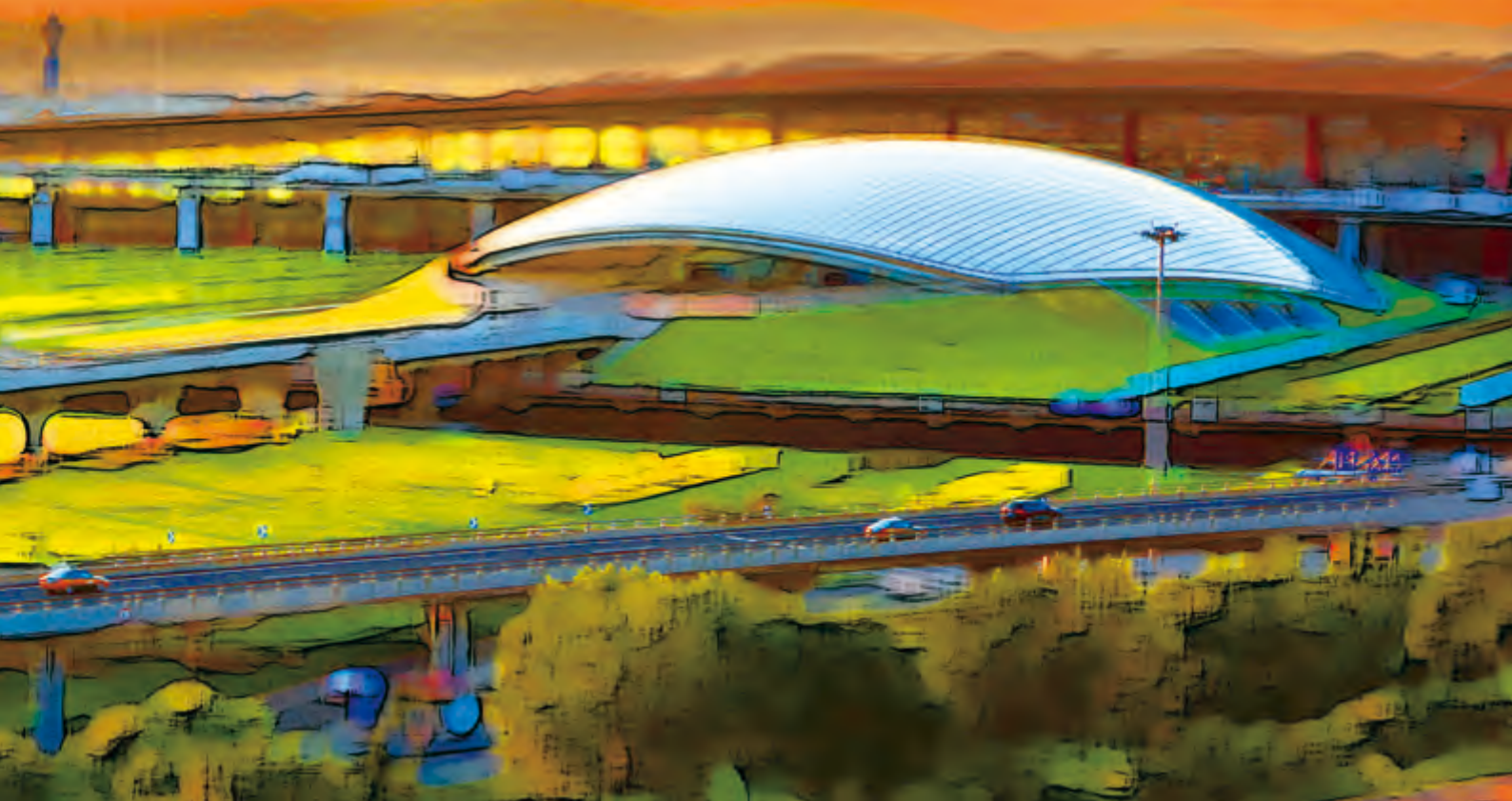




## **BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED**

(A sino-foreign joint stock limited company incorporated in the People's Republic of China)  
Stock Code: 00694

# 2016 ANNUAL REPORT





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## Financial Summary

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

	w2016	2015	2014	2013	2012
<b>Operating Results</b>					
Revenues	<b>8,729,090</b>	8,509,962	7,655,957	7,224,818	6,862,660
EBITDA	<b>4,320,423</b>	4,292,798	3,860,232	3,925,572	3,685,493
Profit before tax	<b>2,376,711</b>	2,192,956	1,859,039	1,775,380	1,532,580
Tax	<b>(595,710)</b>	(551,041)	(467,808)	(446,356)	(383,518)
Profit after tax	<b>1,781,001</b>	1,641,915	1,391,231	1,329,024	1,149,062
Attributable to:					
Equity holders of the Company	<b>1,781,001</b>	1,641,915	1,391,231	1,329,024	1,149,062
Non-controlling interests	—	—	—	—	—
Earnings per share					
-basic and diluted (RMB)	<b>0.41</b>	0.38	0.32	0.31	0.27
Return on Equity	<b>9.19%</b>	9.00%	8.09%	8.20%	7.55%
<b>Financial Position</b>					
<b>Assets</b>					
Non-current assets	<b>28,084,854</b>	29,186,899	28,217,096	29,361,009	30,336,954
Current assets	<b>5,819,336</b>	3,504,327	3,694,171	3,335,558	3,085,762
Total	<b>33,904,190</b>	32,691,226	31,911,267	32,696,567	33,422,716
<b>Equity and liabilities</b>					
<b>Shareholders' equity</b>					
Non-controlling interests	—	—	—	—	—
Non-current liabilities	<b>5,319,857</b>	7,169,964	8,029,063	10,814,098	8,073,293
Current liabilities	<b>9,206,016</b>	7,252,272	6,679,835	5,670,688	10,125,624
Total	<b>33,904,190</b>	32,691,226	31,911,267	32,696,567	33,422,716



## Company Profile

Beijing Capital International Airport Company Limited (the “Company”) was incorporated as a joint stock company with limited liability in Beijing, the People’s Republic of China on 15 October 1999 to own and manage the aeronautical operations and certain ancillary commercial businesses at the capital international airport in Beijing, the PRC (the “Beijing Capital Airport”). On 27 January 2000, 1,346,150,000 H shares of the Company with a nominal value of RMB1.00 each were issued to the public at HK\$1.87 per share and such shares were listed and traded on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 1 February 2000. Upon completion of 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 Airport 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 People’s Republic of China), 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 market on 4 October 2006 and 10 June 2008, respectively. Upon the completion of the above two placements of H shares, 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.



## Company Profile (Continued)

At present, the Company is primarily engaged in operating and managing aeronautical and non-aeronautical businesses at the Beijing Capital Airport.

The Company's aeronautical business includes provision of aircraft landings and take-offs and passenger service facilities, ground support services and firefighting services for domestic and foreign air transportation enterprises.

As at the end of 2016, there were 102 airliners operating fixed commercial flights at the Beijing Capital Airport, including 28 domestic airliners and 74 airliners from foreign countries, Hong Kong, Macau and Taiwan.

As at the end of 2016, there were 279 flight points linking with the Beijing Capital Airport, including 147 domestic flight points and 132 international and regional flight points.

The Company's non-aeronautical business includes the franchise-based operation, entrusted management or licensing other parties for 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 and other businesses at the Beijing Capital Airport.

The Company's non-aeronautical business 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

In the later period, on one hand, the Company will spare no efforts to ensure the absolute safety and security of operation; on the other hand, the Company will also be committed to enhancing its innovation capacities and international competitiveness, so as to improve the capability of public service and value innovation, as well as the international influence by virtue of innovation.

**Liu Xuesong**

Chairman





## Chairman's Statement (Continued)

### TO SHAREHOLDERS:

The year of 2016 was the beginning of the “Thirteenth Five-year Plan” in China. Facing the challenges of the continued global and domestic economic downturn, the state constantly implemented the major economic and social development strategies and the supply-side structural reform, which injects new vitality into the civil aviation industry, enabling the industry to maintain a fast growth. The air traffic volumes of Beijing Capital Airport maintained moderate increase, with the passenger throughput in 2016 scaled a new high to break through 90 million person-times after remaining at the threshold of over 80 million for three consecutive years. Meanwhile, the Company vigorously advanced to build Beijing Capital Airport into a large international hub with innovation capability and global competitiveness, made efforts to improve the operation and management efficiency, and optimized operation and services quality, thereby accomplishing remarkable improvements in respect of security, operation and services while maintaining a stable growth in business performance. I am delighted to report to our shareholders the 2016 operating and financial results of the Company, as well as our prospects for the future development.

### STEADY GROWTH OF AIR TRAFFIC VOLUMES

In 2016, Beijing Capital Airport's annual aircraft movements reached 606,086 sorties, representing an increase of 2.7% over the previous year; the passenger throughput reached 94,393,454 person-times, representing an increase of 5.0% over the previous year; the annual cargo and mail throughput was 1,943,159 tonnes, representing an increase of 2.8% over the previous year. According to the primary statistics of Airports Council International (“ACI”), the Beijing Capital Airport's passenger throughput in 2016 once again maintained at the second place globally.

### STEADY PROGRESS OF HUB CONSTRUCTION WITH COMMERCIAL DEVELOPMENT FORGING AHEAD

In 2016, the Company coordinated to facilitate the optimisation of domestic flight slots and perfected Beijing-Tianjin-Hebei routes network and the allocation of flight slots resources to alleviate the pressure of regional flights by conducting an analysis on flight slots; forged ahead to creatively establish the intercontinental special route products by drawing the experience of the operational mode of domestic quality airlines and cooperated with Frankfurt Airport and Air China Limited to jointly launch the Beijing-Frankfurt international special route products; increased 11 new airlines, and 5 international destinations, and the proportion of international passengers further improved.

In 2016, China's macro-economy witnessed a sluggish growth overall. Against this backdrop, the Company devoted more efforts to further tap the development potentials of non-aeronautical businesses, and boosted commercial planning in terms of science and business management efficiency through an overall assessment of the value of commercial resources in the terminals; improving the standard of professional management through adjusting commercial operation and management mode. Throughout the year, as influenced by factors such as an increase in the number of passengers, structural optimisation and promotion of international duty-free business, the concession revenues from retailing, and restaurants and food shops continued to maintain a sound growth. However, as influenced by economic environment and competition in the industry, the development of advertising and parking services was faced with relatively more difficulties with a noticeable decline in revenues, which hindered the increase of non-aeronautical revenues throughout the year.

## Chairman's Statement (Continued)

### COMPREHENSIVE COMMERCIAL MANAGEMENT AND SOUND FINANCIAL RESULTS

In 2016, benefiting from the continuous increase of routes and the sound growth of international air traffic volume, the Company recorded an aeronautical revenue of RMB4,836,737,000 in total, representing an increase of 5.3% over the previous year; achieved non-aeronautical revenues of RMB3,892,353,000, representing a decrease of 0.6% over the previous year. During the year, the Company achieved operating revenues of RMB8,729,090,000, representing an increase of 2.6% over the previous year.

In the meantime, the Company continued to strengthen cost control. Through efficient utilisation of energy and resources, strict cost control and refined cost management, the Company managed to realise scientific control on expenses of various items. Despite the pressure from increases in operating costs due to an increase in traffic volume, the Company achieved operating costs of RMB5,786,374,000 for 2016, representing an increase of 3.3% over the previous year.

Besides, the Company continued to optimise debt structure and effectively reduced overall capital cost and financial cost through successful completion of re-financing of matured debts and issuance of the first tranche short-term debentures. The Company further improved its capital structure, with its liability-to-asset ratio dropping to 42.84%.

In 2016, the Company's net profit after tax was RMB1,781,001,000, representing an increase of 8.5% over the previous year. Throughout the year, the Company still maintained its sustained profitability against the backdrop of a weak global economic situation, Chinese economic slowdown and commercial development under a great downward pressure.



## Chairman's Statement (Continued)

### GUARANTEE FOR SAFE OPERATION AND THE INITIAL ACHIEVEMENTS OF DEVOTED SERVICES

In 2016, despite the increasingly stringent situation of industry safety and security, through further implementing safety responsibility, managing potential hazards, innovating safety and security working mode, the Company continued to enhance the airport's security assurance capability and ensured a safe and steady operation throughout the year. Meanwhile, the Company successfully guaranteed an overall steady and smooth operation of Beijing Capital Airport under intense operational pressure throughout the year by improving resources utilisation efficiency, reinforcing air-ground coordination and optimising operational management. At the same time, the Company endeavored to provide devoted services through a series of measures such as remedying its service quality, bringing forth new service management model, and continuing to explore and promote technology-based service initiatives. The Company also took the lead in launching self-help outbound customs clearance services, developing and promoting online service platform which vigorously advanced the technological content of service products, delivered better service experience to travelers and continuously upgraded service quality. Throughout 2016, the satisfaction index reached 4.98 out of 5, being awarded the "Third Best Airport in Asia-Pacific Region" by Airports Council International.

### ENHANCING INDUSTRIAL COOPERATION AND PROMOTING INTERNATIONAL IMAGE

In 2016, the Company stayed committed to exploring channels and expanding the scope of cooperation and communication based on the existing international exchanges. It successfully hosted the fifth Beijing Global Friend Airports CEO Forum and continued to deepen and expand sister airports relationship with the world's leading players, and the total number of our sister airports reached 33, which further boosted Beijing Capital Airport's international influence, deepened global cooperation in the near future and provided a broader platform for the Company to expand international routes and business. In addition, the Company's sustained admirable performance and reasonable strategic layout were highly recognised in the capital markets, and the Company was therefore awarded as the "Best Listed Company" in the sixth Session of the China Securities Golden Bauhinia Awards Committee.



## Chairman's Statement (Continued)

### FUTURE PROSPECTS

The "Thirteenth Five-year Plan" period is critical for China to evolve from a large country into a strong country in civil aviation, while the three years from 2017 to 2019 are an important transitional period for the "Thirteenth Five-year Plan". In 2017, the recovery of global economy is still sluggish, lacking of sufficient growth impetus. Meanwhile, the global challenges pose more uncertainties in the global economy. Although China's economy will continue to operate steadily as a whole, heavy downward pressure is still expected due to the insufficient endogenous growth momentum. Despite of the continuous and strong demand, China's civil aviation industry is exposed to various challenges as a result of insufficient key resources required for industry development. Given the requirements and expectations of the state and the public to Beijing Capital Airport, during certain period in the future, the Company will spare no efforts to ensure absolute safety and security of operation on one hand, and be committed to strengthening its own innovation capability and international competitiveness on the other hand, so as to enhance the capability of public service and value innovation, as well as the international influence of Beijing Capital Airport by virtue of innovation.

In recent years, the air traffic volumes of Beijing Capital Airport maintained a slight growth momentum, which is expected to continue in the near future. Preliminary statistics show that for the first two months of 2017, Beijing Capital Airport's aircraft movement has increased by 1.70% as compared with the corresponding period of the previous year, of which domestic routes increased by 1.51% and international and regional routes increased by 2.33% as compared with the corresponding period in the previous year; the growth in passenger throughput increased by 7.63% over the same period of the previous year, of which domestic routes increased by 7.68% and international and regional routes increased by 7.49% over the same period in the previous year. The growth rate of passenger throughput of international and regional routes continued a favorable momentum, and the air traffic volumes presented a good start.

However, we should note that, in 2017, due to the operational pressure arising from the long-standing bottlenecks of resources and the low utilisation efficiency of certain resources in a short period as a result of repair and maintenance, the increase in air traffic volumes of Beijing Capital Airport will be confronted with more pressure as compared with the past years, and the overall performance throughout the year is expected to slow down slightly. In 2017, Beijing Capital Airport will continue to advance the implementation of the hub strategy, continue with the development idea of promoting growth through structure adjustment, and proactively cope with challenges, striving to realise the sustained and healthy development of the airport and the Company.

At present, the safety and security situation is not optimistic in the world and in the industry. The increasingly complicated surrounding environment of airports results in increasing pressure on the security and operation of the airport. In 2017, the Company will insist on zero tolerance against potential safety hazards, continue to strengthen safety management and actively explore technological methods to enhance safety management level, so as to ensure the sustainable safety and security of Beijing Capital Airport. Meanwhile, the Company will further improve utilisation efficiency of resources and accelerate the effective replenishment of operational resources to guarantee smooth operations. As for passenger services, the Company will devote efforts to deliver services with sincerity and further enhance service quality in order to constantly improve passengers' experience.

"Building a large world first class international hub" has been the core strategy of the Company in the long term, and will be the main development idea of the Company in the next three years. In recent years, the state and industry authorities issued development guidance such as "Enhancement of the international competitiveness of Beijing aviation hub", "Mitigation of the non-international hub functions of Beijing Capital Airport" and "Construction of world-class airport cluster in Beijing, Tianjin and Hebei", which created a favourable policy environment for the Company to implement its hub strategy. Leveraging on this opportunity, the Company will take innovative measures to improve the hub function of Beijing Capital Airport, so as to enhance the public service capacity.

## Chairman's Statement (Continued)

In 2017, the Company will focus on developing the enthusiasm of local government and based airlines to improve the core assurance function of international hub in an all-round way. It will further optimise critical aviation resources to ensure that the aeronautical business of Beijing Capital Airport will be driven more effectively through structural optimisation despite the pressure on the growth in business. In respect of flight slots, efforts will be exerted for mitigation of domestic feeder flights and development of international business by way of logical scientific method as driving force; in respect of routes production, the Company will vigorously build its brand for domestic express and international special routes, accelerate the replication and promotion of Beijing-Shanghai express model, and increase and optimise express flights connecting major artery airports. Meanwhile, the Company will further deepen the model from Beijing-Frankfurt special route, replicate and promote such model in the global market through the worldwide airports with close and friendly relationship of the Company.

In 2017, the Company will continue to improve its business model with innovative thinking and enhance its value creation capacity. It will manifest its airport value through driving the development of regional economy, while continuously creating and realising its own value in the process of innovation-driven development. The Company will further explore innovation in business model and optimise the planning of commercial resources to promote the continuous appreciation of Beijing Capital Airport's commercial value. In the meantime, the Company will further strengthen the innovation of technology and management, continuously promote the construction of smart airport. Besides, it will endeavour to fulfill its corporate social responsibility, vigorously promote energy conservation and emission reduction, and employ technological methods to build up a green airport, so as to ensure both the sustainable value creation and favorable social benefits.

In addition, the Company has been committed to the supplement and optimisation of operational resources so as to address the bottlenecks of operational resources of Beijing Capital Airport in recent years. In accordance with the resources planning proposal of the Company for the recent period, the Company will focus on the supplement and optimisation of operational resources of Beijing Capital Airport in 2017, before the open of Beijing New Airport. It aims to solve the problem of insufficient aprons for overnight flights through construction of new parking aprons and improve the quality and safety performance of runways through maintenance of central runway. At the same time, the Company will also continue to monitor and promote the research and demonstration work in relation to the overall resources replenishment scheme including the construction of the fourth runway.



**Liu Xuesong**  
*Chairman*

Beijing, the PRC, 21 March 2017

## 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 2016.

### BUSINESS MODEL AND STRATEGIC OBJECTIVES

With the operation and management of Beijing Capital Airport as its principal businesses, the Company endeavors to provide safe, convenient and pleasant arrival and departure services for passengers and promote the development of its aeronautical and non-aeronautical businesses. The Company will continue to maintain safety, improve operations, value services, strengthen managements and spare no effort to build a large-scale international airline hub.

### OPERATING RESULTS AND FINANCIAL POSITION

The Company’s operating results for the year ended 31 December 2016 and the financial position of the Company as at 31 December 2016 prepared basing on International Financial Reporting Standards (“IFRS”) are set out on pages 71 to 137 of the 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 3 of this annual report.

### BUSINESS REVIEW

A fair review of the business of the Company for the year ended 31 December 2016 is provided in the “Management Discussion and Analysis” on pages 41 to 47 of this annual report.

Description of the principal risks and uncertainties facing the Company can be found in the “Exposure to Fluctuations in Exchange Rates” and “Exposure to Fluctuations in Interest Rates” on page 45 of this annual report.

The probable future business development of the Company is discussed in the paragraph headed “Future Prospects” on pages 10 to 11 of this annual report.

The Company, always aiming at “creating a green gateway”, insists on developing a resource-saving and environment- friendly “Green Airport”, keeps a close eye on the harmonious development with the local environment and improves the environmental management from the aspects of energy-saving, environmentally friendly, hi-tech and user-friendly. The Company is also through the green production and operation itself to create a “Green Gateway Airport”, to realise the Company’s sustainable development and to transmit and expand the Company’s influence in respect of environmental influence.

The Company stringently adheres to relevant national and local laws and regulations on environment protection and establishes perfect and tight systems of risk management and internal control to avoid the happening of the events which will violate the laws and the regulations and materially influence the reputation of the Company.

The Company bravely takes responsibility for “the Gateway of the Country”, together with fellows, to serve peripheral regions, aide the common development of Beijing, Tianjin and Shandong, drive the business efficient and operations regulative and realise co-existence and co-prosperity. The Company establishes a complete supplier management and evaluation system, bidding according to the law, purchasing in accordance with the regulations and improving supplier’s comprehensive quality through strict assessment audit and full communication support and creating more value for the Company and the passengers in the hands of the supply chain to build supplier responsibility. The company upholds the concept of talent management of “people-oriented, people-merited, people-talented and development-shared” to create a healthy and safe working environment and develop diversified communication platform and strive to achieve the common development of enterprises and employees.

## Report of the Board (Continued)

### PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Company as at 31 December 2016 and their movements for the fiscal year ended 31 December 2016 are set out in Note 6 to the Financial Statements.

### RESERVES

Changes in reserves of the Company for the fiscal year ended 31 December 2016 are set out in Note 13 to Financial Statement.

### ISSUED SHARE CAPITAL

No share capital was issued by the Company during the year ended 31 December 2016.

The disclosure of equity interests of the Company as at 31 December 2016 is set out on pages 26 to 27 of this annual report.

### TAXATION

The details of taxation of the Company for the year ended 31 December 2016 are set out in Note 25 to the Financial Statements.

### EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company during the year ended 31 December 2016.

### ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2016, the Company has no entrusted loans or any fixed deposits matured but not yet withdrawn placed in financial institutions or any other entities.

### DIVIDEND

The details of the dividend for 2016 are set out on page 45 of this annual report.

## Report of the Board (Continued)

### DEBENTURES

In November 2016, the Company issued short term debentures of RMB2,500,000,000, which were mainly used for the repayment of the then maturing corporate debts to improve its financing structure. Details of the short term debentures are set out in Note 16 to the Financial Statements.

### MAJOR CUSTOMERS AND SUPPLIERS

The largest customer, Air China Limited, and the five largest customers of the Company represented 17.4% and 45.1% respectively, of the total revenues of the Company for the year ended 31 December 2016.

