(a))* | **536,852** | 583,095 |
| Payables to a jointly controlled entity of the Company *(Note 33(a))* | **122,667** | 102,800 |
| Payables to third parties | | |
| — Construction payable | **438,839** | 376,489 |
| — Deed taxes in respect of the acquisition of the phase III assets | **312,578** | 312,578 |
| — Repairs and maintenance charges payable | **179,766** | 148,786 |
| — Payroll and welfare payable | **151,819** | 124,235 |
| — Other taxes payable | **48,483** | 41,398 |
| — Deposits received | **48,440** | 37,130 |
| — Greening and environmental maintenance charges payable | **27,284** | 31,438 |
| — Sub-contracting charges payable | **25,980** | 24,001 |
| — Accounts payable for purchases | **23,590** | 24,554 |
| — Housing subsidy payable to employees *(note b)* | **10,885** | 11,971 |
| — Other payables | **162,962** | 161,451 |
| | **2,160,383** | 2,027,502 |

## 15 TRADE AND OTHER PAYABLES (CONTINUED)

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

| | 2012<br>*RMB'000* | 2011<br>*RMB'000* |
|---|---|---|
| Less than 3 months | **958,088** | 931,432 |
| 4 - 6 months | **129,223** | 127,956 |
| 7 - 12 months | **165,356** | 132,167 |
| Over 12 months | **907,716** | 835,947 |
| | **2,160,383** | 2,027,502 |

(b) 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.

## 16 LONG-TERM BANK BORROWINGS

| | 2012<br>*RMB'000* | 2011<br>*RMB'000* |
|---|---|---|
| Long-term bank borrowings | **7,500,000** | 7,500,000 |
| Less: current portion | **(7,500,000)** | — |
| | **—** | 7,500,000 |

This represents bank borrowing which is unsecured, repayable in 2013, denominated in RMB and interest-bearing at 4.30% per annum.

The fair value of bank borrowing at 31 December 2012 approximate its carrying amount.

## 17 BONDS PAYABLE

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Principal amount | **4,900,000** | 4,900,000 |
| Bond issuance cost | **(25,650)** | (25,650) |
| Proceeds received | **4,874,350** | 4,874,350 |
| Accumulated amortisation amounts of bond issuance cost | **11,482** | 7,345 |
| | **4,885,832** | 4,881,695 |

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.

The bonds are unsecured, guaranteed by the Parent Company and interest-bearing at 4.45% and 4.65% per annum. The interest is payable annually and the principal amounts are repayable in 2015 and 2017 respectively.

The fair value of bond payable at 31 December 2012 is RMB4,553,359,000 which is based on discounted cash flows with the applicable discount rate of 6.40% and 6.65% representing the prevailing market rate of interest available to the Company for financial instruments with substantially the same terms and characteristics as at the balance sheet date.

## 18 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2011: 25%).

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

| | **2012** *RMB'000* | 2011 *RMB'000* |
|---|---|---|
| At beginning of year | **(23,680)** | (497) |
| Charged to statement of comprehensive income *(Note 27(a))* | **(11,249)** | (23,183) |
| At end of year | **(34,929)** | (23,680) |

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

| **Deferred income tax assets** | **Retirement benefit obligations** *RMB'000* | **Accelerated accounting depreciation** *RMB'000* | **Accruals** *RMB'000* | **Other temporary differences** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|
| As at 1 January 2011 | 22,699 | 33,496 | 11,406 | 11,930 | 79,531 |
| Credited/(charged) to statement of comprehensive income | 2,268 | (549) | (522) | (2,333) | (1,136) |
| As at 31 December 2011 | 24,967 | 32,947 | 10,884 | 9,597 | 78,395 |
| As at 1 January 2012 | **24,967** | **32,947** | **10,884** | **9,597** | **78,395** |
| (Charged)/credited to statement of comprehensive income | **(521)** | **(392)** | **7,693** | **3,343** | **10,123** |
| As at 31 December 2012 | **24,446** | **32,555** | **18,577** | **12,940** | **88,518** |

