Beijing Capital International Airport Company Limited

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

2017 Annual Report

CONTENTS

FINANCIAL SUMMARY

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

	2017	2016	2015	2014	2013
Operating Results					
Revenues	**9,574,516**	8,729,090	8,509,962	7,655,957	7,224,818
EBITDA	**5,118,797**	4,320,423	4,292,798	3,860,232	3,925,572
Profit before tax	**3,470,294**	2,376,711	2,192,956	1,859,039	1,775,380
Tax	**(869,833)**	(595,710)	(551,041)	(467,808)	(446,356)
Profit after tax	**2,600,461**	1,781,001	1,641,915	1,391,231	1,329,024
Attributable to:					
Equity holders of the Company	**2,600,461**	1,781,001	1,641,915	1,391,231	1,329,024
Non-controlling interests	**–**	–	–	–	–
Earnings per share					
– basic and diluted *(RMB)*	**0.60**	0.41	0.38	0.32	0.31
Return on Equity	**12.13%**	9.19%	9.00%	8.09%	8.20%
Financial Position					
Assets					
Non-current assets	**27,478,651**	28,084,854	29,186,899	28,217,096	29,361,009
Current assets	**3,158,607**	5,819,336	3,504,327	3,694,171	3,335,558
Total	**30,637,258**	33,904,190	32,691,226	31,911,267	32,696,567
Equity and liabilities	**21,429,815**	19,378,317	18,268,990	17,202,369	16,211,781
Shareholders' equity	**–**	–	–	–	–
Non-controlling interests	**4,994,277**	5,319,857	7,169,964	8,029,063	10,814,098
Non-current liabilities					
Current liabilities	**4,213,166**	9,206,016	7,252,272	6,679,835	5,670,688
Total	**30,637,258**	33,904,190	32,691,226	31,911,267	32,696,567

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.

At present, the Company is primarily engaged in operating and managing aeronautical and non-aeronautical businesses at 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 2017, there were 104 airliners operating fixed commercial flights at Beijing Capital Airport, including 28 domestic airliners, 7 airliners from Hong Kong, Macau and Taiwan, and 69 airliners from foreign countries.

As at the end of 2017, there were 292 flight points linking with Beijing Capital Airport, including 161 domestic flight points (including Hong Kong, Macau and Taiwan) and 131 international flight points.

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

The Company will stand from the present, actively promote the structural optimisation and hub construction of Beijing Capital Airport, and consolidate its own advantages and cooperate with partners to jointly promote a high-quality development of the Company and build a large word-class international hub together.

Liu Xuesong
Chairman

TO SHAREHOLDERS:

In 2017, against the backdrop of ongoing international economic recovery and China's moderate economic growth, the national civil aviation industry, driven by robust travelling demand, maintained its sound development trend. Beijing Capital Airport continued to promote aeronautical business structural optimisation. Meanwhile, the Company achieved satisfactory results in respect of security, operation and services through its efforts to improve resource value and operational management efficiency and optimise operation and services quality, thereby recording substantial increase in profitability. I am delighted to report to our shareholders the 2017 operating and financial results of the Company, as well as our prospects for the year 2018.

OVERALL MODERATE PERFORMANCE OF AIR TRAFFIC VOLUMES STEADY DEVELOPMENT TREND OF INTERNATIONAL BUSINESS

In 2017, Beijing Capital Airport's air traffic volumes were affected by the replenishment of operational resources and security support for important meetings. Aircraft movements decreased and the passenger throughput growth slowed down. Annual aircraft movements reached 597,259 sorties, representing a decrease of 1.5% over the previous year; the passenger throughput reached 95,786,442 person-times, representing an increase of 1.5% over the previous year, consolidating its second place globally; the annual cargo and mail throughput was 2,029,584 tonnes, representing an increase of 4.5% over the previous year. Thanks to the continuous advancement of the structural optimization of the Company's aeronautical business, Beijing Capital Airport's international air traffic flow maintains its steady growth, becoming an important driver behind the Company's growth in 2017.

STABLE EFFECT ON HUB CONSTRUCTION OBVIOUS GROWTH ON COMMERCIAL BUSINESS

In 2017, the Company inspired airlines to adjust their business structure by means of enhancing the efforts in the development of routes, as well as publishing and implementing a new incentive scheme with regard to new regular international flights. At the same time, 10 international destinations such as Los Angeles and Brisbane were added and movements were increased, so as to further improve the route network. The proportion of international flights recorded a year-on-year increase of 1.3%. The Company continued to deepen its strategic coordination and cooperation with government, airline and other core business partners by implementing the 144-hour transit visa-free policy for Beijing-Tianjin-Hebei, and actively creating transit visa-free tourism products featuring Beijing Capital Airport, with an aim to enhance passenger attraction.

In 2017, the Company adjusted its business management model by optimising its business resource planning, and intensifying commercial marketing. On the one hand, it continued to maintain a steady growth of the concession revenues from retailing, and restaurants and food shops with good development momentum. On the other hand, other non-aeronautical businesses which were involved in difficulties due to economic situation in 2016 showed signs of recovery to different extent in 2017.

STRUCTURAL OPTIMIZATION CONTRIBUTING TO GROWTH OPERATING PERFORMANCE REACHING NEW HEIGHTS

In 2017, benefiting from the steady growth of international air traffic volumes brought about by further structural adjustments, as well as the favorable adjustment of civil aviation charges policy, the Company recorded its aeronautical revenues of RMB5,100,686,000 in total, representing an increase of 5.5% over the previous year; while achieved its non-aeronautical revenues of RMB4,473,830,000, representing an increase of 14.9% over the previous year. During the year, the Company achieved operating revenues of RMB9,574,516,000, representing an increase of 9.7% over the previous year.

At the same time, the Company further controlled and refined cost management through the efficient use of energy and resources in the event of increased air traffic volumes, higher operating costs, and greater management expense. By continuously optimising the debt structure and repaying matured debts, it effectively reduced overall capital costs and financial expenses and continued to improve capital structure. The Company achieved operating costs of RMB6,025,738,000 for 2017, representing an increase of 4.1% over the previous year. The Company's finance expenses decreased by 83.6% from the previous year and the Company's total gearing ratio decreased to 30.1%.

In 2017, the net profit after tax of the Company was RMB2,600,461,000, representing an increase of 46.0% over the previous year. Throughout the year, in the context of increasingly saturated operating resources and limited release of production capacity, the Company continued to optimise its business structure and improve its management quality, thus maintaining relatively stable and sustainable profitability.

SOLID FOUNDATION OF SECURITY AND SERVICE SPARING NO EFFORT ON FLIGHT ON TIME PERFORMANCE

In 2017, the Company vigorously promoted the corrective action of hidden dangers, deepened the implementation of safety and security responsibilities, and improved the safety support capabilities to ensure that the airport's safety and security situation remained stable and good throughout the year. At the same time, by carrying out special actions to "ensure safety and improve services", while ensuring operational safety, efforts were made to optimise operational management. We actively coordinated with relevant parties, and jointly improved operational efficiency, leading to remarkable improvement in flight on-time ratio of Beijing Capital Airport since September 2017.

FURTHERING GLOBAL COOPERATION DEVELOPING WITH INNOVATION MOTIVATION

In 2017, the Company successfully hosted the sixth Beijing Global Sister-Airports CEO Forum and conducted joint marketing with sister airports. Besides, it actively responded to the "Belt and Road" initiative and successively established cooperation relationship with the airports of some countries along the route. The total number of sister airports reached 36. In terms of smart airport construction, the Company has fully launched smart building plans and practices for various business areas such as airport security, operations, services, and management, and strives to gradually support Beijing Capital Airport's business intelligence construction process through advanced technologies such as big data, cloud computing and artificial intelligence.

FUTURE PROSPECTS

The year of 2017 saw a faster global economic growth in the most extensive area in the past decade, which marked that the global economy has shown an overall steady recovery. The global market expects that the overall world economic trend will remain optimistic in 2018. At the same time, the Chinese economy, the main driving force for global economic growth, has also continued to maintain steady development. The 19th National Congress of the Communist Party of China has designed a new journey for China's modernisation construction, and clearly put forward to build a modern economic system and a strong transportation country. A strong country of civil aviation is an important component of and powerful support for a country with strong transportation, while an international aviation hub with a reasonable layout function is one of the most important features for a strong civil aviation power. Therefore, against the backdrop that the global economy is expected to step into a new round of prosperity, Chinese economy continues to maintain a steady growth, and China's national strategy of building a strong civil aviation country is currently being implemented in depth, Beijing Capital Airport and the Company will also usher in a new development stage.

"Building a large world-class international hub" is a further upgrade of the Company's existing hub strategy of "building a large international hub" during the new development period. This strategic goal is an interpretation of the future function and scale of Beijing Capital Airport, moreover, a requirement for the operational management quality of the Company. Over the years, along with the rapid development of the civil aviation industry in China, Beijing Capital Airport has already ranked among the world's super large airports in terms of air traffic volumes, and its functions as an international hub has also been improving. However, many problems such as unreasonable business structure and insufficient operating resources have always been the bottlenecks that restrict the further rapid development of Beijing Capital Airport. In recent years, the Company has gradually shifted from focusing on the rapid growth in air traffic volumes to paying close attention to improve quality and efficiency. To this end, the Company has strived to achieve stable and healthy growth by continuously optimising its business structure, replenishing its operating resources and improving its operational efficiency.

In 2018, in respect of the aeronautical business development, the Company will continue to actively mitigate its non-international hub functions through optimising its key aviation resources, enriching important infrastructure and solidifying the relationships with its core partners, so as to continuously improve the flight slots and route products of Beijing Capital Airport. Upholding the principle of "inclined towards international business in policy making and resource allocation", the Company will constantly increase the proportion of international business.

Preliminary statistics show that for the first two months of 2018, Beijing Capital Airport's aircraft movement has decreased by 0.3% as compared with the previous year, of which domestic routes (including Hong Kong, Macau and Taiwan) decreased by 1.3% and international routes increased by 4.0% as compared with the previous year; passenger throughput increased by 0.6% over the previous year, of which domestic routes (including Hong Kong, Macau and Taiwan) increased by 0.2% and international routes increased by 2.0% over the previous year. It can be predicted that the air traffic volumes of Beijing Capital Airport will continue its relatively gentle development trend in the near future. With the continuous optimisation of the route structure and the increasing proportion of international routes, the growth of air traffic volumes on international routes will continue to keep a good trend.

In 2018, the duty free business of Beijing Capital Airport will enter a new round of business cycle. Benefited from the re-investment of the operation rights of duty free business in the terminals of Beijing Capital Airport in 2017 and the signing of new duty free business operation contracts, the Company's retail business revenue during the new contract period will be significantly higher than before. Meanwhile, the Company will further increase its efforts in integrating marketing, actively expand business resources, take the opportunity of new duty free business operation contracts, and promote the development of retail business, and fully promote the balanced development of other commercial businesses in Beijing Capital Airport.

In 2018, the Company will strive to improve its management and governance, actively move towards the world’s top airports, promote the construction of a safe, green, smart, and humanistic airport, and comprehensively improve both internal and external quality of Beijing Capital Airport. The Company will take continuous safety as priorities to build a safe airport that integrates flight safety, operation safety, ground safety, aviation security, and network system security by enhancing safety margins. The Company will adhere to the concept of sustainable development, improve the green airport management system, reduce the energy consumption per unit area through reducing carbon emission, establish benchmarks for industry energy and environmental management, and build a resource-saving, environmentally friendly green airport. The Company will continue to increase its innovation to promote the preliminary design of big data platform, cloud platform and internet of things platform, improve the intelligent level of security operation, service support and business collaboration, and create a forward-looking, integrated and convenient smart airport. The Company will deeply live up to the “Sincere Service” and strengthen the humanistic care and social responsibility. Through safe and smooth service process, convenient and efficient service collaboration, and intimate service products, we aim to provide passengers with high quality and efficient services so as to build a humanistic airport.

In recent years, with the promotion of the Beijing-Tianjin-Hebei coordinated development strategy and the implementation of the Parent Company’s strategy to build the Beijing-Tianjin-Hebei world-class airport group, Tianjin Airport and Shijiazhuang Airport have played increasingly important roles in helping Beijing Capital Airport ease the non-international hub functions. In the future, with the completion and operation of the Beijing New Airport in the second half of 2019, the airport network in the north of China with the Beijing-Tianjin-Hebei Airports Group as the radiation center will be gradually completed and the aviation market in Beijing area will also present the situation of “one city, two airports”. There is increasing concern about the subsequent operation of the Beijing New Airport from the market. In view of the continuing strong demand in Beijing aviation market, and according to the Parent Company’s “dual hub” strategy and overall planning, once the Beijing New Airport is completed and put into operation, the two airports in the Beijing area will be differentially positioned to achieve complementary advantages and build aviation hubs in Beijing with cluster advantages. In view of this, the Company will stand from the present, actively promote the structural optimisation and hub construction of Beijing Capital Airport, and consolidate its own advantages and cooperate with partners to jointly promote a high-quality development of the Company and build a large world-class international hub together.

Looking back to 2017, despite relatively tight operating resources, Beijing Capital Airport still maintained steady development and continued to make satisfactory achievements. I would like to express my sincere gratitude to all shareholders for their trust and support, as well as to all government departments, airlines and partners residing at Beijing Capital Airport that have given great support to us. I would also like to thank all employees of the Company for their diligent contribution throughout last year.

Liu Xuesong
Chairman

Beijing, the PRC, 28 March 2018

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 2017.

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 take safe development as a prerequisite, focus on improving development quality and adjusting business structure, and enhance the operational and service quality, to promote the construction of Beijing Capital Airport into a large world-class international hub which is "safe, green, smart and humanistic".

OPERATING RESULTS AND FINANCIAL POSITION

The Company's operating results for the year ended 31 December 2017 and the financial position of the Company as at 31 December 2017 prepared basing on International Financial Reporting Standards ("IFRS") are set out on pages 79 to 152 of this annual report.

FINANCIAL SUMMARY

A summary of the results and the financial position of the Company for the past five financial years is set out on page 3 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Company for the year ended 31 December 2017 is provided in the "Management Discussion and Analysis" on pages 47 to 54 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 52 to 53 of this annual report.

The likely future business development of the Company is discussed in the paragraph headed "Future Prospects" on pages 9 to 11 of this annual report.

Environmental Protection

The Company strictly complies with relevant national and local laws and regulations on environmental protection, conscientiously fulfills environmental protection obligations, proactively responds to national energy-saving and emission reduction initiative, and adopts certain measures including prioritising use of clean energy, improving energy management system and protecting ecological diversity, so as to effectively manage the carbon quota at Beijing Capital Airport, create a "Green Gateway Airport", and endeavor to promote the construction of green airport featured by "energy-saving, environmentally friendly, hi-tech and user-friendly".

Compliance with Laws and Regulations

The Company stringently adheres to relevant national and local laws and regulations which have a significant impact on the Company and establishes sound 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.

Relationship with Employees, Suppliers and Customers

The Company and employees: The Company bravely takes responsibility for "the Gateway of the Country", together with partners, to serve peripheral regions and promote the Beijing – Tianjin – Hebei coordinated development, takes active steps in response to the "Belt and Road" initiative, strengthens technological innovation, and expands international competitiveness and influence. The Company integrates "Sincere Service" into every detail of the daily work of Beijing Capital Airport, optimises service procedures, adopts advanced facilities and equipment, and continuously improves staff quality. 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 an open and diversified communication platform and strive to achieve the joint development of enterprises and employees.