The largest supplier, Capital Airports Power and Energy Co., Ltd. and the five largest suppliers of the Company represented 12.8% and 36.6% respectively, of the total operating expenses of the Company for the year ended 31 December 2016.

To the knowledge of the Board, none of the Company's directors and their respective close associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("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 2016. The Parent Company 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.; directly and indirectly held 100% equity interest of Capital Airport Aviation Security Co., Ltd.; held 100% equity interest of Beijing Capital Airport Commercial & Trading Co., Ltd.; held 100% equity interest of Beijing Capital Airport Advertising Co., Ltd..

### SUBSIDIARIES AND JOINT VENTURES

The Company has no subsidiary but holds 60% equity interest in one joint venture, Beijing Bowei Airport Support Limited ("Bowe"), as at 31 December 2016. Details are set out in Note 9 to the Financial Statements.

During the year ended 31 December 2016, the Company did not conduct any material acquisition or disposal in relation to its joint ventures.

### ACQUISITION AND DISPOSAL

During the year ended 31 December 2016, the Company did not conduct any material acquisition or disposal.

### MATERIAL ACQUISITION AND MATERIAL SUBSEQUENT EVENT

During the year ended 31 December 2016, the Company had no material acquisition.

During the period from 1 January 2017 to 21 March 2017, the Company had no material subsequent event.

### TRADE AND OTHER RECEIVABLES

As at 31 December 2016, the Company's trade and other receivables (including non-current portion) were RMB1,285,588,000, representing an increase of 0.6% as compared with the end of the previous year.

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



## Report of the Board (Continued)

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, the Company did not redeem, purchase or sell 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 2016 are set out as follows:

	<b>Description of the transactions and date of the relevant announcements</b>	<b>Relationship between contracting parties</b>	<b>Transaction amounts for the year ended 31 December 2016</b> <i>RMB'000</i>	<b>Annual Cap</b> <i>RMB'000</i>
1	The Company and Beijing Capital Airport Commercial & Trading Company Limited ("BACT") entered into the Domestic Retail Leasing Agreement on 5 January 2015 with effect from 1 January 2015 to 31 December 2017, pursuant to which BACT agreed to lease the designated retail resources in the domestic isolated area and the public area in Terminal One, Terminal Two and Terminal Three of Beijing Capital Airport. The execution of the agreement is expected to operate the retail resources designated by Beijing Capital Airport in a more effective manner, which in turn will enhance commercial satisfaction and service quality of Beijing Capital Airport and increase the revenue of the Company as a whole. For details of the relevant transactions, please refer to the Company's announcement on 5 January 2015.	The Parent Company is holding 100% equity interest of BACT.	<b>130,445</b>	200,000
2	The Company and Beijing Capital Airport Food Management Company Limited ("BAFM") entered into the Food and Beverage Leasing Agreement on 5 January 2015 with effect from 1 January 2015 to 31 December 2017, pursuant to which BAFM agreed to lease the designated food and beverage resources in Terminal One, Terminal Two and Terminal Three of Beijing Capital Airport. The execution of the agreement is expected to operate the food and beverage resources in Beijing Capital Airport in a more effective manner, which in turn will enhance food and beverage satisfaction and quality of Beijing Capital Airport and increase the revenue of the Company as a whole. For details of the relevant transactions, please refer to the Company's announcement on 5 January 2015.	The Parent Company is holding 100% equity interest of BAFM.	<b>48,118</b>	54,000

## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2016 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>3 The Company and Capital Airport VIP Services Management Co., Ltd. ("CAVIP") entered into the Traveller Services Franchise Agreement and the Supplemental Traveller Services Franchise Agreement on 29 January 2016 and on 1 September 2016 respectively with effect from 1 January 2016 to 31 December 2017, pursuant to which the Company agreed to permit CAVIP to use certain areas and resources at the terminals of the Beijing Airport for the provision of the businesses related to VIP travellers' services in the Beijing Airport. The execution of the Traveller Services Franchise Agreement with CAVIP can enhance the efficiency of the traveller service resources usage in the terminals and improve the quality of traveller services in the Beijing Airport. For details of the relevant transaction, please refer to the Company's announcements on 29 January 2016 and on 1 September 2016.</p>	<p>The Parent Company is holding 100% equity interest of CAVIP.</p>	<p><b>96,862</b></p>	<p>106,000</p>
<p>4 The Company and Capital Jet Company Co., Ltd. ("CACL") entered into the Business Jet Ground Services Joint Operation Agreement on 29 January 2016 with effect from 1 October 2015 to 30 September 2018, pursuant to which the Company agreed to permit CACL to conduct ground services to business jets taking off and landing and other relevant businesses at the Beijing Airport. The execution of the Business Jet Ground Services Joint Operation Agreement with CACL may enable the Company to advance the utilisation efficiency of the ground services resources for business jets in the Beijing Capital Airport, enhance overall costs control, 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 29 January 2016.</p>	<p>The Parent Company is holding 60.00% equity interest of CACL.</p>	<p><b>23,750</b></p>	<p>24,000</p>

## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2016 RMB'000	Annual Cap RMB'000
<p>5 The Company and Capital Airports Power and Energy Company Limited ("CAPE") entered into the Supply of Power and Energy Services on 31 October 2014 with effect from 1 January 2015 to 31 December 2017, pursuant to which CAPE agreed to provide water, electricity, steam power, natural gas, air conditions and heaters to the Company at the terminals and other areas at Beijing Capital Airport. The execution of the agreement is expected to provide stable supply of water, electricity, steam power, natural gas, air conditions and heaters to the Company, and CAPE is the sole supplier of water, electricity, steam power, natural gas, air conditions and heaters in the area around Beijing Capital Airport with rich experiences providing the above services to the Company. For details of the relevant transactions, please refer to the Company's announcement on 31 October 2014 and circular on 23 November 2014.</p>	<p>The Parent Company is holding 100% equity interest of CAPE.</p>	<p>619,914</p>	<p>758,088</p>
<p>6 The Company and CAPE entered into the Supply of Operation and Maintenance Services of Power and Energy Facilities Agreement on 31 December 2014 with effect from 1 January 2015 to 31 December 2017, 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 operation and maintenance services in respect of power and energy facilities such as energy, water supply and heating, air-conditioning, lighting, etc. in the area where Terminal One, Terminal Two and Terminal Three locate and their surrounding areas, and in respect of power and water facilities in the office buildings of Beijing Capital Airport, as well as to provide operation and maintenance for sewage disposal and purification stations and garbage incineration, etc. and other relevant services as requested by the Company. For details of the relevant transaction, please refer to the Company's announcement on 31 December 2014.</p>	<p>The Parent Company is holding 100% equity interest of CAPE.</p>	<p>137,893</p>	<p>179,000</p>

## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2016 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>7 The Company and Capital Airports Aviation Security Company Limited ("CAAS") entered into the Supply of Aviation Safety and Security Guard Services Agreement on 31 October 2014 with effect from 1 January 2015 to 31 December 2017, 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 in 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 transaction, please refer to the Company's announcement on 31 October 2014 and circular on 23 November 2014.</p>	<p>The Parent Company is holding 100% equity interest of CAAS, either directly or indirectly.</p>	<p><b>537,080</b></p>	<p>661,326</p>
<p>8 The Company and Beijing Capital Airport Commercial &amp; Trading Company Limited ("BACT") entered into the International Retail Management Agreement on 5 January 2015 with effect from 1 January 2015 to 31 December 2017, pursuant to which BACT agreed to provide to the Company the operation and management services of the designated retail resources in the international isolated area and the international arrival area of Terminal Two and Terminal Three of Beijing Capital Airport. Given that BACT is quite familiar with the international retail business in Beijing Capital Airport and has rich resources of international retail customers and strong management capacity on retail investment invitation and operation, the execution of this agreement is expected to enhance the value of trading and retail services of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport and helping cost control of the Company as a whole. For details of the relevant transactions, please refer to the Company's announcement on 5 January 2015.</p>	<p>The Parent Company is holding 100% equity interest of BACT.</p>	<p><b>270,552</b></p>	<p>310,000</p>

## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2016 RMB'000	Annual Cap RMB'000
<p>9 The Company and Beijing Capital Airport Advertising Company Limited ("BAA") entered into the Advertising Management Agreement on 5 January 2015 with effect from 1 January 2015 to 31 December 2017, pursuant to which BAA agreed to provide advertising management services of the designated advertising resources in or nearby Beijing Capital Airport from time to time including terminals, ground transportation center at Beijing Airport, buildings outside lanes nearby, to the Company. Given that BAA is quite familiar with the advertising business in Beijing Capital Airport and has rich customers resources and strong management capacity on advertising investment invitation, the execution of this agreement is expected to enhance the value of advertising resources of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport and helping cost control of the Company as a whole. For details of the relevant transactions, please refer to the Company's announcement on 5 January 2015.</p>	<p>The Parent Company is holding 100% equity interest of BAA.</p>	<p>232,271</p>	<p>275,000</p>
<p>10 The Company and Beijing Capital Airport Food Management Company Limited ("BAFM") entered into the Food and Beverage Management Agreement on 5 January 2015 with effect from 1 January 2015 to 31 December 2017, pursuant to which BAFM agreed to provide operation and management services of the designated food and beverage resources in Terminal One, Terminal Two and Terminal Three of Beijing Capital Airport. Given that BAFM is quite familiar with the food and beverage business in Beijing Capital Airport and has rich customers resources and strong management capacity on food and beverage investment invitation and operation, the execution of the agreement is expected to enhance the quality of restaurants and food &amp; beverage services and value of food and beverage resources of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement on 5 January 2015.</p>	<p>The Parent Company is holding 100% equity interest of BAFM.</p>	<p>73,717</p>	<p>86,000</p>

## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2016 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
11 The Company and Beijing Capital Property Management Company Limited ("BCPM") entered into the Supply of Miscellaneous Property Services Agreement on 31 December 2014 with effect from 1 January 2015 to 31 December 2017, 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 overall costs, and enhance service quality in the related areas. For details of the relevant transaction, please refer to the Company's announcement on 31 December 2014.	The Parent Company is holding 100% equity interest of BCPM.	<b>233,979</b>	290,000
12 The Company and Beijing Capital Airport Property Management Center ("BAPMC") entered into the Leasing Framework Agreement on 22 December 2015 for the lease of certain premises, including but not limited to office buildings, carparks, a canteen area and dormitory area, from BAPMC, with effect from 1 January 2016 to 31 December 2018. The execution of this lease is expected to address the Company's need to maintain the overall steady operation of the Beijing Capital Airport in its administration and daily operation of the airport. For details of the relevant transaction, please refer to the Company's announcement on 22 December 2015.	The Parent Company is holding 100% of the issued share capital of BAPMC.	<b>49,249</b>	55,000
13 The Company and CAVIP entered into the Purchase of Services for Traveller Agreement on 29 January 2016 with effect from 1 January 2016 to 31 December 2017, pursuant to which the Company agreed to engage traveller service staff from CAVIP to provide travellers' services to the ordinary travellers in the terminals of the Beijing Airport. The execution of this Agreement with CAVIP can enhance efficiency of the traveller service resources usage in terminals, and improve the quality of traveller services in the Beijing Airport. For details of the relevant transaction, please refer to the Company's announcements on 29 January 2016.	The Parent Company is holding 100% equity interest of CAVIP.	<b>40,326</b>	42,400

## Report of the Board (Continued)

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2016 RMB'000	Annual Cap RMB'000
14	<p>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 foresaid 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.</p>	<p>The Parent Company is holding 56.61% of the issued share capital of the Company</p>	28,000	28,000 <i>Note(1)</i>
15	<p>The Company and the Parent Company entered into the Information Technology Center Lease Agreement on 9 January 2014, for the lease of the information technology center from the Parent Company, with effect from 1 January 2014 to 31 December 2016, pursuant to which the Company leased the information technology center from the Parent Company as an operation command center and information center 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 transaction, please refer to the Company's announcement on 9 January 2014.</p>	<p>The Parent Company is holding 56.61% of the issued share capital of the Company.</p>	16,404	17,000

## Report of the Board (Continued)

	<b>Description of the transactions and date of the relevant announcements</b>	<b>Relationship between contracting parties</b>	<b>Transaction amounts for the year ended 31 December 2016</b> <i>RMB'000</i>	<b>Annual Cap</b> <i>RMB'000</i>
16	The Company and the Parent Company entered into the GTC Outsource Agreement on 22 December 2015, with effect from 1 January 2016 to 31 December 2017, pursuant to which the Parent Company agreed to outsource the operation and management of the GTC to the Company. The Company has the right to use, operate and manage the GTC and will be able to share a portion of the profit generated from the operation and management of the GTC. For details of the relevant transaction, please refer to the Company's announcement on 22 December 2015.	The Parent Company is holding 56.61% of the issued share capital of the Company	<b>14,450</b>	33,000
17	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	<b>8,999</b>	9,018 <i>Note (2)</i>
18	The Company and the Parent Company entered into the Trademark License Agreement on 30 November 2016, with effect from 1 December 2016 to 30 November 2019, pursuant to which the Parent Company agreed to grant the Company the right to use the Trademarks in the PRC in the goods and services under the registered classes of the Trademarks. This agreement was entered into because the continual use of the Trademarks will ensure the continuity of the brand and image of the Company and the Beijing Capital Airport, thereby ensuring that the services and businesses of the Company will be well recognised by the market. For details of the relevant transaction, please refer to the Company's announcement on 30 November 2016.	The Parent Company is holding 56.61% of the issued share capital of the Company.	<b>81,668</b>	87,000



## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2016 RMB'000	Annual Cap RMB'000
19 The Company and Beijing Capital Airport Group Finance Company Limited ("BAGF") entered into the Supplemental Agreement on 6 May 2015 with effect from 24 June 2015 to 31 December 2017 to amend the Financial Services Agreement, 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 more expedient and efficient financial services. For details of the relevant transactions, please refer to the Company's announcement on 6 May 2015 and circular on 28 May 2015.	The Parent Company is holding 100% equity interest of BAGF, either directly or indirectly	905,045	For deposit services (maximum daily balance of the deposit) 1,000,000; For other financial services: 10,000

*Note:*

- (1) 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.
- (2) 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 2016 may increase by no more than 61.05% over the year 1999, to RMB9,018,856.

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.

## Report of the Board (Continued)

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.56 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 2016 are set out as follows:

	<b>Description of the transactions and date of the relevant announcements</b>	<b>Relationship between contracting parties</b>	<b>Consideration of connected transactions</b> <i>(RMB'000)</i>
1	The Company and Beijing Aviation Construction Engineering Co., Ltd ("BACE") entered into the Construction Agreement for Aprons Enhancement Project – Western Runway Project on 30 November 2016, pursuant to which, BACE agreed to provide the construction services of four new aprons for Class C parking stands and the ancillary facilities for lighting, fire control and security in the western airfield area of the Beijing Airport to the Company. The term of the Agreement is 120 calendar days from the commencement date of work. The commencement date of work shall be subject to notice of commencement given by the supervisor of the project. The execution of this agreement aims to utilise the existing resources of airfield area to construct new parking stands, so as to ease the shortage of parking stands, increase operation efficiency. For details of the relevant transaction, please refer to the Company's announcement on 30 November 2016.	The Parent Company is indirectly holding 56.65% equity interest of BACE.	15,090 (the maximum consideration will not exceed 16,310)

## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions (RMB'000)
<p>2 The Company and BACE entered into the Western Airfield Area Navigation Lights Construction Agreement on 29 December 2016, pursuant to which, BACE agreed to provide the construction services of navigation lights and power supply and lighting for the four aprons that will be constructed for class C parking stands in the western airfield area of the Beijing Airport to the Company. The term of the Agreement is 120 calendar days from the commencement date of work. The commencement date of work shall be subject to the notice of commencement given by the supervisor of the construction. The execution of this agreement aims to utilise the existing resources of airfield area to construct new parking stands, so as to ease the shortage of parking stands, increase operation efficiency. For details of the relevant transaction, please refer to the Company's announcement on 29 December 2016.</p>	<p>The Parent Company is indirectly holding 56.65% equity interest of BACE.</p>	<p>7,941 (the maximum consideration will not exceed 13,250)</p>
<p>3 The Company and BACE entered into the Eastern Airfield Area Navigation Lights Construction Agreement on 29 December 2016, pursuant to which, BACE agreed to provide the construction services of navigation lights and power supply and lighting for the five aprons that will be constructed for (class C, E and F) parking stands in the eastern airfield area of the Beijing Airport to the Company. The term of the Agreement is 120 calendar days from the commencement date of work. The commencement date of work shall be subject to the notice of commencement given by the supervisor of the construction. The execution of this agreement aims to utilise the existing resources of airfield area to construct new parking stands, so as to ease the shortage of parking stands, increase operation efficiency. For details of the relevant transaction, please refer to the Company's announcement on 29 December 2016.</p>	<p>The Parent Company is indirectly holding 56.65% equity interest of BACE.</p>	<p>21,970 (the maximum consideration will not exceed 31,160)</p>

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 31(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 and has followed the pricing policies and guidelines when determining the price and terms of such transactions, the details of which are set out in their respective announcements abovementioned.

## Report of the Board (Continued)

### DISCLOSURE OF INTERESTS

As at 31 December 2016, 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 2016, 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 owners	100%	56.61%
Cheng Yu Tung Family (Holdings II) Limited (Note 2)	H shares	448,342,000(L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Cheng Yu Tung Family (Holdings) Limited (Note 2)	H shares	448,342,000(L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Chow Tai Fook Capital Limited (Note 2)	H shares	448,342,000(L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Chow Tai Fook (Holding) Limited (Note 2)	H shares	448,342,000(L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Chow Tai Fook Enterprises Limited (Note 2)	H shares	448,342,000(L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
New World Development Company Limited (Note 2)	H shares	448,342,000(L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
NWS Holdings Limited (Note 2)	H shares	448,342,000(L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
NWS Ports Management Limited (Note 2)	H shares	448,342,000(L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Fortland Ventures Limited (Note 2)	H shares	448,342,000(L)	Beneficial owners	23.86%	10.35%
Citigroup Inc.	H shares	87,451,414 (L)	Interest of corporation controlled by substantial shareholder	4.65%	2.02%
		5,183,360 (S)		0.28%	0.12%
		82,285,792 (P)		4.38%	1.90%
BlackRock, Inc.	H shares	94,978,145 (L)	Interest of corporation controlled by substantial shareholder	5.05%	2.19%
		8,144,000 (S)		0.43%	0.19%

(L) = Long Position

(S) = Short Position

(P) = Lending Pool

## Report of the Board (Continued)

### Notes:

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

Mr. Liu Xuesong, an executive director and the chairman of the Board, is the general manager and deputy party secretary of Capital Airports Holding Company.

Mr. Han Zhilian, an executive director and the general manager, 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 (general manager level) of Capital Airports Holding Company.

Mr. Zhang Musheng, a non-executive director of the Company, is the deputy general manager of Capital Airports Holding Company.

Mr. Ma Zheng, a non-executive director of the Company, is the general legal counsel and chairman of labor union of Capital Airports Holding Company.
- Cheng Yu Tung Family (Holdings) Limited holds approximately 48.98% interest in Chow Tai Fook Capital Limited ("CTF Capital") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Capital.

Cheng Yu Tung Family (Holdings II) Limited holds approximately 46.65% interest in CTF Capital and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Capital.

CTF Capital holds approximately 78.58% interest in Chow Tai Fook (Holding) Limited ("CTF Holding") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Holding.

CTF Holding holds 100% interest in Chow Tai Fook Enterprises Limited ("CTF Enterprises") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Enterprises.

CTF Enterprises, together with its subsidiaries, hold approximately 44.22% interest in New World Development Company Limited ("NWD") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.

NWD holds approximately 61.33% interest in NWS Holdings Limited ("NWS") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWS.

NWS holds 100% interest in NWS Ports Management Limited ("NWS Ports") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWS Ports.

NWS Ports holds 100% interest in Fortland Ventures Limited ("Fortland Ventures") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by Fortland Ventures.

Therefore, Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, CTF Capital, CTF Holding, CTF Enterprises, NWD, NWS and NWS Ports are all deemed to be interested in all the Shares held by or deemed to be interested by Fortland Ventures.

## Report of the Board (Continued)

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

As at 31 December 2016, none of the directors, supervisors or the general manager of the Company had any interests or short positions in any shares, any underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) recorded in the register of the Company required to be kept by the Company under section 352 of the SFO; or (b) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. During the year ended 31 December 2016, 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 TRANSACTION, ARRANGEMENT OR CONTRACT

During the year ended 31 December 2016, none of the directors or supervisors of the Company or those entities connected with them directly or indirectly had any material interests in any transaction, arrangement or contract of significance (as defined in the Listing Rules) (other than service contracts/appointment letters) to which the Company was a party.

### DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2016, none of the directors or supervisors of the Company had any interest in any business competing with the Company.

### MATERIAL CONTRACTS

Save for those transactions described in the note headed "Related Party Transactions" in the Note 31 to the Financial Statements and the section headed "Connected Transactions" in the Report of the Directors above, there was no material contract in 2016:

- (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 2016, 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.

### PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the financial year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate covers for, among others, incurred by directors of the Company to a third party.

## Report of the Board (Continued)

### EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The details of emoluments of directors, supervisors and the five highest paid individuals during the financial year are set out in Note 32 and 22(c) 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 2016.

### PUBLIC FLOAT

As at 21 March 2017, 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.

### COMPLIANCE WITH “MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS”

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

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

### AUDITORS

For the three years ended 31 December 2013, 2014 and 2015, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were the Company’s PRC and international auditor, respectively.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were approved by way of a resolution passed at the 2015 Annual General Meeting (“AGM”) of the Company held on 29 June 2016, to act as the Company’s PRC and international auditor, respectively, for the year 2016.

The Board will present the resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company’s PRC and international auditor, respectively, for the year 2017 at the forthcoming 2016 AGM.

## Report of the Board (Continued)

### DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

At the 2013 AGM convened on 30 June 2014, the election of Mr. Liu Xuesong, Mr. Shi Boli, Ms. Gao Lijia, Mr. Yao Yabo, Mr. Zhang Musheng, Mr. Cheng Chi Ming, Brian, Mr. Japhet Sebastian Law, Mr. Wang Xiaolong, Mr. Jiang Ruiming and Mr. Liu Guibin as members of the sixth session of the Board of the Company was considered and approved. The term of office of the sixth session of the Board commences from the conclusion of the 2013 AGM and ends on the date of the 2016 AGM.

At the 2013 AGM convened on 30 June 2014, the election of Mr. Liu Yanbin, Mr. Song Shengli, Mr. Dong Ansheng, Mr. Lau Siu Ki, Ms. Li Xiaomei, Mr. Deng Xianshan and Mr. Chang Jun as members of the sixth session of the supervisory committee of the Company was considered and approved. The term of office of the sixth session of the supervisory committee commences from the conclusion of 2013 AGM and ends on the date of the 2016 AGM.

