北京首都國際機場股份有限公司
Beijing Capital International Airport Co.,Ltd.
*(a sino - foreign joint stock limited company incorporated in the People's Republic of China)*

(Stock Code: 0694)

# 2007 Annual Results Announcement

The board of directors ("the Board") of Beijing Capital International Airport Company Limited ("the Company") is pleased to announce the audited results of the Company for the year ended 31 December 2007 together with the comparative figures in 2006 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as follows:

## INCOME STATEMENT

| | | For the year ended 31 December | |
|---|---|---|---|
| | | **2007** | 2006 |
| | *Note* | ***Rmb'000*** | *Rmb'000* |
| Revenues | | | |
| Aeronautical | 3 | **2,490,494** | 2,296,099 |
| Non-aeronautical | 3 | **1,025,631** | 863,764 |
| | | **3,516,125** | 3,159,863 |
| Business tax and levies | | | |
| Aeronautical | | **(80,692)** | (68,883) |
| Non-aeronautical | | **(59,711)** | (53,674) |
| | | **(140,403)** | (122,557) |

| | | | |
|---|---|---|---|
| Operating expenses | | | |
| Depreciation and amortisation | | **(508,677)** | (498,766) |
| Staff costs | | **(226,648)** | (135,001) |
| Aviation safety and security guard expenses | | **(213,712)** | (180,831) |
| Utilities and power | | **(211,198)** | (194,082) |
| Repairs and maintenance | | **(189,541)** | (175,172) |
| Greening and environmental maintenance | | **(105,744)** | (93,122) |
| Real estate and other taxes | | **(56,120)** | (53,475) |
| Rental expenses | | **(50,048)** | (12,834) |
| General, administrative and other expenses | | **(140,376)** | (119,558) |
| | | **(1,702,064)** | (1,462,841) |
| Other gains | 4 | **6,746** | 56,758 |
| **Operating profit** | 5 | **1,680,404** | 1,631,223 |
| Interest expenses of short-term bank borrowings and notes payable | | **(4,989)** | (5,478) |
| Share of profit/(loss) of associates | | **328** | (273) |
| **Profit before income tax** | | **1,675,743** | 1,625,472 |
| Income tax expense | 6 | **(546,256)** | (532,573) |
| **Profit for the year** | | **1,129,487** | 1,092,899 |
| Earnings per share, basic and diluted (Rmb) | 7 | **0.28** | 0.28 |
| **Dividends** | | | |
| Interim dividend declared | 8 | **166,782** | 151,269 |
| Final dividend proposed | 8 | **369,130** | 357,032 |

# BALANCE SHEET

| | Note | As at 31 December 2007 Rmb'000 | 2006 Rmb'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **7,986,574** | 8,213,966 |
| Land use rights | | **218,155** | 223,380 |
| Intangible assets | | **23,437** | 12,123 |
| Investment in associates | | **25,802** | 26,674 |
| Deferred income tax assets | | **14,658** | 21,172 |
| | | **8,268,626** | 8,497,315 |
| **Current assets** | | | |
| Inventories | | **13,210** | 13,934 |
| Trade and other receivables | 9 | **863,741** | 3,400,377 |
| Cash and cash equivalents | | **3,134,996** | 152,818 |
| | | **4,011,947** | 3,567,129 |
| **Total assets** | | **12,280,573** | 12,064,444 |
| **EQUITY** | | | |
| **Capital and reserves** | | | |
| Share capital | | **4,046,150** | 4,046,150 |
| Share premium | | **3,032,824** | 3,032,824 |
| Capital reserve | 11 | **300,000** | — |
| Statutory and discretionary reserves | 12 | **1,718,655** | 1,408,155 |
| Retained earnings | | **1,272,253** | 989,178 |
| Proposed final dividend | 8 | **369,130** | 357,032 |
| **Total equity** | | **10,739,012** | 9,833,339 |

| | | | |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Retirement benefit obligations | | **40,418** | 46,624 |
| Deferred income | | **10,940** | 14,354 |
| | | **51,358** | 60,978 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **1,174,815** | 1,318,273 |
| Current income tax liabilities | | **313,771** | 319,394 |
| Notes payable | | **—** | 531,057 |
| Current portion of retirement benefit obligations | | **1,617** | 1,403 |
| | | **1,490,203** | 2,170,127 |
| **Total liabilities** | | **1,541,561** | 2,231,105 |
| **Total equity and liabilities** | | **12,280,573** | 12,064,444 |
| **Net current assets** | | **2,521,744** | 1,397,002 |
| **Total assets less current liabilities** | | **10,790,370** | 9,894,317 |