The Company and suppliers: The Company regards its suppliers as an essential link of Beijing Capital Airport's value chain and requests them to comply with mutually agreed principles. This will lead to long-term and close cooperation, and also improve our suppliers' capability for sustainable development. Together with its suppliers, the Company aims to contribute to the sustainable development of the environment and society. In line with state laws and regulations, as well as the actual conditions of Beijing Capital Airport, the Company amended the *Procurement Management Regulation* to standardize specific procurement procedures and steps. The Company has established a supplier management method with a focus on "strict access, quantitative assessment, and dynamic management".

The Company and customers: The major customers of the Company are airlines. During the year ended 31 December 2017, the Company formed a strategic cooperation team with Air China Limited, through which the Company aims to build up synergy by optimizing infrastructure and providing consistent services. At the same time, the Company has constantly enhanced its communication with main airlines such as China Southern Airlines, China Eastern Airlines and Hainan Airlines to create more favorable coordination conditions for the all-around implementation of its hub strategy. By optimizing passenger transport procedures at the terminal and improving ground service quality, the Company has formed service products that are mutually beneficial to airlines and Beijing Capital Airport.

PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Company as at 31 December 2017 and their movements for the fiscal year ended 31 December 2017 are set out in Note 6 to the Financial Statements.

RESERVES

Changes in reserves of the Company for the fiscal year ended 31 December 2017 are set out in Note 14 to Financial Statements.

ISSUED SHARE CAPITAL

No share capital was issued by the Company during the year ended 31 December 2017.

The disclosure of equity interests of the Company as at 31 December 2017 is set out on pages 32 to 34 of this annual report.

TAXATION

The details of taxation of the Company for the year ended 31 December 2017 are set out in Note 26 to the Financial Statements.

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company during the year ended 31 December 2017.

ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2017, 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 2017 are set out on page 52 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer, Air China Limited, and the five largest customers of the Company represented 17.5% and 47.2% respectively, of the total revenues of the Company for the year ended 31 December 2017.

The largest supplier, Capital Airports Power and Energy Co., Ltd. and the five largest suppliers of the Company represented 12.6% and 39.1% respectively, of the total operating expenses of the Company for the year ended 31 December 2017.

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 2017. 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 ("Bowei"), as at 31 December 2017. Details are set out in Note 9 to the Financial Statements.

During the year ended 31 December 2017, the Company entered into a share transfer agreement with the Parent Company to transfer 60% of the entire registered capital of Bowei from the Company to the Parent Company. As at 31 December 2017, the transaction was approved by the relevant authorities, but was not yet completed. The Company expected that the disposal will be completed in 2018.

ACQUISITION AND DISPOSAL

During the year ended 31 December 2017, the Company did not conduct any material acquisition or disposal.

MATERIAL ACQUISITION AND MATERIAL SUBSEQUENT EVENT

During the year ended 31 December 2017, the Company had no material acquisition.

During the period from 1 January 2018 to 28 March 2018, the Company had no material subsequent event.

TRADE AND OTHER RECEIVABLES

As at 31 December 2017, the Company's trade and other receivables (including non-current portion) were RMB1,368,925,000, representing an increase of 14.9% 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(n) to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, 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 2017 are set out as follows:

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'000*
1	The Company and Beijing Capital Airport Commercial & Trading Co., Ltd. ("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 dated 5 January 2015.	The Parent Company is holding 100% equity interest of BACT.	124,418	220,000

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'000*
2	The Company and Beijing Capital Airport Food Management Co., Ltd. ("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 dated 5 January 2015.	The Parent Company is holding 100% equity interest of BAFM.	48,950	57,000
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 Beijing Capital Airport for the provision of the businesses related to VIP travellers' services in Beijing Capital 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 Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcements dated 29 January 2016 and 1 September 2016.	The Parent Company is holding 100% equity interest of CAVIP.	98,778	110,000

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'000*
4	The Company and Capital Jet 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 Beijing Capital 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 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 dated 29 January 2016.	The Parent Company is holding 60.00% equity interest of CACL.	19,191	24,000
5	The Company and Capital Airports Power and Energy Co., Ltd. ("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 dated 31 October 2014 and circular dated 23 November 2014.	The Parent Company is holding 100% equity interest of CAPE.	604,197	758,088

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'000*
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 dated 31 December 2014.	The Parent Company is holding 100% equity interest of CAPE.	158,049	197,000

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'000*
7	The Company and Capital Airports Aviation Security Co., Ltd. ("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 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 dated 31 October 2014 and circular dated 23 November 2014.	The Parent Company is holding 100% equity interest of CAAS, either directly or indirectly.	605,746	722,177

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'000*
8	The Company and 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 dated 5 January 2015.	The Parent Company is holding 100% equity interest of BACT.	335,480	340,000

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'000*
9	The Company and Beijing Capital Airport Advertising Co., Ltd. ("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 Capital 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 dated 5 January 2015.	The Parent Company is holding 100% equity interest of BAA.	245,281	280,000

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'000*
10	The Company and 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 & 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 dated 5 January 2015.	The Parent Company is holding 100% equity interest of BAFM.	80,991	97,000
11	The Company and Beijing Capital Property Management Co., Ltd.("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 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 dated 31 December 2014.	The Parent Company is holding 100% equity interest of BCPM.	239,173	320,000

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'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, car parks, airport lounge area and office area for operation in the airfield, 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 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 dated 22 December 2015.	The Parent Company is holding 100% of the issued share capital of BAPMC.	48,986	56,650
13	The Company and CAVIP entered into the Purchase of Services for Traveller Agreement and the Supplemental Purchase of Services for Traveller Agreement on 29 January 2016 and 28 September 2017, respectively, 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 Beijing Capital 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 Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcements dated 29 January 2016 and 28 September 2017.	The Parent Company is holding 100% equity interest of CAVIP.	40,617	42,900

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'000*
14	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 dated 26 October 2006 and 31 January 2008.	The Parent Company is holding 56.61% of the issued share capital of the Company.	28,000	28,000 *Note 1*
15	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 dated 22 December 2015.	The Parent Company is holding 56.61% of the issued share capital of the Company.	15,658	33,000

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'000*
16	The Company and the Parent Company entered into the Lease Agreement on 16 November 1999, for the lease of the land use rights to the runways, aprons and parking lands from the Parent Company. The term of the lease of the land use rights to the runways and aprons is 50 years, while the term of the lease of the land use rights to the parking lands is 40 years. For details of the relevant transactions, please refer to the Company's prospectus.	The Parent Company is holding 56.61% of the issued share capital of the Company.	8,999	9,019 *Note 2*
17	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 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 dated 30 November 2016.	The Parent Company is holding 56.61% of the issued share capital of the Company.	83,601	88,000

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2017 *RMB'000*	Annual Cap *RMB'000*
18	The Company and Beijing Capital Airport Group Finance Co., Ltd. ("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 entered into on 13 December 2013 (the Financial Services Agreement was automatically terminated on the effective date of the Supplementary 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 dated 6 May 2015 and circular dated 28 May 2015.	The Parent Company is holding 100% equity interest of BAGF, either directly or indirectly.	Maximum daily balance of the deposit: 915,669; Service fee payable for other financial services: 0	For deposit services (maximum daily balance of the deposit): 1,000,000; For other financial services: 10,000 *Note 3*

Notes:

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 2017 may increase by no more than 61.05% over the year 1999, to RMB9,018,856.

3 Pricing policies for the Financial Services Agreement and the Supplementary Agreement are as follows:

(1) The interest rate payable for the Company's deposits with the Finance Company shall not be lower than the interest rate payable by the PBOC for comparable deposits;

(2) The interest rate to be charged for the loans to be provided by the Finance Company to the Company shall not be higher than the rate charged by normal commercial banks in the PRC for comparable loans;

(3) The service fee to be charged for the settlement services, draft acceptance and discount services, financial and financing advisory services to be provided by the Finance Company shall not be higher than the service fees charged by normal commercial banks in the PRC for comparable services.

The management of the Company confirmed that the aforesaid transactions: (1) were entered into in the ordinary course of business of the Company, and carried out under effective regulatory and internal control system; (2) were on the normal commercial terms or more favourable terms; (3) were on terms that are fair and reasonable; and (4) in which the total annual interest from deposit services was RMB10,794,230 as at 31 December 2017.

The Company has followed the pricing policies and guidelines, as stated in the relevant announcements and/or circulars of the Company, when determining the price and terms of the aforesaid continuing connected transactions conducted during the year ended 31 December 2017.

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

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

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

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

The Company's auditor was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Company as above in accordance with Rule 14A.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 reporting requirements, for the year ended 31 December 2017 are set out as follows:

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions *(RMB'000)*
1	The Company and China Airport Construction Corporation ("Airport Construction Corporation") entered into the Beijing Airport Operation Guarantee Supporting Facilities Reconstruction Project Design Agreement on 10 April 2017, pursuant to which Airport Construction Corporation agreed to provide services in relation to the design for the reconstruction projects to reconstruct operation guarantee supporting facilities, which include facilities such as road pavement, power supply system, air-conditioning and ventilation system, and electrical systems such as the broadcasting and monitoring system. The term of the Beijing Airport Operation Guarantee Supporting Facilities Reconstruction Project Design Agreement shall commence from the signing date of the letter of appointment after the agreement takes effect, and continue until the completion of the reconstruction projects contemplated under the agreement and the reconstruction projects have passed the inspection by the Company. The execution of this agreement aims to further improve its service guarantee capability, satisfy the national energy saving and emission reduction requirements and ensure the steady and safe operation of Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcement dated 10 April 2017.	The Parent Company is holding 100% equity interest of Airport Construction Corporation.	17,582

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions (RMB'000)
2	The Company and the Parent Company entered into the Share Transfer Agreement on 23 June 2017, pursuant to which the Company conditionally agreed to dispose of and the Parent Company conditionally agreed to purchase the Sale Capital which represents 60% of the entire registered capital of the Target Company. The Share Transfer Agreement will become effective after it is duly signed by the parties or their respective authorized representatives and after obtaining the approval by the relevant authorities in accordance with applicable laws and regulations. The date on which the new business licence to be issued will be treated as the Completion Date. The execution of this agreement aims to initiate a development strategy of the Company, rationalise the shareholding relationship and management relationship, enhance management efficiency and to streamline management chain of the Company. For details of the relevant transaction, please refer to the Company's announcement dated 23 June 2017.	The Parent Company is holding 56.61% equity interest of the Company.	74,900
3	On 27 June 2017, the Company and Airport Construction Corporation entered into the Beijing Airport Eastern and Western Aprons Enhancement Project (Phase Two) Design Agreement in relation to the design for the enhancement project, which includes the construction in Beijing Capital Airport airfield of eight class C parking stands south of S6 taxiway, five parking stands north of T6 taxiway, 11 parking stands south of S4 taxiway and west of D4 taxiway, and supporting facilities such as lightening, power, firefighting and security facilities. The term of the Beijing Airport Eastern and Western Aprons Enhancement Project (Phase Two) Design Agreement shall commence from the date when the agreement is signed and affixed with the respective company chops of the parties thereto, and continue until the completion of the project contemplated thereunder. The execution of this agreement aims to promote efficiency and enhance capability of Beijing Capital Airport with its existing airfield resources for construction of parking stands so as to alleviate shortage of parking stands. For details of the relevant transaction, please refer to the Company's announcement dated 27 June 2017.	The Parent Company is holding 100% equity interest of Airport Construction Corporation.	9,882 (the maximum consideration will not exceed 12,720)

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions *(RMB'000)*
4	The Company and China Super-Creative Airport Technical Co., Ltd. ("China Super-Creative Airport Technical Company") entered into the Technology Services Agreement on 18 September 2017, for the provision of technical services by China Super-Creative Airport Technical Company in relation to the special testing and inspection of material projects in the airfield area of Beijing Capital Airport. The term of the Technology Services Agreement shall commence from the date when the Technology Services Agreement is signed and affixed with the respective company chops of the parties thereto, and continue until the completion of the project contemplated thereunder and the report of the tests and inspections has been submitted to the Company for acceptance and signing. The execution of this agreement aims to ensure the smooth implementation of the major projects in the airfield area of Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcement dated 18 September 2017.	The Parent Company is indirectly holding 100% equity interest of China Super-Creative Airport Technical Company.	2,537 (the maximum consideration will not exceed 2,600)
5	The Company and the Parent Company entered into the Compensation Agreement on 28 September 2017, pursuant to which the Parent Company agreed to transfer the properties and other attachments erected within the Project Land to the Company for demolition and new aprons will be built on the Project Land after such demolition. The Compensation Agreement shall become effective after the signing and stamping of the same by each of the Company and the Parent Company. The execution of this agreement aims to satisfy the business development needs of the Company, alleviate pressure on the ground operation of Beijing Capital Airport, and improve operational efficiency and quality. For details of the relevant transaction, please refer to the Company's announcement dated 28 September 2017.	The Parent Company is holding 56.61% equity interest of the Company.	26,967

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions *(RMB'000)*
6	The Company entered into the Assets Transfer Agreement with the Parent Company on 22 December 2017, pursuant to which the Company agreed to acquire the Target Assets (comprising Yingbin Bridge, Road No. 1, and the Landside Control System of Beijing Capital Airport) from the Parent Company. The Assets Transfer Agreement and the Acquisition contemplated thereunder are subject to the approval by the Board. The Parent Company shall implement the relevant procedures with the government authorities for the transfer of the Target Assets, and shall deliver the Target Assets to the Company on the Delivery Date in accordance with the terms of the agreement. The execution of this agreement aims to integrate the operational capacity and coordinative efficiency of Beijing Capital Airport, and ensure smooth, ordered and efficient operation of Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcement dated 22 December 2017.	The Parent Company is holding 56.61% equity interest of the Company.	205,075

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 32(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.

DISCLOSURE OF INTERESTS

As at 31 December 2017, 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 2017, the interests and short positions held by the following persons, other than directors or supervisors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") were as follows:

Name of substantial shareholder	Class of shares	Number of shares holding interest	Capacity	Percentage of shareholding to the relevant class of shares	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%
Aggregate of Standard Life Aberdeen plc affiliated investment management *(Note 3)*	H shares	150,918,000(L)	Interest of corporation controlled by substantial shareholder	8.03%	3.48%
Aberdeen Asset Management plc and its associates *(Note 3)*	H shares	114,868,000(L)	Interest of corporation controlled by substantial shareholder	6.11%	2.65%
BlackRock, Inc.	H shares	95,595,901(L) 1,070,000(S)	Interest of corporation controlled by substantial shareholder	5.09% 0.06%	2.21% 0.02%

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

Notes:

1. 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 Zhiliang, an executive director and the general manager, is the deputy general manager of Capital Airports Holding Company.

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

   Mr. Yao Yabo, a non-executive director of the Company, is the deputy general manager (general manager level) 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.

2. 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 (collectively, the "New World Group") are all deemed to be interested in all the shares held by or deemed to be interested by Fortland Ventures.

   On 11 January 2018, Fortland Ventures entered into a placing arrangement in relation to the disposal of 208,000,000 H shares of the Company, the completion of which took place on 16 January 2018. Accordingly, the New World Group (as defined above) were deemed to be interested in 240,342,000 H shares of the Company as at 28 March 2018.

3. These shares are held in the capacity of investment manager.

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

As at 31 December 2017, 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 2017, 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 2017, 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2017, the Company, its holding company or the subsidiaries of its holding company was not a party to an arrangement to enable the directors or supervisors of the Company to acquire benefits by means of acquisition of any shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2017, none of the directors or supervisors of the Company had any interest in any business competing with the Company.