On 30 June 2014, the sixth session of the Board appointed Mr. Shi Boli as the general manager of the Company, Ms. Gao Lijia as the executive deputy general manager of the Company (general manager level), Mr. Zhang Wei as the deputy general manager, Mr. Du Qiang, Mr. Liu Renjie and Mr. Wen Wu as the directors of operations, Ms. Hao Ling as the director of services, Mr. Kong Yue as the director of commerce, Mr. Ma Yin and Mr. Zhu Wenxin as the directors of business, and Mr. Shu Yong as the secretary of the Board.

At the extraordinary general meeting convened on 18 December 2014, the appointment of Mr. Ma Zheng as a non-executive director of the Company was considered and approved.

On 18 March 2015, Li Xiaomei, a supervisor, resigned as a supervisor of the Company as she reached the retirement age.

On 10 April 2015, Mr. Wang Weiyu and Mr. Du Qiang were appointed as the deputy general managers of the Company.

On 17 September 2015, Mr. Shi Boli resigned as an executive director and the general manager of the Company as he needed more time to handle other matters. On the same date, the sixth session of the Board determined that Mr. Liu Xuesong, the chairman, would temporarily perform all the duties of the general manager prior to the appointment of a new general manager.

On 24 November 2015, Mr. Ma Yin resigned as the director of business of the Company due to job change.

On 22 March 2016, Mr. Han Zhiliang was appointed as the general manager of the Company.

On 16 June 2016, Mr. Liu Yanbin resigned as the supervisor of the Company and the chairman of the supervisory committee of the Company due to reaching the retirement age. Mr. Song Shengli was appointed as the chairman of the supervisory committee of the Company on the same date.

On 20 June 2016, Mr. Liu Renji, Mr. Wen Wu, Ms Hao Ling, Mr. Zhu Wenxin and Mr. Kong Yue resigned as the director of operations of the Company, the director of services of the Company, the director of business of the Company and the director of commerce of the Company respectively due to job change.

On 26 July 2016, Mr. Shen Lancheng was appointed as the chief financial officer of the Company.



## Report of the Board (Continued)

On 25 August 2016, Mr. Han Zhiliang was appointed as an executive director of the Company.

On 5 September 2016, as Ms. Gao Lijia had already been appointed as the party secretary of the Company, she ceased to be an executive deputy general manager of the Company (general manager level) and was appointed as a deputy general manager.

On 19 October 2016, Mr. Shu Yong resigned as the secretary of the Board due to job change. Mr. Luo Xiaopeng was appointed as the secretary of the Board on the same date.

On 30 November 2016, Mr. Shu Yong resigned as the secretary of the Company due to job change. Mr. Luo Xiaopeng and Mr. Mok Chung Kwan, Stephen were appointed as the joint company secretaries of the Company on the same date.

All executive directors of the Company have entered into director's service contract with the Company with a term expiring on the date of the 2016 AGM of the Company. All non-executive directors and supervisors of the Company have entered into letters of undertaking to perform the obligations of non-executive directors and supervisors, respectively, in accordance with the Articles of Association of the Company. Save as mentioned above, none of the directors or supervisors of the Company has entered or proposed to enter into a service contract with the Company. None of the directors or supervisors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The Company has received the confirmation of independence from all independent non-executive directors of the Company pursuant to Rule 3.13 of the Listing Rules.

The profiles of the directors, supervisors and senior management of the Company are as follows:

### Executive Directors

**Mr. Liu Xuesong**, aged 52, a senior engineer and an expert enjoying special government allowance from the State Council, was appointed as an executive director and the chairman of the Company on 30 June 2014. Mr. Liu graduated from Chengdu Science and Technology University with a master's degree of the department of Polymer Materials. From June 1988 to February 1994, Mr. Liu served as an assistant engineer and engineer of the Second Research Institute of Civil Aviation Administration of China ("CAAC"). From February 1994 to January 1997, he served as the deputy general manager of Liuwei Company under the Second Research Institute of CAAC; from January 1997 to November 1998, the assistant to the director of the Second Research Institute of CAAC; from November 1998 to May 2000, the deputy director of the Second Research Institute of CAAC; from May 2000 to February 2002, the director and the party secretary of the Second Research Institute of CAAC. From February 2002 to February 2004, Mr. Liu served as the director and the deputy party secretary of CAAC Guizhou Administration Bureau. From February 2004 to February 2006, he was the deputy secretary (field practice) of Yan'an City of the CPC. From February 2006 to November 2009, he served as the director, a member of the standing committee and the secretary of the party committee of CAAC Northwest Regional Administration; from November 2009 to June 2011, the director, a member of the standing committee and the secretary of the party committee of CAAC North China Regional Administration; from June 2011 to March 2014, the director, a member of the standing committee and the deputy secretary of the party committee of CAAC North China Regional Administration. Mr. Liu has been the general manager and deputy party secretary of the Parent Company since March 2014.

## Report of the Board (Continued)

**Mr. Han Zhiliang**, aged 52, a senior economist, was appointed as an executive director of the Company on 25 August 2016. He obtained a Bachelor's degree in History from Inner Mongolia University and a Master's degree in Management Science and Engineering from Chinese Academy of Agricultural Sciences. From July 1986 to December 2003, Mr. Han successively served as officer of Political Division, deputy director of Political Division, deputy chief of Personnel and Labour Division and chief of Personnel and Labour Division of Inner Mongolia Bureau under Civil Aviation Administration of China; from December 2003 to March 2004, he served as the chief of Human Resources and Education Division of Inner Mongolia Airports Group Company Limited. He served as the vice general manager and a member of the Party committee of Inner Mongolia Airport Group Company Limited from March 2004 to February 2006, and then as a director, the general manager and deputy Party secretary of the same company, and subsequently as the general manager and deputy Party secretary of the same company from February 2006 to July 2009. From July 2009 to April 2015, he served as the general manager, a member of the Party committee and the deputy secretary of the Party committee of Hubei Airports Holding Company (from June 2014 to April 2015, he concurrently held such positions). He has been the vice general manager and a member of the Party committee of the Parent Company since June 2014; he has been the general manager and deputy party secretary of the Company since March 2016.

**Ms. Gao Lijia**, aged 52, a senior engineer, was appointed as an executive director of the Company on 30 June 2014. Ms. Gao 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. From February 2004 to March 2010, she was a deputy general manager of the Company. From March 2010 to April 2014, Ms. Gao served as the executive deputy general manager of the Company. From April 2014 to September 2016, Ms. Gao served as the executive deputy general manager of the Company (general manager level). Since August 2016, Ms. Gao has been the party secretary of the Company; since September 2016, she has concurrently served as the deputy general manager of the Company. Ms. Gao also serves as a member of Airport Information Technology Standing Committee of ACI.

### Non-executive Directors

**Mr. Yao Yabo**, aged 55, was appointed as a non-executive director of the Company on 15 June 2011 and was reappointed as a non-executive director of the Company on 30 June 2014. 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 Management Office under 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 2001, served as deputy general manager and general manager of China Airport Construction Corporation from January 2001 to September 2009 and served as deputy general manager of the Parent Company from September 2009 to May 2015. He concurrently served as executive chief commander of Beijing New Airport Construction Headquarters from December 2010 to May 2015. Since May 2015, he has been the deputy general manager (general manager level) of the Parent Company. Since May 2015, he has concurrently served as chief commander of Beijing New Airport Construction Headquarters.

## Report of the Board (Continued)

**Mr. Zhang Musheng**, aged 59, was appointed as a non-executive director of the Company on 15 June 2011 and was reappointed as a non-executive director of the Company on 30 June 2014. 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 the Parent Company, and 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. Ma Zheng**, aged 58, was appointed as a non-executive director of the Company on 18 December 2014. Mr. Ma graduated from China University of Political Science and Law majoring in law and also obtained a Master's degree in World Economics from the Party School of the Central Committee of C.P.C.. Mr. Ma worked in Public Security Bureau of CAAC from August 1984 to April 1989. He served as a member at the director level and deputy chief of the Judiciary Division in System Reform, Regulations and Enterprise Management Department of CAAC from April 1989 to September 1998. From September 1998 to June 2000, he served as the deputy director of the Legal System Office under the general office of CAAC. He served as the deputy chief, chief, deputy director and director of the Policy and Regulation Department of CAAC from June 2000 to March 2014. From May 2012 to March 2014, he served as a commissioner of safety supervision of civil aviation of CAAC concurrently. Mr. Ma has been the general legal counsel and chairman of the Labor Union of the Parent Company since March 2014.

**Mr. Cheng Chi Ming, Brian**, aged 34, was appointed as a non-executive director of the Company on 26 February 2014 and was reappointed as a non-executive director of the Company on 30 June 2014. Mr. Cheng is an executive director of NWS Holdings Limited ("NWS", a listed public company in Hong Kong) and also a member of the Executive Committee and the Corporate Social Responsibility Committee of NWS. He has been with NWS since January 2008 and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of NWS Group. Mr. Cheng is the chairman and non-executive director of Integrated Waste Solutions Group Holdings Limited, Haitong International Securities Group Limited and Wai Kee Holdings Limited, all being listed public companies in Hong Kong. He is also a director of SUEZ NWS Limited (formerly know as Sino-French Holdings (Hong Kong) Limited), and a director of a number of companies in Mainland China. Mr. Cheng was also a non-executive director of Newton Resources Ltd (resigned on 23 January 2017); and non-executive director of Tharisa plc (its ordinary shares are listed on JSE Securities Exchange and the London Stock Exchange) (resigned on 1 February 2017). He was a director of the Macao Water Supply Company Limited (resigned on 10 January 2017). Before joining NWS, Mr. Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr. Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, USA.

## Report of the Board (Continued)

### Independent Non-executive Directors

**Mr. Japhet Sebastian Law**, aged 65, was appointed as an independent non-executive director of the Company on 12 June 2008 and was reappointed as an independent non-executive director of the Company on 30 June 2014. Mr. Law graduated from the University of Texas at Austin with Ph.D. in Mechanical/Industrial Engineering in 1976. Mr. Law 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 various other committees, and is also active on the boards of profit, non-profit, and charitable organizations in Hong Kong and overseas. Since 1 May 2006, he has served as an independent non-executive director of Tianjin Port Development Holdings Limited. Mr. Law has been an independent non-executive Director of the Company since 12 June 2008. Since 1 September 2008, Mr. Law has served as an independent non-executive director of Global Digital Creations Holdings Limited. Since 23 March 2009, he has also served as an independent non-executive director of BinHai Investment Company Limited (formerly "Wah Sang Gas Holdings Limited"). Since 18 June 2012, he has served as an independent non-executive director of Regal Hotels International Holdings Limited (listed on the Hong Kong Stock Exchange). Since 13 August 2012, he has also served as an independent non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (listed on the Hong Kong Stock Exchange). From 11 August 2013 to July 2016, he has been an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd. (listed on the Hong Kong Stock Exchange). Since 1 September 2013, he has served as an independent non-executive director of Shougang Fushan Resources Group Limited (listed on the Hong Kong Stock Exchange).

**Mr. Wang Xiaolong**, aged 61, was appointed as an independent non-executive director of the Company on 12 June 2008 and was re-appointed as an independent non-executive director of the Company on 30 June 2014. 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 a director and the deputy general manager of Hong Kong Jing Tai Industrial Corporation. From May 1997 to June 1998, Mr. Wang served as an executive director and vice-president of Hong Kong Beijing Holding Ltd. From June 1998 to December 2015, Mr. Wang served as the deputy chairman of the board and general manager of Beijing International Trust and Investment Co., Ltd.

**Mr. Jiang Ruiming**, aged 51, was appointed as an independent non-executive director of the Company on 15 June 2011 and was re-appointed as an independent non-executive director of the Company on 30 June 2014. 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 an executive partner of Beijing Grandway Law Offices and an independent director of Beijing Chinese All Digital Publishing Co., Ltd.

## Report of the Board (Continued)

**Mr. Liu Guibin**, aged 51, was appointed as an independent non-executive director of the Company on 15 June 2011 and was re-appointed as an independent non-executive Director of the Company on 30 June 2014. 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 Ruihua 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. Since June 2015, Mr. Liu has also been an independent director of Shaanxi Qinling Cement Co., Ltd. (listed on the Shanghai Stock Exchange).

### Members of the Supervisory Committee

**Mr. Liu Yanbin**, aged 62, was appointed as a supervisor of the Company on 15 June 2011. He resigned as a supervisor of the Company and the chairman of the supervisory committee of the Company on 16 June 2016. 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 the Parent Company and party secretary of the Company from October 2008 to March 2010. He served as the party secretary of the Parent Company from March 2010 to May 2015.

**Mr. Song Shengli**, aged 55, was appointed as a supervisor of the Company on 30 June 2014 and was elected as the chairman of the supervisory committee of the Company on 16 June 2016. Mr. Song graduated from Southwest University of Political Science and Law with a bachelor's degree in criminal investigation. Mr. Song worked as a cadre of the Public Security Bureau and general office of CAAC from July 1984 to October 1994. From October 1994 to October 2001, he served as the deputy director and director of the Secretariat under the general office of CAAC; from October 2001 to March 2008, as a full-time deputy director of the Leading Group Office for National Hijackings and the general captain of the Aircop Corps of CAAC. From March 2008 to December 2008, Mr. Song served as the director and party secretary of the Public Security Bureau, and the general captain and party secretary of the Aircop Corps of CAAC. From December 2008 to September 2009, he served as the director and party secretary of the Public Security Bureau, and the party secretary of the Aircop Corps of CAAC. From September 2009 to March 2014, he served as the director and party secretary of the Public Security Bureau, and the party secretary of the Aircop Corps of CAAC. From March 2014 to May 2015, Mr. Song served as the party secretary of the Company. He has been the party secretary and the deputy general manager of the Parent Company since May 2015.

**Mr. Deng Xianshan**, aged 51, was appointed as a supervisor of the Company on 6 June 2012 and was reappointed as a supervisor of the Company on 30 June 2014. 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 International 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 International Airport from May 1998 to November 1999; manager of the Administrative Management Division of the Company 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 the chairman of the Labour Union of the Company since June 2012.

## Report of the Board (Continued)

**Mr. Dong Ansheng**, aged 65, was appointed as a supervisor of the Company on 15 June 2011 and was reappointed as a supervisor of the Company on 30 June 2014. Mr. Dong was 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 an independent director of Beijing Wangfujing Department Store (Group) Co., Ltd. (listed on the Shanghai Stock Exchange) and Wasu Media Holding Co., Ltd. (listed on the ChiNext of the Shenzhen Stock Exchange). He is also an independent non-executive director of Ping An Securities Group (Holdings) Limited (listed on the Hong Kong Stock Exchange, formerly known as Madex International (Holdings) Limited and renamed in January 2016) and Beijing North Star Company Limited (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange). He has ever been the independent director of Tongyu Heavy Industry Co., Ltd. (listed on the Shenzhen Stock Exchange) and resigned in March 2016.

**Mr. Lau Siu Ki**, aged 58, was appointed as a supervisor of the Company on 30 June 2014. Mr. Lau graduated from Hong Kong Polytechnic in 1981. He is currently a financial advisory consultant of his management consultancy firm, Hin Yan Consultants Limited. Previously, Mr. Lau worked at Ernst & Young for over 15 years. He has over 30 years of experience in corporate financing, financial advisory and management, accounting and audit. Mr. Lau is currently a member of both the Association of Chartered Certified Accountants ("ACCA") and Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the World Council of ACCA from 2002 to 2011 and was the chairman of ACCA Hong Kong in 2000/2001. During these years, he has helped raising the profile of ACCA. Mr. Lau also serves as an independent non-executive director of Binhai Investment Company Limited, China Medical & HealthCare Group Limited (formerly known as COL Capital Limited and renamed in February 2016), Comba Telecom Systems Holdings Limited, Embry Holdings Limited, Samson Holding Ltd., TCL Communication Technology Holdings Limited and FIH Mobile Limited, all being listed companies on the Stock Exchange. He is also the company secretary of Hung Fook Tong Group Holdings Limited and Yeebo (International Holdings) Limited. From April 2004 to October 2016 and from March 2015 to March 2016, Mr. Lau served as an independent non-executive director of TCL Communication Technology Holdings Limited and UKF (Holdings) Limited, respectively.

**Mr. Chang Jun**, aged 40, was appointed as supervisor of the Company on 6 June 2012 and was reappointed as a supervisor of the Company on 30 June 2014. 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. He has served as deputy head of Working Group of the Party and director of the Labour Union Office of the Company since May 2011.

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 shareholders 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.

## Report of the Board (Continued)

### Other Senior Management

**Mr. Zhang Wei**, aged 51, was re-appointed as the deputy general manager of the Company in June 2014. Mr. Zhang is an engineer, 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 successively served as chief of the Environmental Protection & Greening Section, supervisor of the Greening Team under the Airport Management Department, and vice manager of the Greening Team under the Airport Management Department and manager of the Administrative Management Division of the Company 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 of Chongqing Airports Group Company from January 2009 to June 2010, and as deputy general manager and deputy party secretary of Chongqing Airports Group Company from June 2010 to March 2012. He has been the deputy general manager and a member of Party committee of the Company since March 2012.

**Mr. Wang Weiyu**, aged 53, was appointed as the deputy general manager of the Company in April 2015. Mr. Wang obtained a bachelor's degree in political education from Beijing Normal University and an EMBA degree from the City University of Hong Kong. Mr. Wang taught at the high school affiliated to Beijing Normal University from July 1985 to April 1996 and worked at the Expansion Headquarters of the Capital Airport from April 1996 to May 2000. He successively served as the office director, assistant to office manager, manager of Quality & Security Department and the Party secretary of aviation safety and security department of the Company from May 2000 to January 2006; as the general manager, chairman and Party secretary of Capital Airport Aviation Security Co., Ltd. from January 2006 to March 2008; as president of the School of Management of Capital Airport from March 2008 to June 2009; as the deputy general manager and a member of Party committee of Heilongjiang Airports Management Group Co., Ltd. from June 2009 to June 2010; as the deputy general manager and deputy Party secretary of Heilongjiang Airports Management Group Co., Ltd. from June 2010 to April 2012; and as the Party secretary and deputy general manager of Heilongjiang Airports Management Group Co., Ltd. from April 2012 to April 2015. He has been the deputy general manager and a member of Party committee of the Company since April 2015.

**Mr. Du Qiang**, aged 47, was appointed as the deputy general manager of the Company in April 2015. Mr. Du graduated from the School of Economics and Management of Inner Mongolia University majoring in economics, and holds the master's degree from the University of International Business and Economics. He served as 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, deputy secretary, vice manager and manager of the Transportation Services Department, and chief of the Marketing Section; and vice general manager and a member of the party committee of Inner Mongolia Airports Group Company. From January 2009 to July 2011, Mr. Du served as director, general manager and deputy party secretary of Beijing Aviation Ground Services Company Limited. From July 2011 to April 2015, he served as director of operations and a member of the party committee of the Company and concurrently as general manager, Party secretary and deputy Party secretary of Capital Airport Aviation Security Co., Ltd. He has served as the deputy general manager and a member of Party committee of the Company since April 2015.

## Report of the Board (Continued)

**Mr. Shen Lancheng**, aged 46, was appointed as the chief financial officer of the Company in July 2016. Mr. Shen, a senior accountant, holds the qualification of Certified Public Accountant. Mr. Shen graduated from the China Civil Aviation Institute, majoring in financial plans. He also holds a master's degree in accounting from Deakin University in Australia and a Master of Business Administration from Tsinghua University. From July 1993 to December 1999, Mr. Shen successively served as the accountant, the deputy director of the Financial Office and the chief of the Financial Division of Equipment Management Department of Beijing Capital International Airport. From December 1999 to February 2003, he served as the manager of the Financial Department of Beijing Bowei Airport Support Limited. From February 2003 to February 2005, he successively served as the head, the assistant general manager of the Investment and Management Department and the assistant general manager of Planning and Development Department of Parent Company. From February 2005 to February 2006, he served as the chief financial officer of Chongqing Airports Group Company. From January 2006 to January 2009, he served as the general manager of Legal Affairs and Auditing Department of Parent Company. From January 2009 to November 2010, he served as the general manager of Auditing and Supervision Department of Capital Airports Holding Company. From November 2010 to July 2016, he served as the general manager of Operation Management Department of the Parent Company. He was appointed as a member of the Party committee and the chief financial officer of the Company in July 2016.

**Mr. Liu Renjie**, aged 55, was re-appointed as the director of operations of the Company in June 2014 and resigned as the director of operations of the Company in June 2016. Mr. Liu holds the master's degree in management from Harbin University of Science and Technology. From October 1993 to December 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; head of the organization department under the Party Committee; a standing member of the Party Committee and 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. He has concurrently served as general manager of Beijing Bowei Airport Support Limited since April 2010. He served as the director of operations of the Company from May 2010 to June 2016 and a member of the Party committee of the Company from March 2014 to June 2016.

**Mr. Wen Wu**, aged 41, was re-appointed as the director of operations of the Company in June 2014 and resigned as the director of operations of the Company in June 2016. Mr. Wen 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. Since January 2010, he has been the director of operations of the Company. From March 2012 to March 2014, he concurrently served as the general manager of the Flying Area Management Division of the Company. He served as a member of the Party committee of the Company from March 2014 to June 2016.

**Ms. Hao Ling**, aged 43, was re-appointed as the director of services of the Company in June 2014 and resigned as the director of services of the Company in June 2016. Ms. Hao graduated from Renmin University of China with the bachelor's degree in history. Ms. Hao also holds the EMBA degree from Tsinghua University. 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. From January 2010 to June 2016, she has been the director of services of the Company. From March 2012 to March 2014, she concurrently served as the general manager of the Terminal Building Management Division of the Company. She served as a member of the Party committee of the Company from March 2014 to June 2016.



## Report of the Board (Continued)

**Mr. Kong Yue**, aged 50, was re-appointed as the director of commerce of the Company in June 2014 and resigned as the director of commerce of the Company in June 2016. Mr. Kong 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 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. From January 2010 to June 2016, he has been the director of commerce of the Company. From March 2012 to March 2014, he concurrently served as the general manager of the Public Area Management Department of the Company.

**Mr. Zhu Wenxin**, aged 43, was re-appointed as the director of business of the Company in June 2014 and resigned as the director of business of the company in June 2016. Mr. Zhu 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 Beijing Aviation Ground Services Company Limited. 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. He served as the director of business of the Company from May 2010 to June 2016.

**Mr. Shu Yong**, aged 44, was re-appointed as the secretary of the Board on 30 June 2014. He resigned as the secretary of the Board in October 2016 and as the secretary of the Company in November 2016. 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. Mr. Shu 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 served as the secretary of the Board from January 2003 to October 2016.