## 18 DEFERRED INCOME TAXES (CONTINUED)

| Deferred income tax liabilities | Accelerated tax depreciation | Other temporary differences | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| As at 1 January 2011 | 70,319 | 9,709 | 80,028 |
| Charged/(credited) to statement of Comprehensive income | 22,375 | (328) | 22,047 |
| As at 31 December 2011 | 92,694 | 9,381 | 102,075 |
| As at 1 January 2012 | **92,694** | **9,381** | **102,075** |
| Charged/(credited) to statement of comprehensive income | **21,700** | **(328)** | **21,372** |
| As at 31 December 2012 | **114,394** | **9,053** | **123,447** |

## 18 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:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Deferred income tax assets | **88,518** | 78,395 |
| Deferred income tax liabilities | **(123,447)** | (102,075) |
| | **(34,929)** | (23,680) |

The amounts shown in the balance sheet include the following:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Deferred income tax assets to be recovered after more than 12 months | **68,489** | 66,236 |
| Deferred income tax liability to be settled after more than 12 months | **123,119** | 101,747 |

## 19 RETIREMENT BENEFIT OBLIGATIONS

As at 31 December 2012, the retirement benefit obligations recognised in the balance sheet are as follows:

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Pension subsidies *(note a)* | 13,777 | 76,855 |
| Post-retirement medical benefits *(note b)* | 22,577 | 23,013 |
| | 36,354 | 99,868 |
| Less: Amounts due within one year included in current liabilities | (5,810) | (5,099) |
| | 30,544 | 94,769 |

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

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Pension subsidies *(note a)* | 3,706 | 10,705 |
| Post-retirement medical benefits *(note b)* | (180) | 2,987 |
| Total, charged to staff cost *(Note 22)* | 3,526 | 13,692 |

## 19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### (a) Pension subsidies

The amounts recognised in the balance sheet are determined as follows:

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Present value of the Annuity Plan | 72,757 | 35,149 |
| Fair value of plan assets | (64,065) | — |
| Present value of unfunded obligations | 81,126 | 96,281 |
| Unrecognised past service cost | (76,041) | (54,575) |
| Liability in the balance sheet | 13,777 | 76,855 |

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

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| At beginning of year | 76,855 | 70,548 |
| Total cost | 3,706 | 10,705 |
| Contribution to fund the plan assets | (61,430) | — |
| Payment made in the year | (5,354) | (4,398) |
| At end of year | 13,777 | 76,855 |

## 19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### (a) Pension subsidies (continued)

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

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Current service cost | 2,720 | 3,660 |
| Interest cost | 5,431 | 6,188 |
| Past service cost | 2,630 | 3,288 |
| Plan amendment *(note i)* | 2,877 | (29,671) |
| Net actuarial (gains)/losses recognised | (6,946) | 27,240 |
| Excepted return on assets | (3,006) | — |
| | 3,706 | 10,705 |

(i) This represents the present value of benefits changes in certain staff welfare items implemented in 2012 and 2011, as well as reversal of the defined benefit obligation in 2011 with the effective of the Annuity Plan respectively.

## 19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### (a) Pension subsidies (continued)

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

| | 2012 | 2011 |
|---|---|---|
| Expected return on plan assets | 5.00% | 5.00% |
| Discount rate | 4.30% | 4.30% |
| Pension cost inflation rate for the participating employees under the Annuity Plan | 3.00% | 3.00% |
| Salary inflation rate for the participating employees under the Annuity Plan | note (ii) | note (ii) |
| Employee withdrawal rate | 2.85% | 2.60% |
| Mortality rate | note (iii) | note (iii) |

(ii) The salary inflation rate is 7.00% for 2011, 6.00% for 2012 and 5.00% thereafter.

(iii) Mortality rates for male and female were made reference to the China Life Incurrence Mortality Table (2000-2003) published by the China Insurance Regulatory commission in 2005.

## 19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### (b) Post-retirement medical benefits

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

| | 2012<br>*RMB'000* | 2011<br>*RMB'000* |
|---|---|---|
| At beginning of year | **23,013** | 20,250 |
| Total cost | **(180)** | 2,987 |
| Payment made in the year | **(256)** | (224) |
| At end of year | **22,577** | 23,013 |

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

| | 2012<br>*RMB'000* | 2011<br>*RMB'000* |
|---|---|---|
| Current service cost | **1,087** | 760 |
| Interest cost | **1,074** | 957 |
| Past service cost | **88** | 14 |
| Net actuarial (gains)/losses recognised | **(2,429)** | 1,256 |
| | **(180)** | 2,987 |

## 19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### (b) Post-retirement medical benefits (continued)

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

| | **2012** | 2011 |
|---|---|---|
| Discount rate | **4.30%** | 4.30% |
| Inflation rate of average medical benefit | **7.00%** | 7.00% |
| Employee withdrawal rate | **2.85%** | 2.60% |
| Mortality rate | **note** | note |

*Note:* Mortality rates for male and female were made reference to the China Life Incurrence Mortality Table (2000-2003) published by the China Insurance Regulatory commission in 2005.