# STATEMENT OF CHANGES IN EQUITY

| | Note | Share capital Rmb'000 | Share premium Rmb'000 | Capital reserve Rmb'000 | Statutory and discretionary reserves Rmb'000 | Retained earnings Rmb'000 | Minority interests Rmb'000 | Total equity Rmb'000 |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to equity holders of the Company | | | | | | |
| **Balance at 1 January 2006** | | 3,846,150 | 2,209,648 | — | 1,132,695 | 999,617 | 3,155 | 8,191,265 |
| Profit for the year | | — | — | — | — | 1,092,899 | — | 1,092,899 |
| New shares issued | | 200,000 | 823,176 | — | — | — | — | 1,023,176 |
| Disposals of jointly controlled entities | | — | — | — | — | — | (3,155) | (3,155) |
| Dividends | 8 | | | | | | | |
| — 2005 final dividend | | — | — | — | — | (319,577) | — | (319,577) |
| — 2006 interim dividend | | — | — | — | — | (151,269) | — | (151,269) |
| Transfer to statutory and discretionary reserves | 12 | — | — | — | 275,460 | (275,460) | — | — |
| **Balance at 31 December 2006** | | 4,046,150 | 3,032,824 | — | 1,408,155 | 1,346,210 | — | 9,833,339 |
| Representing: | | | | | | | | |
| Share capital and reserves | | 4,046,150 | 3,032,824 | — | 1,408,155 | 989,178 | — | 9,476,307 |
| 2006 proposed final dividend | | — | — | — | — | 357,032 | — | 357,032 |
| **Balance at 31 December 2006** | | 4,046,150 | 3,032,824 | — | 1,408,155 | 1,346,210 | — | 9,833,339 |

| | Note | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2007** | | 4,046,150 | 3,032,824 | — | 1,408,155 | 1,346,210 | — | 9,833,339 |
| Profit for the year | | — | — | — | — | 1,129,487 | — | 1,129,487 |
| Dividends | 8 | | | | | | | |
| — 2006 final dividend | | — | — | — | — | (357,032) | — | (357,032) |
| — 2007 interim dividend | | — | — | — | — | (166,782) | — | (166,782) |
| Funds from government for construction projects | 11 | — | — | 300,000 | — | — | — | 300,000 |
| Transfer to statutory and discretionary reserves | 12 | — | — | — | 310,500 | (310,500) | — | — |
| **Balance at 31 December 2007** | | 4,046,150 | 3,032,824 | 300,000 | 1,718,655 | 1,641,383 | — | 10,739,012 |
| Representing: | | | | | | | | |
| Share capital and reserves | | 4,046,150 | 3,032,824 | 300,000 | 1,718,655 | 1,272,253 | — | 10,369,882 |
| 2007 proposed final dividend | | — | — | — | — | 369,130 | — | 369,130 |
| **Balance at 31 December 2007** | | 4,046,150 | 3,032,824 | 300,000 | 1,718,655 | 1,641,383 | — | 10,739,012 |

## 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 is listed on The Stock Exchange of Hong Kong Limited since 1 February 2000. The Company is majority owned by Capital Airports Holding Company, a state-owned enterprise established in the PRC ("CAHC" or the "Parent Company").

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

These financial statements were authorised for issue by the Board of Directors on 1 April 2008.

### 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

*Standards, amendments and interpretations effective in 2007, and relevant to the Company*

IFRS 7, "Financial instruments: Disclosures", and the complementary amendment to IAS 1, "Presentation of financial statements — Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, "Scope of IFRS 2", requires the Company to consider transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on the Company's financial statements in the current year.