**Mr. Luo Xiaopeng**, aged 41, was appointed as the secretary of the Board in October 2016 and as the joint company secretary of the Company in November 2016. Mr. Luo is a senior accountant. He graduated from Jiangxi University of Finance and Economics and obtained a bachelor's degree in monetary banking and a master's degree in finance. Mr. Luo used to teach in Jiangxi University of Finance and Economics, and joined the Company in August 2003 and he has over 12 years' experience of financial management in the Company. From August 2003 to September 2011, Mr. Luo successively served as an assistant, the director of financial planning and cost management and the deputy manager of the financial department in the Company. From September 2011 to April 2013, he served as the deputy manager of the financial department in the Company and was responsible for overseeing the whole department. From April 2013 to November 2016, he served as the general manager of the financial department in the Company. Mr. Lou was appointed as the secretary to the Board since 19 October 2016. He was appointed as the joint company secretary of the Company on 30 December 2016.

## Report of the Board (Continued)

### Secretary to the Company

The profiles about the previous secretary of the Company, Mr. Shu Yong, and the new joint company secretary of the Company, Mr. Luo Xiaopeng, are in the section headed "Other Senior Management".

**Mr. Mok Chung Kwan, Stephen**, aged 51, was appointed as the joint company secretary of the Company in November 2016. Mr. Mok is a solicitor as defined in the Legal Practitioners Ordinance and currently a partner of Eversheds. Mr. Mok graduated from the University of New South Wales in Australia with Bachelor of Commerce (Accounting)/Bachelor of Laws degrees. Mr. Mok possesses qualifications as a practicing solicitor in England and Wales, New South Wales of Australia, and Hong Kong. Mr. Mok has extensive experience in general business practices and corporate financial transactions, such as assisting corporations on listing their shares on the Stock Exchange, merger and acquisitions, corporate restructuring, organising joint ventures, and compliance with the Listing Rules and securities-related laws of Hong Kong. Mr. Mok is currently the joint company secretary of Datang International Power Generation Co., Ltd. (listed on the Hong Kong Stock Exchange, London Stock Exchange and Shanghai Stock Exchange) and Lianhua Supermarket Holdings Co., Ltd. (listed on the Hong Kong Stock Exchange).

The information of directors required to be disclosed under Rule 13.51B(1) was already set out in the profiles of the directors above.

The details of emoluments of directors and supervisors mentioned above are set out in Note 32 to the Financial Statements.

During the years ended 31 December 2016, the annual emoluments of the senior management (including those who also serve as directors) paid by the Company for each of 12 members above were below HKD1,000,000 (equivalent to approximately RMB894,500) for 1 member between HKD1,000,000 and HKD1,500,000 (equivalent to approximately RMB1,341,750).

By order of the Board

**Liu Xuesong**

*Chairman*

Beijing, the PRC, 21 March 2017

## Management Discussion and Analysis

### OVERVIEW

In 2016, the Company's operation remained stable generally. As for the revenues, the revenues of the Company in 2016 were RMB8,729,090,000, representing an increase of 2.6% over the previous year. Among which, the aeronautical revenues continued its momentum to increase as a result of the moderate increase in the air traffic volumes, and reached RMB4,836,737,000, representing an increase of 5.3% over the previous year; the non-aeronautical revenues were generally suppressed and reached RMB3,892,353,000, representing a decrease of 0.6% as compared with the previous year, as certain businesses were confronted with greater challenges under the influence of economic environment and industry competition. As for the costs, the operating expenses of the Company in 2016 were RMB5,786,374,000, representing an increase of 3.3% over the previous year, as affected by the factors such as the higher cost of security personnel and equipment following the upgrade of aviation security and the additional purchase of services for traveller agreements.

Detailed analysis of the revenues and operating expenses is as follows:

#### Overview of Aeronautical Business

In 2016, benefited from the continuous high demand for air travel of passengers and optimisation of the Company's route structure, the air traffic volumes of Beijing Capital Airport maintained a stable growth, among which, the air traffic volumes of international routes, as well as Hong Kong, Macau and Taiwan, continued to grow faster than the domestic volumes. In 2016, the cumulative aircraft movements in Beijing Capital Airport reached 606,086 sorties, representing an increase of 2.7% as compared with the previous year. The cumulative passenger throughput reached 94,393,454 person-times, representing an increase of 5.0% as compared with the previous year. The cumulative cargo and mail throughput reached 1,943,159 tonnes, representing an increase of 2.8% as compared with the previous year. Detailed information is set out in the table below:

	2016	2015	Change
<b>Aircraft Movements</b> (unit: sorties)	<b>606,086</b>	590,169	2.7%
including: Domestic	<b>466,113</b>	457,572	1.9%
International, Hong Kong, Macau & Taiwan	<b>139,973</b>	132,597	5.6%
<b>Passenger Throughput</b> (unit: person-times)	<b>94,393,454</b>	89,938,628	5.0%
including: Domestic	<b>69,853,754</b>	67,362,736	3.7%
International, Hong Kong, Macau & Taiwan	<b>24,539,700</b>	22,575,892	8.7%
<b>Cargo and Mail Throughput</b> (unit: tonnes)	<b>1,943,159</b>	1,889,829	2.8%
including: Domestic	<b>1,033,504</b>	1,046,110	-1.2%
International, Hong Kong, Macau & Taiwan	<b>909,655</b>	843,719	7.8%

#### Aeronautical Revenues

	2016 RMB'000	2015 RMB'000	Change
Passenger charges	<b>1,889,358</b>	1,787,892	5.7%
Aircraft movement fees and related charges	<b>1,745,517</b>	1,663,170	5.0%
Airport fee	<b>1,201,862</b>	1,142,037	5.2%
<b>Total aeronautical revenues</b>	<b>4,836,737</b>	4,593,099	5.3%

## Management Discussion and Analysis (Continued)

In 2016, the total aeronautical revenues of the Company were RMB4,836,737,000, representing an increase of 5.3% as compared with the previous year. In particular, revenues from passenger charges were RMB1,889,358,000, representing an increase of 5.7% as compared with the previous year, which was mainly benefited from the growth in passenger throughput, especially the growth of international passenger throughput; revenues from aircraft movement fees and related charges were RMB1,745,517,000, representing an increase of 5.0% as compared with the previous year, mainly due to the growth in aircraft movements, and the increase in international flights resulting from the optimisation of route structure; the airport fee revenues of the Company were RMB1,201,862,000, representing an increase of 5.2% as compared with the previous year, the growth of which was basically the same as the growth in passenger throughput.

### Non-Aeronautical Revenues

	2016 RMB'000	2015 RMB'000	Change
Concessions	2,644,150	2,648,285	-0.2%
including: Retailing	1,212,760	1,094,160	10.8%
Advertising	1,038,615	1,093,209	-5.0%
Restaurants and food shops	197,105	185,652	6.2%
VIP services	96,862	57,155	69.5%
Ground handling	28,555	117,207	-75.6%
Other concessions	70,253	100,902	-30.4%
Rentals	1,082,725	1,080,250	0.2%
Car parking fees	155,752	177,084	-12.0%
Others	9,726	11,244	-13.5%
<b>Total non-aeronautical revenues</b>	<b>3,892,353</b>	3,916,863	-0.6%

In 2016, the non-aeronautical revenues of the Company were RMB3,892,353,000, representing a decrease of 0.6% as compared with the previous year. In 2016, the concession revenues of the Company were RMB2,644,150,000, representing a decrease of 0.2% as compared with the previous year. In particular, the revenues from retailing were RMB1,212,760,000, representing an increase of 10.8% as compared with the previous year, which was mainly benefited from the growth in international passenger throughput with high consumption abilities. The revenues from advertising were RMB1,038,615,000, representing a decrease of 5.0% as compared with the previous year. On one hand, both the restriction of economic environment and the adverse impact of online advertising market development on the traditional advertising business model resulted in an unfavorable invitation for certain advertising facilities. On the other hand, certain advertising facilities were idle due to transformation of certain commercial areas in the terminals. The revenues from restaurants and food shops were RMB197,105,000, representing an increase of 6.2% as compared with the previous year, which was mainly due to the increase in passenger throughput and a general rise in the price charged by the merchants. The concession revenues from VIP services were RMB96,862,000, representing an increase of 69.5% as compared with the previous year, which was mainly due to adjustments in the concession arrangement following the new Traveller Services Franchise Agreement entered into between the Company and Capital Airport VIP Services Management Co., Ltd. ("CAVIP") in 2016. The revenues from ground handling service were RMB28,555,000, representing a decrease of 75.6% as compared with the previous year, which was mainly due to the fact that the Company had not entered into agreement with its major client regarding the concession fees of the ground handling service and thus relevant revenues had not been recognised in 2016. Other concession revenues were RMB70,253,000, representing a decrease of 30.4% as compared with the previous year, mainly due to the fact that the Company had not entered into the relevant air catering concession agreements and thus had not recognised relevant revenues.

## Management Discussion and Analysis (Continued)

In 2016, the rental revenues of the Company were RMB1,082,725,000, representing an increase of 0.2% as compared with the previous year.

In 2016, the car parking service fees of the Company were RMB155,752,000, representing a decrease of 12.0% as compared with the previous year. Besides the decrease in long-term car parking volumes with relatively high unit prices as a result of the emergence of various internet-based taxi calling services and valet parking services, the full implementation of value added tax reform since 1 May 2016 also led to the decrease in revenues from car parking services (net of taxes).

In 2016, the other non-aeronautical revenues of the Company were RMB9,726,000, representing a decrease of 13.5% as compared with the previous year.

### Operating Expenses

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>	Change
Depreciation and amortisation	1,549,830	1,593,418	-2.7%
Repair and maintenance	716,149	687,285	4.2%
Utilities and power	619,834	616,654	0.5%
Concession management fees	576,541	562,519	2.5%
Aviation safety and security guard costs	571,603	532,888	7.3%
Staff costs	543,647	531,004	2.4%
Operating contracted services	328,140	277,500	18.2%
Greening and environmental maintenance	205,947	197,888	4.1%
Real estate and other taxes	202,999	171,527	18.3%
Rental expenses	111,336	112,123	-0.7%
General, administrative and other costs	360,348	320,254	12.5%
<b>Operating expenses</b>	<b>5,786,374</b>	<b>5,603,060</b>	<b>3.3%</b>

In 2016, the operating expenses of the Company were RMB5,786,374,000, representing an increase of 3.3% as compared with the previous year.

In 2016, the depreciation and amortisation expenses of the Company were RMB1,549,830,000, representing a decrease of 2.7% as compared with the previous year, mainly because part of fixed assets had been fully depreciated.

In 2016, the repair and maintenance expenses of the Company were RMB716,149,000, representing an increase of 4.2% as compared with the previous year, mainly due to the increase of one-off repair projects.

In 2016, the utilities and power expenses of the Company were RMB619,834,000, representing an increase of 0.5% as compared with the previous year.

In 2016, the concession management fees of the Company were RMB576,541,000, representing an increase of 2.5% as compared with the previous year, mainly due to the corresponding increase of management fees based on a certain percentage of the revenues as a result of the increase in the concession revenues of retailing, as well as restaurants and food shops.

## Management Discussion and Analysis (Continued)

In 2016, the aviation safety and security guard costs of the Company were RMB571,603,000, representing an increase of 7.3% as compared with the previous year, mainly due to the increase in the overall expenses arising from the security personnel, equipment and logistical support for security upgrade and strengthening of trainings for security personnel of Beijing Capital Airport to deal with international safety and security situation and emergencies in public areas.

In 2016, the staff costs of the Company were RMB543,647,000, representing an increase of 2.4% as compared with the previous year.

In 2016, the operating services costs of the Company were RMB328,140,000, representing an increase of 18.2% as compared with the previous year, mainly due to the increase in passenger service costs as a result of the new Purchase of Services for Traveller Agreement entered into by the Company and CAVIP in 2016.

In 2016, the greening and environmental maintenance expenses of the Company were RMB205,947,000, representing an increase of 4.1% as compared with the previous year, mainly due to the increase in the corresponding expenses as a result of the increase in the air traffic volumes.

In 2016, the real estate and other taxes of the Company were RMB202,999,000, representing an increase of 18.3% as compared with the previous year, mainly due to the change of the real estate tax's calculation method according to the relevant tax regulations.

In 2016, the rental expenses of the Company were RMB111,336,000, representing a decrease of 0.7% as compared with the previous year.

In 2016, the general, administrative and other costs of the Company were RMB360,348,000, representing an increase of 12.5% as compared with the previous year, mainly due to the increase of impairment provision.

### Other Items in the Statement of Comprehensive Income

In 2016, the other income of the Company was RMB2,706,000, representing a decrease of 81.6% as compared with the previous year, mainly due to the decrease of government subsidies in 2016.

In 2016, the net finance costs after deducting finance income of the Company were RMB523,035,000, representing a decrease of 14.8% as compared with the previous year, mainly due to a significant decrease in the borrowing interest as a result of the decrease of the average borrowing balance and borrowing rates in 2016.

In 2016, the income tax expense of the Company was RMB595,710,000, representing an increase of 8.1% as compared with the previous year.

## PROFIT FOR THE YEAR

For the financial year ended 31 December 2016, the net profit after tax of the Company amounted to RMB1,781,001,000, representing an increase of 8.5% as compared with the same period of previous year.

## Management Discussion and Analysis (Continued)

### DIVIDEND

The Board proposed to distribute the final dividend of RMB0.1018 per share for 2016, totally amounting to approximately RMB440,885,000 (2015: RMB408,403,000). Such proposal shall be subject to the approval by the shareholders at the 2016 annual general meeting (“AGM”) of the Company. If the proposal is approved at the AGM, the final dividend is expected to be paid on or before 31 August 2017. The details of the payment of the final dividend (including the tax deduction, registration date and book closure period, etc) will be set out in the notice of AGM or further announcement to be issued by the Company.

The Company has distributed an interim dividend of RMB0.0627 per share for 2016, totally amounting to approximately RMB271,547,000. The total amount of the final dividend for 2016 proposed to be distributed and the interim dividend for 2016 distributed amounts to 40% of the net profit after tax of the Company for 2016.

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 2016.

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Company's businesses are principally denominated in RMB, except for payment of part of intermediaries fees, repayment of part of the loans from the Parent Company and distribution of dividends to part of the shareholders of H shares, which are paid in US dollars and HK dollars.

According to the overall plan of the acquisition of the Phase III Assets <sup>(Note)</sup>, 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 2016. Therefore, the fluctuation of RMB exchange rate against the US dollar will affect the financial results of the Company.

*Note:* In 2008, the Company acquired the airfield assets (including runway, taxiways, aprons, road non-asphalt layers, lighting and other airfield facilities), Terminal Three of the Beijing Capital Airport (“T3”) and relevant facilities, roads within the airport area, the driverless electric train system, commercial areas and other relevant facilities and equipment, and the land use rights of the land on which T3 and other related buildings are situated (collectively the “Phase III Assets”).

As at 31 December 2016, the assets and liabilities of the Company denominated in USD included cash and cash equivalents of approximately RMB70,831,000 (2015: RMB49,045,000), trade and other receivables of approximately RMB119,000 (2015: RMB112,000), trade and other payables of approximately RMB11,684,000 (2015: RMB10,061,000), and loans from the Parent Company of approximately RMB2,303,344,000 (2015: RMB2,315,831,000). During 2016, the Company recorded a net exchange loss of RMB153,641,000.

### EXPOSURE TO FLUCTUATIONS IN INTEREST RATES

The total amount of the non-current portion and current portion of the Company's loans from the Parent Company was RMB2,303,344,000, which was the borrowings from the European Investment Bank which was assumed from the Parent Company at an interest rate of six-month LIBOR plus 0.4%. The total amount of the Company's long-term borrowings was RMB3,000,000,000, and its interest rates were referenced to the benchmark rate announced by the People's Bank of China. As such, any change in LIBOR and interest rates of People's Bank of China will affect the interest expenses and financial results of the Company.

## Management Discussion and Analysis (Continued)

### CONTINGENT LIABILITIES

As at 31 December 2016, the Company had no significant contingent liabilities.

### LIQUIDITY AND FINANCIAL RESOURCES

In 2016, the Company's net cash generated from operating activities amounted to RMB4,610,294,000, representing an increase of RMB453,011,000 as compared with RMB4,157,283,000 for the year of 2015. In 2016, the Company's net cash outflow from investing activities of the Company amounted to RMB138,876,000. In 2016, the Company's net cash outflow from financing activities amounted to RMB2,052,467,000.

As at 31 December 2016, the Company had cash and cash equivalents amounting to the total sum of RMB4,530,369,000; while the cash and cash equivalents of the Company amounted to RMB2,112,869,000 as at 31 December 2015.

As at 31 December 2016, the Company's short-term debentures were RMB2,500,000,000, the bonds payable were RMB2,999,857,000, the long-term borrowings were RMB3,000,000,000 and the loans from the Parent Company were RMB2,303,344,000.

As at 31 December 2016, the current ratio of the Company was 0.63, and as at 31 December 2015, the current ratio of the Company was 0.48. 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.

As at 31 December 2016, the liability-to-asset ratio of the Company was 42.84%, and as at 31 December 2015, the liability-to-asset ratio of the Company was 44.12%. Such ratios were computed by dividing the total amount of liabilities by the amount of total assets as at those respective dates.

As at 31 December 2016, the capital and reserves of the Company were RMB19,378,317,000 and as at 31 December 2015, the capital and reserves of the Company were RMB18,268,990,000.

### EMPLOYEES AND EMPLOYEE WELFARE

**1. The number of employees of the Company is set out as follows, together with a comparison with that in the previous year:**

	2016	2015
Total number of employees	<b>1,623</b>	1,641

The remuneration policy of employees of the Company is determined by the management based on market practice. The Company adopted a position performance-based salary system, which was based on the value of the position with performance appraisal as its core. Such remuneration system took into account the external competition and internal fairness under dynamic management, with which the increase in employee's salaries could be in line with the Company's development and the increase of labor remuneration could be in line with the increase of labor productivity.



## Management Discussion and Analysis (Continued)

### **2. Employees' basic medical insurance and commercial medical insurance**

Since 1 January 2003, the Company has 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 with an amount within 4% of the average monthly salaries of its employees in the previous year. Meanwhile, the Company no longer pays medical subsidies or medical compensations in cash to its employees. As such, the implementation of the aforesaid basic medical insurance regulations did not have any material impact on the balance sheet or statement of comprehensive income of the Company.

### **3. Staff retirement scheme**

In 2011, the Company implemented the corporate pension scheme according to the relevant policies of the state. Pursuant to the corporate pension scheme, the Company and the staff who participates the scheme shall make monthly contributions to the corporate pension funds according to a certain proportion. The details of the staff retirement scheme are set out in the Note 2(q) and 19 to the Financial Statement.

## CAPITAL EXPENDITURES

Details of the capital commitment of the Company are set out in Note 29 to the Financial Statement.

## CHARGE ON ASSETS

During the year ended 31 December 2016, there were no assets charged or pledged by the Company.

## Corporate Governance Report

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

The Board of the Company confirmed that the Company had complied with all the provisions of the Corporate Governance Code (the "Code") under Appendix 14 to the Listing Rules, save for the deviation from provision A.2.1 and A.6.7 of the Code due to reasonable grounds (as explained below), during the period from 1 January 2016 to 31 December 2016.

In respect of Code Provision A.2.1 of the Code, since the general manager (who performed duties of the chief executive under the Listing Rules) of the Company resigned in September 2015, his duties have been temporarily taken up by the chairman (who performs duties of the chairman of the Board under the Listing Rules) of the Company. During the relevant acting period, the Company has expanded the authorizations granted by the chairman to the management members, extended the scope of the management meeting and increased the frequency of such meeting, so as to avoid the excessive concentration of power of the chairman when he performs his duties as both the chairman and the acting general manager. At the same time, the Company was proactively seeking suitable candidate to act as the general manager during the vacancy of the general manager. A new general manager has been appointed on 22 March 2016 (for details in relation to appointment, please refer to the announcement published by the Company on 22 March 2016).

In respect of Code provision A.6.7 of the Code, the Company held its 2015 AGM on 29 June 2016. Save for Ms. Gao Lijia (an executive director), Mr. Cheng Chi Ming, Brian (a non-executive director), Mr. Japhet Sebastian Law (an independent non-executive director) and Mr. Jiang Ruiming (an independent non-executive director) were absent from the meeting due to work commitments, all other members of the Board attended the meeting. Six ordinary matters were considered at the meeting, all of which were smoothly passed at the meeting. After the meeting, the Company dispatched the meeting minutes to all members of the Board to keep the absent directors informed of the proposals resolved during the meeting.

### CORPORATE GOVERNANCE PRACTICES

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

- (a) to formulate and review the corporate governance policies and practices of the Company and make recommendations 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 policies and practices in relation to compliance with laws and regulatory requirements;
- (d) to formulate, review and monitor the code of conduct and compliance manual (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.

## Corporate Governance Report (Continued)

### SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted “the Code for Securities Transaction by Directors and Staff” to regulate the securities transaction by its directors. The standard of the Code is no less exacting than the required standard of the Model Code.

Having made specific enquiry on all directors, 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” formulated by the Company throughout the year ended 31 December 2016.

### BOARD OF DIRECTORS

#### Composition and Term of Office

As at 31 December 2016, the sixth session of the Board of the Company consists of eleven directors, including three executive directors, four non-executive directors and four independent non-executive directors. In line with the requirements under 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 appropriate expertise in accounting or related financial management. The sixth session of the Board of the Company was established on 30 June 2014. Except for one director who was additionally appointed at the extraordinary general meeting on 18 December 2014 and one at the extraordinary general meeting on 25 August 2016, the other directors were elected by the Company’s shareholders at the 2013 AGM. Except for one director who resigned on 17 September 2015 thus terminating his term of office, the term of office of all the rest directors (including non-executive directors) will end on the date of convening the 2016 AGM. The composition and changes of directors, the list of directors and their respective biographies are set out in the section headed “Report of the Board” in the annual report.

The members of the Board of the Company are fully aware of their own obligations and responsibilities, and treat all shareholders of the Company 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 business in a timely manner. The independent non-executive directors have performed their responsibilities in accordance with the requirements under the relevant laws and regulations, safeguarding the rights of the Company and 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.

## Corporate Governance Report (Continued)

### Duties and Operation

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

Pursuant to the Articles of Association or as authorized by the general meeting, the following important decisions shall be made by the Board: to determine the Company's business plans and investment proposals; to prepare the Company's annual financial budgets and final accounts; to formulate the plans for profit distribution and plans for making up losses; to formulate the Company's borrowing and financial policies, proposals for the increase in and reduction of registered capital and the issue of corporate bonds; to formulate proposals for major acquisitions or disposals and for the merger, division and dissolution of the Company; to determine the establishment of the Company's internal management institutions and other important duties.