## 20 DEFERRED INCOME

The Company received subsidies from government in respect of certain construction projects. Such subsidies are deferred and recognised in the statement of comprehensive income over the estimated useful lives of the related fixed assets.

## 21 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 same terms. The borrowings were not reassigned into the name of the Company.

| | Loans previously obtained by the Parent Company from | | |
|---|---|---|---|
| | **European Investment Bank** *(note a)* *RMB'000* | **domestic financial institutions** *(note b)* *RMB'000* | **Total** *RMB'000* |
| **As at 31 December 2012** | | | |
| Loans from Parent Company | 2,705,398 | 500,000 | 3,205,398 |
| Less: current portion | (154,594) | — | (154,594) |
| | 2,550,804 | 500,000 | 3,050,804 |
| **As at 31 December 2011** | | | |
| Loans from Parent Company | 2,570,116 | 2,000,000 | 4,570,116 |
| Less: current portion | (138,925) | — | (138,925) |
| | 2,431,191 | 2,000,000 | 4,431,191 |

(a) This loan is denominated in the US dollar, unsecured and interest bearing at LIBOR plus 0.4% per annum. The interest is payable semi-annually. The principal amount is repayable by instalments semi-annually commencing on 15 December 2010 with maturity through 15 June 2030.

(b) This loan is 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 year. The interest is payable semi-annually.

In 2012, a principal amount of RMB1,500,000,000 was repaid in advance and the remaining principal of RMB500,000,000 will be repayable in full in 2016.

## 22 STAFF COSTS

| | 2012 | 2011 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Salaries and welfare | 332,776 | 256,154 |
| Pension costs - defined contribution scheme under statutory pension plan *(note a)* | 29,713 | 25,662 |
| Housing fund | 21,918 | 18,828 |
| Pension costs - defined contribution scheme under the Annuity plan | 20,950 | 31,224 |
| Pension costs - defined benefit scheme *(Note 19)* | 3,526 | 13,692 |
| Housing subsidies | 2,398 | 2,400 |
| Other allowances and benefits | 48,996 | 43,597 |
| | 460,277 | 391,557 |

(a) All of the Company's full-time Chinese employees are covered by a state-sponsored pension plan and are entitled to a monthly pension at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Company is required to make monthly contributions to the state-sponsored retirement plan at a rate of 20% (2011: 20%) of the employees' basic salaries subject to a cap determined by the state on an annual basis.

(b) Staff costs include emoluments payable to the Company's directors, supervisors and senior management as set out in Note 26.

## 23 OTHER INCOME

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Disposal gain of assets held for sale*(Note 12)* | **55,039** | — |
| Government subsidies | **3,040** | 12,881 |
| | **58,079** | 12,881 |

## 24 EXPENSES BY NATURE

Expenses included in depreciation and amortisation, rental expenses and other costs are further analysed as follows:

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Depreciation on property, plant and equipment *(Note 6)* | | |
| — owned assets | **1,443,611** | 1,435,033 |
| — owned assets leased out under operating leases | **24,016** | 24,268 |
| Amortisation of land use rights *(Note 7)* | **16,304** | 16,254 |
| Amortisation of intangible assets *(Note 8)* | **32,490** | 31,034 |
| Operating lease rentals | | |
| — office building | **38,089** | 37,345 |
| — land use rights | **36,186** | 35,423 |
| — information technology center | **16,321** | 16,321 |
| — other rentals | **6,638** | 12,341 |
| Loss on disposal of property, plant and equipment | **22,256** | 5,423 |
| Provision/(reversal of provision) for impairment of trade receivables*(Note 10)* | **13,370** | (9,334) |
| Auditor's remuneration | **3,100** | 3,100 |