IFRIC 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Company's financial statements.

*Standards, amendments and interpretations effective in 2007 but not relevant to the Company*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Company's operations:

- IFRIC 7, "Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies"; and

- IFRIC 9, "Re-assessment of embedded derivatives".

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

- IAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). It requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The Company will apply IAS (Revised) from 1 January 2009.

- IAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will apply IAS 23 (Amendment) from 1 January 2009, but it is not expected to have any impact on the Company's financial statements.

- IFRS 8, "Operating segments" (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Company will apply IFRS 8 from 1 January 2009, but it is not expected to have any significant impact on the Company's financial statements.

- IFRIC 12, "Service concession arrangements" (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for a public sector services. The Company is in the process of making an assessment of what impact of IFRIC 12 would be in the period of initial application, but not yet in a position to state whether this interpretation would have a significant impact on the Company's results of operations and financial position.

- IAS 32 and IAS 1 Amendments "Puttable Financial Instruments and Obligations Arising on Liquidation" (effective from 1 January 2009). The amendment requires some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. The Company will apply IAS 32 and IAS 1 Amendments from 1 January 2009, but it is not expected to have any impact on the Company's financial statements.

- IAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Company will apply IAS 27 (Revised) from 1 January 2010.

- IFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are "capable of being conducted" rather than "are conducted and managed". It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Company will apply IFRS 3 (Revised) from 1 January 2010.

- IFRIC 14, "IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Company's financial statements.

*Interpretations to existing standards that are not yet effective and not relevant for the Company's operations*

The following interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods but not relevant for the Company's operations:

- IFRIC 11, "IFRS 2 — Group and treasury share transactions" (effective for annual periods beginning on or after 1 March 2007); and

- IFRIC 13, "Customer loyalty programmes" (effective from 1 July 2008).

## 3. REVENUE AND SEGMENT INFORMATION

The Company conducts its business within one business segment - the business of operating and managing an airport and provision of related services in the PRC. As the products and services provided by the Company are all related to the operation and management of an airport and subject to similar business risks, no segment information has been prepared by the Company during the year ended 31 December 2007. The Company also operates within one geographical segment because its revenues are primarily generated and its assets are located in the PRC. Accordingly, no geographical segment data is presented.

**Analysis of revenue by category**

| | **2007** | 2006 |
|---|---|---|
| | ***Rmb'000*** | *Rmb'000* |
| Aeronautical: | | |
| Aircraft movement fees and related charges | **973,860** | 897,877 |
| Passenger charges | **780,936** | 733,406 |
| Airport fee | **735,698** | 664,816 |
| | **2,490,494** | 2,296,099 |

| | | |
|---|---|---|
| Non-aeronautical: | | |
| Concessions *(note a)* | **712,539** | 574,566 |
| Rentals | **222,038** | 217,816 |
| Car parking | **67,896** | 58,067 |
| Other | **23,158** | 13,315 |
| | **1,025,631** | 863,764 |
| Total revenues | **3,516,125** | 3,159,863 |

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

| | **2007** | 2006 |
|---|---|---|
| | ***Rmb'000*** | *Rmb'000* |
| Retailing | **284,875** | 213,706 |
| Advertising | **244,242** | 163,128 |
| Ground handling service | **114,568** | 136,317 |
| Restaurants and food shops | **60,980** | 52,606 |
| Air Catering | **5,589** | 6,649 |
| Other | **2,285** | 2,160 |
| Total concessions | **712,539** | 574,566 |

## 4. OTHER GAINS

| | **2007** | 2006 |
|---|---|---|
| | ***Rmb'000*** | *Rmb'000* |
| Interest income | **6,774** | 7,433 |
| Net loss on disposal of an associate | **(28)** | — |
| Net gains on disposal of jointly-controlled entities *(note a)* | **—** | 17,498 |
| Reversal of retirement benefit obligations *(note a)* | **—** | 31,827 |
| | **6,746** | 56,758 |

*Note:*

(a) These represented net gains on disposal of the Company's equity interests of Beijing Aviation Ground Service Co., Ltd and Beijing Airport Inflight Kitchen Ltd. and the gain on reversal of retirement benefit obligations in relation to staffs transferred out in respect of outsourcing instead of self operation of certain businesses.