In accordance with the Articles of Association, the general manager shall be accountable to the Board, and shall exercise the following powers and duties: to be responsible for the production and management of the Company and to organize the implementation of the resolutions of the Board; to organize the implementation of the annual business plans and investment proposals of the Company; to prepare proposals for the internal management structure of the Company; to prepare the basic management systems of the Company; to draft the basic rules and regulations of the Company; to propose for the employment or dismissal of deputy managers and financial officers of the Company; to employ or dismiss management staff other than those who shall be employed or dismissed by the Board; other powers and duties conferred by the Articles of Association and the Board.

The Board of the Company 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 interests of the Company and its shareholders as a whole.

### 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 to 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 2016, the Board of the Company held eight meetings (of which four were held by way of circulating written resolutions) in total to discuss and determine the Company's strategic development, major operations, financial affairs and other matters set out in the Articles of Association.

## Corporate Governance Report (Continued)

The table below sets out the rate of the directors' attendance (referring to attendance in person or by teleconference) at general meetings and Board meetings in 2016:

		<b>General meetings attendance rate Number of the meeting attended/ number of meetings held</b>	<b>Board meetings attendance rate Number of the meeting attended/ number of meetings held</b>
Liu Xuesong	Chairman, executive director	2/2	8/8
Han Zhiliang	General manager, executive director (appointed on 25 August 2016) ( <i>Note 1</i> )	0/0	4/4
Gao Lijia	Executive director	1/2	6/8
Yao Yabo	Non-executive director	2/2	7/8
Zhang Musheng	Non-executive director	1/2	7/8
Ma Zheng	Non-executive director	2/2	7/8
Cheng Chi Ming, Brian	Non-executive director	1/2	7/8
Japhet Sebastian Law	Independent non-executive director	1/2	7/8
Wang Xiaolong	Independent non-executive director	2/2	8/8
Jiang Ruiming	Independent non-executive director	1/2	7/8
Liu Guibin	Independent non-executive director	2/2	8/8

*Note 1:* Mr. Han Zhiliang was appointed as an executive director of the Company at the extraordinary general meeting on 25 August 2016, thus did not attend the meeting on that day and all previous meetings.

### Chairman and General Manager

For the year ended 31 December 2016 and during the period up to the date of publication of the annual report, Mr. Liu Xuesong, an executive director of the Company, holds the positions of chairman. As Mr. Shi Boli resigned from the position of general manager on 17 September 2015, Mr. Liu Xuesong also temporarily took up all duties of the general manager thereafter. The Company has appointed Mr. Han Zhiliang as the general manager on 22 March 2016. 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. The governance structure of the Company features the clearly defined rights and responsibilities and expresses division of work, with each one performing his own duties.

### 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 senior management.

## Corporate Governance Report (Continued)

### 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.

The Company also encouraged its directors to participate in the ongoing professional development programs to improve and upgrade their knowledge and skills. The Company also organized relevant training to ensure that directors had comprehensive information and proper expertise to make contribution to the Board. The Company kept training records to assist directors in recording the training courses they had attended, and required its directors to submit relevant training records to the Company each year.

During the year ended 31 December 2016, the records of training received by directors of the Company are summarized as follows:

	Corporate governance	Regulatory rules	Operation and management	Other relevant trainings
<b>Executive directors</b>				
Mr. Liu Xuesong	✓	✓	✓	✓
Mr. Han Zhiliang ( <i>Note 1</i> )	✓	✓	✓	✓
Ms. Gao Lijia	✓	✓	✓	✓
<b>Non-executive directors</b>				
Mr. Yao Yabo	✓	✓	✓	✓
Mr. Zhang Musheng	✓	✓	✓	✓
Mr. Ma Zheng	✓	✓	✓	✓
Mr. Cheng Chi Ming, Brian	✓	✓	✓	✓
<b>Independent non-executive directors</b>				
Mr. Japhet Sebastian Law	✓	✓	✓	✓
Mr. Wang Xiaolong	✓	✓	✓	✓
Mr. Jiang Ruiming	✓	✓	✓	✓
Mr. Liu Guibin	✓	✓	✓	✓

*Note:* The forms of training include participation in training courses, participation in seminars, attending lectures, delivering speeches, writing articles, reading materials, etc.

*Note 1:* Mr. Han Zhiliang was appointed as an executive director of the Company on 25 August 2016.

## Corporate Governance Report (Continued)

### COMMITTEES TO THE BOARD

#### 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 30 June 2014, the sixth 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 2016 AGM. At present, the Remuneration and Evaluation Committee is comprised of six members including four independent non-executive directors, one non-executive director and one executive director, namely, Mr. Japhet Sebastian Law (chairman of the Remuneration and Examination Committee), Mr. Wang Xiaolong, Mr. Jiang Ruiming, Mr. Liu Guibin, Mr. Zhang Musheng and Ms. Gao Lijia.

##### Duties

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

- (i) To formulate a remuneration plan or scheme, which shall 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 terms of other posts in the Company and 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 by the directors (including independent non-executive directors) and senior management and to make annual performance evaluations on them;
- (iv) To monitor the implementation of the remuneration system by 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 remunerations for directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (viii) To make recommendations to the Board on the remuneration for non-executive directors;

## Corporate Governance Report (Continued)

- (ix) To ensure that no director or any of his associates (as defined under the Listing Rules) is involved in deciding his own remuneration; and
- (x) To be responsible for other matters as delegated by the Board.

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

### Directors' Remuneration Policy

The Company determines the remuneration for each of the directors with reference to their duties, responsibilities and the prevailing market condition.

### Meetings

The Remuneration and Evaluation Committee did not convene any meeting during the reporting period.

### Nomination Committee

#### Composition and Term of Office

The nomination committee of the Company (the "Nomination Committee") was established on 26 March 2007. On 30 June 2014, the sixth session of the Board re-appointed the members of the Nomination Committee with their term of office to end on the day of convening of the 2016 AGM. At present, the Nomination Committee is comprised of five members, including four independent non-executive directors and one executive director, namely, Mr. Jiang Ruiming (chairman of the Nomination Committee), Mr. Japhet Sebastian Law, Mr. Wang Xiaolong, Mr. Liu Guibin and Mr. Liu Xuesong.

### Duties

The main duties, roles and functions 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 shareholding structure of the Company;
- (ii) To consider the standards and procedures for selection of directors and senior management of the Company and make recommendations to the Board;
- (iii) To review the qualifications of the candidates for the directors and senior management of the Company, and to make recommendations;
- (iv) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, and to make recommendations on any proposed changes to the Board to complement the Company's strategies;
- (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;



## Corporate Governance Report (Continued)

- (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 the directors and succession plans for the directors, in particular the chairman and the general manager; and
- (viii) To be responsible for other matters as delegated by the Board.

The Company has adopted a diversity policy for Board members, summary of which is set out as follows:

### Vision

The Company recognizes and embraces the benefits of having a diverse Board members to enhance the quality of its performance.

### Policy Statement

- (i) The Company sees an increasing level of diversity of the Board as an essential element contributing to the sustainable development of the Company. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- (ii) All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

### Measurable Objectives

- (i) Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service;
- (ii) The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

### Monitoring and Reporting

The Nomination Committee will report annually, in the corporate governance report, on the Board's composition under diversified perspectives and monitor the implementation of this policy.

### Review of This Policy

The Nomination Committee will review this policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions as may be required, and recommend any such revisions to the Board for consideration and approval.

## Corporate Governance Report (Continued)

### Meetings

The Nomination Committee convened five meetings during the reporting period. By combining the Listing Rules, the Committee members examined the structure and composition of the Board and expressed their opinions in respect of the changes and hiring of general manager, executive director, senior management and company secretary of the Company.

The table below sets out the attendance rate of members of the Nomination Committee:

<b>Members</b>	<b>Attendance rate Number of meetings attended/number of meetings held</b>
Jiang Ruiming (Chairman)	5/5
Japhet Sebastian Law	5/5
Wang Xiaolong	5/5
Liu Guibin	5/5
Liu Xuesong	5/5

### Audit Committee

#### Composition and Term of Office

The audit committee of the Company (the "Audit Committee") was established on 10 January 2000. On 30 June 2014, the sixth session of the Board re-appointed the members of the Audit Committee with their term of office to end on the day of convening of the 2016 AGM. 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 (practicing) of Chinese Institute of Certified Public Accountant), Mr. Japhet Sebastian Law, Mr. Wang Xiaolong and Mr. Jiang Ruiming.

#### Duties

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

- (i) To make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and handle 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 shall discuss with the auditor the nature and scope of the audit and relevant reporting obligations before the audit commences;

## Corporate Governance Report (Continued)

- (iii) To develop and implement policy on engaging an external auditor to supply non-audit services. For such 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 shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (iv) To monitor the completeness of the Company’s financial statements and annual report and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant judgments on financial reporting contained therein;
- (v) To monitor the Company’s financial reporting system and internal monitoring procedure;
- (vi) To review the Company’s financial monitoring, internal monitoring and risk management system;
- (vii) To discuss the internal monitoring system with management to ensure that management has performed its duty to have an effective internal monitoring system in place. This discussion shall include the adequacy of resources, staff qualifications and experience, and adequacy of training programmes for staff and relevant budgets in the Company’s accounting and financial reporting function;
- (viii) To consider major investigation findings on internal monitoring matters and management’s response to these findings on its own initiative or as delegated by the Board;
- (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 on accounting records, financial accounts or monitoring system and management’s response; to ensure that the Board provides a timely response to the issues raised in the external auditor’s management letter;
- (xii) To report to the Board on the matters in the code provision of the Corporate Governance Code;
- (xiii) To review arrangements that the employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal monitoring or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;
- (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; and
- (xvi) To be responsible for other matters as delegated by the Board.

## Corporate Governance Report (Continued)

### Meetings

The Audit Committee convened three meetings during the reporting period, and please refer to the following works summary of the Audit Committee for further details of relevant meetings.

The table below sets out the attendance rate of members of the Audit Committee:

<b>Members</b>	<b>Attendance rate Number of meetings attended/number of meetings held</b>
Liu Guibin (Chairman)	2/3
Japhet Sebastian Law	3/3
Wang Xiaolong	2/3
Jiang Ruiming	3/3

The work performed by the Audit Committee of the Company for 2016 is summarized as follows:

During 2016, the Audit Committee reviewed the annual results report of the Company for the year 2015 and the interim results report of the Company for the year 2016, as well as the financial audit report for the year 2015 and the interim financial audit report for the year 2016; reviewed the report on compliance of continuing connected transactions of the Company for the year, and issued an opinion on the report on compliance of continuing connected transactions of the Company for the year; reviewed the effectiveness of the internal audit function of the Company and the internal audit report of the Company; reviewed the report on risk management and internal control of the Company; and reviewed the proposal for re-appointment of external auditor, and defined its remuneration and term.

The Audit Committee has reported the aforesaid work and review results to the Board.

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

## Corporate Governance Report (Continued)

### Strategy Committee

#### Composition and Term of Office

The strategy committee of the Company (the "Strategy Committee") was established on 12 June 2002. On 30 June 2014, the sixth session of the Board re-appointed the members of the Strategy Committee with their term of office to end on the date of convening of the 2016 AGM. At present, the Strategy Committee is comprised of four members, including two executive directors, one non-executive director, and one independent non-executive director, namely, Mr. Liu Xuesong (chairman of the Strategy Committee), Ms. Gao Lijia, Mr. Cheng Chi Ming, Brian and Mr. Wang Xiaolong.

#### Duties

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

- (i) To investigate the operating environment and resources of the Company, and to formulate the basic direction, goal 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 mid-term and long-term development strategy of the Company;
- (iii) To analyze and prepare the research report on the capital expenditure items which may pose material impacts on the development strategy of the Company, and to formulate the basic implementation plan and present it to the Board for consideration and approval; and
- (iv) To consider other matters as required by the Board.

### RESPONSIBILITIES OF DIRECTORS AND AUDITOR FOR ACCOUNTS

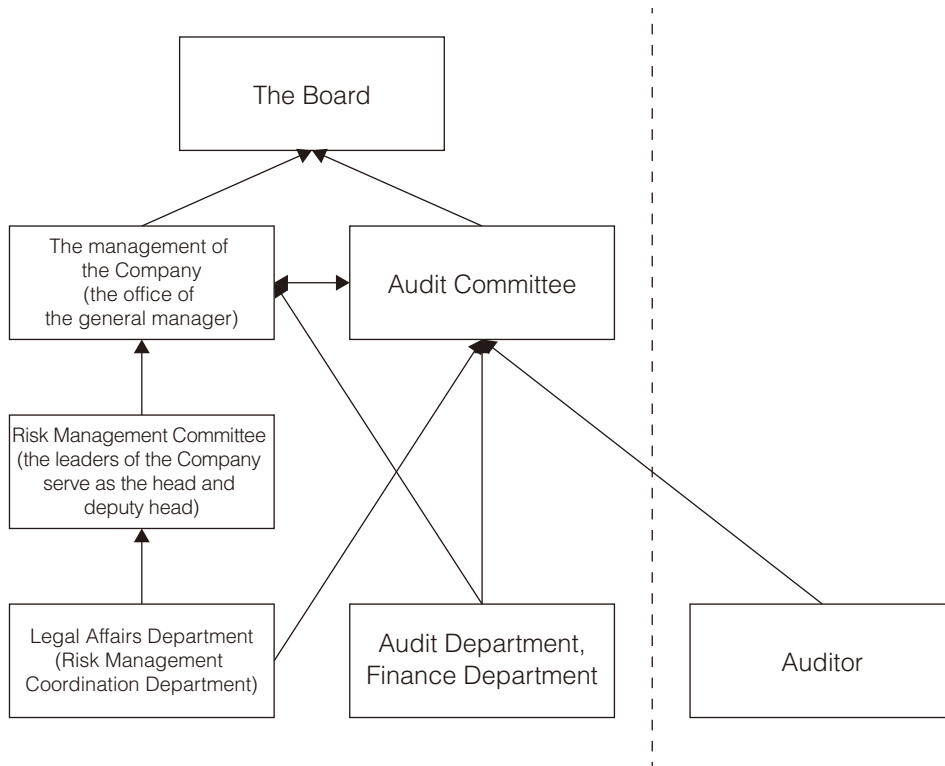
The directors hereby confirm their responsibilities for preparation of the Company's financial statements. The directors confirm that the financial statements of the Company for the year were prepared in accordance with the relevant rules and regulations as well as applicable accounting policies. The directors 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 pages 67 to 70.

## Corporate Governance Report (Continued)

### RISK MANAGEMENT AND INTERNAL CONTROL

#### Risk Management Framework

The objectives of the risk management and 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 complete and covers every aspect of the operation and management of the Company. The risk management and internal control system of the Company consists of the Board and the Audit Committee to the Board, management as well as the legal affairs department, audit department, finance department and the external auditor of the Company. The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. While the Board oversees the design, implementation and monitoring of the risk management and internal control systems, the management of the Company and other departments provide a confirmation to the Board on the effectiveness of such system. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives of the Company and can provide reasonable, but no absolute assurance against material misstatement or loss. The management framework is as follows:



#### System Features, Major Procedures and Scope

System features: The Company has constructed a comprehensive risk management system under the guidance of its internal control manual, and conducts multi-dimensional and full-spectrum risk management through the following measures on an on-going basis: assessing various material business risks exposed to the Company on a regular basis each year, updating and amending internal control manual, updating legal risk prevention manual, issuing internal control examination report, issuing risk management report, updating risk control and management list as well as supplementing and improving risk control and management measures, etc.

## Corporate Governance Report (Continued)

Procedure for identifying, assessing and managing material risks: The Company identifies material special risks, collects risk information, assesses risk degree and facilitates the implementation of risk management system through the control activities including comprehensive risk management reporting system, legal risk prevention and internal control guidance each year.

Procedure for reviewing the effectiveness of risk management and internal monitoring system and the procedure for resolving serious internal monitoring deficiency: The Company conducts walk-through test and examination assessment on its internal control business procedures and re-examines the effectiveness of the monitoring system on a regular basis each year, and makes adjustment to the internal control targets based on the amendment plan for the Company's system and by combining internal and external audit reports while improving supervisory procedures.

Procedure for handling and publishing insider information: The Company determines major and frequent insider information types and key position contact persons based on its business conditions, and therefore has formulated a vigorous confidentiality system. Upon discovery of any suspected insider information, such information will be conveyed to insider information management department in a timely manner, and corresponding confidential or disclosure measures will be adopted under the overall management of such department so as to conform to relevant requirements of insider information regulation.

### Risk Management Functions

The legal affairs department of the Company is responsible for establishing a risk management and internal control system for the Company, preparing a risk management manual and an internal manual, and preventing and avoiding risks by adopting proper risk monitoring methods and internal control measures.

The audit department of the Company is responsible for making audit plan, which will be presented to the Audit Committee for review; the internal audit department is also responsible for conducting the independent audit on whether or not the internal monitoring system of the Company is sufficient and effective according to the audit plan, and the independent audit report will be submitted to the management of the Company; the internal audit department will keep audit track of the corrective measures taken by the related departments as instructed by the management; the internal audit department is required to make internal audit report to the Audit Committee annually.

The finance department of the Company is mainly responsible for monitoring financial risks, establishing a financial control mechanism and adopting risk control and prevention measures to avoid financial risks exposed to the Company.

As an external firewall against the risks of the Company, the external auditor engaged by the Company detects the problems in the operation management of the Company through their independent external audit, and gives feedback to the Company by managing advise letter and other various forms so as to refine the risk prevention and control as well as internal control of the Company.

## Corporate Governance Report (Continued)

The work performed with respect to risk management and internal control by the relevant departments of the Company for 2016 is summarized as follows:

During 2016, the legal affairs department updated the risk management manual, and optimized the risk management and control system by identifying new risk exposures based on the changes in the operational environment of the Company; the internal audit department conducted proactive internal audit in the business-critical fields and high risk areas of the Company; the finance department continued to maintain a normalized monitoring measure for the financial risks; and the external auditor proposed management advise. In the same year, the legal affairs department reported to the Audit Committee once; the audit department, finance department and auditor reported to the Audit Committee three times, and the Audit Committee reported to the Board accordingly.

The key risks identified, managed and monitored during the year included international security and safety concerns. Action plans to effectively respond to the identified risks were formulated and implemented during the year accordingly.

During the annual review, the Audit Committee has also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's internal audit, accounting and financial reporting function. The Board has reviewed the effectiveness of the risk management and internal control system of the Company (including financial, operational and compliance controls and the Company's processes for financial reporting and compliance with the Listing Rules) and considers that, during the year ended 31 December 2016, the existing internal control system 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 LLP as the foreign and domestic auditor of the Company for 2016, respectively. During the year ended 31 December 2016, the above auditors charged the Company RMB3,516,000 as service fees in respect of the audit and non-audit services.

During the year ended 31 December 2016, the above auditors provided one non-audit service, i.e., Hong Kong audit service in respect of tax with an aggregate service fee of RMB16,000.



## Corporate Governance Report (Continued)

### COMPANY SECRETARY

After Mr. Shu Yong resigned from the company secretary on 30 November 2016, the Company appointed Mr. Luo Xiaopeng and Mr. Mok Chung Kwan, Stephen as the joint company secretaries. Mr. Shu Yong, Mr. Luo Xiaopeng and Mr. Mok Chung Kwan, Stephen are all familiar with the Company's day-to-day business operation. The company secretaries provide opinions on corporate governance issues to the Board by reporting to the chairman of the Board or the chief executive, and make arrangement for directors' induction training and professional development. All of the former and current company secretaries confirmed that they had received 18 hours relevant professional training during the reporting period.

### SHAREHOLDERS' RIGHTS

#### Convening an Extraordinary General Meeting

According to the provisions under the Articles of Association, an extraordinary general meeting may be convened upon the written request by the shareholders holding 10% or more of the issued shares of the Company with voting rights. Meanwhile, at an AGM convened by the Company, shareholders holding 5% or more of the shares of the Company with voting rights are entitled to raise new proposals in writing to the Company, and the Company shall incorporate the proposals which fall within the scope of the general meeting's terms of reference into the agenda of the meeting.

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

The 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 its share registrar on the relevant condition. If the principal 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 convene an extraordinary general meeting and dispatch a notice to all registered shareholders in accordance with the provisions under the Listing Rules and the Articles of Association;

An extraordinary general meeting will not be convened if the relevant condition or the principal matters proposed by the requisitionists are deemed inappropriate after investigation, and the Company will inform relevant shareholders of the relevant results;

Should the Board fail to proceed duly to convene an extraordinary general meeting within 21 days upon receiving the request from the requisitionists, the requisitionists or any of them representing more than half of the total voting rights 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.

## Corporate Governance Report (Continued)

### 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 are no any material amendments to the Articles of Association of the Company.

### COMMUNICATION WITH SHAREHOLDERS

The Company is committed to a policy of open and regular communication with its shareholders, and makes reasonable disclosure of information to them. 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 disclosure information on the 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 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 for investors and analysts to the Company to facilitate their timely understanding of the operating conditions and latest business development of the Company;

Gathering and analyzing, in a timely manner, opinions and suggestions of various kinds from securities analysts and investors on the operation of the Company, compiling reports regularly and selectively adopting them into 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 2016, 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 the regulatory 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 completed its work plan for 2016 and continuously improved the Company's governance practices.

The sixth session of the Supervisory Committee of the Company was established on 30 June 2014, 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 date when the 2016 Annual General Meeting is convened.

On 16 June 2016, Mr. Liu Yanbin resigned from the supervisor and chairman of the Supervisory Committee of the Company as he attained the retirement age, and Mr. Song Shengli was appointed as the chairman of the Supervisory Committee of the Company on the same date.

As at 31 December 2016, the sixth session of the Supervisory Committee of the Company comprises five members, including Mr. Song Shengli as representative of shareholders, Mr. Deng Xianshan and Mr. Chang Jun as representatives of employees, and Mr. Dong Ansheng and Mr. Lau Siu Ki 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.

During the reporting period, the Supervisory Committee of the Company convened two meetings in total.

On 22 March 2016, the Supervisory Committee convened the first meeting of the year, at which the 2015 work of the Supervisory Committee was summarized, and the Report of the Supervisory Committee of the Company for the Year 2015 was considered and approved, and the secretary to the Board of the Company was authorized to incorporate the report into the 2015 annual report for review by the Company's shareholders.

On 16 June 2016, the Supervisory Committee convened the second meeting of the year by way of written resolution, at which Mr. Song Shengli was elected as the chairman of the Supervisory Committee of the Company, with a term commencing from 16 June 2016 to the expiry of the term of the sixth session of the Supervisory Committee (i.e. the date of the 2016 Annual General Meeting).

During the reporting period, the Company held four on-site Board meetings and three meetings for the Audit Committee. Some supervisors of the Company attended at such meetings, 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. They 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 of the Company in 2016.