## 25 FINANCE INCOME/(COSTS)

| | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|
| Finance income: | | |
| Exchange gain, net | 6,213 | 129,011 |
| Interest income on bank deposits | 12,527 | 10,750 |
| | 18,740 | 139,761 |
| Finance costs: | | |
| Interest for long-term bank borrowings wholly repayable within 5 years | (327,875) | (326,979) |
| Interest for bonds payable | | |
| — Wholly repayable within 5 years | (228,801) | (86,441) |
| — Not wholly repayable within 5 years | — | (141,534) |
| Interest for loans from Parent Company | | |
| — Wholly repayable within 5 years | (56,597) | (147,105) |
| — Not wholly repayable within 5 years | (23,219) | (24,463) |
| Bank charges | (2,223) | (2,639) |
| | (638,715) | (729,161) |
| Net finance costs | (619,975) | (589,400) |

## 26 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### (a) Directors' and Supervisors' and Chief Executive's emoluments

The aggregated amounts of emoluments payable to directors and supervisors and chief executive of the Company during the year were as follows:

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Fees | 800 | 800 |
| Salaries, housing and other allowances, and benefits in kind | 2,775 | 1,949 |
| Discretionary bonuses | 570 | 455 |
| Contributions to the retirement scheme | 248 | 276 |
| | 4,393 | 3,480 |

## 26 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

### (a) Directors' and Supervisors' and Chief Executive's emoluments (Continued)

The emoluments of each director and supervisor and chief executive for the year ended 31 December 2012 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** | | | | | |
| Dong Zhiyi *(note i)* | — | — | — | 150 | 150 |
| Zhang Guanghui*(note ii)* | — | 880 | 91 | 150 | 1,121 |
| Gao Shiqing *(note i)* | — | — | — | — | — |
| Chen Guoxing *(note i)* | — | — | — | — | — |
| Yao Yabo *(note i)* | — | — | — | — | — |
| Zhang Musheng *(note i)* | — | — | — | — | — |
| Yam Kum Weng *(note iii)* | — | — | — | — | — |
| Lau Eng Boon *(note iii)* | — | — | — | — | — |
| Liu Guibin | 150 | — | — | — | 150 |
| Jiang Ruiming | 150 | — | — | — | 150 |
| Japhet Sebastian Law | 150 | — | — | — | 150 |
| Wang Xiaolong | 150 | — | — | — | 150 |

## 26 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

### (a) Directors' and Supervisors' and Chief Executive's emoluments (Continued)

The emoluments of each director and supervisor and chief executive for the year ended 31 December 2012 is set out below: (Continued)

| | Fees | Salaries, housing and other allowances, and benefits in kind | Contributions to the retirement scheme | Discretionary bonuses | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Name of supervisor** | | | | | |
| Zhao Jinglu *(note i)* | — | — | — | — | — |
| Liu Yanbin *(note i)* | — | — | — | — | — |
| Cui Youjun*(note i)* | — | — | — | — | — |
| Li Xiaomei | — | 880 | 90 | 150 | 1,120 |
| Deng Xianshan *(note iv)* | — | 537 | 37 | 120 | 694 |
| Chang Jun *(note iv)* | — | 289 | 19 | — | 308 |
| Tang Hua *(note iv)* | — | 189 | 11 | — | 200 |
| Kwong Che Keung | 100 | — | — | — | 100 |
| Dong Ansheng | 100 | — | — | — | 100 |
| | 800 | 2,775 | 248 | 570 | 4,393 |

## 26 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

### (a) Directors' and Supervisors' and Chief Executive's emoluments (Continued)

The emoluments of each director and superivsor and chief executive for the year ended 31 December 2011 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** | | | | | |
| Dong Zhiyi *(note i)* | — | — | — | 150 | 150 |
| Zhang Guanghui *(note ii)* | — | 812 | 114 | 150 | 1,076 |
| Gao Shiqing *(note i)* | — | — | — | — | — |
| Chen Guoxing *(note i)* | — | — | — | — | — |
| Yao Yabo *(note i)* | — | — | — | — | — |
| Zhang Musheng *(note i)* | — | — | — | — | — |
| Yam Kum Weng *(note iii)* | — | — | — | — | — |
| Lau Eng Boon *(note iii)* | — | — | — | — | — |
| Liu Guibin | 150 | — | — | — | 150 |
| Jiang Ruiming | 150 | — | — | — | 150 |
| Japhet Sebastian Law | 150 | — | — | — | 150 |
| Wang Xiaolong | 150 | — | — | — | 150 |