MATERIAL CONTRACTS

Save for those transactions described in the note headed "Related Party Transactions" in the Note 32 to the Financial Statements and the section headed "Connected Transactions" in the Report of the Directors above, there was no material contract in 2017:

(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 2017, 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, liability which may be incurred by directors of the Company to a third party.

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 Notes 23(c) and 33 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 2017.

PUBLIC FLOAT

As at 28 March 2018, 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 enquiries 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 2014, 2015 and 2016, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were the Company's PRC and international auditors, respectively.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were approved by way of a resolution passed at the 2016 Annual General Meeting ("AGM") of the Company held on 28 June 2017, to act as the Company's PRC and international auditors, respectively, for the year 2017.

The Board will present a resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's PRC and international auditors, respectively, for the year 2018 at the forthcoming 2017 AGM.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

At the 2016 AGM convened on 28 June 2017, the election of Mr. Liu Xuesong, Mr. Han Zhiliang, Ms. Gao Lijia, Mr. Gao Shiqing, Mr. Yao Yabo, Mr. Ma Zheng, Mr. Cheng Chi Ming, Brian, Mr. Japhet Sebastian Law, Mr. Jiang Ruiming, Mr. Liu Guibin and Mr. Zhang Jiali as members of the seventh session of the Board of the Company was considered and approved. The term of office of the seventh session of the Board commences from the conclusion of the 2016 AGM and ends on the date of the 2019 AGM.

At the 2016 AGM convened on 28 June 2017, the election of Mr. Song Shengli, Mr. Dong Ansheng, Mr. Wang Xiaolong, Mr. Deng Xianshan and Mr. Chang Jun as members of the seventh session of the supervisory committee of the Company was considered and approved. The term of office of the seventh session of the supervisory committee commences from the conclusion of 2016 AGM and ends on the date of the 2019 AGM.

On 28 June 2017, the seventh session of the Board appointed Mr. Han Zhiliang as the general manager of the Company, Ms. Gao Lijia, Mr. Zhang Wei, Mr. Wang Weiyu and Mr. Du Qiang as the deputy general managers, Mr. Shen Lancheng as the chief financial officer, and Mr. Luo Xiaopeng as the secretary of the Board.

On 2 February 2018, Mr. Cheng Chi Ming, Brian resigned as a non-executive director of the Company because he was required to devote more time to deal with other commitments due to his work arrangement.

All executive directors of the Company have entered into director's service contracts with the Company with a term expiring on the date of the 2019 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 Company is of the view that all independent non-executive directors of the Company are independent in accordance with the Listing Rules. The profiles of the directors, supervisors and senior management of the Company are as follows:

Executive Directors

Mr. Liu Xuesong, aged 53, a senior engineer and an expert enjoying special government allowance from the State Council, was re-appointed as an executive director and the chairman of the Company on 28 June 2017. 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, and the president of the board of supervisors of China Civil Airport Association since June 2017.

Mr. Han Zhiliang, aged 53, a senior economist, was re-appointed as an executive director of the Company on 28 June 2017. 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 and an Executive Master of Business Administration (majoring in Aviation Management) from Tsinghua University. 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 53, a senior engineer, was re-appointed as an executive director of the Company on 28 June 2017. 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 Beijing Capital International Airport. From October 1999 to November 2000, Ms. Gao served as deputy manager and then the manager of the IT department of the Company. From November 2000 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 August 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. Gao Shiqing, aged 57, was appointed as a non-executive director of the Company on 28 June 2017. Mr. Gao graduated from BUAA with a master's degree in aviation engineering. From August 1983 to July 2004, Mr. Gao served as the deputy chief of Planning & Science Department and the Development & Finance Department in CAAC. From July 2004 to July 2005, he had been the assistant of general manager of the Parent Company, and has been the deputy general manager of the Parent Company since July 2005. Mr. Gao had been a non-executive director of the Company from June 2005 to June 2014.

Mr. Yao Yabo, aged 56, was appointed as a non-executive director of the Company on 30 June 2014 and was re-appointed as a non-executive director of the Company on 28 June 2017. 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.

Mr. Zhang Musheng, aged 60, was appointed as a non-executive director of the Company on 30 June 2014 and resigned as a non-executive director of the Company on 28 June 2017. 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 November 2002, deputy general manager, general manager, chairman and party secretary of Tianjin Binhai International Airport from November 2002 to November 2007, assistant to general manager of the Parent Company, and chairman and Party secretary of Beijing Capital Airport Advertising Co., Limited from November 2007 to August 2009, and deputy general manager of the Parent Company from August 2009 to May 2017.

Mr. Ma Zheng, aged 59, a senior economist, was appointed as a non-executive director of the Company on 18 December 2014 and was re-appointed as a non-executive director of the Company on 28 June 2017. 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 35, was appointed as a non-executive director of the Company on 30 June 2014 and was re-appointed as a non-executive director of the Company on 28 June 2017. 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 Sustainable Development 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, Wai Kee Holdings Limited and Leyou Technologies Holdings Limited (appointed on 5 September 2017), all being listed public companies in Hong Kong. He is also a director of 蘇伊士新創建有限公司 (formerly known as SUEZ NWS 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). He was appointed as a member of the 13th Shanghai Municipal Committee of the Chinese People's Political Consultative Conference of the PRC in January 2018 and resigned as a member of the 11th Hangzhou Municipal Committee of the Chinese People's Political Consultative Conference of the PRC on February 2018. 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. Mr. Cheng resigned as a non-executive director of the Company on 2 February 2018.

Independent Non-executive Directors

Mr. Japhet Sebastian Law, aged 66, 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 28 June 2017. 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 varies 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. Jiang Ruiming, aged 52, 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 28 June 2017. 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 the director of Beijing Grandway (Shanghai) Law Offices.

Mr. Liu Guibin, aged 52, 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 28 June 2017. 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) and 360 Security Technology Inc. (listed on the Shanghai Stock Exchange).

Mr. Zhang Jiali, aged 63, a senior economist, was appointed as an independent non-executive director of the Company on 28 June 2017. Mr. Zhang graduated from Heilongjiang University majoring in English and also participated the courses for the diploma of advanced study of modern management held by Hong Kong Professional Management Association. Mr. Zhang worked as a clerk in Research Institute of Qingdao Port Authority from February 1980 to November 1984; as a business analyst, deputy director, director, deputy general manager of Research Department of China Merchants Group Limited from November 1984 to August 1991; as a deputy general manager of Hong Kong Ming Wah Shipping Company Limited from August 1991 to March 1993; as a director and deputy manager of China Merchants International Consultancy Company from March 1993 to July 1996; as a deputy general manager of Oversea Affairs Department of China Merchants Group from August 1996 to June 1997; as a deputy general manager of Department of Planning and Statistics of China Merchants Group from June 1997 to November 1998; as a deputy head of Preparation Unit of China Merchants Group Shanghai Company from November 1998 to October 1999; as the business supervisor of Asia of the USA-based Global Insight Company from February 2000 to March 2005; as the project supervisor of China Merchants Holdings (International) Company Limited from April 2005 to June 2005 and as the vice president of Shanghai International Port (Group) Co., Ltd. from July 2005 to January 2014.

Members of the Supervisory Committee

Mr. Song Shengli, aged 56, was appointed as a supervisor of the Company on 30 June 2014 and was re-appointed as a supervisor of the Company and elected as the chairman of the supervisory committee of the Company on 28 June 2017. 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 52, was appointed as a supervisor of the Company on 30 June 2014 and was re-appointed as a supervisor of the Company on 28 June 2017. 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.

Mr. Dong Ansheng, aged 66, was appointed as a supervisor of the Company on 30 June 2014 and was re-appointed as a supervisor of the Company on 28 June 2017. Mr. Dong was 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 Beijing North Star Company Limited(listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange). He has ever been an independent director of Tongyu Heavy Industry Co., Ltd. (listed on the Shenzhen Stock Exchange) and resigned in March 2016.

Mr. Lau Siu Ki, aged 59, was appointed as a supervisor of the Company on 30 June 2014 and resigned as a supervisor of the Company on 28 June 2017. 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., FIH Mobile Limited and TCL Multimedia Technology Holdings 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. Wang Xiaolong, aged 62, was appointed as a supervisor of the Company on 28 June 2017. 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. Wang was an independent non-executive director of the Company from 30 June 2014 to 28 June 2017.

Mr. Chang Jun, aged 41, was appointed as supervisor of the Company on 30 June 2014 and was re-appointed as a supervisor of the Company on 28 June 2017. 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, Crisis Management Business Manager and Operations Management Business Manager 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.

Other Senior Management

Mr. Zhang Wei, aged 52, was re-appointed as the deputy general manager of the Company on 28 June 2017. 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 54, was re-appointed as the deputy general manager of the Company on 28 June 2017. 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, manger 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 48, was re-appointed as the deputy general manager of the Company on 28 June 2017. 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.

Mr. Shen Lancheng, aged 47, was re-appointed as the chief financial officer of the Company on 28 June 2017. 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, a master's degree of Business Administration from Tsinghua University and a doctorate degree in management from Northeastern University. From July 1999 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. Luo Xiaopeng, aged 42, was re-appointed as the secretary of the Board on 28 June 2017 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. 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. Luo 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 November 2016.

REPORT OF THE BOARD (CONTINUED)

Joint Company Secretaries

The profile about the joint company secretary of the Company, Mr. Luo Xiaopeng, is set out in the section headed "Other Senior Management".

Mr. Mok Chung Kwan, Stephen, aged 52, 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 Sutherland. 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).

The information of directors required to be disclosed under Rule 13.51B(1) of the Listing Rules 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 33 to the Financial Statements.

During the year ended 31 December 2017, the annual emoluments of the senior management (including those who also serve as directors) paid by the Company for each of 1 member above were below HKD1,000,000 (equivalent to approximately RMB835,910), for 3 members between HKD1,000,000 and HKD1,500,000 (equivalent to approximately RMB1,253,865) and for 3 members between HKD1,500,000 and HKD2,000,000 (equivalent to approximately RMB1,671,820).

By order of the Board
Liu Xuesong
Chairman

Beijing, the PRC, 28 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2017, the Company's business performance remained stable and robust. As for the revenues, the income from principal operations was RMB9,574,516,000, representing an increase of 9.7% over the previous year. Among which, the aeronautical revenues continued its momentum to increase as a result of the increased passenger throughput, structural optimisation and the upward adjustment of charging standards in the domestic routes of domestic airlines, and reached RMB5,100,686,000, representing an increase of 5.5% over the previous year. As for the non-aeronautical business, due to the favorable economic environment, the overall non-aeronautical revenue showed outstanding performance of RMB4,473,830,000, representing an increase of 14.9% as compared with the previous year. As for the costs, the operating expenses of the Company in 2017 were RMB6,025,738,000, representing an increase of 4.1% over the previous year, as affected by the factors such as increased investment in aviation security and operational resources repair and maintenance.

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

OVERVIEW OF AERONAUTICAL BUSINESS

In 2017, as affected by the saturation of operational resources in Beijing Capital Airport, the suspension of central runway for maintenance, the security and support work for the "Belt and Road" Forum and 19th National Congress, and the policies promulgated by the CAAC to control the total operating volumes and improve the flight on-time performance, the overall growth in air traffic volumes of Beijing Capital Airport was under stress. In particular, the aircraft movements dropped slightly over last year and the passenger throughput showed a slow growth, while the international business maintained steady growth by virtue of the continuous optimisation of the Company's route structure. In 2017, the cumulative aircraft movements in Beijing Capital Airport reached 597,259 sorties, representing a decrease of 1.5% as compared with the previous year. The cumulative passenger throughput reached 95,786,442 person-times, representing an increase of 1.5% as compared with the previous year. The cumulative cargo and mail throughput reached 2,029,584 tonnes, representing an increase of 4.5% as compared with the previous year. Detailed information is set out in the table below:

	2017	2016	Change
Aircraft Movements *(unit: sorties)*	**597,259**	606,086	-1.5%
Domestic	**473,318**	487,688	-3.0%
Including: Hong Kong, Macau & Taiwan	**21,331**	21,575	-1.1%
International	**123,941**	118,398	4.7%
Passenger Throughput *(unit: person-times)*	**95,786,442**	94,393,454 *(Note 1)*	1.5%
Domestic	**74,065,150**	73,850,652	0.3%
Including: Hong Kong, Macau & Taiwan	**3,923,159**	3,918,681	0.1%
International	**21,721,292**	20,542,802	5.7%
Cargo and mail Throughput *(unit: tonnes)*	**2,029,584**	1,943,159	4.5%
Domestic	**1,102,323**	1,137,611	-3.1%
Including: Hong Kong, Macau & Taiwan	**109,928**	104,107	5.6%
International	**927,261**	805,548	15.1%

Note 1: The figures of passenger throughput were amended at the end of 2016.

AERONAUTICAL REVENUES

	2017 *RMB'000*	2016 *RMB'000*	Change
Aircraft movement fees and related charges	**1,951,845**	1,745,517	11.8%
Passenger charges	**1,927,420**	1,889,358	2.0%
Airport fee	**1,221,421**	1,201,862	1.6%
Total aeronautical revenues	**5,100,686**	4,836,737	5.5%

In 2017, the total aeronautical revenues of the Company were RMB5,100,686,000, representing an increase of 5.5% as compared with the previous year. In particular, revenues from aircraft movement fees and related charges were RMB1,951,845,000, representing an increase of 11.8% as compared with the previous year, mainly due to the upward adjustment of the relevant charging standards (as the charging standards for aircraft movements and the relevant aeronautical business of the domestic flights of domestic airlines in Mainland China were adjusted upwards starting from 1 April 2017 pursuant to the "Plan for Adjustment of Charging Standards of Civil Airports" issued by the CAAC), and the optimisation of route structure; revenues from passenger charges were RMB1,927,420,000, representing an increase of 2.0% as compared with the previous year, slightly higher than the growth in passenger throughput, which was mainly benefited from the growth in passenger throughput of international routes; the airport fee revenues of the Company were RMB1,221,421,000, representing an increase of 1.6% as compared with the previous year, the growth of which was basically the same as the growth in passenger throughput.

NON-AERONAUTICAL REVENUES

	2017 *RMB'000*	2016 *RMB'000*	Change
Concessions	**3,102,092**	2,644,150	17.3%
Including: Retailing	**1,514,129**	1,212,760	24.8%
Advertising	**1,098,255**	1,038,615	5.7%
Restaurants and food shops	**251,256**	197,105	27.5%
VIP services	**98,778**	96,862	2.0%
Ground handling	**55,557**	28,555	94.6%
Other concessions	**84,117**	70,253	19.7%
Rentals	**1,197,729**	1,082,725	10.6%
Car parking fees	**162,446**	155,752	4.3%
Others	**11,563**	9,726	18.9%
Total non-aeronautical revenues	**4,473,830**	3,892,353	14.9%

In 2017, the non-aeronautical revenues of the Company were RMB4,473,830,000, representing an increase of 14.9% as compared with the previous year. In 2017, the concession revenues of the Company were RMB3,102,092,000, representing an increase of 17.3% as compared with the previous year. In particular, the revenues from retailing were RMB1,514,129,000, representing an increase of 24.8% as compared with the previous year, which was mainly benefited from the increase in retail sales driven by the growth in international passenger throughput with high consumption abilities, the promotion in duty-free business and price adjustment in certain duty-free products. The revenues from advertising were RMB1,098,255,000, representing an increase of 5.7% as compared with the previous year, mainly due to the increase of advertising fees of some large-value advertising contracts in their renewal period after expiration and the addition of some advertising media resources in Terminal Three of Beijing Capital Airport ("T3"). The revenues from restaurants and food shops were RMB251,256,000, representing an increase of 27.5% as compared with the previous year, which was mainly due to the growth in overall price of catering tenants and the increase in passenger throughput in 2017. The revenues from ground handling service were RMB55,557,000, representing an increase of 94.6% as compared with the previous year, which was mainly due to the smaller base in previous year resulted from the fact that the Company had not entered into agreement with its major client regarding the concession fees of the ground handling service in 2016 and thus relevant revenues had not been recognised in that year, and part of the relevant income of previous years were written off . Other concession revenues were RMB84,117,000, representing an increase of 19.7% as compared with the previous year, mainly due to the fact that the Company entered into the relevant telecommunications cooperation concession agreements and recognised relevant revenues from franchising.