Meanwhile, the Supervisory Committee carefully reviewed the Report of the Board, the financial statements and the profit distribution proposal to be submitted to the shareholders at the 2016 AGM, and considered that the shareholders' equity continued to grow, the Company's profitability was enhanced, the gearing ratio was lowered, dividend distribution policy was reasonable and the overall financial position was sound in 2016.

## Report of the Supervisory Committee (Continued)

### 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 provisions under 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 principles 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.

#### 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 2016, the Beijing Capital Airport, as the world's second biggest airport, saw its passenger throughput surpassing 90 million, with security, operation, services and management quality continuously improving. The traffic volume of the Beijing Capital Airport is expected to maintain a stable growth momentum in 2017. 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, and endeavor to perform our various tasks successfully.

By order of the Supervisory Committee

**Song Shengli**

*Chairman of the Supervisory Committee*

Beijing, the PRC, 21 March 2017

# Independent Auditor's Report



羅兵咸永道

**To the Shareholders of Beijing Capital International Airport Company Limited**  
(Incorporated in People's Republic of China with limited liability)

## OPINION

### What we have audited

The financial statements of Beijing Capital International Airport Company Limited ("the Company") set out on pages 71 to 137, which comprise:

- the balance sheet as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

## Independent Auditor's Report (Continued)

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

#### Key Audit Matter

#### How our audit addressed the Key Audit Matter

##### Recoverability of trade receivables

Refer to Note 4 – Critical accounting estimates and judgements and Note 10 – Trade and other receivables.

We understood and assessed the design and operating effectiveness of the Company's controls over assessing the recoverability of trade receivables.

As at 31 December 2016, the Company had trade receivables in the amount of RMB1.29 billion, among which, RMB320 million was past due but not considered impaired and RMB185 million recorded as provision for impairment of receivables.

On a sample basis:

Management needs to exercise significant judgement in assessing the recoverability of the trade receivables. In making such assessment, management needs to consider prior experience and exercise judgement in developing its expectation of the ability of debtors to pay.

- We sent confirmations to debtors with significant trade receivables balances and reconciled the confirmed amounts with the recorded amounts of the Company's trade receivables;
- We checked the accuracy of the ageing profile of trade receivables (which is one of the factors used by management in assessing the recoverability of trade receivables past due) to sales invoices;
- We examined the historical payment documentation and post-year end settlements. We evaluated explanations provided by management in respect of recoverability of trade receivables including management's review of the financial position and condition of the debtors and assessment of the debtors' ability to pay;
- Based on the settlement plan and the debtors' historical settlements evidencing the debtor's ability to comply with payment schedules set out in the settlement plan, we recalculated the present value of the debtors' trade receivables based on discounted cash flows with original effective rate and compared the results with the carrying amount of such debtors' trade receivables balances after impairment provision.

We have therefore identified recoverability assessment as an area of focus for the audit.

Based on the above, we found that the judgements exercised by management to be reasonable and consistent with the evidence we obtained as mentioned above.

## Independent Auditor's Report (Continued)

### OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditor's Report (Continued)

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsun NG.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 21 March 2017



## Balance Sheet

As at 31 December 2016

	Note	As at 31 December	
		2016 RMB'000	2015 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	26,629,287	27,750,245
Land use rights	7	1,135,392	1,163,821
Intangible assets	8	64,736	47,829
Investment in a joint venture	9	34,869	39,858
Deferred income tax assets	18	167,675	132,478
Other non-current assets	10	52,895	52,668
		<b>28,084,854</b>	29,186,899
<b>Current assets</b>			
Inventories		123,474	125,650
Trade and other receivables	10	1,138,584	1,265,808
Cash and cash equivalents	11	4,530,369	2,112,869
Other current assets		26,909	–
		<b>5,819,336</b>	3,504,327
<b>Total assets</b>		<b>33,904,190</b>	32,691,226
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	12	4,330,890	4,330,890
Share premium		5,055,425	5,055,425
Capital reserve	13(a)	1,012,842	957,510
Other reserve	13(b)	(61,904)	(14,848)
Statutory and discretionary reserves	13(c)	4,376,333	3,869,850
Retained earnings		4,664,731	4,070,163
<b>Total equity</b>		<b>19,378,317</b>	18,268,990

## Balance Sheet (Continued)

As at 31 December 2016

	Note	As at 31 December	
		2016 RMB'000	2015 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	15	3,000,000	1,885,000
Bonds payable	17	—	2,997,278
Retirement benefit obligations	19	161,135	114,280
Deferred income	20	25,996	17,288
Loans from the Parent Company	21	2,132,726	2,156,118
		<b>5,319,857</b>	7,169,964
<b>Current liabilities</b>			
Trade and other payables	14	3,148,759	2,216,392
Interest payable		142,717	142,887
Short-term borrowings	15	—	2,000,000
Short-term debentures	16	2,500,000	—
Current income tax liabilities		236,363	240,961
Current portion of long-term borrowings	15	—	1,985,000
Current portion of bonds payable	17	2,999,857	—
Current portion of retirement benefit obligations	19	7,702	7,319
Current portion of loans from the Parent Company	21	170,618	659,713
		<b>9,206,016</b>	7,252,272
<b>Total liabilities</b>		<b>14,525,873</b>	14,422,236
<b>Total equity and liabilities</b>		<b>33,904,190</b>	32,691,226

The notes on pages 77 to 137 are an integral part of these financial statements.

The financial statements on pages 71 to 137 were approved by the Board of Directors on 21 March 2017 and were signed on its behalf.

**Liu Xuesong**  
Chairman

**Han Zhiliang**  
Director

## Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
<b>Revenues</b>			
Aeronautical	5	4,836,737	4,593,099
Non-aeronautical	5	3,892,353	3,916,863
		<b>8,729,090</b>	8,509,962
<b>Business tax and levies</b>		<b>(51,299)</b>	(122,740)
<b>Operating expenses</b>			
Depreciation and amortisation	6, 7 and 8	(1,549,830)	(1,593,418)
Repairs and maintenance		(716,149)	(687,285)
Utilities and power		(619,834)	(616,654)
Concession management fees		(576,541)	(562,519)
Aviation safety and security guard costs		(571,603)	(532,888)
Staff costs	22	(543,647)	(531,004)
Operating contracted services		(328,140)	(277,500)
Greening and environmental maintenance		(205,947)	(197,888)
Real estate and other taxes		(202,999)	(171,527)
Rental expenses		(111,336)	(112,123)
Other costs		(360,348)	(320,254)
	23	<b>(5,786,374)</b>	(5,603,060)
Other income		2,706	14,742
<b>Operating profit</b>		<b>2,894,123</b>	2,798,904
Finance income	24	29,146	29,880
Finance costs	24	(552,181)	(643,845)
		<b>(523,035)</b>	(613,965)

## Statement of Comprehensive Income (Continued)

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
<b>Share of post-tax profit of a joint venture</b>		<b>5,623</b>	8,017
<b>Profit before income tax</b>		<b>2,376,711</b>	2,192,956
Income tax expense	25(a)	<b>(595,710)</b>	(551,041)
<b>Profit for the year</b>		<b>1,781,001</b>	1,641,915
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		<b>(36,444)</b>	551
Share of other comprehensive loss of investment in a joint venture		<b>(10,612)</b>	(4,090)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(47,056)</b>	(3,539)
<b>Total comprehensive income for the year</b>		<b>1,733,945</b>	1,638,376
Earnings per share, basic and diluted (RMB)	26	<b>0.41</b>	0.38

The notes on pages 77 to 137 are an integral part of these financial statements.

## Statement of Changes in Equity

For the year ended 31 December 2016

	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory and discretionary reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
<b>Balance at 1 January 2015</b>		4,330,890	5,055,425	927,704	(11,309)	3,427,412	3,472,247	17,202,369
Profit for the year		-	-	-	-	-	1,641,915	1,641,915
Other comprehensive loss for the year		-	-	-	(3,539)	-	-	(3,539)
Total comprehensive income for the year		-	-	-	(3,539)	-	1,641,915	1,638,376
Cash contribution from the Parent Company	13(a)	-	-	29,806	-	-	-	29,806
2014 final dividend		-	-	-	-	-	(353,401)	(353,401)
2015 interim dividend	27	-	-	-	-	-	(248,160)	(248,160)
Transfer to statutory and discretionary reserves	13(c)	-	-	-	-	442,438	(442,438)	-
<b>Balance at 31 December 2015</b>		<u>4,330,890</u>	<u>5,055,425</u>	<u>957,510</u>	<u>(14,848)</u>	<u>3,869,850</u>	<u>4,070,163</u>	<u>18,268,990</u>
<b>Balance at 1 January 2016</b>		<b>4,330,890</b>	<b>5,055,425</b>	<b>957,510</b>	<b>(14,848)</b>	<b>3,869,850</b>	<b>4,070,163</b>	<b>18,268,990</b>
Profit for the year		-	-	-	-	-	1,781,001	1,781,001
Other comprehensive loss for the year		-	-	-	(47,056)	-	-	(47,056)
Total comprehensive income for the year		-	-	-	(47,056)	-	1,781,001	1,733,945
Cash contribution from the Parent Company	13(a)	-	-	55,332	-	-	-	55,332
2015 final dividend	27	-	-	-	-	-	(408,403)	(408,403)
2016 interim dividend	27	-	-	-	-	-	(271,547)	(271,547)
Transfer to statutory and discretionary reserves	13(c)	-	-	-	-	506,483	(506,483)	-
<b>Balance at 31 December 2016</b>		<u>4,330,890</u>	<u>5,055,425</u>	<u>1,012,842</u>	<u>(61,904)</u>	<u>4,376,333</u>	<u>4,664,731</u>	<u>19,378,317</u>

The notes on pages 77 to 137 are an integral part of these financial statements.

## Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	30	5,233,651	4,712,033
Income tax paid		(623,357)	(554,750)
Net cash generated from operating activities		4,610,294	4,157,283
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(159,220)	(1,874,066)
Purchase of intangible assets		(27,435)	(43,721)
Purchase of land use rights		–	(523,021)
Interest received		25,238	24,581
Dividends received		12,231	–
Government subsidies received for assets		10,310	9,710
Proceeds from sale of property, plant and equipment		–	960
Net cash used in investing activities		(138,876)	(2,405,557)
<b>Cash flows from financing activities</b>			
Repayment of long-term borrowings		(4,370,000)	(265,000)
Repayment of short-term borrowings		(2,000,000)	(2,500,000)
Repayment of loans from the Parent Company		(664,315)	(155,417)
Dividends paid		(679,950)	(601,561)
Interest paid		(393,534)	(584,677)
Repayment of bonds		–	(1,900,000)
Proceeds from long-term borrowings		3,500,000	1,900,000
Proceeds from short-term debentures		2,500,000	–
Cash contribution from the Parent Company	13(a)	55,332	29,806
Proceeds from short-term borrowings		–	2,250,000
Net cash used in financing activities		(2,052,467)	(1,826,849)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		2,418,951	(75,123)
Cash and cash equivalents at beginning of year		2,112,869	2,184,273
Exchange effect on cash and cash equivalents		(1,451)	3,719
<b>Cash and cash equivalents at end of year</b>	11	<b>4,530,369</b>	<b>2,112,869</b>

The notes on pages 77 to 137 are an integral part of these financial statements.

# Notes to the Financial Statements

*For the year ended 31 December 2016*

## 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 (“CAHC” or the “Parent Company”), a state-owned enterprise established in the PRC 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 21 March 2017.

## 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 all applicable International Financial Reporting Standards (“IFRS”) and requirement of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared under the historical cost convention.

As at 31 December 2016, the current liabilities of the Company exceeded the current assets by RMB3,386,680,000 (2015: RMB3,747,945,000). 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
- The Company’s fund raising from National Association of Financial Market Institutional Investors.

Based on the above considerations, the Board of Directors is of the opinion that the Company has sufficient available financial resources to continue its operations and to repay its debts as and when they fall due. As a result, the financial statements of the Company for the year ended 31 December 2016 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.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### (1) **New standards and amendments to standards which are effective for the financial year beginning on 1 January 2016 and adopted by the Company**

The following new standards and amendments to standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2016:

<b>New standards and amendments to standards</b>		<b>Effective for accounting periods beginning on or after</b>
IFRS 14	Regulatory deferral accounts	1 January 2016
Amendment to IAS 1	Disclosure initiative	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 and IAS 41	Agriculture: Bearer plants	1 January 2016
Amendment to IAS 27	Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception	1 January 2016
Amendment to IFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Annual improvements 2014	2012–2014 cycle of the annual improvements project	1 January 2016

None of new standards and amendments to standards which are effective for the financial year beginning on 1 January 2016 and adopted by the Company has significant impact to the Company's results for the year ended 31 December 2016 and the Company's financial position as at 31 December 2016.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### (2) **New standards and amendments to standards not yet effective for the financial year beginning on 1 January 2016 and have not been early adopted by the Company**

<b>New standards and amendments to standards</b>		<b>Effective for accounting periods beginning on or after</b>
Amendments to IAS 7	Statement of cash flows	1 January 2017
Amendments to IAS 12	Income taxes	1 January 2017
IFRS 9	Financial Instruments	1 January 2018
IFRS15	Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2	Classification and measurement of share payment transaction	1 January 2018
IFRS 16	Leases	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Company will apply the above new standards and amendments to standards when they become effective. The Company is in the process of making an assessment of the impact of the above new standards and amendments to standards.

#### (b) Joint arrangement

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses and movements in other comprehensive income. The Company's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Company's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Company's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint ventures), the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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 Board of Directors that makes strategic decisions.

#### (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 costs'.

#### (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.

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)).

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

#### (g) Intangible assets

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

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Trade and other receivables

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

#### (k) Cash and cash equivalents

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.

#### (l) Share capital

Ordinary shares are classified as equity.

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

#### (m) Trade and other payables

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

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.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) 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.

#### (o) 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.

#### (p) 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 joint venture 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.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Current and deferred income tax (Continued)

Deferred income tax is provided on temporary differences arising on investments in joint venture, 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.

#### (q) 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% or 19% of the employees' basic salaries for the year.

In addition, the Company also has a retirement benefit plan which is a defined benefit scheme 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 under the Annuity Plan 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 not be 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.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (q) Employee benefits (Continued)

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

###### *Defined contribution scheme*

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 scheme*

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 end of the reporting period less the fair value of plan assets. 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 obligation is determined by discounting the estimated future cash outflows using interest rates of long-term government bonds that are denominated in RMB, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the statement of comprehensive income in staff costs, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the statement of comprehensive income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in staff costs in the statement of comprehensive income.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (q) 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 equity in other comprehensive income in the period in which they arise. These obligations are valued annually by Aon Hewitt, 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. Housing subsidies are recognised in the statement of comprehensive income in the period in which they are incurred.

##### **(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.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) 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.

#### (s) 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.

#### (t) 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) The Airport fee represents Civil Aviation Development Fund (the "Airport Fee") which is recognised when the related services are rendered to the outbound passengers departing from Beijing Capital 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 by CAAC from outbound passengers (Note 4(c)).

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

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) Revenues/Income recognition (Continued)

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

Concession revenues from retailing, restaurants and food shops, advertising and VIP services are recognised based on a percentage of sales or specified minimum guarantees or agreements with negotiations.

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) 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.

#### (u) Leases

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

##### (1) **Where Company is the lessee**

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

##### (2) **Where Company is the lessor**

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

#### (v) 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.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 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 and 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.

#### (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 US dollar and HK dollar. Foreign currency risk arises from transactions including payment of part of intermediaries fees, repayment of part of the loans from the Parent Company and distribution of dividends to equity holders holding H shares.

As at 31 December 2016, all of the Company's assets and liabilities were denominated in RMB except that cash and cash equivalents of approximately RMB70,831,000 (2015: RMB49,045,000), trade and other receivables of approximately RMB119,000 (2015: RMB112,000), trade and other payables of approximately RMB11,684,000 (2015: RMB10,061,000) and loans from the Parent Company of approximately RMB2,303,344,000 (2015: RMB2,315,831,000) were denominated in US dollar.

As at 31 December 2016, 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 RMB84,153,000 (2015: decreased/increased by RMB85,378,000), 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 the 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 2016 and 2015.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 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.

Bonds payable is at fixed interest rate and exposes the Company to fair value interest rate risk. Loans from the Parent Company and long-term borrowings are at floating interest rates and expose the Company to cash flow interest rate risk. Long-term borrowings and bonds payable are denominated in RMB. Loans from the Parent Company are denominated in 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 2016, if the interest rate on those long-term loans with floating interest rates had increased/decreased by 50 basis points with all other variables held constant, post-tax profit and equity would have been lower/higher by RMB19,888,000 (2015: RMB25,072,000).

##### (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.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Financial risk factors (Continued)

**(iii) Liquidity risk**

The Company adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through short and long term banks loans to meet its capital commitments and working capital requirements.

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

As at 31 December 2016 and 2015, the amounts disclosed below are the contractual undiscounted cash flows of the Company's financial liabilities, which are primarily trade and other payables (excluding payroll and welfare payable, advance from customers and tax payable), interest payable, long-term and short-term borrowings, short-term debentures, bonds payable and loans from the Parent Company.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>
<b>As at 31 December 2016</b>				
Trade and other payables	2,165,733	–	–	–
Interest payable	142,717	–	–	–
Short-term debentures	2,570,000	–	–	–
Long-term borrowings	123,310	127,142	3,051,205	–
Bonds payable	3,012,080	–	–	–
Loans from the Parent Company	201,775	200,778	587,561	1,544,734
	<b>8,215,615</b>	<b>327,920</b>	<b>3,638,766</b>	<b>1,544,734</b>
<b>As at 31 December 2015</b>				
Trade and other payables	1,522,600	–	–	–
Interest payable	142,887	–	–	–
Short-term borrowings	2,030,015	–	–	–
Long-term borrowings	2,097,866	91,423	1,883,684	–
Bonds payable	12,462	3,139,500	–	–
Loans from the Parent Company	687,802	176,948	523,013	1,578,896
	<b>6,493,632</b>	<b>3,407,871</b>	<b>2,406,697</b>	<b>1,578,896</b>

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Capital 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 2016 and 2015 are as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Total liabilities	<b>14,525,873</b>	14,422,236
Total assets	<b>33,904,190</b>	32,691,226
Liability-to-asset ratio	<b>43%</b>	44%

There is no significant change in the liability-to-asset ratio during 2016.

#### (c) Fair values estimation

The financial instruments are categorised into three levels within a fair value hierarchy by level of the inputs to valuation techniques used to measure fair value as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

#### a) **Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Fair values estimation (Continued)

##### **b) Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying amounts of the Company's financial assets, including cash and cash equivalents, trade and other receivables and financial liabilities, including trade and other payables, interest payable, short-term debentures, long-term borrowings and loans from the Parent Company approximate their fair values, as the impact of discounting is not significant.

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, which is included in level 2.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

#### (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 RMB288,733,000/RMB335,555,000 for the year ended 31 December 2016.

#### (b) The cost of the Phase III Assets and T3D 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").

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 2016. 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.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### (b) The cost of the Phase III Assets and T3D Assets (Continued)

In January 2015, the Company completed the acquisition of the airport-related assets under the Building D of Terminal Three and Ancillary Assets (the “T3D Assets”) pursuant to the relevant agreement of the assets transfer agreement (the “Agreement”) entered into by the Company and the Parent Company on 31 October 2014. The Agreement has been approved by the independent shareholders of the Company in the Extraordinary General Meeting on 18 December 2014. According to the Agreement, both parties confirmed that the total consideration amounted to RMB2,177,290,000, and the Company has paid the total consideration by cash to the Parent Company by 31 December 2015.

Pursuant to the Agreement, the parties agreed that the total consideration is determined based on the valuation performed by independent valuer and is subject to further adjustments (if any) according to the endorsement of the valuation results by the government authorities. Management does not expect to have an adjustment of more than 10% of the current valuation result. In the event that the adjustment is within the range of 10% of current valuation results, the corresponding party shall pay/reimburse the other party the difference between the consideration and the adjusted consideration (as the case may be). In the event that the adjustment is outside the range of 10% of the valuation result, the parties shall enter into a supplemental agreement in writing to make further arrangements.

#### (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 had been converted to the Civil Aviation Development Fund (the “Airport Fee”) which was imposed on passengers at the same rate of the previously charged civil airport management and construction 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 9 December 2015, with effect from 1 January 2016 to 31 December 2020, the Civil Aviation Development Fund is imposed on passengers at the same rate as previous years.

The charge rates of the Airport Fee (Note 2(t)) are regulated by relevant authorities and the Company recognises the revenues of the Airport Fee according to the authorised charge rates attributable to the Company on the Airport Fee collected by CAAC from outbound passengers.

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 by CAAC from outbound passengers. Based on historical transaction pattern, cash settlement made by CAAC and management’s best estimation, the Company recognised its revenues of the Airport Fee for the year ended 31 December 2016 at the rate of 48% of total amount collected by CAAC from outbound passengers, which was as same as that of previous years.

As at 31 December 2016, the Company had received from CAAC the Airport Fee for the year ended 31 December 2016 in full at the rate of 48% of total amount collected by CAAC from outbound passengers departing from Beijing Capital Airport.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### (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 to equity in other comprehensive income in the period in which they arise.

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 and mortality rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The discount rate is calculated based on long-term government bonds. The 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. Mortality rates for male and female are made reference to the China Life Incurrence Mortality Table (2010–2013) published by the China Insurance Regulatory commission.

Additional information is disclosed in Note 19.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

## 5 REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors 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 Board of Directors 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.

<b>Analysis of revenues by category</b>	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Aeronautical:		
Passenger charges	<b>1,889,358</b>	1,787,892
Aircraft movement fees and related charges	<b>1,745,517</b>	1,663,170
Airport Fee ( <i>Note 4(c)</i> )	<b>1,201,862</b>	1,142,037
	<b>4,836,737</b>	4,593,099
Non-aeronautical:		
Concessions ( <i>note a</i> )	<b>2,644,150</b>	2,648,285
Rentals	<b>1,082,725</b>	1,080,250
Car parking fees	<b>155,752</b>	177,084
Others	<b>9,726</b>	11,244
	<b>3,892,353</b>	3,916,863
Total revenues	<b>8,729,090</b>	8,509,962

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

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Retailing	<b>1,212,760</b>	1,094,160
Advertising	<b>1,038,615</b>	1,093,209
Restaurants and food shops	<b>197,105</b>	185,652
VIP service	<b>96,862</b>	57,155
Ground handling	<b>28,555</b>	117,207
Other	<b>70,253</b>	100,902
	<b>2,644,150</b>	2,648,285

As the Company is domiciled in the PRC from where all of its revenues from external customers for the years ended 31 December 2016 and 2015 are derived and in where all of its assets are located, no geographical segment information is shown.