## 5. OPERATING PROFIT

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

| | **2007** | 2006 |
|---|---|---|
| | ***Rmb'000*** | *Rmb'000* |
| Depreciation on property, plant and equipment | | |
| — owned assets | **472,473** | 471,984 |
| — owned assets leased out under operating leases | **21,872** | 17,674 |
| Loss on disposal of property, plant and equipment | **2,875** | 31,564 |
| Amortisation of land use rights | **5,225** | 5,226 |
| Amortisation of intangible assets | **9,107** | 3,882 |
| Operating lease rentals | | |
| — buildings | **7,013** | 4,799 |
| — land use rights | **8,035** | 8,035 |
| — airfield assets | **35,000** | — |
| Reversal of trade receivables impairment charge | **—** | (676) |
| Auditors' remuneration | **2,400** | 2,349 |

## 6. TAXATION

*Enterprise income tax*

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

Under PRC income tax law, the Company is subject to enterprise income tax and local income tax rate of 30% and 3% respectively, resulting in an aggregate tax rate of 33% (2006: 33%) on the taxable income as reported in its statutory accounts which are prepared using the accounting principles and financial regulations applicable to PRC enterprises.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax law of the People's Republic of China (the "new CIT Law"), which is effective from 1 January 2008. Under the new CIT Law, the corporate income tax rate applicable to the Company starting from 1 January 2008 will be 25%, replacing the currently applicable tax rate of 33%.

| | **2007** | 2006 |
|---|---|---|
| | ***Rmb'000*** | *Rmb'000* |
| Current tax | **539,742** | 529,278 |
| Deferred income tax | **6,514** | 3,295 |
| | **546,256** | 532,573 |

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

| | **2007** | 2006 |
|---|---|---|
| | ***Rmb'000*** | *Rmb'000* |
| Profit before income tax | **1,675,743** | 1,625,472 |
| Tax calculated at a tax rate of 33% (2006: 33%) | **552,995** | 536,406 |
| Income not subject to tax | **(10,303)** | (9,236) |
| Over provision in prior years | **—** | (6,266) |
| Tax credit on qualified purchases of domestically manufactured equipment | **(1,127)** | (1,150) |
| Tax on undistributed profits and reserves of then jointly controlled entities | **—** | 12,819 |
| Effect on deferred income tax assets/liabilities due to the change in tax rate | **4,691** | — |
| Tax charge | **546,256** | 532,573 |

*Business taxes*

The Company is subject to business taxes on its service revenues at the following rates:

| | |
|---|---|
| Aeronautical revenues | 3% of service revenue |
| Non-aeronautical revenues | 3% of concessions in respect of the ground handing service and air catering, 5% of other concessions, rental income and car parking fee income |

## 7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit of the Company by the weighted average number of ordinary shares in issue during the year.

| | **2007** | 2006 |
|---|---|---|
| Profit of the Company (Rmb'000) | **1,129,487** | 1,092,899 |
| Weighted average number of ordinary shares in issue (thousands) | **4,046,150** | 3,896,150 |
| Basic earnings per share (Rmb per share) | **0.28** | 0.28 |

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2007 and 2006.

## 8. DIVIDENDS

| | **2007** | 2006 |
|---|---|---|
| Dividend declared | | |
| Interim dividend (Rmb'000) | **166,782** | 151,269 |
| Interim dividend per share (Rmb) | **0.04122** | 0.03933 |
| Dividend proposed | | |
| Final dividend (Rmb'000) | **369,130** | 357,032 |
| Final dividend per share (Rmb) | **0.09123** | 0.08824 |

The final dividend for the year ended 31 December 2007 was proposed at the Board of Directors meeting held on 1 April 2008. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2008.