In 2017, the rental revenues of the Company were RMB1,197,729,000, representing an increase of 10.6% as compared with the previous year, which was mainly due to the additional rental areas for lounges and commercial areas in the terminals.

In 2017, the car parking service fees of the Company were RMB162,446,000, representing an increase of 4.3% as compared with the previous year, mainly due to the adjustments in parking fee policy.

In 2017, the other revenues of the Company were RMB11,563,000, representing an increase of 18.9% as compared with the previous year.

OPERATING EXPENSES

	2017 RMB'000	2016 RMB'000	Change
Depreciation and amortisation	**1,403,946**	1,549,830	-9.4%
Repair and maintenance	**774,775**	716,149	8.2%
Concession management fees	**661,752**	576,541	14.8%
Aviation safety and security guard costs	**640,874**	571,603	12.1%
Utilities and power	**606,778**	619,834	-2.1%
Staff costs	**600,364**	543,647	10.4%
Operating contracted services	**385,950**	328,140	17.6%
Real estate and other taxes	**250,064**	202,999	23.2%
Greening and environmental maintenance	**210,213**	205,947	2.1%
Rental expenses	**123,085**	111,336	10.6%
General, administrative and other costs	**367,937**	360,348	2.1%
Operating expenses	**6,025,738**	5,786,374	4.1%

In 2017, the operating expenses of the Company were RMB6,025,738,000, representing an increase of 4.1% as compared with the previous year.

In 2017, the depreciation and amortisation expenses of the Company were RMB1,403,946,000, representing a decrease of 9.4% as compared with the previous year, mainly because part of fixed assets in the terminals had been fully depreciated.

In 2017, the repair and maintenance expenses of the Company were RMB774,775,000, representing an increase of 8.2% as compared with the previous year, which was mainly due to the increased market price of maintenance fees for production equipment and systems, as well as the additional repair projects.

In 2017, the concession management fees of the Company were RMB661,752,000, representing an increase of 14.8% as compared with the previous year, which was 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, advertising as well as restaurants and food shops.

In 2017, the aviation safety and security guard costs of the Company were RMB640,874,000, representing an increase of 12.1% as compared with the previous year, which mainly resulted from the increased personnel and investment in equipment support due to the growth in air traffic volumes of Beijing Capital Airport and the support work for important summit and security upgrade.

In 2017, the staff costs of the Company were RMB600,364,000, representing an increase of 10.4% as compared with the previous year, which was mainly due to the better overall operating performance of the Company in the year, resulting in a corresponding increase in performance bonuses linked to the Company's performance.

In 2017, the operating services costs of the Company were RMB385,950,000, representing an increase of 17.6% as compared with the previous year, mainly due to one-off monetary compensation given by the Company in respect to the house facilities and accessories belonged to CAHC in demolition areas for implementation of the Apron Enhancement Plan, the increase in renewed price of terminal equipment and facilities operation contracts after their expiration as well as our new operational services projects.

In 2017, the real estate and other taxes of the Company were RMB250,064,000, representing an increase of 23.2% as compared with the previous year, mainly due to the change of the real estate tax's calculation method since the second half of 2016 according to the relevant tax regulations.

In 2017, the greening and environmental maintenance expenses of the Company were RMB210,213,000, representing an increase of 2.1% as compared with the previous year.

In 2017, the rental expenses of the Company were RMB123,085,000, representing an increase of 10.6% as compared with the previous year, which was mainly due to the additional rental of de-icing vehicles for operation requirement during the reporting period.

In 2017, the general, administrative and other costs of the Company were RMB367,937,000, representing an increase of 2.1% as compared with the previous year.

OTHER ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

In 2017, the other income of the Company was RMB3,841,000, representing an increase of 41.9% as compared with the previous year, mainly due to the increase of government subsidies in 2017.

In 2017, the net finance costs after deducting finance income of the Company were RMB85,576,000, representing a decrease of 83.6% as compared with the previous year, mainly due to a significant decrease in the borrowing interests as a result of the repayments of matured corporate bonds and short-term debentures in 2017.

In 2017, the income tax expense of the Company was RMB869,833,000, representing an increase of 46.0% as compared with the previous year.

PROFIT FOR THE YEAR

For the financial year ended 31 December 2017, the net profit of the Company amounted to RMB2,600,461,000, representing an increase of 46.0% as compared with the previous year.

DIVIDEND

The Board proposed to distribute the final dividend of RMB0.1526 per share for 2017, totally amounting to approximately RMB660,894,000 (2016: RMB440,885,000). Such proposal shall be subject to the approval by the shareholders at the 2017 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 2018. 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 RMB0.0876 per share for 2017, totally amounting to approximately RMB379,386,000. The total amount of the final dividend for 2017 proposed to be distributed and the interim dividend for 2017 distributed amounts to 40% of the profit after tax of the Company for 2017.

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 2017.

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 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*(Note)*, 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 2017. 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), 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 2017, the assets and liabilities of the Company denominated in USD included cash and cash equivalents of approximately RMB78,052,000 (2016: RMB70,831,000), trade and other receivables of approximately RMB426,000 (2016: RMB119,000), trade and other payables of approximately RMB11,006,000 (2016: RMB11,684,000), and loans from the Parent Company of approximately RMB2,008,888,000 (2016: RMB2,303,344,000). During 2017, the Company recorded a net exchange gain of RMB127,465,000.

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 RMB2,008,888,000, 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 RMB2,990,000,000, 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.

CONTINGENT LIABILITIES

As at 31 December 2017, the Company had no significant contingent liabilities.

LIQUIDITY AND FINANCIAL RESOURCES

In 2017, the Company's net cash generated from operating activities amounted to RMB4,271,233,000, representing a decrease of RMB339,061,000 as compared with RMB4,610,294,000 for the year of 2016. In 2017, the Company's net cash outflow from investing activities amounted to RMB544,709,000. In 2017, the Company's net cash outflow from financing activities amounted to RMB6,641,771,000.

As at 31 December 2017, the Company had cash and cash equivalents amounting to the total sum of RMB1,614,649,000; while the cash and cash equivalents of the Company amounted to RMB4,530,369,000 as at 31 December 2016.

As at 31 December 2017, the Company's long-term borrowings were RMB2,990,000,000 and the loans from the Parent Company were RMB2,008,888,000.

As at 31 December 2017, the current ratio of the Company was 0.75, and as at 31 December 2016, the current ratio of the Company was 0.63. 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 2017, the liability-to-asset ratio of the Company was 30.05%, and as at 31 December 2016, the liability-to-asset ratio of the Company was 42.84%. 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 2017, the capital and reserves of the Company were RMB21,429,815,000 and as at 31 December 2016, the capital and reserves of the Company were RMB19,378,317,000.

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:

	2017	2016
Total number of employees	**1,606**	1,623

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.

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 in the scheme shall make monthly contributions to the corporate pension funds according to a certain proportion.

CAPITAL EXPENDITURES

Details of the capital commitment of the Company are set out in Note 30 to the Financial Statements.

CHARGE ON ASSETS

During the year ended 31 December 2017, 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 strictly complied with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules during the period from 1 January 2017 to 31 December 2017.

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.

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 2017.

BOARD OF DIRECTORS

Composition and Term of Office

During the reporting period, the seventh session of the Board of the Company consists of ten directors, including three executive directors, three 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 seventh session of the Board of the Company was established on 28 June 2017, and was elected by the shareholders of the Company at the 2016 AGM; except for the expiration of term of office of a director upon his resignation on 2 February 2018, the term of office of all other directors (including non-executive directors) will end on the date of convening the 2019 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.

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 2017, the Board of the Company held 13 meetings (of which seven 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.

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 2017:

		General meetings attendance rate Number of meetings attended/number of meetings held	**Board meetings attendance rate Number of meetings attended/number of meetings held**
Liu Xuesong	Chairman, executive director	2/2	13/13
Han Zhiliang	General manager, executive director	2/2	12/13
Gao Lijia	Executive director	1/2	11/13
Gao Shiqing *(Note 1)*	Non-executive director (appointed with effect from 28 June 2017)	1/1	7/8
Yao Yabo	Non-executive director	1/2	10/13
Zhang Musheng *(Note 2)*	Non-executive director (retired with effect from 28 June 2017)	0/0	5/5
Ma Zheng	Non-executive director	2/2	13/13
Cheng Chi Ming, Brian *(Note 3)*	Non-executive director	2/2	13/13
Japhet Sebastian Law	Independent non-executive director	2/2	13/13
Wang Xiaolong *(Note 4)*	Independent non-executive director (retired with effect from 28 June 2017)	0/0	5/5
Jiang Ruiming	Independent non-executive director	2/2	12/13
Liu Guibin	Independent non-executive director	2/2	12/13
Zhang Jiali *(Note 5)*	Independent non-executive director (appointed with effect from 28 June 2017)	1/1	8/8

Note 1: Mr. Gao Shiqing was appointed as a non-executive director of the Company with effect from 28 June 2017, thus did not attend all previous meetings.

Note 2: Mr. Zhang Musheng ceased to be a non-executive director of the Company with effect from 28 June 2017, thus did not attend the meeting on that day and all subsequent meetings.

Note 3: Mr. Cheng Chi Ming, Brian resigned as a non-executive director of the Company with effect from 2 February 2018.

Note 4: Mr. Wang Xiaolong ceased to be an independent non-executive director of the Company with effect from 28 June 2017, thus did not attend the meeting on that day and all subsequent meetings.

Note 5: Mr. Zhang Jiali was appointed as an independent non-executive director of the Company with effect from 28 June 2017, thus did not attend all previous meetings.

Chairman and General Manager

For the year ended 31 December 2017 and during the period up to the date of publication of the annual report, Mr. Liu Xuesong and Mr. Han Zhiliang, both being an executive director of the Company, holds the position of chairman and general manager of the Company, respectively. The chairman's responsibilities are to convene the Board meetings and promote the corporate governance of the Company, while the general manager is responsible for taking part in the critical decision-making as part of the Board and taking charge of the daily operation of the Company. Their duties and responsibilities are clearly separated. 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.

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 2017, the records of training received by directors of the Company are summarized as follows:

	Corporate governance	Regulatory rules	Operation and management	Other relevant trainings
Executive directors				
Mr. Liu Xuesong	✓	✓	✓	✓
Mr. Han Zhiliang	✓	✓	✓	✓
Ms. Gao Lijia	✓	✓	✓	✓
Non-executive directors				
Mr. Gao Shiqing	✓	✓	✓	✓
Mr. Yao Yabo	✓	✓	✓	✓
Mr. Zhang Musheng *(Note 1)*	✓	✓	✓	✓
Mr. Ma Zheng	✓	✓	✓	✓
Mr. Cheng Chi Ming, Brian *(Note 2)*	✓	✓	✓	✓

	Corporate governance	Regulatory rules	Operation and management	Other relevant trainings
Independent non-executive directors				
Mr. Japhet Sebastian Law	✓	✓	✓	✓
Mr. Wang Xiaolong *(Note 3)*	✓	✓	✓	✓
Mr. Jiang Ruiming	✓	✓	✓	✓
Mr. Liu Guibin	✓	✓	✓	✓
Mr. Zhang Jiali	✓	✓	✓	✓

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. Zhang Musheng ceased to be a non-executive director of the Company with effect from 28 June 2017.

Note 2: Mr. Cheng Chi Ming, Brian resigned as a non-executive director of the Company with effect from 2 February 2018.

Note 3: Mr. Wang Xiaolong ceased to be an independent non-executive director of the Company with effect from 28 June 2017.

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 28 June 2017, the seventh 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 2019 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. Jiang Ruiming, Mr. Liu Guibin, Mr. Zhang Jiali, Mr. Gao Shiqing 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;

(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 convened one meeting during the reporting period. In accordance with the Listing Rules, the committee members reviewed the overall remuneration policy and structure of the directors and senior management of the Company and expressed their opinions on the remuneration package of the directors and senior management of the Company.

The table below sets out the attendance rate of members of the Remuneration and Evaluation Committee:

Members	**Attendance rate Number of meetings attended/number of meetings held**
Japhet Sebastian Law *(Chairman)*	1/1
Jiang Ruiming	1/1
Liu Guibin	1/1
Zhang Jiali	1/1
Gao Shiqing	1/1
Gao Lijia	1/1

Nomination Committee

Composition and Term of Office

The nomination committee of the Company (the "Nomination Committee") was established on 26 March 2007. On 28 June 2017, the seventh 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 2019 AGM. At present, the Nomination Committee is comprised of seven members, including four independent non-executive directors and three executive directors, namely, Mr. Jiang Ruiming (chairman of the Nomination Committee), Mr. Japhet Sebastian Law, Mr. Liu Guibin, Mr. Zhang Jiali, Mr. Liu Xuesong, Mr. Han Zhiliang and Ms. Gao Lijia.

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;

(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.

Meetings

The Nomination Committee convened three meetings during the reporting period. In accordance with the Listing Rules, the committee members reviewed the structure and composition of the Board and senior management and expressed their opinions on the appointment of non-executive directors and senior management and the assessment of the independence of the independent non-executive directors.

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

Members	Attendance rate Number of meetings attended/number of meetings held
Jiang Ruiming *(Chairman)*	3/3
Japhet Sebastian Law	3/3
Wang Xiaolong *(Note 1)*	2/2
Liu Guibin	3/3
Zhang Jiali *(Note 2)*	1/1
Liu Xuesong	3/3
Han Zhiliang *(Note 2)*	1/1
Gao Lijia *(Note 2)*	1/1

Note 1: Mr. Wang Xiaolong ceased to be a member of the Nomination Committee with effect from 28 June 2017.

Note 2: Mr. Zhang Jiali, Mr. Han Zhiliang and Ms. Gao Lijia were appointed as members of the Nomination Committee with effect from 28 June 2017.

Audit and Risk Management Committee

Composition and Term of Office

The audit and risk management committee of the Company (the "Audit and Risk Management Committee", formerly named the "Audit Committee") was established on 10 January 2000. On 28 June 2017, the Audit Committee was renamed as the Audit and Risk Management Committee, and meanwhile its terms of reference were extended. On 28 June 2017, the seventh session of the Board re-appointed the members of the Audit and Risk Management Committee with their term of office to end on the day of convening of the 2019 AGM. At present, the Audit and Risk Management Committee is comprised of four independent non-executive directors, namely, Mr. Liu Guibin (chairman of the Audit and Risk Management 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. Jiang Ruiming and Mr. Zhang Jiali.

Duties

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

(i) to be primarily responsible for making 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 committee shall discuss with the auditor the nature and scope of the audit and relevant reporting obligations before the audit commences;

(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 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. In reviewing these reports before submission to the Board, the committee should focus particularly on:

1. any changes in accounting policies and practices;

2. major judgmental areas;

3. significant adjustments resulting from audit;

4. the going concern assumptions and any qualifications;

5. compliance with accounting standards; and

6. compliance with the Listing Rules and legal requirements in relation to financial reporting;

(v) Regarding (iv) above:

1. members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditors; and

2. the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

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

(vii) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems 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 risk management and internal control 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 control system and management's response;

(xii) to ensure that the Board provides a timely response to the issues raised in the external auditor's management letter;

(xiii) to report to the Board on the matters in this provision; and

(xiv) to consider other topics, as defined by the Board.