For the year ended 31 December 2016, approximately 17% and 13% (2015: 18% and 12%) of the total revenues of the Company were derived from two (2015: two) single external customers.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

## 6 PROPERTY, PLANT AND EQUIPMENT

	2016					
	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
<b>Cost</b>						
At beginning of year	22,644,458	9,928,559	8,328,425	702,908	890,425	42,494,775
Additions	548	–	32,886	1,549	348,120	383,103
Transfers	520,497	53,042	89,095	34,181	(696,815)	–
Disposals and other decreases	(427)	–	(42,407)	(2,407)	–	(45,241)
At end of year	23,165,076	9,981,601	8,407,999	736,231	541,730	42,832,637
<b>Accumulated depreciation and impairment</b>						
At beginning of year	(5,616,712)	(2,570,632)	(6,147,608)	(400,642)	(8,936)	(14,744,530)
Charge for the year	(590,774)	(221,021)	(639,703)	(49,733)	–	(1,501,231)
Disposals and other decreases	116	–	40,009	2,286	–	42,411
At end of year	(6,207,370)	(2,791,653)	(6,747,302)	(448,089)	(8,936)	(16,203,350)
<b>Net book amount</b>						
At end of year	16,957,706	7,189,948	1,660,697	288,142	532,794	26,629,287

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

## 6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2015					
	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
<b>Cost</b>						
At beginning of year	21,294,697	9,852,760	8,022,507	685,748	741,598	40,597,310
Additions	1,278,915	136,167	336,731	349	257,695	2,009,857
Transfers	68,919	3,621	15,561	20,767	(108,868)	–
Disposals and other decreases	(48,378)	–	(51,316)	(3,956)	–	(103,650)
Adjustment according to finalisation of construction account by the surveyors	50,305	(63,989)	4,942	–	–	(8,742)
At end of year	22,644,458	9,928,559	8,328,425	702,908	890,425	42,494,775
<b>Accumulated depreciation and impairment</b>						
At beginning of year	(5,082,283)	(2,357,094)	(5,490,450)	(359,568)	(8,936)	(13,298,331)
Charge for the year	(574,438)	(220,282)	(702,691)	(44,052)	–	(1,541,463)
Disposals and other decreases	45,427	–	46,859	2,978	–	95,264
Reclassification	(5,418)	6,744	(1,326)	–	–	–
At end of year	(5,616,712)	(2,570,632)	(6,147,608)	(400,642)	(8,936)	(14,744,530)
<b>Net book amount</b>						
At end of year	17,027,746	7,357,927	2,180,817	302,266	881,489	27,750,245

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 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:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Cost	<b>1,459,008</b>	1,323,291
Accumulated depreciation	<b>(549,990)</b>	(451,718)
Net book amount	<b>909,018</b>	871,573

As at 31 December 2016, buildings with net book value of RMB126,651,000 (2015: RMB138,368,000) were situated on parcels of allocated land owned by the Parent Company. Parts of these parcels of land were occupied by the Company at nil consideration. As at 31 December 2016, buildings and terminal with a net book value of RMB8,209,663,000 (2015: RMB8,452,156,000) were situated on parcels of land which had been acquired from the Parent Company as part of the acquisition of the Phase III Assets (Note 7). As at 31 December 2016, buildings and terminal with a net book value of RMB974,770,000 were situated on parcels of land which had been acquired from the Parent Company as part of the acquisition of the T3D 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 2016, taxiways, aprons and structures with net book value of RMB493,265,000 (2015: RMB1,159,622,000) were situated on parcels of allocated land owned by the Parent Company and another party. These parcels of land are occupied by the Company at nil consideration.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

## 7 LAND USE RIGHTS

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Outside Hong Kong, held on: Leases of between 10 to 50 years		
<b>Cost</b>		
At beginning of year	1,340,565	816,488
Additions	–	524,077
At end of year	1,340,565	1,340,565
<b>Accumulated amortisation</b>		
At beginning of year	(176,744)	(148,543)
Amortisation	(28,429)	(28,201)
At end of year	(205,173)	(176,744)
<b>Net book amount</b>		
At end of year	<u>1,135,392</u>	<u>1,163,821</u>

As at 31 December 2016, the land use rights for parcels of land with net book value of RMB459,478,000 (2015: RMB470,483,000) were acquired from the Parent Company as part of the acquisition of the Phase III Assets. 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.

As at 31 December 2016, the land use rights for parcels of land with net book value of RMB482,680,000 (2015: RMB494,241,000) were acquired from the Parent Company as part of the acquisition of the T3D assets. 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.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 8 INTANGIBLE ASSETS

Intangible assets comprise 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:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
<b>Cost</b>		
At beginning of year	<b>272,197</b>	239,418
Additions	<b>37,077</b>	32,779
At end of year	<b>309,274</b>	272,197
<b>Accumulated amortisation</b>		
At beginning of year	<b>(224,368)</b>	(200,614)
Amortisation	<b>(20,170)</b>	(23,754)
At end of year	<b>(244,538)</b>	(224,368)
<b>Net book amount</b>		
At end of year	<b>64,736</b>	47,829



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

## 9 INVESTMENT IN A JOINT VENTURE

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
At beginning of year	<b>39,858</b>	55,647
Share of profit	<b>5,623</b>	8,017
Dividends declared	–	(19,716)
Other comprehensive loss	<b>(10,612)</b>	(4,090)
At end of year	<b>34,869</b>	39,858

The details of the joint venture, unlisted, are as follows:

	<b>Place of incorporation</b>	<b>Percentage of equity interest directly held</b>	
		<b>2016</b>	2015
Beijing Bowei Airport Support Limited ("Boweï")	Beijing, the PRC	<b>60%</b>	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 joint venture using the equity method.

There are no contingent liabilities relating to the Company's interest in the joint venture.

As at 31 December 2016, the total assets and total liabilities of Bowei, as well as its revenue and net profit for the year then ended are as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Total assets	<b>269,793</b>	279,523
Total liabilities	<b>240,227</b>	244,605
Revenue	<b>383,843</b>	373,904
Net profit	<b>9,372</b>	13,362
Total comprehensive (loss)/income	<b>(8,315)</b>	6,545

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

## 10 TRADE AND OTHER RECEIVABLES

	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Trade receivables		
– CAHC's subsidiaries (Note 31(a))	<b>37,302</b>	27,288
– a joint venture of the Company (Note 31(a))	<b>496</b>	438
– third parties	<b>1,247,790</b>	1,250,356
	<b>1,285,588</b>	1,278,082
Less: Provision for impairment	<b>(185,303)</b>	(112,410)
	<b>1,100,285</b>	1,165,672
Bill receivable		
– third parties	–	11,346
Dividends receivable		
– a joint venture of the Company (Note 31(a))	<b>10,715</b>	22,946
Prepayments and other receivables		
– CAHC and its subsidiaries (Note 31(a))	<b>54,081</b>	95,402
– third parties	<b>26,398</b>	23,110
	<b>80,479</b>	118,512
Total trade and other receivables	<b>1,191,479</b>	1,318,476
Less: non-current portion	<b>(52,895)</b>	(52,668)
Current portion	<b>1,138,584</b>	1,265,808

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

Currency	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
RMB	1,191,360	1,318,364
US dollar	119	112
	<b>1,191,479</b>	1,318,476

The ageing analysis of the trade receivables based on invoice date is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Less than 3 months	806,804	749,610
4–6 months	41,233	65,686
7–12 months	105,032	125,912
1–2 years	110,178	136,581
2–3 years	133,156	113,946
Over 3 years	89,185	86,347
	<b>1,285,588</b>	1,278,082

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

As at 31 December 2016, trade receivables of RMB319,733,000 (2015: RMB412,058,000) 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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Past due up to 3 months	64,626	68,521
Past due 4–6 months	26,702	80,181
Past due 7–12 months	40,795	77,239
Past due over 1 year	187,610	186,117
	<b>319,733</b>	412,058

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2016, trade receivables of RMB185,303,000 (2015: RMB112,410,000) had 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, specific provision of RMB185,303,000 (2015: RMB112,410,000) was made. The ageing of these receivables is as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Not past due	<b>5,054</b>	–
Past due up to 3 months	<b>8,492</b>	27
Past due 4–6 months	<b>8,681</b>	616
Past due 7–12 months	<b>26,760</b>	1,467
Past due over 1 year	<b>136,316</b>	110,300
	<b>185,303</b>	112,410

The movement on the provision for impairment of trade receivables is as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
At beginning of year	<b>112,410</b>	79,891
Provision for impairment of receivables	<b>72,893</b>	32,519
At end of year	<b>185,303</b>	112,410

Prepayments and other receivables do not contain impaired assets.

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

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

## 11 CASH AND CASH EQUIVALENTS

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Cash on hand	—	2
Deposits placed with a subsidiary of CAHC (Note 31(a) and note a)	<b>905,045</b>	224,678
Bank deposits	<b>3,625,324</b>	1,888,189
	<b>4,530,369</b>	2,112,869

(a) Deposits placed with a subsidiary of CAHC, which is a financial institution, bear interest at prevailing market rates.

## 12 SHARE CAPITAL

	<b>Number of ordinary shares</b> <i>(thousands)</i>	<b>H shares of RMB1.00 each</b> <i>RMB'000</i>	<b>Domestic shares of RMB1.00 each</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Registered, issued and fully paid				
As at 31 December 2016 and 2015	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.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 13 RESERVES

(a) Capital reserve

Capital reserve represents equity contributions from CAHC in cash to which CAHC is fully entitled. In accordance with relevant government authorities' instruction, this amount is to be accounted for as capital reserve of the Company for the benefit of the Parent 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) Other reserve

The other reserve represents actuarial gains and losses after tax from experience adjustments and changes in actuarial assumptions for the defined benefit plan.

(c) Statutory and discretionary reserves

In accordance with the relevant laws and regulations of the PRC and the Articles of Association of the Company, when distributing the net profit of each year, the Company shall set aside 10% of its profit after taxation (based on the Company's local statutory financial statements) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's registered capital), and, at the discretion of the Board of Directors and the approval by the Annual General Meeting, to the discretionary surplus reserve fund. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends. The appropriation to the statutory surplus reserve fund of RMB178,100,000 for the year ended 31 December 2016 (2015: RMB164,192,000) was recorded in the financial statements for the year ended 31 December 2016.

The proposed profit appropriation of RMB328,383,000 to the discretionary surplus reserve fund for the year ended 31 December 2015 has been approved by the Annual General Meeting on 29 June 2016, which was recorded in the financial statements for the year ended 31 December 2016.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

## 14 TRADE AND OTHER PAYABLES

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Trade payables		
Amounts due to related parties		
– CAHC ( <i>Note 31(a)</i> )	67,201	66,382
– CAHC's subsidiaries ( <i>Note 31(a)</i> )	471,199	323,366
– a joint venture of the Company ( <i>Note 31(a)</i> )	152,011	96,598
	<b>690,411</b>	486,346
Repairs and maintenance charges payable	333,055	279,588
Accounts payable for purchases	54,053	44,635
Sub-contracting charges payable	34,193	30,358
Greening and environmental maintenance charges payable	34,044	26,876
Other	178,689	134,022
	<b>1,324,445</b>	1,001,825
Advance and other payables		
Amounts due to related parties		
– CAHC ( <i>Note 31(a)</i> )	42,651	40,929
– CAHC's subsidiaries ( <i>Note 31(a)</i> )	103,295	81,623
– a joint venture of the Company ( <i>Note 31(a)</i> )	15,248	14,794
	<b>161,194</b>	137,346
Construction payable	442,074	238,311
Advance from customers	397,903	116,360
Deed taxes in respect of the acquisition of the Phase III Assets and the T3D Assets	357,335	357,335
Payroll and welfare payable	209,128	194,977
Deposits received	115,336	76,918
Receipts on behalf of concession operators	83,959	47,284
Other tax payable	18,088	24,687
Other	39,297	21,349
	<b>1,824,314</b>	1,214,567
	<b>3,148,759</b>	2,216,392

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

### 14 TRADE AND OTHER PAYABLES (CONTINUED)

The ageing analysis of the trade payables based on invoice date is as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Less than 3 months	<b>893,703</b>	644,653
4–6 months	<b>90,474</b>	83,216
7–12 months	<b>73,803</b>	27,477
Over 12 months	<b>266,465</b>	246,479
	<b>1,324,445</b>	1,001,825

### 15 BORROWINGS

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Short-term	–	2,000,000
Long-term		
– non-current portion ( <i>note a</i> )	<b>3,000,000</b>	1,885,000
– current portion	–	1,985,000
	<b>3,000,000</b>	5,870,000

The movement in borrowings is analysed as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Opening amount as at 1 January	<b>5,870,000</b>	4,485,000
Proceeds of new borrowings	<b>3,500,000</b>	4,150,000
Repayments of borrowings	<b>(6,370,000)</b>	(2,765,000)
Closing amount as at 31 December	<b>3,000,000</b>	5,870,000



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

## 15 BORROWINGS (CONTINUED)

As at 31 December 2016, the Company's borrowings are repayable as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Within 1 year	–	3,985,000
Between 1 and 2 years	–	10,000
Between 2 and 5 years	<b>3,000,000</b>	1,875,000
	<b>3,000,000</b>	5,870,000

- (a) The loan with the remaining amount of RMB3,000,000,000 is denominated in RMB and unsecured. The interest rate is referenced to published loan interest rate issued by People's Bank of China. According to the repayment schedule of the principal amount, the balance will be paid in May 2019.

The fair values of the long-term borrowings as at 31 December 2016 approximated to their carrying amount.

## 16 SHORT-TERM DEBENTURES

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Short-term debentures	<b>2,500,000</b>	–

In November 2016, as approved by National Association of Financial Market Institutional Investors, the Company issued RMB2,500,000,000 short-term debentures, and received a total proceeds of RMB2,500,000,000. These bonds carry a fixed coupon rate of 3.2% per annum and the interest charge and principal will be paid when the bonds become due.

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 17 BONDS PAYABLE

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Principal amount	<b>3,000,000</b>	3,000,000
Bonds issuance cost	<b>(15,704)</b>	(15,704)
Proceeds received	<b>2,984,296</b>	2,984,296
Accumulated amortisation amounts of bonds issuance cost	<b>15,561</b>	12,982
Less: current portion	<b>2,999,857</b> <b>(2,999,857)</b>	2,997,278 –
Non-current portion	<b>–</b>	2,997,278

On 5 February 2010, the Company issued bond with a principal amount of RMB3,000,000,000 with maturity period of 7 years. The bonds are unsecured, guaranteed by the Parent Company and interest-bearing at 4.65% per annum. The interest is payable annually and the principal amount is repayable in February 2017. Thus the balance of RMB2,999,857,000 as at 31 December 2016 is classified as current liabilities.

### 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% (2015: 25%).

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

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
At beginning of year	<b>132,478</b>	102,050
Credited to income tax expenses	<b>23,049</b>	30,612
Credited/(charged) to other comprehensive income	<b>12,148</b>	(184)
At end of year	<b>167,675</b>	132,478

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

## 18 DEFERRED INCOME TAXES (CONTINUED)

The movement in deferred income tax assets and liabilities during the year is as follows:

<b>Deferred income tax assets</b>	<b>Retirement benefit obligations</b> <i>RMB'000</i>	<b>Accelerated accounting depreciation</b> <i>RMB'000</i>	<b>Provision</b> <i>RMB'000</i>	<b>Accruals and others</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 1 January 2015	49,972	29,745	23,374	7,503	110,594
Credited to income tax expense	914	2,074	6,963	19,692	29,643
Charged to other comprehensive income	(184)	-	-	-	(184)
As at 31 December 2015	<u>50,702</u>	<u>31,819</u>	<u>30,337</u>	<u>27,195</u>	<u>140,053</u>
As at 1 January 2016	<b>50,702</b>	<b>31,819</b>	<b>30,337</b>	<b>27,195</b>	<b>140,053</b>
Credited/(charged) to income tax expense	<b>867</b>	<b>(3,738)</b>	<b>18,223</b>	<b>7,399</b>	<b>22,751</b>
Credited to other comprehensive income	<b>12,148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,148</b>
As at 31 December 2016	<u><b>63,717</b></u>	<u><b>28,081</b></u>	<u><b>48,560</b></u>	<u><b>34,594</b></u>	<u><b>174,952</b></u>

<b>Deferred income tax liabilities</b>	<b>Accelerated tax depreciation</b> <i>RMB'000</i>	<b>Other temporary differences</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 1 January 2015	2,770	5,774	8,544
Credited to income tax expense	(726)	(243)	(969)
As at 31 December 2015	<u>2,044</u>	<u>5,531</u>	<u>7,575</u>
As at 1 January 2016	<b>2,044</b>	<b>5,531</b>	<b>7,575</b>
Credited to income tax expense	<b>(55)</b>	<b>(243)</b>	<b>(298)</b>
As at 31 December 2016	<u><b>1,989</b></u>	<u><b>5,288</b></u>	<u><b>7,277</b></u>

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 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:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Deferred income tax assets	<b>174,952</b>	140,053
Deferred income tax liabilities	<b>(7,277)</b>	(7,575)
	<b>167,675</b>	132,478

The amounts shown in the balance sheet include the following:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Deferred income tax assets to be recovered after more than 12 months	<b>144,530</b>	112,512
Deferred income tax liability to be settled after more than 12 months	<b>7,034</b>	7,332

### 19 RETIREMENT BENEFIT OBLIGATIONS

As at 31 December 2016, the retirement benefit obligations recognised in the balance sheet are as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Pension subsidies ( <i>note a</i> )	<b>98,436</b>	85,771
Post-retirement medical benefits ( <i>note b</i> )	<b>70,401</b>	35,828
	<b>168,837</b>	121,599
Less: Amounts due within one year included in current liabilities	<b>(7,702)</b>	(7,319)
	<b>161,135</b>	114,280

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

## 19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Pension subsidies ( <i>note a</i> )	<b>6,268</b>	6,499
Post-retirement medical benefits ( <i>note b</i> )	<b>3,109</b>	2,791
Total, charged to staff costs ( <i>Note 22</i> )	<b>9,377</b>	9,290
Pension subsidies ( <i>note a</i> )	<b>16,505</b>	(1,228)
Post-retirement medical benefits ( <i>note b</i> )	<b>32,087</b>	493
Total, charged to other comprehensive income	<b>48,592</b>	(735)

## (a) Pension subsidies

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

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Present value of the Annuity Plan	<b>100,665</b>	89,819
Present value of unfunded obligations	<b>100,159</b>	91,796
Present value of plan assets	<b>(102,388)</b>	(95,844)
Liability in the balance sheet	<b>98,436</b>	85,771

The movement in the liability recognised in the balance sheet is as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
At beginning of year	<b>85,771</b>	92,023
Total cost	<b>6,268</b>	6,499
Other comprehensive income – actuarial gain and loss	<b>16,505</b>	(1,228)
Contribution to fund the plan assets	<b>(4,821)</b>	(6,267)
Payment made in the year	<b>(5,287)</b>	(5,256)
At end of year	<b>98,436</b>	85,771

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

#### (a) Pension subsidies (Continued)

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

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Service cost	<b>3,243</b>	3,774
Net interest cost	<b>3,025</b>	2,725
	<b>6,268</b>	6,499

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

	<b>2016</b>	2015
Discount rate	<b>3.75%</b>	3.75%
Pension cost inflation rate for the participating employees under the Annuity Plan	<b>3.00%</b>	3.00%
Salary inflation rate for the participating employees under the Annuity Plan	<b>5.00%*</b>	5.00%
Employee withdrawal rate	<b>2.85%</b>	2.85%
Mortality rate	<b>note</b>	note

\* The salary inflation rate is 5.00% for 2016 and thereafter.

*note:* Mortality rates for male and female were made reference to the China Life Incurrence Mortality Table (2010–2013) published by the China Insurance Regulatory commission in 2016.

Plan assets are comprised as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Cash and cash equivalents	<b>19,942</b>	26,250
Corporate bonds	<b>10,426</b>	14,034
Others	<b>72,020</b>	55,560
Total	<b>102,388</b>	95,844

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

## 19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

## (b) Post-retirement medical benefits

The movement in the liability recognised in the balance sheets is as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
At beginning of year	<b>35,828</b>	32,920
Total cost	<b>3,109</b>	2,791
Other comprehensive income – actuarial gain and loss	<b>32,087</b>	493
Payment made in the year	<b>(623)</b>	(376)
At end of year	<b>70,401</b>	35,828

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

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Service cost	<b>1,773</b>	1,481
Net Interest cost	<b>1,336</b>	1,310
	<b>3,109</b>	2,791

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

	<b>2016</b>	2015
Discount rate	<b>3.75%</b>	3.75%
Inflation rate of average medical benefit	<b>7.00%</b>	7.00%
Employee withdrawal rate	<b>2.85%</b>	2.85%
Mortality rate	<b>note</b>	note

*note:* Mortality rates for male and female were made reference to the China Life Incurrence Mortality Table (2010–2013) published by the China Insurance Regulatory commission in 2016.

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

- (c) The sensitivity of the retirement benefit obligations to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Impact on change in obligation if increase in assumption	Impact on change in obligation if decrease in assumption
Discount rate	1%	Decrease by 25%	Increase by 34%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement benefit obligation to significant actuarial assumptions the same method (present value of the retirement benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis do not change compared to the previous period.

- (d) Through its retirement benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	The retirement benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities.

- (e) Expected contributions to the pension subsidies for the year ending 31 December 2017 are RMB5,000,000.
- (f) The weighted average duration of the retirement benefit obligations is 23 years.
- (g) Expected maturity analysis of undiscounted pension subsidies and post-retirement medical benefits:

At 31 December 2016	Less than a year RMB'000	Between 1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Pension subsidies	7,035	28,785	165,003	200,823
Post-retirement medical benefits	667	3,310	66,424	70,401
Total	7,702	32,095	231,427	271,224



## Notes to the financial statements (Continued)

For the year ended 31 December 2016

## 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 THE 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 borrowings which were previously obtained by the Parent Company with same terms from European Investment Bank and domestic financial institutions. The borrowings were not reassigned into the name of the Company.

	Loans previously obtained by the Parent Company from		Total
	European Investment Bank <i>(note a)</i> RMB'000	Domestic financial institutions RMB'000	
<b>As at 31 December 2016</b>			
Loans from the Parent Company	2,303,344	–	2,303,344
Less: current portion	(170,618)	–	(170,618)
	<b>2,132,726</b>	<b>–</b>	<b>2,132,726</b>
<b>As at 31 December 2015</b>			
Loans from the Parent Company	2,315,831	500,000	2,815,831
Less: current portion	(159,713)	(500,000)	(659,713)
	<b>2,156,118</b>	<b>–</b>	<b>2,156,118</b>

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 21 LOANS FROM THE PARENT COMPANY (CONTINUED)

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Opening amount as at 1 January	<b>2,815,831</b>	2,832,736
Repayments of borrowings	<b>(664,315)</b>	(155,417)
Currency translation differences	<b>151,828</b>	138,512
Closing amount as at 31 December	<b>2,303,344</b>	2,815,831

As at 31 December 2016, the Company's loans from the Parent Company are repayable as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Within 1 year	<b>170,618</b>	659,713
Between 1 and 2 years	<b>170,618</b>	159,713
Between 2 and 5 years	<b>511,854</b>	479,139
Over 5 years	<b>1,450,254</b>	1,517,266
	<b>2,303,344</b>	2,815,831

- (a) This loan is denominated in 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.