## 26 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

### (a) Directors' and Supervisors' and Chief Executive's emoluments (Continued)

The emoluments of each director and superivsor and chief executive for the year ended 31 December 2011 is set out below: (Continued)

| | Fees | Salaries, housing and other allowances, and benefits in kind | Contributions to the retirement scheme | Discretionary bonuses | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Name of supervisor** | | | | | |
| Zhao Jinglu *(note i)* | — | — | — | — | — |
| Liu Yanbin *(note i)* | — | — | — | — | — |
| Cui Youjun *(note i)* | — | — | — | — | — |
| Li Xiaomei | — | 827 | 110 | 150 | 1,087 |
| Tang Hua*(note iv)* | — | 310 | 52 | 5 | 367 |
| Kwong Che Keung | 100 | — | — | — | 100 |
| Dong Ansheng | 100 | — | — | — | 100 |
| | 800 | 1,949 | 276 | 455 | 3,480 |

## 26 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

### (a) Directors' and Supervisors' and Chief Executive's emoluments (Continued)

*Note:*

(i) Except for the discretionary bonuses paid to Mr. Dong Zhiyi, the emoluments of these directors and supervisors which were not included in directors' and supervisors' emoluments, were paid by the Parent Company.

(ii) Mr. Zhang Guanghui is a director and is also the chief executive.

(iii) The emoluments of these directors were paid by a shareholder of the Company.

(iv) Mr. Deng Xianshan and Mr Chang Jun were appointed as supervisors on 6 June 2012. Mr Tang Hua resigned from supervisor on 6 June 2012.

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

During the year ended 31 December 2012, 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 (2011: nil).

## 26 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 (2011: one director, one supervisor and three senior executives). The emoluments of the director and supervisor are reflected in the analysis presented above. The emoluments payables to the remaining three (2011: three) individuals during the year are as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2012** | 2011 |
| | ***RMB'000*** | *RMB'000* |
| Salaries, housing and other allowances, and benefits in kind | **2,093** | 1,901 |
| Discretionary bonuses | **377** | 375 |
| Contributions to the retirement scheme | **213** | 283 |
| | **2,683** | 2,559 |

During the year ended 31 December 2012, 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 (2011: nil).

## 26 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

### (b) Five highest paid individuals (Continued)

The emoluments of the three senior executives fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | **2012** | 2011 |
| Below HK$1,000,000 (equivalent to RMB810,850) | **—** | 1 |
| HK$1,000,001 - HK$1,500,000 (approximately equivalent to RMB810,851 - RMB1,216,275) | **3** | 2 |
| | **3** | 3 |

## 27 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% (2011: 25%) on its taxable income as determined in accordance with the relevant PRC income tax rules and regulations.

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax | **380,109** | 348,420 |
| Deferred income tax *(Note 18)* | **11,249** | 23,183 |
| | **391,358** | 371,603 |

## 27 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:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before income tax | **1,563,941** | 1,485,596 |
| Less: Share of post-tax profits of a jointly controlled entity | **(1,677)** | (2,263) |
| | **1,562,264** | 1,483,333 |
| Tax calculated at a tax rate of 25% (2011: 25%) | **390,566** | 370,833 |
| Expenses not deductable for tax purpose | **792** | 770 |
| Tax charge | **391,358** | 371,603 |

## 27 TAXATION (CONTINUED)

### (b) Business tax and value added tax

Pursuant to "Notice regarding the Issuance of Pilot Proposal for the Change from Business Tax to Value Added Tax" **(Cai Shui [2011] No. 110)** and "Notice regarding the Issuance of Pilot Proposal for the Change from Business Tax to Value Added Tax on Transportation Industry and Part of Modern Service Industry in Beijing and other 8 provinces and cities" **(Cai Shui [2012] No. 71)** and relevant further regulations ("Pilot Proposal") issued by Ministry of Finance of the People's Republic of China and State Administration of Taxation, starting from 1 September 2012, aeronautical revenues (excluding the revenue of Civil Aviation Development Fund), concession revenues (excluding concession revenue of restaurants and food shops) of the Company and rental revenues of tangible assets under operating lease are subject to value added tax at the rate of 6%, 6% and 3% respectively. The revenue of Civil Aviation Development Fund is exempt from paying any value added tax or business tax since 1 September 2012. The rest of revenues are subject to business tax at the rate of 5% .