Meetings

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

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

Members	**Attendance rate Number of meetings attended/number of meetings held**
Liu Guibin *(Chairman)*	2/3
Japhet Sebastian Law	3/3
Wang Xiaolong *(Note 1)*	1/1
Jiang Ruiming	1/3
Zhang Jiali *(Note 2)*	2/2

Note 1: Mr. Wang Xiaolong ceased to be a member of the Audit and Risk Management Committee with effect from 28 June 2017.

Note 2: Mr. Zhang Jiali was appointed as a member of the Audit and Risk Management Committee with effect from 28 June 2017.

The work performed by the Audit and Risk Management Committee of the Company for 2017 is summarized as follows:

During 2017, the Audit and Risk Management Committee reviewed the annual results report of the Company for the year 2016 and the interim results report of the Company for the year 2017, as well as the financial audit report for the year 2016 and the interim financial review report for the year 2017; 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 and Risk Management Committee has reported the aforesaid work and review results to the Board.

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

Strategy Committee

Composition and Term of Office

The strategy committee of the Company (the "Strategy Committee") was established on 12 June 2002. On 28 June 2017, the seventh session of the Board re-appointed the members of the Strategy Committee, except for the expiration of term of office of a director upon his resignation on 2 February 2018, the term of office of all other members will end on the date of convening of the 2019 AGM. At present, the Strategy Committee is comprised of four members, including three executive directors and one independent non-executive director, namely, Mr. Liu Xuesong (chairman of the Strategy Committee), Mr. Han Zhiliang, Ms. Gao Lijia and Mr. Zhang Jiali.

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.

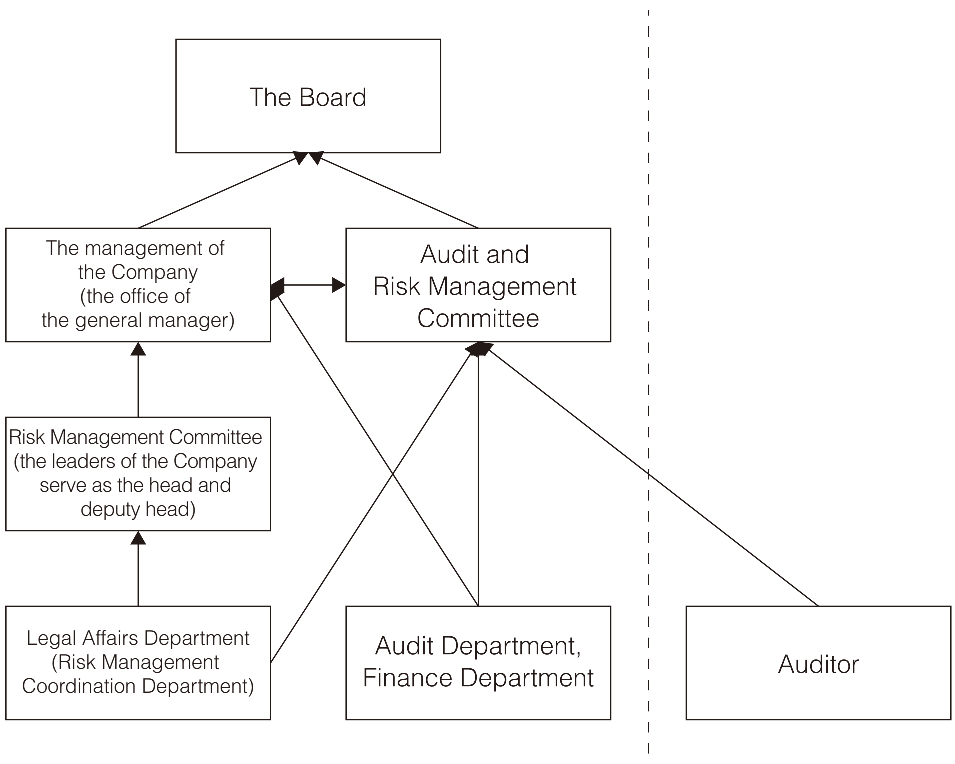
RESPONSIBILITIES OF DIRECTORS AND AUDITOR FOR ACCOUNTS

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 74 to 78.

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 and Risk Management 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 or 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.

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 control system and the procedure for resolving serious internal control deficiency: The Company conducts walk-through test and examination assessment on its internal control business procedures and re-examines the effectiveness of the control 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 control methods and internal control measures.

The audit department of the Company is responsible for making audit plan, which will be presented to the Audit and Risk Management Committee for review; the audit department is also responsible for conducting the independent audit on whether or not the internal control system of the Company is sufficient and effective according to the audit plan, and the independent audit report will be submitted to the management of the Company; the audit department will keep audit track of the corrective measures taken by the related departments as instructed by the management; the audit department is required to make internal audit report to the Audit and Risk Management 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 management advice letter and various other forms so as to refine the risk prevention and control as well as internal control of the Company.

The work performed with respect to risk management and internal control by the relevant departments of the Company for 2017 is summarized as follows:

During 2017, 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 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 control measure for the financial risks; and the external auditor proposed management advise. During 2017, the legal affairs department reported to the Audit and Risk Management Committee twice; the finance department, audit department and auditor reported to the Audit and Risk Management Committee three times, and the Audit and Risk Management Committee reported to the Board accordingly.

During the annual review, the Audit and Risk Management Committee has also considered resources, staff qualifications and experience, training programmes and the adequacy of 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 2017, 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 2017, respectively. During the year ended 31 December 2017, the above auditors charged the Company RMB6,426,000 as service fees in respect of the audit and non-audit services.

During the year ended 31 December 2017, the above auditors provided non-audit services included Hong Kong audit service in respect of tax with service fee of RMB17,000, consulting service in respect of overall budget with service fee of RMB1,509,000, consulting service in respect of fee scale policy with service fee of RMB377,000 and agreed upon procedure service in respect of fee reform with service fee of RMB48,000.

COMPANY SECRETARY

Mr. Luo Xiaopeng and Mr. Mok Chung Kwan, Stephen have been the joint company secretaries since 30 November 2016. 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. Both of Mr. Luo Xiaopeng and Mr. Mok Chung Kwan, Stephen 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.

ENQUIRIES TO THE BOARD

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

INVESTOR RELATIONS

During the reporting period, there were 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 manner:

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 2017, 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 2017 and continuously improved the Company's governance practices.

The seventh session of the Supervisory Committee of the Company was established on 28 June 2017, 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 2019 Annual General Meeting is convened.

As at 31 December 2017, the seventh session of the Supervisory Committee of the Company comprises five members, including Mr. Song Shengli as a representative of shareholders, Mr. Deng Xianshan and Mr. Chang Jun as representatives of employees, and Mr. Dong Ansheng and Mr. Wang Xiaolong 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.

On 28 June 2017, Mr. Song Shengli was appointed as the chairman of the Supervisory Committee of the Company.

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

On 21 March 2017, the Supervisory Committee convened the first meeting of the year by way of written resolution, at which the 2016 work of the Supervisory Committee was summarized, and the Report of the Supervisory Committee of the Company for the Year 2016 was considered and approved, and the secretary to the Board of the Company was authorized to incorporate the report into the 2016 annual report for review by the Company's shareholders.

On 28 June 2017, the Supervisory Committee convened the second meeting of the year, at which Mr. Song Shengli was elected as the chairman of the Supervisory Committee of the Company, with a term commencing from the date of the meeting (i.e. 28 June 2017) to the expiry of the term of the seventh session of the Supervisory Committee (i.e. the date of the 2019 Annual General Meeting).

During the reporting period, the Company held six on-site Board meetings and three meetings for the Audit and Risk Management Committee. All 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 2017.

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 2017 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 2017.

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 2017, Beijing Capital Airport, as the world's second biggest airport, saw its passenger throughput reaching 95,786,442 person-times, with security, operation, services and management quality continuously improving. The traffic volume of Beijing Capital Airport is expected to maintain a stable growth momentum in 2018. 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, 28 March 2018

INDEPENDENT AUDITOR'S REPORT

pwc 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 79 to 152, which comprise：

- the balance sheet as at 31 December 2017;
- 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 2017, 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.

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

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. As at 31 December 2017, the Company had trade receivables amounting to RMB1.50 billion, among which, RMB398 million was past due but not considered impaired and RMB241 million was considered impaired in which full provision was made. 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 have therefore identified recoverability assessment as an area of focus for the audit.	We understood and assessed the design and operating effectiveness of the Company's controls over assessing the recoverability of trade receivables. On a sample basis: • 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. 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.

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 THE AUDIT AND RISK MANAGEMENT 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 and risk management 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.

- 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 and risk management 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 and risk management 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

From the matters communicated with the audit and risk management 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, 28 March 2018

BALANCE SHEET

As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**26,050,982**	26,629,287
Land use rights	7	**1,106,964**	1,135,392
Intangible assets	8	**83,163**	64,736
Investment in a joint venture	9	**–**	34,869
Deferred income tax assets	20	**183,524**	167,675
Other non-current assets	10	**54,018**	52,895
		27,478,651	28,084,854
Current assets			
Inventories		**118,427**	123,474
Trade and other receivables	10	**1,314,907**	1,138,584
Cash and cash equivalents	11	**1,614,649**	4,530,369
Other current assets		**72,504**	26,909
		3,120,487	5,819,336
Assets held-for-sale	9	**38,120**	–
		3,158,607	5,819,336
Total assets		**30,637,258**	33,904,190
EQUITY			
Capital and reserves			
Share capital	13	**4,330,890**	4,330,890
Share premium		**5,055,425**	5,055,425
Capital reserve	14(a)	**1,254,344**	1,012,842
Other reserve	14(b)	**(32,098)**	(61,904)
Statutory and discretionary reserves	14(c)	**4,992,579**	4,376,333
Retained earnings		**5,828,675**	4,664,731
Total equity		**21,429,815**	19,378,317

BALANCE SHEET (CONTINUED)

As at 31 December 2017

	Note	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Long-term borrowings	18	**2,990,000**	3,000,000
Loans from the Parent Company	19	**1,848,177**	2,132,726
Retirement benefit obligations	21	**128,542**	161,135
Deferred income	22	**27,558**	25,996
		4,994,277	5,319,857
Current liabilities			
Trade and other payables	15	**3,645,973**	3,148,759
Interest payable		**5,726**	142,717
Current income tax liabilities		**393,005**	236,363
Short-term debentures	16	**–**	2,500,000
Current portion of bonds payable	17	**–**	2,999,857
Current portion of loans from the Parent Company	19	**160,711**	170,618
Current portion of retirement benefit obligations	21	**7,751**	7,702
		4,213,166	9,206,016
Total liabilities		**9,207,443**	14,525,873
Total equity and liabilities		**30,637,258**	33,904,190

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 79 to 152 were approved by the Board of Directors on 28 March 2018 and were signed on its behalf.

Liu Xuesong
Chairman

Han Zhiliang
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenues			
Aeronautical	5	**5,100,686**	4,836,737
Non-aeronautical	5	**4,473,830**	3,892,353
		9,574,516	8,729,090
Business tax and levies		**–**	(51,299)
Operating expenses			
Depreciation and amortisation	6, 7 and 8	**(1,403,946)**	(1,549,830)
Repairs and maintenance		**(774,775)**	(716,149)
Concession management fees		**(661,752)**	(576,541)
Aviation safety and security guard costs		**(640,874)**	(571,603)
Utilities and power		**(606,778)**	(619,834)
Staff costs	23	**(600,364)**	(543,647)
Operating contracted services		**(385,950)**	(328,140)
Real estate and other taxes		**(250,064)**	(202,999)
Greening and environmental maintenance		**(210,213)**	(205,947)
Rental expenses		**(123,085)**	(111,336)
Other costs		**(367,937)**	(360,348)
	24	**(6,025,738)**	(5,786,374)
Other income		**3,841**	2,706
Operating profit		**3,552,619**	2,894,123
Finance income	25	**160,954**	29,146
Finance costs	25	**(246,530)**	(552,181)
		(85,576)	(523,035)

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2017

	Note	**2017** **RMB'000**	2016 RMB'000
Share of post-tax profit of a joint venture		**3,251**	5,623
Profit before income tax		**3,470,294**	2,376,711
Income tax expense	26(a)	**(869,833)**	(595,710)
Profit for the year		**2,600,461**	1,781,001
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		**29,806**	(36,444)
Share of other comprehensive loss of investment in a joint venture		**–**	(10,612)
Other comprehensive income/(loss) for the year, net of tax		**29,806**	(47,056)
Total comprehensive income for the year		**2,630,267**	1,733,945
Earnings per share, basic and diluted *(RMB)*	27	**0.60**	0.41

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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
Balance at 1 January 2016		4,330,890	5,055,425	957,510	(14,848)	3,869,850	4,070,163	18,268,990
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	14(a)	–	–	55,332	–	–	–	55,332
2015 final dividend		–	–	–	–	–	(408,403)	(408,403)
2016 interim dividend	28	–	–	–	–	–	(271,547)	(271,547)
Transfer to statutory and discretionary reserves	14(c)	–	–	–	–	506,483	(506,483)	–
Balance at 31 December 2016		4,330,890	5,055,425	1,012,842	(61,904)	4,376,333	4,664,731	19,378,317
Balance at 1 January 2017		**4,330,890**	**5,055,425**	**1,012,842**	**(61,904)**	**4,376,333**	**4,664,731**	**19,378,317**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**2,600,461**	**2,600,461**
Other comprehensive income for the year		**–**	**–**	**–**	**29,806**	**–**	**–**	**29,806**
Total comprehensive income for the year		**–**	**–**	**–**	**29,806**	**–**	**2,600,461**	**2,630,267**
Cash contribution from the Parent Company	14(a)	**–**	**–**	**241,502**	**–**	**–**	**–**	**241,502**
2016 final dividend	28	**–**	**–**	**–**	**–**	**–**	**(440,885)**	**(440,885)**
2017 interim dividend	28	**–**	**–**	**–**	**–**	**–**	**(379,386)**	**(379,386)**
Transfer to statutory and discretionary reserves	14(c)	**–**	**–**	**–**	**–**	**616,246**	**(616,246)**	**–**
Balance at 31 December 2017		**4,330,890**	**5,055,425**	**1,254,344**	**(32,098)**	**4,992,579**	**5,828,675**	**21,429,815**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	**5,010,209**	5,233,651
Income tax paid		**(738,976)**	(623,357)
Net cash generated from operating activities		**4,271,233**	4,610,294
Cash flows from investing activities			
Purchase of property, plant and equipment		**(637,543)**	(159,220)
Purchase of intangible assets		**(29,512)**	(27,435)
Proceeds from sale of joint venture		**74,906**	–
Interest received		**45,940**	25,238
Government subsidies received for assets		**1,500**	10,310
Dividends received		**–**	12,231
Net cash used in investing activities		**(544,709)**	(138,876)
Cash flows from financing activities			
Repayment of bonds		**(3,000,000)**	–
Repayment of short-term debenture		**(2,500,000)**	–
Dividends paid		**(820,271)**	(679,950)
Interest paid		**(385,992)**	(393,534)
Repayment of loans from the Parent Company		**(167,010)**	(664,315)
Repayment of long-term borrowings		**(10,000)**	(4,370,000)
Cash contribution from the Parent Company	14(a)	**241,502**	55,332
Repayment of short-term borrowings		**–**	(2,000,000)
Proceeds from long-term borrowings		**–**	3,500,000
Proceeds from short-term debentures		**–**	2,500,000
Net cash used in financing activities		**(6,641,771)**	(2,052,467)
Net (decrease)/increase in cash and cash equivalents		**(2,915,247)**	2,418,951
Cash and cash equivalents at beginning of year		**4,530,369**	2,112,869
Exchange effect on cash and cash equivalents		**(473)**	(1,451)
Cash and cash equivalents at end of year	11	**1,614,649**	4,530,369

The above statement of cash flows should be read in conjunction with the accompanying notes.