### 22 STAFF COSTS

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Salaries and welfare	<b>354,177</b>	361,896
Pension costs – defined contribution scheme under statutory pension plan ( <i>note a</i> )	<b>48,565</b>	46,410
Housing fund	<b>30,083</b>	27,830
Pension costs – defined contribution scheme under the Annuity Plan	<b>22,449</b>	23,977
Pension costs – defined benefit scheme under the Annuity Plan and others ( <i>Note 19</i> )	<b>9,377</b>	9,290
Housing subsidies	<b>2,910</b>	2,782
Other allowances and benefits	<b>76,086</b>	58,819
	<b>543,647</b>	531,004

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

## 22 STAFF COSTS (CONTINUED)

- (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% or 19% (2015: 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 and supervisors as set out in Note 32.
- (c) Five highest paid individuals

The five individuals whose emoluments are the highest in the Company for the year include one director, one supervisors and three senior executives (2015: one director, two supervisors and two senior executives). The emoluments of the director and supervisor are reflected in the analysis presented in Note 32. The emoluments payables to the remaining three (2015: two) individuals during the year are as follows:

	<b>For the year ended 31 December</b>	
	<b>2016</b> <i>RMB'000</i>	2015 <i>RMB'000</i>
Salary	<b>2,094</b>	1,066
Social security costs excluding pension costs	<b>92</b>	57
Housing allowance	<b>97</b>	62
Employer's contribution to retirement benefit schemes	<b>270</b>	193
	<b>2,553</b>	1,378

During the year ended 31 December 2016, 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 (2015: nil).

During the year ended 31 December 2016 and 2015, the emoluments of each of the above senior executive paid by the Company were below HK dollar1,000,000 (approximately equivalent to RMB894,510) individually.

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 23 EXPENSES BY NATURE

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

	<b>2016</b> <b>RMB'000</b>	2015 RMB'000
Depreciation on property, plant and equipment ( <i>Note 6</i> )		
– Owned assets	<b>1,467,556</b>	1,511,554
– Owned assets leased out under operating leases	<b>33,675</b>	29,909
Amortisation of land use rights ( <i>Note 7</i> )	<b>28,429</b>	28,201
Amortisation of intangible assets ( <i>Note 8</i> )	<b>20,170</b>	23,754
Operating lease rentals		
– Office building	<b>46,553</b>	49,101
– Land use rights	<b>42,383</b>	40,389
– Information technology center	<b>16,404</b>	16,811
– Other rentals	<b>5,996</b>	5,822
Loss on disposal of property, plant and equipment	<b>2,830</b>	7,426
Provision for impairment of trade receivables ( <i>Note 10</i> )	<b>72,893</b>	32,519
Auditor's remuneration	<b>3,516</b>	3,905
– Audit services	<b>3,500</b>	3,420
– Non-audit services	<b>16</b>	485

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

## 24 FINANCE INCOME/(COSTS)

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Finance income:		
Interest income on bank deposits	<b>29,146</b>	29,880
Finance costs:		
Interest for borrowings	<b>(213,065)</b>	(315,700)
Interest for bonds payable	<b>(142,461)</b>	(149,289)
Interest for loans from the Parent Company	<b>(28,356)</b>	(41,435)
Interest for short-term debentures	<b>(10,000)</b>	–
Exchange losses, net	<b>(153,641)</b>	(135,353)
Bank charges	<b>(4,658)</b>	(2,068)
	<b>(552,181)</b>	(643,845)
Net finance costs	<b>(523,035)</b>	(613,965)

## 25 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% (2015: 25%) on its taxable income as determined in accordance with the relevant PRC income tax laws and regulations.

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Current income tax	<b>618,759</b>	581,653
Deferred income tax	<b>(23,049)</b>	(30,612)
	<b>595,710</b>	551,041

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 25 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 PRC corporate income tax rate to profit before income tax can be reconciled as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Profit before income tax	<b>2,376,711</b>	2,192,956
Less: share of post-tax profit of a joint venture	<b>(5,623)</b>	(8,017)
	<b>2,371,088</b>	2,184,939
Tax calculated at a tax rate of 25% (2015: 25%)	<b>592,772</b>	546,235
Expenses not deductible for tax purpose	<b>2,938</b>	4,806
Tax charge	<b>595,710</b>	551,041

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

Before 1 May 2016, 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 issued by the Ministry of Finance of the People's Republic of China and the State Administration of Taxation, starting from 1 September 2012, aeronautical revenues and revenues of 400Hz power fees and air condition fees from domestic airliners and concession revenues (excluding concession revenue of restaurants and food shops) of the Company are subject to value added tax at the rate of 6%; rental revenues of tangible movable assets under operating lease are subject to value added tax at the rate of 3% based on the simplified method for tax calculation; the revenues of Airport Fee, aeronautical revenues and revenues of 400Hz power fees and air condition fees from international, Hong Kong, Macau and Taiwan airliners are exempt from paying any value added tax or business tax since 1 September 2012. Other revenues are subject to business tax at the rate of 5%.

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 25 TAXATION (CONTINUED)

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

Since 1 May 2016, pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying Value Added Tax in place of Business Tax' (Cai Shui [2016] No. 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, aeronautical revenues and revenues of 400Hz power fees and air condition fees from domestic airliners, concession revenues and other non-aeronautical revenues of the Company are subject to value added tax, and the applicable tax rate is 6%; rental revenues (excluding rental revenue of tangible movable assets under operating lease) and revenues of car parking fees of the Company are subject to value added tax, and the applicable tax rate is 11%; rental revenues (excluding rental revenue of tangible movable assets under operating lease) from immovable assets which are obtained before 30 April 2016 and revenues of car parking fees which are generated from the assets obtained before 30 April 2016 could be chosen to be subject to value added tax of 5% based on the simplified method for tax calculation; rental revenues of tangible movable assets under lease are subject to value added tax, and the applicable tax rate is 17%; rental revenues of tangible movable assets under operating lease, which the assets are obtained before 30 April 2016, could be chosen to be subject to value added tax of 3% based on the simplified method for tax calculation; the revenues of Airport Fee, aeronautical revenues and revenues of 400Hz power fees and air condition fees from international, Hong Kong, Macau and Taiwan airliners are exempt from paying any value added tax or business tax.

#### (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 or 12% of the rentals from the buildings and land.

### 26 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 2016 and 2015.

	2016	2015
Profit for the year (RMB'000)	<b>1,781,001</b>	1,641,915
Basic earnings per share (RMB per share)	<b>0.41</b>	0.38

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 27 DIVIDENDS

	<b>2016</b>	2015
Dividend proposed		
Final dividend (RMB'000)	<b>440,885</b>	408,403
Final dividend per share (RMB)	<b>0.1018</b>	0.0943
Interim dividend (RMB'000)	<b>271,547</b>	248,160
Interim dividend per share (RMB)	<b>0.0627</b>	0.0573

The final dividend for the year ended 31 December 2016 was proposed at the Board of Directors meeting held on 21 March 2017. 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 2017.

### 28 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 2016, 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.

### 29 COMMITMENTS

#### Capital commitments

Capital commitments primarily relate to the construction of and the equipment to be installed at the airport terminal and other airport facilities upgrading projects. The Company had the following outstanding capital commitments not provided for in the financial information as at 31 December 2016:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Property, plant and equipment	<b>292,029</b>	168,136
Intangible assets	<b>10,079</b>	33,151
	<b>302,108</b>	201,287



## Notes to the financial statements (Continued)

For the year ended 31 December 2016

## 29 COMMITMENTS (CONTINUED)

## Operating lease commitments – where the Company is the lessee

As at 31 December 2016, the future aggregate minimum lease payments under non-cancellable operating leases payable to the Parent Company were as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
No later than 1 year	<b>38,854</b>	54,755
Later than 1 year and no later than 5 years	<b>148,907</b>	148,942
Later than 5 years	<b>419,598</b>	456,598
	<b>607,359</b>	660,295

## Operating lease arrangements – where the Company is the lessor

As at 31 December 2016, the future minimum lease payment receivables under non-cancellable operating leases for areas around terminals and equipment were as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
No later than 1 year	<b>746,295</b>	722,862
Later than 1 year and no later than 5 years	<b>658,784</b>	378,711
	<b>1,405,079</b>	1,101,573

## Concession income arrangements

As at 31 December 2016, the future minimum concession income receivable under non-cancellable agreements in respect of the operating rights of retailing, advertising, restaurant and food shops and other businesses were as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
No later than 1 year	<b>1,352,072</b>	646,084
Later than 1 year and no later than 5 years	<b>586,374</b>	873,164
	<b>1,938,446</b>	1,519,248

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 30 NOTES TO STATEMENT OF CASH FLOWS

Reconciliation of profit for the year to cash generated from operations:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Profit for the year	<b>1,781,001</b>	1,641,915
Adjustments for:		
Taxation	<b>595,710</b>	551,041
Depreciation	<b>1,501,231</b>	1,541,463
Amortisation of land use rights	<b>28,429</b>	28,201
Amortisation of intangible assets	<b>20,170</b>	23,754
Provision for impairment of trade receivables	<b>72,893</b>	32,519
Losses on disposal of property, plant and equipment	<b>2,830</b>	7,426
Share of post-tax profits of a joint venture	<b>(5,623)</b>	(8,017)
Interest income	<b>(29,146)</b>	(29,880)
Finance costs	<b>398,540</b>	508,492
Foreign exchange losses, net	<b>153,641</b>	135,353
Retirement benefit obligations	<b>(1,354)</b>	(2,609)
Deferred income	<b>(1,602)</b>	(1,639)
Changes in working capital:		
Inventories	<b>2,176</b>	(7,424)
Trade and other receivables	<b>46,016</b>	118,383
Other current assets	<b>(26,909)</b>	–
Trade and other payables	<b>695,648</b>	173,055
Cash generated from operations	<b>5,233,651</b>	4,712,033

## Notes to the financial statements (Continued)

*For the year ended 31 December 2016*

### 31 RELATED PARTY TRANSACTIONS

The Company is controlled by CAHC. 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, jointly 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/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.

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 31 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties

As at 31 December 2016, balances with related parties comprised:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Trade and other receivables from CAHC and its subsidiaries ( <i>Note 10 and note i</i> )	<b>91,383</b>	122,690
Trade and other receivables from a joint venture of the Company ( <i>Note 10 and note i</i> )	<b>11,211</b>	23,384
Deposits placed with a subsidiary of CAHC ( <i>Note 11 and note ii</i> )	<b>905,045</b>	224,678
Trade and other payables to CAHC ( <i>Note 14 and note i</i> )	<b>109,852</b>	107,311
Trade and other payables to a joint venture of the Company ( <i>Note 14 and note i</i> )	<b>167,259</b>	111,392
Trade and other payables to CAHC's subsidiaries ( <i>Note 14 and note i</i> )	<b>574,494</b>	404,989
Interest payable to the Parent Company	<b>1,465</b>	7,903
Loans from the Parent Company ( <i>Note 21</i> )	<b>2,303,344</b>	2,815,831

(i) The amounts due from and to CAHC and its subsidiaries and the Company's joint venture 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.

(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.

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

## 31 RELATED PARTY TRANSACTIONS (CONTINUED)

## (b) Transactions with related parties

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Transactions with CAHC and its subsidiaries ( <i>note i</i> )		
Revenues:		
Concessions	<b>115,277</b>	74,528
Rentals	<b>236,894</b>	247,873
Finance income:		
Interest income	<b>7,407</b>	4,057
Expenses:		
Purchase of utilities and power	<b>619,914</b>	614,483
Purchase of concession management services	<b>576,541</b>	562,519
Purchase of aviation safety and security guard services	<b>537,080</b>	506,605
Purchase of certain sanitary services, baggage cart, car park operation management services, management services, greening and environmental maintenance services	<b>206,152</b>	199,534
Purchase of accessorial power and energy services	<b>137,893</b>	135,858
Rental expenses	<b>102,653</b>	105,831
Use of trademark license	<b>81,668</b>	73,561
Purchase of airport guidance services	<b>42,043</b>	1,693
Use of grounded traffic center	<b>14,450</b>	16,215
Purchase of maintenance services	<b>5,309</b>	2,810
Purchase of beverage services	<b>3,696</b>	3,815
Interest charges on loans from the Parent Company ( <i>Note 24</i> )	<b>28,356</b>	41,435

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 31 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2016 RMB'000	2015 RMB'000
Transactions with CAHC and its subsidiaries ( <i>note i</i> ) (Continued)		
Other:		
Purchase of construction services	71,718	70,043
Transactions with a joint venture of the Company		
Revenue from concessions	609	842
Purchase of terminal maintenance and operating services	348,139	352,541
Purchase of construction services	4,412	9,351

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

These transactions of revenues, expenses in nature and construction services are 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) Commitment with related parties

##### **Operating lease commitments – where the Company is the lessee**

As at 31 December 2016, the future aggregate minimum lease payments under non-cancellable operating leases payable to the Parent Company were as follows:

	2016 RMB'000	2015 RMB'000
No later than 1 year	38,854	54,755
Later than 1 year and no later than 5 years	148,907	148,942
Later than 5 years	419,598	456,598
Total	607,359	660,295

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

## 31 RELATED PARTY TRANSACTIONS (CONTINUED)

## (c) Commitment with related parties (Continued)

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

As at 31 December 2016, the future minimum lease payment receivables under non-cancellable operating leases for buildings and equipment from CAHC's subsidiaries were as follows:

	2016 RMB'000	2015 RMB'000
No later than 1 year	240,729	210,843
Later than 1 year and no later than 5 years	72,263	198,629
Total	<u>312,992</u>	<u>409,472</u>

**Concession income arrangements**

As at 31 December 2016, the future minimum concession income receivable under non-cancellable agreements in respect of the operating rights of retailing, advertising, restaurant and food shops and other businesses from CAHC's subsidiaries were as follows:

	2016 RMB'000	2015 RMB'000
No later than 1 year	<u>102,674</u>	–

**Purchase of service**

As at 31 December 2016, the future minimum expense payables under non-cancellable agreements to CAHC's subsidiaries were as follows:

	2016 RMB'000	2015 RMB'000
No later than 1 year	214,131	288,418
Later than 1 year and no later than 5 years	35,328	108,582
Total	<u>249,459</u>	<u>397,000</u>

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 31 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (c) Commitment with related parties (Continued)

##### **Guarantee of bonds**

As at 31 December 2016, bonds issued by the Company guaranteed by CAHC were as follows:

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Amount of bonds	<b>3,000,000</b>	3,000,000

#### (d) Key management compensation

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Salaries, allowances and other benefits	<b>6,723</b>	5,153

### 32 BENEFITS AND INTERESTS OF DIRECTORS

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

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

	<b>2016</b> <b>RMB'000</b>	2015 <i>RMB'000</i>
Fees	<b>800</b>	800
Salary	<b>2,629</b>	1,679
Social security costs excluding pension costs	<b>116</b>	116
Housing allowance	<b>118</b>	116
Employer's contribution to retirement benefit schemes	<b>329</b>	349
Total	<b>3,992</b>	3,060



## Notes to the financial statements (Continued)

For the year ended 31 December 2016

## 32 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

The emoluments of each director and supervisor of the Company for the year ended 31 December 2016 are set out below:

Name of director	Fees RMB'000	Salary RMB'000	Social security costs excluding pension costs RMB'000	Housing allowance RMB'000	Employer's contribution to retirement benefit schemes RMB'000	Total RMB'000
<i>Chairman</i>						
Liu Xuesong (note i and v)	-	-	-	-	-	-
<i>Executive directors</i>						
Han Zhiliang (note iii)	-	280	23	22	35	360
Gao Lijia	-	745	31	29	112	917
<i>Non-executive directors</i>						
Yao Yabo (note i)	-	-	-	-	-	-
Zhang Musheng (note i)	-	-	-	-	-	-
Ma Zheng (note i)	-	-	-	-	-	-
Cheng Chi Ming, Brian (note ii)	-	-	-	-	-	-
<i>Independent Non-executive directors</i>						
Liu Guibin	150	-	-	-	-	150
Jiang Ruiming	150	-	-	-	-	150
Japhet Sebastian Law	150	-	-	-	-	150
Wang Xiaolong	150	-	-	-	-	150
<b>Name of supervisor</b>						
Liu Yanbin (note i and iv)	-	-	-	-	-	-
Song Shengli (note i)	-	344	-	-	-	344
Dong Ansheng	100	-	-	-	-	100
Lau Siu Ki	100	-	-	-	-	100
Deng Xianshan	-	742	31	29	91	893
Chang Jun	-	518	31	38	91	678
	800	2,629	116	118	329	3,992

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 32 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

The emoluments of each director and supervisor of the Company for the year ended 31 December 2015 are set out below:

Name of director	Fees RMB'000	Salary RMB'000	Social security costs excluding pension costs RMB'000	Housing allowance RMB'000	Employer's contribution to retirement benefit schemes RMB'000	Total RMB'000
<b>Chairman</b>						
Liu Xuesong (note i and v))	-	-	-	-	-	-
<b>Executive directors</b>						
Shi Boli (note vi)	-	157	21	19	34	231
Gao Lijia	-	495	28	26	118	667
<b>Non-executive directors</b>						
Yao Yabo (note i)	-	-	-	-	-	-
Zhang Musheng (note i)	-	-	-	-	-	-
Ma Zheng (note i)	-	-	-	-	-	-
Cheng Chi Ming, Brian (note ii)	-	-	-	-	-	-
<b>Independent Non-executive directors</b>						
Liu Guibin	150	-	-	-	-	150
Jiang Ruiming	150	-	-	-	-	150
Japhet Sebastian Law	150	-	-	-	-	150
Wang Xiaolong	150	-	-	-	-	150
<b>Name of supervisor</b>						
Liu Yanbin (note i and iv)	-	-	-	-	-	-
Song Shengli	-	104	11	10	18	143
Dong Ansheng	100	-	-	-	-	100
Lau Siu Ki	100	-	-	-	-	100
Li Xiaomei (note vii)	-	-	-	-	-	-
Deng Xianshan	-	445	28	26	89	588
Chang Jun	-	478	28	35	90	631
	800	1,679	116	116	349	3,060

## Notes to the financial statements (Continued)

For the year ended 31 December 2016

### 32 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

Note:

- (i) Except for payment of additional performance salary determined by the result of performance review, the emoluments of these directors and supervisors which were not included in directors' and supervisors' emoluments, were paid by the Parent Company.
- (ii) The emoluments of these directors were paid by a shareholder of the Company.
- (iii) Mr. Han Zhilang was appointed as the chief executive on 22 March 2016 and as executive director on 25 August 2016.
- (iv) Mr. Liu Yanbin was resigned from supervisor on 16 June 2016.
- (v) Mr. Liu Xuesong temporarily performed all the duties of the general manager from 17 September 2015 to 22 March 2016.
- (vi) Mr. Shi Boli resigned from director and the chief executive on 17 September 2015.
- (vii) Ms. Li Xiaomei resigned from supervisor on 18 March 2015.

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

During the year ended 31 December 2016, 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 (2015: nil).

#### (b) Directors' and supervisors' retirement benefits

During the year ended 31 December 2016, no retirement benefits were paid or receivable by any director or supervisor in respect of their services as a director or supervisor of the Company (2015: nil).

#### (c) Directors' and supervisors' termination benefits

During the year ended 31 December 2016, no termination benefits were paid or receivable by any director or supervisor as compensation for their early termination of the appointment (2015: nil).

#### (d) Consideration provided to third parties for making available directors' and supervisors' services

During the year ended 31 December 2016, no payment was made to the former employer of directors or supervisors for making available the service as a director or supervisor of the Company (2015: nil).

#### (e) Information about loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors

During the year ended 31 December 2016, there was no loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors (2015: nil).

#### (f) Directors' and supervisors' material interests in transactions, arrangements or contracts

During the year ended 31 December 2016, no significant transaction, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time of the year (2015: nil).

## Company Information

### COMPANY INFORMATION

Registered name:	北京首都國際機場股份有限公司
English name:	Beijing Capital International Airport Company Limited
First registration date:	15 October 1999
Registered address:	Capital Airport, Beijing, the People's Republic of China
Principal address of business in Hong Kong:	21/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong
Legal representative:	Mr. Liu Xuesong
Joint company secretaries:	Mr. Luo Xiaopeng and Mr. Mok Chung Kwan, Stephen
Contact for the Company's Investor relations:	Secretariat to the Board
Major banks:	Bank of China Industrial and Commercial Bank of China
Auditor:	PricewaterhouseCoopers

### BOARD OF DIRECTORS

#### Executive Directors

Liu Xuesong (*Chairman*)  
Han Zhiliang (*General Manager*)  
Gao Lijia (*Vice General Manager*)

#### Non-executive Directors

Yao Yabo  
Zhang Musheng  
Ma Zheng  
Cheng Chi Ming, Brian

#### Independent Non-executive Directors

Japhet Sebastian Law  
Wang Xiaolong  
Jiang Ruiming  
Liu Guibin

### COMMITTEES

#### Audit Committee

Liu Guibin  
Japhet Sebastian Law  
Wang Xiaolong  
Jiang Ruiming

## Company Information (Continued)

### Remuneration and Evaluation Committee

Japhet Sebastian Law  
Wang Xiaolong  
Jiang Ruiming  
Liu Guibin  
Zhang Musheng  
Gao Lijia

### Nomination Committee

Jiang Ruiming  
Japhet Sebastian Law  
Wang Xiaolong  
Liu Guibin  
Liu Xuesong

### Strategy Committee

Liu Xuesong  
Gao Lijia  
Cheng Chi Ming, Brian  
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 Beijing Capital International Airport Company Limited Beijing, China
Zip Code:	100621
Registrar and Transfer Office:	Hong Kong Registrars Limited 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong

## FINANCE CALENDAR OF 2016

Announcement of interim results:	25 August 2016
Announcement of final results:	21 March 2017

## SHARE INFORMATION

Name of H shares:	Beijing Airport
Stock code:	00694

## Price and Turnover History

Year 2016	Price per share		Turnover of share (in millions)
	High (HK\$)	Low (HK\$)	
January	8.30	6.76	120.4
February	7.20	6.33	76.9
March	8.41	6.83	85.4
April	8.95	8.09	92.8
May	8.57	7.64	67.1
June	8.58	7.75	57.6
July	9.03	7.90	80.4
August	9.79	8.42	122.1
September	9.30	8.32	80.2
October	8.95	8.06	83.0
November	8.27	7.51	93.4
December	7.85	7.24	59.3



## **BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED**

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