Before the launch of Pilot Proposal, aeronautical revenues and concession revenues in respect of the ground handling are subject to business tax at the rate of 3%. The rest of revenues are subject to business tax at the rate of 5%.

### (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 and land.

# Notes to the Financial Statements (Continued)

*For the year ended 31 December 2012*

## 28 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of 4,330,890,000 ordinary shares in issue during the year.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2012 and 2011.

| | **2012** | 2011 |
|---|---|---|
| Profit attributable to owners of the Company *(RMB'000)* | **1,172,583** | 1,113,993 |
| Basic earnings per share *(RMB per share)* | **0.27** | 0.26 |

## 29 DIVIDENDS

| | **2012** | 2011 |
|---|---|---|
| Dividend proposed | | |
| Final dividend *(RMB'000)* | **295,800** | 257,082 |
| Final dividend per share *(RMB)* | **0.06830** | 0.05936 |
| Interim dividend *(RMB'000)* | **173,236** | 77,133 |
| Interim dividend per share *(RMB)* | **0.04** | 0.01781 |

The final dividend for the year ended 31 December 2012 was proposed at the Board of Directors meeting held on 18 March 2013. 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 2013.

## 30 CONTINGENCIES

The Directors of the Company understand that certain residents living in the vicinity of 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 Directors of the Company also understand that the relevant government authorities have been involved in resolving these complaints.

As at 31 December 2012, 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. Based on advice of legal counsel, the Directors are of the opinion that the final amounts (if any) will be insignificant to the Company, therefore, no provision has been made in the financial statements.

## 31 COMMITMENTS

**Capital commitments**

Capital commitments primarily relate to the construction of and the equipment to be installed at the airport terminals 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 2012:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Authorised but not contracted for | **183,495** | 198,968 |
| Contracted but not provided for | **480,614** | 340,937 |
| | **664,109** | 539,905 |

## 31 COMMITMENTS (CONTINUED)

**Operating lease commitments - where the Company is the lessee**

As at 31 December 2012, the future aggregate minimum lease payments under non-cancellable operating leases payable to Parent Company are as follows:

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Not later than 1 year | 52,507 | 51,744 |
| Later than 1 year and not later than 5 years | 144,744 | 158,014 |
| Later than 5 years | 541,599 | 552,649 |
| | 738,850 | 762,407 |

**Operating lease arrangements - where the Company is the lessor**

As at 31 December 2012, the future minimum lease payment receivables under non-cancellable operating leases for buildings are as follows:

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Not later than 1 year | 507,630 | 527,410 |
| Later than 1 year and not later than 5 years | 196,732 | 431,816 |
| | 704,362 | 959,226 |

## 31 COMMITMENTS (CONTINUED)

**Concession income arrangements**

As at 31 December 2012, the future minimum concession income receivable under non-cancellable agreements in respect of the operating rights of retailing, advertising, restaurant and food shop and VIP service businesses are as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Not later than 1 year | **1,186,368** | 1,038,378 |
| Later than 1 year and not later than 5 years | **1,115,501** | 2,017,272 |
| Later than 5 years | **—** | 5,000 |
| | **2,301,869** | 3,060,650 |

## 32 NOTES TO STATEMENT OF CASH FLOW

Reconciliation of profit for the year to cash generated from operations

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Profit for the year | 1,172,583 | 1,113,993 |
| Adjustments for: | | |
| Taxation | 391,358 | 371,603 |
| Depreciation | 1,467,627 | 1,459,301 |
| Amortisation of land use rights | 16,304 | 16,254 |
| Amortisation of intangible assets | 32,490 | 31,034 |
| Provision/(reversal of provision) for impairment of trade receivables | 13,370 | (9,334) |
| Gains on disposal of assets held for sale | (55,039) | — |
| Losses on disposal of property, plant and equipment | 22,256 | 5,423 |
| Share of post-tax profits of a jointly controlled entity | (1,677) | (2,263) |
| Interest income | (12,527) | (10,750) |
| Finance costs | 638,715 | 729,161 |
| Foreign exchange gains | (6,213) | (129,011) |
| Retirement benefit obligations | (63,514) | 9,070 |
| Deferred income | (347) | (336) |
| Changes in working capital: | | |
| Inventories | 4,616 | (26,254) |
| Trade and other receivables | (9,307) | 43,349 |
| Trade and other payables | 54,857 | (345,539) |
| Cash generated from operations | 3,665,552 | 3,255,701 |