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 (the "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 28 March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) Compliance with IFRS and HKCO

The financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") and requirement of the Hong Kong Companies Ordinance Cap.622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for defined benefit pension plans – plan assets measured at fair value.

(iii) Going concern

As at 31 December 2017, the current liabilities of the Company exceeded the current assets by RMB1,054,559,000 (2016: RMB3,386,680,000). 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.

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 2017 have been prepared on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iv) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12,
- Disclosure initiative – Amendments to IAS 7, and
- Annual improvements 2014-21016 cycle: Disclosure of interest in other entities – Amendments to IFRS 12.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 31(b).

(v) New and amended standards not yet adopted

Certain new accounting standards and amendments have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and amendments is set out below.

IFRS 9 Financial Instruments

Nature of change

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Company has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation.

Date of adoption by the Company

Must be applied for financial years commencing on or after 1 January 2018. The Company is still assessing the retrospective approach to be adopted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(v) New and amended standards not yet adopted (Continued)

IFRS 15 Revenue from Contracts with Customers

Nature of change

The International Accounting Standards Board has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Company's financial statements and no significant impact is expected.

Date of adoption by the Company

Mandatory for financial years commencing on or after 1 January 2018. The Company is still assessing the retrospective approach to be adopted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(v) New and amended standards not yet adopted (Continued)

IFRS 16 Leases

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of RMB1,083,823,000. None of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Company has not yet assessed what adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Company's profit or loss and classification of cash flows going forward.

Date of adoption by the Company

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date. The Company is still assessing the retrospective approach to be adopted.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Joint arrangement

Under IFRS 11 *Joint Arrangement* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company only has joint ventures. Interests in joint ventures are accounted for using the equity method.

Under the equity method of accounting, the 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 of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Company's share of losses in joint ventures equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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.

The carrying amount of investments in joint ventures is tested for impairment in accordance with the policy described in Note 2(h).

(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 of monetary assets and liabilities denominated in foreign currencies at year end exchange rates 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'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 any component accounted for as a separate asset is derecognised when replaced. All the other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

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

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

(f) Land use rights

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(j) Financial assets

(1) Classification

The Company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. The Company only has loans and receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (Continued)

(1) Classification (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Company's loans and receivables comprise of trade and other receivables and cash and cash equivalents.

(2) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(3) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest on loans and receivables calculated using the effective interest method is recognised in the statement of comprehensive income as part of revenue from continuing operations.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(l) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial assets (Continued)

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Impairment testing of trade receivables is described in Note 10.

(m) 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.

(n) Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

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. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2(j) for further information about the Company's accounting for trade receivables and Note 2(l) for a description of the Company's impairment policies.

(o) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) 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.

(q) Trade and other payables

Trade payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. 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.

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

(r) 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.

(s) 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.

Other borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (Continued)

(1) Pension obligations (Continued)

Defined benefit scheme (Continued)

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.

(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 Hewiit, the independent qualified actuaries.

(3) Housing funds and housing subsidies

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits (Continued)

(3) Housing funds and housing subsidies (Continued)

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.

(v) 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.

(w) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenues/Income recognition (Continued)

(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 the 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 the CAAC from outbound passengers (Note 4(d)).

(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.

(iii) Concession revenues comprise sales-related revenue from retailing, restaurants and food shops, advertising, ground handling service, VIP service and other services in the 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 and other 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 the CAAC.

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

(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.

(x) Leases

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

(1) Where Company is the lessee

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Leases (Continued)

(2) Where Company is the lessor

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

(y) 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.

(z) 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.

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk

(1) Foreign exchange risk

The Company's businesses are principally conducted in RMB. The Company is exposed to foreign currency risk with respect to primarily US dollar and HK dollar. Foreign currency risk arises from transactions including payment of part of intermediaries fees, repayment of the loans from the Parent Company and distribution of dividends to equity holders holding H shares.

As at 31 December 2017, all of the Company's assets and liabilities were denominated in RMB except that cash and cash equivalents of approximately RMB78,052,000 (2016: RMB70,831,000), trade and other receivables of approximately RMB426,000 (2016: RMB119,000), trade and other payables of approximately RMB11,006,000 (2016: RMB11,684,000) and loans from the Parent Company of approximately RMB2,008,888,000 (2016: RMB2,303,344,000) were denominated in US dollar.

As at 31 December 2017, 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 RMB72,803,000 (2016: decreased/increased by RMB84,153,000), 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 2017 and 2016.

(2) Interest rate risk

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

Loans from 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 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 2017, 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 RMB18,746,000 (2016: RMB19,888,000).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk

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

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

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

(iii) Liquidity risk

The Company adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through short and long term banks loans 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 2017 and 2016, 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, short-term debentures, bonds payable, long-term borrowings and loans from the Parent Company.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017						
Trade and other payables	**2,596,446**	**–**	**–**	**–**	**2,596,446**	**2,596,446**
Interest payable	**5,726**	**–**	**–**	**–**	**5,726**	**5,726**
Long-term borrowings	**122,899**	**3,041,034**	**–**	**–**	**3,163,933**	**2,990,000**
Loans from the Parent Company	**199,959**	**198,101**	**574,360**	**1,305,454**	**2,277,874**	**2,008,888**
	2,925,030	**3,239,135**	**574,360**	**1,305,454**	**8,043,979**	**7,601,060**
As at 31 December 2016						
Trade and other payables	2,165,733	–	–	–	2,165,733	2,165,733
Interest payable	142,717	–	–	–	142,717	142,717
Short-term debentures	2,570,000	–	–	–	2,570,000	2,500,000
Long-term borrowings	123,310	127,142	3,051,205	–	3,301,657	3,000,000
Bonds payable	3,012,080	–	–	–	3,012,080	2,999,857
Loans from the Parent Company	201,775	200,778	587,561	1,544,734	2,534,848	2,303,344
	8,215,615	327,920	3,638,766	1,544,734	13,727,035	13,111,651

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 2017 and 2016 are as follows:

	2017	2016
	RMB'000	*RMB'000*
Total liabilities	**9,207,443**	14,525,873
Total assets	**30,637,258**	33,904,190
Liability-to-asset ratio	**30%**	43%

The liability-to-asset ratio was decreased by 13% due to the repayment of short-term debentures and bonds during 2017.

(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).

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair values estimation (Continued)

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.

Financial instruments in level 3

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, long-term borrowings and loans from the Parent Company approximate their fair values, as the impact of discounting is not significant.

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) 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.

(b) 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 RMB233,926,000/ RMB415,501,000 for the year ended 31 December 2017.

(c) 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 (the "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 the 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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 2017. 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.

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.

(d) 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(w)) 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 the CAAC from outbound passengers.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

During the year, the Company did not receive any notice from relevant authorities for the updated charge rates attributable to the Company on the Airport Fee collected by the CAAC from outbound passengers. Based on historical transaction pattern, cash settlement made by the CAAC and management's best estimation, the Company recognised its revenues of the Airport Fee for the year ended 31 December 2017 at the rate of 48% of total amount collected by the CAAC from outbound passengers, which was as same as that of previous years.

As at 31 December 2017, the Company had received from the CAAC the Airport Fee for the year ended 31 December 2017 in full at the rate of 48% of total amount collected by the CAAC from outbound passengers departing from the Beijing Capital Airport.

(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 21.

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.

Analysis of revenues by category	**2017**	2016
	RMB'000	*RMB'000*
Aeronautical:		
Aircraft movement fees and related charges	**1,951,845**	1,745,517
Passenger charges	**1,927,420**	1,889,358
Airport Fee *(Note 4(d))*	**1,221,421**	1,201,862
	5,100,686	4,836,737
Non-aeronautical:		
Concessions *(note a)*	**3,102,092**	2,644,150
Rentals	**1,197,729**	1,082,725
Car parking fees	**162,446**	155,752
Others	**11,563**	9,726
	4,473,830	3,892,353
Total revenues	**9,574,516**	8,729,090

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

	2017	2016
	RMB'000	*RMB'000*
Retailing	**1,514,129**	1,212,760
Advertising	**1,098,255**	1,038,615
Restaurants and food shops	**251,256**	197,105
VIP service	**98,778**	96,862
Ground handling	**55,557**	28,555
Other	**84,117**	70,253
	3,102,092	2,644,150

5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

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

As the Company is domiciled in the PRC from where all of its revenues from external customers for the years ended 31 December 2017 and 2016 are derived and in where all of its assets are located, no geographical segment information is shown.

For the year ended 31 December 2017, approximately 18% and 15% (2016: 17% and 13% of the total revenues of the Company were derived from two (2016: two) single external customers.

6 PROPERTY, PLANT AND EQUIPMENT

	2017					
	Buildings and improvements RMB'000	Runways RMB'000	Plant, furniture, fixtures and equipment RMB'000	Motor Vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
Cost						
At beginning of year	23,165,076	9,981,601	8,407,999	736,231	541,730	42,832,637
Additions	168,327	–	67,230	18,640	561,932	816,129
Transfers	40,701	237,330	76,345	8,320	(362,696)	–
Disposals and other decreases	(1,115)	–	(144,690)	(12,025)	(14,973)	(172,803)
Reclassification	57,917	(59,143)	1,226	–	–	–
Adjustments according to finalisation of construction account by the surveyors	(408)	(6,887)	(8,761)	(3,252)	–	(19,308)
At end of year	23,430,498	10,152,901	8,399,349	747,914	725,993	43,456,655
Accumulated depreciation and impairment						
At beginning of year	(6,207,370)	(2,791,653)	(6,747,302)	(448,089)	(8,936)	(16,203,350)
Charge for the year	(598,112)	(230,728)	(475,287)	(47,888)	–	(1,352,015)
Disposals and other decreases	960	–	137,309	11,423	–	149,692
Reclassification	(6,383)	6,660	(277)	–	–	–
At end of year	(6,810,905)	(3,015,721)	(7,085,557)	(484,554)	(8,936)	(17,405,673)
Net book amount						
At end of year	16,619,593	7,137,180	1,313,792	263,360	717,057	26,050,982

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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*
Cost						
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
Accumulated depreciation and impairment						
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)
Net book amount						
At end of year	16,957,706	7,189,948	1,660,697	288,142	532,794	26,629,287

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:

	2017	2016
	RMB'000	*RMB'000*
Cost	**1,263,625**	1,459,008
Accumulated depreciation	**(516,189)**	(549,990)
Net book amount	**747,436**	909,018

As at 31 December 2017, buildings with net book value of RMB120,326,000 (2016: RMB126,651,000) 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 2017, buildings and terminal with a net book value of RMB7,967,170,000 (2016: RMB8,209,663,000) 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 2017, buildings and terminal with a net book value of RMB945,696,000 (2016: 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 2017, taxiways, aprons and structures with net book value of RMB644,537,000 (2016: RMB493,265,000) 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.

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:

	2017	2016
	RMB'000	*RMB'000*
Outside Hong Kong, held on:		
Leases of between 10 to 50 years		
Cost		
At beginning of year	**1,340,565**	1,340,565
Additions	**–**	–
At end of year	**1,340,565**	1,340,565
Accumulated amortisation		
At beginning of year	**(205,173)**	(176,744)
Amortisation	**(28,428)**	(28,429)
At end of year	**(233,601)**	(205,173)
Net book amount		
At end of year	**1,106,964**	1,135,392

As at 31 December 2017, the land use rights for parcels of land with net book value of RMB448,472,000 (2016: RMB459,478,000) 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 2017, the land use rights for parcels of land with net book value of RMB471,119,000 (2016: RMB482,680,000) 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.

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:

	2017	2016
	RMB'000	*RMB'000*
Cost		
At beginning of year	**309,274**	272,197
Additions	**41,930**	37,077
At end of year	**351,204**	309,274
Accumulated amortisation		
At beginning of year	**(244,538)**	(224,368)
Amortisation	**(23,503)**	(20,170)
At end of year	**(268,041)**	(244,538)
Net book amount		
At end of year	**83,163**	64,736

9 INVESTMENT IN A JOINT VENTURE

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	**34,869**	39,858
Share of profit	**3,251**	5,623
Other comprehensive loss	**–**	(10,612)
Transfer to asset held-for-sale	**(38,120)**	–
At end of year	**–**	34,869

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

	Place of incorporation	**Percentage of equity interest directly held**	
		2017	2016
Beijing Bowei Airport Support Limited ("Bowei")	Beijing, the PRC	**60%**	60%

During the year ended 31 December 2017, the Company signed a share transfer agreement with the Parent Company to transfer 60% of the entire registered capital of Bowei from the Company to the Parent Company. As at 31 December 2017, the transaction was approved by the relevant authorities, but was not completed. Accordingly, the investment in Bowei was classified as 'assets held-for-sale' as at 31 December 2017. The Company expected to complete the disposal in 2018.

10 TRADE AND OTHER RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Trade receivables		
– CAHC's subsidiaries *(Note 32(a))*	**20,697**	37,302
– a joint venture of the Company *(Note 32(a))*	**508**	496
– third parties	**1,483,614**	1,247,790
	1,504,819	1,285,588
Less: Provision for impairment	**(240,970)**	(185,303)
	1,263,849	1,100,285
Bill receivable		
– third parties	**16,008**	–
Dividends receivable		
– a joint venture of the Company *(Note 32(a))*	**10,715**	10,715
Prepayments and other receivables		
– CAHC and its subsidiaries *(Note 32(a))*	**50,063**	54,081
– a joint venture of the Company *(Note 32(a))*	**2,930**	–
– third parties	**25,360**	26,398
	78,353	80,479
Total trade and other receivables	**1,368,925**	1,191,479
Less: non-current portion	**(54,018)**	(52,895)
Current portion	**1,314,907**	1,138,584

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	**2017** **RMB'000**	2016 RMB'000
RMB	**1,368,499**	1,191,360
US dollar	**426**	119
	1,368,925	1,191,479

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

	2017 **RMB'000**	2016 RMB'000
Less than 3 months	**895,046**	806,804
4–6 months	**146,524**	41,233
7–12 months	**100,550**	105,032
1–2 years	**120,525**	110,178
2–3 years	**107,158**	133,156
Over 3 years	**135,016**	89,185
	1,504,819	1,285,588

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Trade and other receivables are assessed individually to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. The Company considers that there is evidence of impairment if any of the following indicators are present: significant financial difficulties of the debtor; probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

As at 31 December 2017, trade receivables of RMB398,213,000 (2016: RMB319,733,000) 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:

	2017 ***RMB'000***	2016 *RMB'000*
Past due up to 3 months	**161,048**	64,626
Past due 4–6 months	**39,047**	26,702
Past due 7–12 months	**43,373**	40,795
Past due over 1 year	**154,745**	187,610
	398,213	319,733

As at 31 December 2017, trade receivables of RMB240,970,000 (2016: RMB185,303,000) 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. The ageing of these receivables is as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Not past due	**7,325**	5,054
Past due up to 3 months	**7,932**	8,492
Past due 4–6 months	**7,946**	8,681
Past due 7–12 months	**15,656**	26,760
Past due over 1 year	**202,111**	136,316
	240,970	185,303

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	**185,303**	112,410
Provision for impairment of receivables	**55,667**	72,893
At end of year	**240,970**	185,303

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.