## 33 RELATED PARTY TRANSACTIONS

The Company is controlled by CAHC which owns 56.61% of the Company's shares. The remaining 43.39% of the shares are widely held. The Directors of the Company consider CAHC, which is a PRC state-owned enterprise under the control of CAAC, to be the ultimate holding company.

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, 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 those government-related entities are able to control or exercise significant influence and key management personnel of the Company and CAHC as well as their close family members.

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 the members of the CAHC group are activities in the ordinary course of business.

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 in the ordinary course of business 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 concerned at prevailing market terms and rates.

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

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.

## 33 RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Balances with related parties

As at 31 December 2012, balances with related parties comprised:

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade and other receivables from CAHC and its fellow subsidiaries and related parties *(Note 10 and i)* | **340,593** | 267,786 |
| Trade and other receivables to a jointly controlled entity of the Company *(Note 10 and i)* | **3,342** | 73 |
| Deposits placed with a subsidiary of CAHC *(Note 11 and ii)* | **302,148** | 188,756 |
| Trade and other payables to CAHC *(Note 15 and i)* | **70,238** | 47,576 |
| Trade and other payables to a jointly controlled entity of the Company *(Note 15 and i)* | **122,667** | 102,800 |
| Trade and other payables to CAHC's fellow subsidiaries *(Note 15 and i)* | **536,852** | 583,095 |
| Interest payable to Parent Company | **11,972** | 46,665 |
| Loans from Parent Company *(Note 21)* | **3,205,398** | 4,570,116 |

## 33 RELATED PARTY TRANSACTIONS (CONTINUED)

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

(i) The amounts due from and to CAHC and its fellow subsidiaries and related parties and the Company's jointly controlled entity are unsecured and interest free and repayable within the next twelve months, except for the non-current portion of trade and other receivables from CAHC and its fellow subsidiary and related parties.

(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.

### (b) Transactions with related parties

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Transactions with CAHC and its fellow subsidiaries *(note i)* | | |
| Revenues: | | |
| Concessions | **1,823,851** | 1,587,752 |
| Rentals | **75,246** | 115,661 |
| Management service fee | **19,427** | 19,800 |

## 33 RELATED PARTY TRANSACTIONS (CONTINUED)

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

| | 2012<br>*RMB'000* | 2011<br>*RMB'000* |
|---|---|---|
| Expenses: | | |
| Provision of utilities and power | **554,780** | 534,269 |
| Provision of aviation safety and security guard services | **424,505** | 356,523 |
| Provision of certain sanitary services, baggage cart management services, carpark operation and management services and greening and environmental maintenance services | **181,528** | 171,094 |
| Provision of accessorial power and energy services | **115,745** | 95,489 |
| Rental expenses | **96,148** | 89,089 |
| Provision of airport guidance service | **8,082** | 22,210 |
| Provision of airfield maintenance services | **6,133** | 5,820 |
| Provision of employee canteen services | **4,000** | 4,000 |
| Provision of beverage service | **3,783** | 3,583 |
| Provision of maintenance services and consultation services | **3,630** | 5,773 |
| Interest charges on loans from Parent Company *(Note 25)* | **79,816** | 171,568 |

## 33 RELATED PARTY TRANSACTIONS (CONTINUED)

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

| | 2012<br>RMB'000 | 2011<br>RMB'000 |
|---|---|---|
| Other: | | |
| Provision of construction service | 88,377 | 94,068 |
| Transactions with the former jointly controlled entity of CAHC *(note i and ii)* | | |
| Concession revenues | — | 14,536 |
| Rental expenses | — | 106,664 |
| Transactions with the jointly controlled entity of the Company | | |
| Provision of terminal maintenance services | 306,685 | 305,137 |
| Provision of construction services | 4,372 | 14,897 |
| Concession revenues | 144 | 80 |

## 33 RELATED PARTY TRANSACTIONS (CONTINUED)

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

(i) These transactions constitute connected transactions or continued connected transactions under the Listing Rules.