11 CASH AND CASH EQUIVALENTS

	2017	2016
	RMB'000	*RMB'000*
Cash on hand	**1**	–
Deposits placed with a subsidiary of CAHC *(Note 32(a) and note a)*	**309,237**	905,045
Bank deposits	**1,305,411**	3,625,324
	1,614,649	4,530,369

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

12 FINANCIAL INSTRUMENTS BY CATEGORY

The Company holds the following financial instruments:

Financial assets	**Financial assets at amortised cost** *RMB'000*
2017	
Trade and other receivables excluding prepayments	**1,296,091**
Cash and cash equivalents	**1,614,649**
Total	**2,910,740**
2016	
Trade and other receivables excluding prepayments	1,125,530
Cash and cash equivalents	4,530,369
Total	5,655,899

Financial liabilities	**Liabilities at amortised cost** *RMB'000*
2017	
Trade and other payables	**2,596,446**
Interest payable	**5,726**
Long-term borrowings	**2,990,000**
Loans from The Parent Company	**2,008,888**
Total	**7,601,060**
2016	
Trade and other payables	2,165,733
Interest payable	142,717
Short-term debentures	2,500,000
Long-term borrowings	3,000,000
Bonds payable	2,999,857
Loans from The Parent Company	2,303,344
Total	13,111,651

13 SHARE CAPITAL

	Number of ordinary shares	H-Shares of RMB1.00 each	Domestic Shares of RMB1.00 each	Total
	(thousands)	*RMB'000*	*RMB'000*	*RMB'000*
Registered, issued and fully paid				
As at 31 December 2017 and 2016	4,330,890	1,879,364	2,451,526	4,330,890

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

14 RESERVES

(a) Capital reserve

Capital reserve represents equity contributions from CAHC in cash to which CAHC is fully entitled. In accordance with 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 RMB260,046,000 for the year ended 31 December 2017 (2016: RMB178,100,000) was recorded in the financial statements for the year ended 31 December 2017.

The proposed profit appropriation of RMB356,200,000 to the discretionary surplus reserve fund for the year ended 31 December 2016 has been approved by the Annual General meeting on 28 June 2017, which was recorded in the financial statements for the year ended 31 December 2017.

15 TRADE AND OTHER PAYABLES

	2017 **RMB'000**	2016 RMB'000
Trade payables		
Amounts due to related parties		
– CAHC *(Note 32(a))*	**194,984**	67,201
– CAHC's subsidiaries *(Note 32(a))*	**519,903**	471,199
– a joint venture of the Company *(Note 32(a))*	**193,651**	152,011
	908,538	690,411
Repairs and maintenance charges payable	**371,340**	333,055
Accounts payable for purchases	**63,744**	54,053
Sub-contracting charges payable	**43,663**	34,193
Greening and environmental maintenance charges payable	**33,474**	34,044
Other	**200,409**	178,689
	1,621,168	1,324,445
Advance and other payables		
Amounts due to related parties		
– CAHC *(Note 32(a))*	**89,923**	42,651
– CAHC's subsidiaries *(Note 32(a))*	**47,724**	103,295
– a joint venture of the Company *(Note 32(a))*	**13,364**	15,248
	151,011	161,194
Construction payable	**655,668**	442,074
Deed taxes in respect of the acquisition of the Phase III Assets and the T3D Assets	**357,335**	357,335
Advance from customers	**340,151**	397,903
Payroll and welfare payable	**262,180**	209,128
Deposits received	**153,520**	115,336
Receipts on behalf of concession operators	**69,175**	83,959
Other tax payable	**14,398**	18,088
Other	**21,367**	39,297
	2,024,805	1,824,314
	3,645,973	3,148,759

15 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2017 **RMB'000**	2016 RMB'000
Less than 3 months	**857,048**	893,703
4–6 months	**200,952**	90,474
7–12 months	**219,212**	73,803
Over 12 months	**343,956**	266,465
	1,621,168	1,324,445

16 SHORT-TERM DEBENTURES

	2017 **RMB'000**	2016 RMB'000
Short-term debentures	**–**	2,500,000

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 principal and interest charge were paid when the short-term debentures became due in November 2017.

17 BONDS PAYABLE

	2017	2016
	RMB'000	*RMB'000*
Principal amount	**3,000,000**	3,000,000
Bonds issuance cost	**(15,704)**	(15,704)
Proceeds received	**2,984,296**	2,984,296
Accumulated amortisation amounts of bonds issuance cost	**15,704**	15,561
Repayment of bonds	**(3,000,000)**	–
	–	2,999,857
Less: current portion	**–**	(2,999,857)
Non-current portion	**–**	–

On 5 February 2010, the Company issued bonds 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 2017. In 2017, the principal amount of RMB3,000,000,000 was repaid by the Company.

18 BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Long-term		
– non-current portion	**2,990,000**	3,000,000

The movement in borrowings is analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
Opening amount as at 1 January	**3,000,000**	5,870,000
Proceeds of new borrowings	**–**	3,500,000
Repayments of borrowings	**(10,000)**	(6,370,000)
Closing amount as at 31 December	**2,990,000**	3,000,000

18 BORROWINGS (CONTINUED)

As at 31 December 2017, the Company's borrowings are repayable as follows:

	2017 *RMB'000*	2016 *RMB'000*
Between 1 and 2 years	**2,990,000**	–
Between 2 and 5 years	**–**	3,000,000
	2,990,000	3,000,000

The loan with the remaining amount of RMB2,990,000,000 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 2017 approximated to their carrying amount.

19 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. The borrowings were not reassigned into the name of the Company.

	2017 *RMB'000*	2016 *RMB'000*
Loans from the Parent Company	**2,008,888**	2,303,344
Less: current portion	**(160,711)**	(170,618)
	1,848,177	2,132,726

	2017 *RMB'000*	2016 *RMB'000*
Opening amount as at 1 January	**2,303,344**	2,815,831
Repayments of borrowings	**(167,010)**	(664,315)
Currency translation differences	**(127,446)**	151,828
Closing amount as at 31 December	**2,008,888**	2,303,344

19 LOANS FROM THE PARENT COMPANY (CONTINUED)

As at 31 December 2017, the Company's loans from the Parent Company are repayable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**160,711**	170,618
Between 1 and 2 years	**160,711**	170,618
Between 2 and 5 years	**482,133**	511,854
Over 5 years	**1,205,333**	1,450,254
	2,008,888	2,303,344

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.

20 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2016: 25%).

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

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	**167,675**	132,478
Credited to income tax expenses	**25,785**	23,049
(Credited)/charged to other comprehensive income	**(9,936)**	12,148
At end of year	**183,524**	167,675

20 DEFERRED INCOME TAXES (CONTINUED)

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

Deferred income tax assets	**Retirement benefit obligations** *RMB'000*	**Accelerated accounting depreciation** *RMB'000*	**Provision** *RMB'000*	**Accruals and others** *RMB'000*	**Total** *RMB'000*
As at 1 January 2016	50,702	31,819	30,337	27,195	140,053
Credited/(charged) to income tax expense	867	(3,738)	18,223	7,399	22,751
Charged to other comprehensive income	12,148	–	–	–	12,148
As at 31 December 2016	63,717	28,081	48,560	34,594	174,952
As at 1 January 2017	**63,717**	**28,081**	**48,560**	**34,594**	**174,952**
Credited/(charged) to income tax expense	**1,800**	**(3,403)**	**13,917**	**13,469**	**25,783**
Credited to other comprehensive income	**(9,936)**	**–**	**–**	**–**	**(9,936)**
As at 31 December 2017	**55,581**	**24,678**	**62,477**	**48,063**	**190,799**

Deferred income tax liabilities	**Accelerated tax depreciation** *RMB'000*	**Other temporary differences** *RMB'000*	**Total** *RMB'000*
As at 1 January 2016	2,044	5,531	7,575
Credited to income tax expense	(55)	(243)	(298)
As at 31 December 2016	1,989	5,288	7,277
As at 1 January 2017	**1,989**	**5,288**	**7,277**
Charged/(credited) to income tax expense	**240**	**(242)**	**(2)**
As at 31 December 2017	**2,229**	**5,046**	**7,275**

20 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:

	2017	2016
	RMB'000	*RMB'000*
Deferred income tax assets	**190,799**	174,952
Deferred income tax liabilities	**(7,275)**	(7,277)
	183,524	167,675

The amounts shown in the balance sheet include the following:

	2017	2016
	RMB'000	*RMB'000*
Deferred income tax assets to be recovered after more than 12 months	**147,047**	144,530
Deferred income tax liability to be settled after more than 12 months	**7,032**	7,034

21 RETIREMENT BENEFIT OBLIGATIONS

As at 31 December 2017, the retirement benefit obligations recognised in the balance sheet are as follows:

	2017	2016
	RMB'000	*RMB'000*
Pension subsidies *(note a)*	**76,188**	98,436
Post-retirement medical benefits *(note b)*	**60,105**	70,401
	136,293	168,837
Less: Amounts due within one year included in current liabilities	**(7,751)**	(7,702)
	128,542	161,135

21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2017	2016
	RMB'000	*RMB'000*
Pension subsidies *(note a)*	**7,118**	6,268
Post-retirement medical benefits *(note b)*	**5,952**	3,109
Total, charged to staff costs *(Note 23)*	**13,070**	9,377
Pension subsidies *(note a)*	**(24,132)**	16,505
Post-retirement medical benefits *(note b)*	**(15,610)**	32,087
Total, charged to other comprehensive income	**(39,742)**	48,592

(a) Pension subsidies

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

	2017	2016
	RMB'000	*RMB'000*
Present value of the Annuity Plan	**90,694**	100,665
Present value of unfunded obligations	**91,382**	100,159
Present value of plan assets	**(105,888)**	(102,388)
Liability in the balance sheet	**76,188**	98,436

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

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	**98,436**	85,771
Total cost	**7,118**	6,268
Other comprehensive income – actuary gain and loss	**(24,132)**	16,505
Contribution to fund the plan assets	**–**	(4,821)
Payment made in the year	**(5,234)**	(5,287)
At end of year	**76,188**	98,436

21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Pension subsidies (Continued)

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

	2017	2016
	RMB'000	*RMB'000*
Service cost	**3,584**	3,243
Net interest cost	**3,534**	3,025
	7,118	6,268

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

	2017	2016
Discount rate	**4.25%**	3.75%
Pension cost inflation rate for the participating employees under the Annuity Plan	**3.00%**	3.00%
Salary inflation rate for the participating employees under the Annuity Plan	**5.00%***	5.00%
Employee withdrawal rate	**2.85%**	2.85%
Mortality rate	**note**	note

* The salary inflation rate is 5.00% for 2017 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:

	2017	2016
	RMB'000	*RMB'000*
Cash and cash equivalents	**18,524**	19,942
Corporate bonds	**2,818**	10,426
Others	**84,546**	72,020
Total	**105,888**	102,388

21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Post-retirement medical benefits

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

	2017	2016
	RMB'000	*RMB'000*
At beginning of year	**70,401**	35,828
Total cost	**5,952**	3,109
Other comprehensive income – actuary gain and loss	**(15,610)**	32,087
Payment made in the year	**(638)**	(623)
At end of year	**60,105**	70,401

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

	2017	2016
	RMB'000	*RMB'000*
Service cost	**3,325**	1,773
Net Interest cost	**2,627**	1,336
	5,952	3,109

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

	2017	2016
Discount rate	**4.25%**	3.75%
Inflation rate of average medical benefit	**7.00%**	7.00%
Employee withdrawal rate	**2.85%**	2.85%
Mortality rate	**note**	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.

21 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 26%	Increase by 35%

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 2018 are RMB5,000,000.

(f) The weighted average duration of the retirement benefit obligations is 21 years.

21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(g) Expected maturity analysis of undiscounted pension subsidies and post-retirement medical benefits:

At 31 December 2017	Less than a year *RMB'000*	Between 1-5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Pension subsidies	7,046	28,389	146,641	182,076
Post-retirement medical benefits	705	3,424	55,976	60,105
Total	7,751	31,813	202,617	242,181

22 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.

23 STAFF COSTS

	2017 *RMB'000*	2016 *RMB'000*
Salaries and welfare	**404,654**	354,177
Pension costs – defined contribution scheme under statutory pension plan *(note a)*	**48,370**	48,565
Housing fund	**31,435**	30,083
Pension costs – defined contribution scheme under the Annuity Plan	**22,724**	22,449
Pension costs – defined benefit scheme under the Annuity Plan and others *(Note 21)*	**13,070**	9,377
Other allowances and benefits	**80,111**	78,996
	600,364	543,647

23 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 19% (2016: 20% for January to April, 19% from May) 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 33.

(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 (2016: one director, one supervisors and three senior executives). The emoluments of the director and supervisor are reflected in the analysis presented in Note 33. The emoluments payables to the remaining three (2016: three) individuals during the year are as follows:

	2017	2016
	RMB'000	*RMB'000*
Salary	**3,166**	2,094
Social security costs excluding pension costs	**98**	92
Housing allowance	**105**	97
Employer's contribution to retirement benefit schemes	**291**	270
	3,660	2,553

The above emoluments for the year ended 31 December 2017 included the performance bonus of prior year according to the prior year performance evaluation made in 2017. The aggregated amount was RMB1,737,000.

During the year ended 31 December 2017, 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 (2016: nil).

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands (in HK dollar)	**2017**	2016
Below HK$1,000,000	**–**	3
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**2**	–

24 EXPENSES BY NATURE

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

	2017	2016
	RMB'000	*RMB'000*
Depreciation on property, plant and equipment *(Note 6)*		
– owned assets	**1,322,376**	1,467,556
– owned assets leased out under operating leases	**29,639**	33,675
Amortisation of land use rights *(Note 7)*	**28,428**	28,429
Amortisation of intangible assets *(Note 8)*	**23,503**	20,170
Operating lease rentals		
– Office building	**46,244**	46,553
– Land use rights	**45,772**	42,383
– Information technology center	**7,760**	16,404
– Other rentals	**23,309**	5,996
Loss on disposal of property, plant and equipment	**8,138**	2,830
Provision for impairment of trade receivables *(Note 10)*	**55,667**	72,893
Auditor's remuneration	**6,426**	3,516
– Audit services	**4,475**	3,500
– Non-audit services	**1,951**	16

25 FINANCE INCOME/(COSTS)

	2017	2016
	RMB'000	*RMB'000*
Finance income		
Exchange gains, net	**127,465**	–
Interest income on bank deposits	**33,489**	29,146
	160,954	29,146
Finance costs		
Interest for borrowings	**(126,976)**	(213,065)
Interest for short-term debentures	**(70,000)**	(10,000)
Interest for loans from the Parent Company	**(35,358)**	(28,356)
Interest for bonds payable	**(12,223)**	(142,461)
Bank charges	**(1,973)**	(4,658)
Exchange losses, net	**–**	(153,641)
	(246,530)	(552,181)
Net finance costs	**(85,576)**	(523,035)

26 TAXATION

(a) Corporate income tax

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

The Company is subject to corporate income tax at a rate of 25% (2016: 25%) on its taxable income as determined in accordance with the relevant PRC income tax laws and regulations.