(ii) On 10 October 2011 (the "Disposal Date"), the Parent Company sold its 43% equity interest in Beijing Aviation Ground Services Company Limited ("BGS") to a third party, and the Parent Company now holds 17% of the equity interest of BGS and has no significant influence on BGS. Therefore, BGS is no longer a related party of the Company. The transactions amount between the Company and BGS disclosed in 2011 was incurred during the period from 1 January 2011 to the Disposal Date.

These transactions of revenues, expenses in nature conducted and construction services based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed between the Company and the parties in concern.

### (c) Key management compensation

| | **2012** | 2011 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Salaries, allowances and other benefits | **10,234** | 8,274 |

# Company Information

## PRINCIPAL INFORMATION OF THE COMPANY

| | |
|---|---|
| Registered name: | 北京首都國際機場股份有限公司 |
| English name: | Beijing Capital International Airport Company Limited |
| First registration date: | 15 October 1999 |
| Registered address: | Capital Airport, Beijing, the People's Republic of China |
| Principal address of business in Hong Kong: | 21/F, Gloucester Tower, The Landmark,<br>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<br>Industrial and Commercial Bank of China |
| Auditor: | PricewaterhouseCoopers |

## BOARD OF DIRECTORS

**Executive Directors**

Dong Zhiyi *(Chairman)*

Zhang Guanghui *(General Manager)*

**Non-executive Directors**

Chen Guoxing

Gao Shiqing

Yao Yabo

Zhang Musheng

Lau Eng Boon

Yam Kum Weng*

* *Mr. Yam resigned on 21 March 2013*

# Company Information (Continued)

**Independent Non-executive Directors**

Japhet Sebastian Law
Wang Xiaolong
Jiang Ruiming
Liu Guibin

## COMMITTEES

**Audit Committee**

Liu Guibin *(Chairman)*
Japhet Sebastian Law
Wang Xiaolong
Jiang Ruiming

**Remuneration and Evaluation Committee**

Japhet Sebastian Law *(Chairman)*
Wang Xiaolong
Jiang Ruiming
Liu Guibin

**Nomination Committee**

Jiang Ruiming *(Chairman)*
Japhet Sebastian Law
Wang Xiaolong
Liu Guibin
Dong Zhiyi
Zhang Guanghui

# Company Information (Continued)

**Strategy Committee**

Dong Zhiyi *(Chairman)*
Zhang Guanghui
Chen Guoxing
Gao Shiqing
Yao Yabo
Zhang Musheng
Wang Xiaolong

## 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<br>Beijing Capital International Airport Company Limited<br>Beijing, China |
| Zip Code: | 100621 |
| Registrar and Transfer Office: | Hong Kong Registrars Limited<br>1712-1716, 17th Floor, Hopewell Centre<br>183 Queen's Road East Wanchai, Hong Kong |

## FINANCE CALENDAR OF 2012

| | |
|---|---|
| Announcement of interim results: | 23 August 2012 |
| Announcement of final results: | 18 March 2013 |
| Book closing dates for AGM: | 28 May 2013-27 June 2013 |
| Date of 2012 AGM: | 28 June 2013 |

## SHARE INFORMATION

| | |
|---|---|
| Name of H shares: | Beijing Airport |
| Stock code: | 00694 |

# Price and Turnover History

| Year | Price per share | | |
|---|---|---|---|
| 2012 | High | Low | Turnover of share |
| | *(HK$)* | *(HK$)* | *(in millions)* |
| January | 4.06 | 3.72 | 50.7 |
| February | 4.06 | 3.72 | 68.3 |
| March | 4.49 | 3.79 | 133.3 |
| April | 5.15 | 4.52 | 175.3 |
| May | 5.20 | 4.41 | 124.6 |
| June | 5.07 | 4.49 | 78.6 |
| July | 5.31 | 4.64 | 125.4 |
| August | 5.50 | 5.08 | 76.6 |
| September | 5.46 | 4.83 | 120.2 |
| October | 5.38 | 4.98 | 106.5 |
| November | 5.55 | 4.93 | 69.4 |
| December | 5.91 | 5.31 | 75.1 |

**BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANYLIMITED**

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

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