	2017	2016
	RMB'000	*RMB'000*
Current income tax	**895,618**	618,759
Deferred income tax *(Note 20)*	**(25,785)**	(23,049)
	869,833	595,710

26 TAXATION (CONTINUED)

(a) Corporate income tax (Continued)

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

	2017	2016
	RMB'000	*RMB'000*
Profit before income tax	**3,470,294**	2,376,711
Less: share of post-tax profit of a joint venture	**(3,251)**	(5,623)
	3,467,043	2,371,088
Tax calculated at a tax rate of 25% (2016: 25%)	**866,761**	592,772
Expenses not deductible for tax purpose	**3,072**	2,938
Tax charge	**869,833**	595,710

(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%.

26 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] 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.

27 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 2017 and 2016.

	2017	2016
Profit for the year *(RMB'000)*	**2,600,461**	1,781,001
Basic earnings per share *(RMB per share)*	**0.60**	0.41

28 DIVIDENDS

	2017	2016
Dividend proposed		
Final dividend *(RMB'000)*	**660,894**	440,885
Final dividend per share *(RMB)*	**0.1526**	0.1018
Interim dividend *(RMB'000)*	**379,386**	271,547
Interim dividend per share *(RMB)*	**0.0876**	0.0627

The final dividend for the year ended 31 December 2017 was proposed at the Board of Directors meeting held on 28 March 2018. This proposed dividend is not reflected as a dividends payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2018.

29 CONTINGENCIES

The Directors of the Company understand that certain residents living in the vicinity of the Beijing Capital Airport have made complaints to the Beijing Municipal Government of the aircraft engine noise created by approaching and departing 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 2017, 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.

30 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. Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Property, plant and equipment	**571,649**	292,029
Intangible assets	**22,735**	10,079
	594,384	302,108

Operating lease commitments – where the Company is the lessee

As at 31 December 2017, the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	2017 ***RMB'000***	2016 *RMB'000*
No later than 1 year	**119,257**	38,854
Later than 1 year and no later than 5 years	**353,406**	148,907
Later than 5 years	**611,160**	419,598
	1,083,823	607,359

30 COMMITMENTS (CONTINUED)

Operating lease arrangements – where the Company is the lessor

As at 31 December 2017, the future minimum lease payment receivables under non-cancellable operating leases for areas around terminals and equipment were as follows:

	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**476,355**	746,295
Later than 1 year and no later than 5 years	**312,734**	658,784
Later than 5 years	**55,095**	–
	844,184	1,405,079

Concession income arrangements

As at 31 December 2017, 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:

	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**3,310,162**	1,352,072
Later than 1 year and no later than 5 years	**12,010,605**	586,374
Later than 5 year	**9,037,529**	–
	24,358,296	1,938,446

31 NOTES TO STATEMENT OF CASH FLOWS

(a) Cash generated from operations

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

	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**2,600,461**	1,781,001
Adjustments for:		
Taxation	**869,833**	595,710
Depreciation	**1,352,015**	1,501,231
Amortisation of land use rights	**28,428**	28,429
Amortisation of intangible assets	**23,503**	20,170
Provision for impairment of trade receivables	**55,667**	72,893
Losses on disposal of property, plant and equipment	**8,138**	2,830
Share of post-tax profits of a joint venture	**(3,251)**	(5,623)
Interest income	**(33,489)**	(29,146)
Finance costs	**246,530**	398,540
Foreign exchange (gains)/losses, net	**(127,465)**	153,641
Retirement benefit obligations	**7,198**	(1,354)
Deferred income	**62**	(1,602)
Changes in working capital:		
Inventories	**5,047**	2,176
Trade and other receivables	**(244,451)**	46,016
Other current assets	**(45,595)**	(26,909)
Trade and other payables	**267,578**	695,648
Cash generated from operations	**5,010,209**	5,233,651

31 NOTES TO STATEMENT OF CASH FLOWS (CONTINUED)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movement in net debt for each of the period presented.

Net debt	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	**1,614,649**	4,530,369
Borrowings – repayable within one year	**(160,711)**	(5,670,475)
Borrowings – repayable after one year	**(4,838,177)**	(5,132,726)
Net debt	**(3,384,239)**	(6,272,832)
Cash and cash equivalents	**1,614,649**	4,530,369
Gross debt – fixed interest rates	**–**	(5,499,857)
Gross debt – variable interest rates	**(4,998,888)**	(5,303,344)
Net debt	**(3,384,239)**	(6,272,832)

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents RMB'000	Borrow due within 1 year RMB'000	Borrow due after 1 year RMB'000	Total RMB'000
Net debt as at 1 January 2016	2,112,869	(4,644,713)	(7,038,396)	(9,570,240)
Cash flows	2,418,951	2,149,315	(1,115,000)	3,453,266
Foreign exchange adjustments	(1,451)	(4,602)	(147,226)	(153,279)
Non-cash movements	–	(3,170,475)	3,167,896	(2,579)
Net debt as at 31 December 2016	4,530,369	(5,670,475)	(5,132,726)	(6,272,832)
Cash flows	**(2,915,247)**	**5,667,010**	**10,000**	**2,761,763**
Foreign exchange adjustments	**(473)**	**3,608**	**123,838**	**126,973**
Non-cash movements	**–**	**(160,854)**	**160,711**	**(143)**
Net debt as at 31 December 2017	**1,614,649**	**(160,711)**	**(4,838,177)**	**(3,384,239)**

32 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 the 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.

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties

As at 31 December 2017, balances with related parties comprised:

	2017 *RMB'000*	2016 *RMB'000*
Trade and other receivables from CAHC and its subsidiaries *(Note 10 and note i)*	**70,760**	91,383
Trade and other receivables from a joint venture of the Company *(Note 10 and note i)*	**14,153**	11,211
Deposits placed with a subsidiary of CAHC *(Note 11 and note ii)*	**309,237**	905,045
Trade and other payables to CAHC *(Note 15 and note i)*	**284,907**	109,852
Trade and other payables to a joint venture of the Company *(Note 15 and note i)*	**207,015**	167,259
Trade and other payables to CAHC's subsidiaries *(Note 15 and note i)*	**567,627**	574,494
Interest payable to the Parent Company	**1,907**	1,465
Loans from the Parent Company *(Note 19)*	**2,008,888**	2,303,344

(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.

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	2017	2016
	RMB'000	*RMB'000*
Transactions with CAHC and its subsidiaries *(note i)*		
Revenues:		
Concessions	**117,308**	115,277
Rentals	**229,634**	236,894
Finance income:		
Interest income	**10,794**	7,407
Expenses:		
Purchase of concession management services	**661,752**	576,541
Purchase of aviation safety and security guard services	**605,746**	537,080
Purchase of utilities and power	**604,197**	619,914
Purchase of certain sanitary services, baggage cart management services and greening and environmental maintenance services	**214,033**	206,152
Purchase of accessorial power and energy services	**158,049**	137,893
Rental expenses	**97,504**	102,653
Use of trademark license	**83,601**	81,668
Purchase of airport guidance services	**42,913**	42,043
Demolition Compensation for the properties and other attachments erected within the Project Land to CAHC	**25,683**	–
Use of grounded traffic centre	**15,658**	14,450
Purchase of maintenance services	**4,745**	5,309
Purchase of beverage services	**3,823**	3,696
Purchase of canteen management services	**2,311**	–
Purchase of advertisement services	**911**	–
Interest charges on loans from the Parent Company *(Note 25)*	**35,358**	28,356
Other:		
Acquisition of the No.1 Road and the Yingbin Bridge from CAHC	**183,882**	–
Purchase of construction services	**47,987**	71,718
Transactions with a joint venture of the Company		
Revenue from concessions	**763**	609
Purchase of terminal maintenance and operating services	**400,545**	348,139
Purchase of construction services	**5,762**	4,412

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

(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 2017, the future aggregate minimum lease payments under non-cancellable operating leases payable to CAHC and its subsidiaries were as follows：

	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**93,460**	38,854
Later than 1 year and no later than 5 years	**339,797**	148,907
Later than 5 years	**611,160**	419,598
Total	**1,044,417**	607,359

Operating lease arrangements – where the Company is the lessor

As at 31 December 2017, the future minimum lease payment receivables under non-cancellable operating leases for buildings and equipment from CAHC's subsidiaries were as follows：

	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**38,895**	240,729
Later than 1 year and no later than 5 years	**33,175**	72,263
Total	**72,070**	312,992

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Commitment with related parties (Continued)

Concession income arrangements

As at 31 December 2017, 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:

	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**–**	102,674

Purchase of service

As at 31 December 2017, the future minimum expense payables under non-cancellable agreements to CAHC's subsidiaries were as follows:

	2017	2016
	RMB'000	*RMB'000*
No later than 1 year	**573,147**	214,131
Later than 1 year and no later than 5 years	**46,109**	35,328
Total	**619,256**	249,459

Guarantee of bonds

As at 31 December 2017, bonds issued by the Company guaranteed by CAHC were as follows:

	2017	2016
	RMB'000	*RMB'000*
Amount of bonds	**–**	3,000,000

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

	2017	2016
	RMB'000	*RMB'000*
Salaries, allowances and other benefits	**7,895**	6,723

33 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:

	2017	2016
	RMB'000	*RMB'000*
Fees	**800**	800
Salary	**3,392**	2,629
Social security costs excluding pension costs	**132**	116
Housing allowance	**136**	118
Employer's contribution to retirement benefit schemes	**385**	329
Total	**4,845**	3,992

33 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 2017 are set out below:

	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*
Name of director						
Chairman						
Liu Xuesong *(note i and x)*	–	–	–	–	–	–
Executive directors						
Han Zhiliang *(note viii and xi)*	–	774	33	32	66	905
Gao Lijia *(note xi)*	–	1,091	33	32	117	1,273
Non-executive directors						
Gao Shiqing *(note i and iii)*	–	–	–	–	–	–
Yao Yabo *(note i)*	–	–	–	–	–	–
Zhang Musheng *(note i and iv)*	–	–	–	–	–	–
Ma Zheng *(note i)*	–	–	–	–	–	–
Cheng Chi Ming, Brian *(note ii)*	–	–	–	–	–	–
Independent Non-executive directors						
Liu Guibin	150	–	–	–	–	150
Jiang Ruiming	150	–	–	–	–	150
Japhet Sebastian Law	150	–	–	–	–	150
Zhang Jiali *(note v)*	150	–	–	–	–	150
Wang Xiaolong *(note vi)*	–	–	–	–	–	–
Name of supervisor						
Song Shengli *(note i)*	–	–	–	–	–	–
Dong Ansheng	100	–	–	–	–	100
Wang Xiaolong *(note vi)*	100	–	–	–	–	100
Lau Siu Ki *(note vii)*	–	–	–	–	–	–
Deng Xianshan *(note xi)*	–	981	33	32	107	1,153
Chang Jun	–	546	33	40	95	714
	800	3,392	132	136	385	4,845

33 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:

	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*
Name of director						
Chairman						
Liu Xuesong *(note i and x)*	–	–	–	–	–	–
Executive directors						
Han Zhiliang *(note viii and xi)*	–	280	23	22	35	360
Gao Lijia *(note xi)*	–	745	31	29	112	917
Non-executive directors						
Yao Yabo *(note i)*	–	–	–	–	–	–
Zhang Musheng *(note i and iv)*	–	–	–	–	–	–
Ma Zheng *(note i)*	–	–	–	–	–	–
Cheng Chi Ming, Brian *(note ii)*	–	–	–	–	–	–
Independent Non-executive directors						
Liu Guibin	150	–	–	–	–	150
Jiang Ruiming	150	–	–	–	–	150
Japhet Sebastian Law	150	–	–	–	–	150
Wang Xiaolong *(note vi)*	150	–	–	–	–	150
Name of supervisor						
Liu Yanbin *(note i and ix)*	–	–	–	–	–	–
Song Shengli *(note i)*	–	344	–	–	–	344
Dong Ansheng	100	–	–	–	–	100
Lau Siu Ki *(note vii)*	100	–	–	–	–	100
Deng Xianshan *(note xi)*	–	742	31	29	91	893
Chang Jun	–	518	31	38	91	678
	800	2,629	116	118	329	3,992

33 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

Notes:

(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. Gao Shiqing was appointed as the director with effect from 28 June 2017.

(iv) Mr. Zhang Musheng was resigned from director with effect from 28 June 2017.

(v) Mr. Zhang Jiali was appointed as director with effect from 28 June 2017.

(vi) Mr. Wang Xiaolong was resigned from director and appointed as supervisor with effect from 28 June 2017.

(vii) Mr. Lau Siu Ki was resigned from supervisor with effect from 28 June 2017.

(viii) Mr. Han Zhiliang was appointed as the chief executive with effect from 22 March 2016 and as executive director with effect from 25 August 2016.

(ix) Mr. Liu Yanbin was resigned from supervisor with effect from 16 June 2016.

(x) Mr. Liu Xuesong temporarily performed all the duties of the general manager from 17 September 2015 to 22 March 2016.

(xi) Mr. Han Zhiliang`s, Ms. Gao Lijia`s and Mr. Deng Xianshan's emoluments for the year ended 31 December 2017 included the performance bonus of prior year according to the prior year performance evaluation made in 2017. The amounts were RMB447,000, RMB561,000 and RMB505,000 respectively.

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

During the year ended 31 December 2017, 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 (2016: nil).

(b) Directors' and supervisors' retirement benefits

During the year ended 31 December 2017, 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 (2016: nil).

(c) Directors' and supervisors' termination benefits

During the year ended 31 December 2017, no termination benefits were paid or receivable by any director or supervisor as compensation for their early termination of the appointment (2016: nil).

33 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

During the year ended 31 December 2017, 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 (2016: 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 2017, 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 (2016: nil).

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

During the year ended 31 December 2017, 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 during the year (2016: nil).

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. Mok Chung Kwan, Stephen and Mr. Luo Xiaopeng
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

Gao Shiqing
Yao Yabo
Ma Zheng
Cheng Chi Ming, Brian *(Note)*

Note: Mr. Cheng Chi Ming, Brian resigned as a non-executive director of the Company with effect from 2 February 2018.

Independent Non-executive Directors

Japhet Sebastian Law
Jiang Ruiming
Liu Guibin
Zhang Jiali

COMPANY INFORMATION (CONTINUED)

COMMITTEES

Audit and Risk Management Committee

Liu Guibin *(Chairman)*
Japhet Sebastian Law
Jiang Ruiming
Zhang Jiali

Remuneration and Evaluation Committee

Japhet Sebastian Law *(Chairman)*
Jiang Ruiming
Liu Guibin
Zhang Jiali
Gao Shiqing
Gao Lijia

Nomination Committee

Jiang Ruiming *(Chairman)*
Japhet Sebastian Law
Liu Guibin
Zhang Jiali
Liu Xuesong
Han Zhiliang
Gao Lijia

Strategy Committee

Liu Xuesong *(Chairman)*
Han Zhiliang
Gao Lijia
Cheng Chi Ming, Brian *(Note)*
Zhang Jiali

Note: Mr. Cheng Chi Ming, Brian ceased to be a member of the Strategy Committee of the Company with effect from 2 February 2018.

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 2017

Announcement of interim results:	30 August 2017
Announcement of final results:	28 March 2018

SHARE INFORMATION

Name of H shares:	Beijing Airport
Stock code:	00694

PRICE AND TURNOVER HISTORY

Year 2017	Price per share High (HK$)	Low (HK$)	Turnover of share (in millions)
January	7.95	7.20	95.8
February	8.43	7.46	139.0
March	9.55	8.27	145.0
April	11.38	9.16	253.3
May	11.78	10.58	185.6
June	11.92	10.76	112.8
July	12.98	10.74	112.5
August	14.10	11.60	72.3
September	14.10	11.64	89.8
October	12.98	11.64	76.5
November	13.20	11.38	123.3
December	12.64	11.00	93.3

BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED

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