## 9. TRADE AND OTHER RECEIVABLES

| | **2007** | 2006 |
|---|---|---|
| | ***Rmb'000*** | *Rmb'000* |
| Trade receivables (note a) | | |
| — third parties | **674,921** | 1,199,120 |
| — related parties | **151,423** | 144,118 |
| | **826,344** | 1,343,238 |
| Less: Provision for impairment | **(5,291)** | (6,929) |
| | **821,053** | 1,336,309 |
| Prepayments and other receivables | **35,437** | 56,817 |
| Prepayment to parent company *(note b)* | **—** | 2,000,000 |
| Due from related parties | **7,251** | 7,251 |
| | **863,741** | 3,400,377 |

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

| | **2007** | 2006 |
|---|---|---|
| **Currency** | ***Rmb'000*** | *Rmb'000* |
| RMB | **807,553** | 3,348,451 |
| US dollar | **55,721** | 51,430 |
| HK dollar | **467** | 496 |
| | **863,741** | 3,400,377 |

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

(a) The ageing analysis of the trade receivables is as follows:

| | **2007** | 2006 |
|---|---|---|
| | ***Rmb'000*** | *Rmb'000* |
| Less than 3 months | **656,161** | 714,657 |
| 4-6 months | **122,336** | 275,331 |
| 7-12 months | **31,243** | 330,737 |
| Over 12 months | **16,604** | 22,513 |
| | **826,344** | 1,343,238 |

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

| | **2007** | 2006 |
|---|---|---|
| | ***Rmb'000*** | *Rmb'000* |
| At beginning of year | **6,929** | 7,605 |
| Unused amounts reversed | **—** | (676) |
| Receivables written off during the year as uncollectible | **(1,638)** | — |
| At end of year | **5,291** | 6,929 |

During 2007, the Company has fully collected the receivable balance of airport fee as at 31 December 2006.

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

As of 31 December 2007, trade receivables amounting to Rmb185,082,000 (2006: Rmb150,237,000) were past due and the amount of the provision for impairment was Rmb5,291,000 (2006: Rmb6,929,000). Trade receivables were grouped for collective assessment according to their ageing and historical default rates as these customers were of similar credit risk.

As at 31 December 2007, there is no trade and other receivables past due but not considered impaired (2006: nil).

The other classes within trade and other receivables do not contain impaired assets.

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

(b) The balance in 2006 represented the prepayment made to the CAHC for the proposed acquisition of the assets owned by CAHC in respect of the extension to the existing facilities of the Beijing Capital Airport (the "Phase III Assets"). As the proposed acquisition has not been completed, the amount was fully repaid in 2007.

## 10. TRADE AND OTHER PAYABLES

| | **2007** | 2006 |
|---|---|---|
| | ***Rmb'000*** | *Rmb'000* |
| **Trade payables** *(note a)* | **8,239** | 6,900 |
| **Other payables** | | |
| Construction payable | **471,240** | 511,090 |
| Payables to related parties | **199,327** | 192,546 |
| Maintenance fee payable | **97,134** | 89,346 |
| Receipts on behalf of North China Air Traffic Control Bureau *(note b)* | **71,170** | 101,483 |
| Payroll and welfare payable | **69,132** | 26,917 |
| Business tax payable | **54,536** | 125,318 |
| Deposit received | **27,074** | 18,624 |
| Housing subsidy payable to employees *(note c)* | **12,024** | 13,388 |
| Dividend payable to parent company | **—** | 98,325 |
| Other payables | **164,939** | 134,336 |
| | **1,166,576** | 1,311,373 |
| | **1,174,815** | 1,318,273 |

(a) As at 31 December 2006 and 2007, all trade payables were aged within one year.

(b) This represents the receipts received by the Company on behalf of North China Air Traffic Control Bureau on the service rendered for air traffic control, communication and weather, etc. The balance is payable on demand.

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

## 11. CAPITAL RESERVE

In May 2007, the Company received funds from government amounting to Rmb300,000,000 through CAHC in respect of certain construction projects, which are approved by the State General Administration of Civil Aviation (formerly known as the General Administration of Civil Aviation of China, "CAAC").

The directors of the Company have accounted for these funds as capital reserve pursuant to "The Measures for the Administration of the Collection and Usage of Civil Aviation Airport Fee" notice issued by the Ministry of Finance (English is a direct translation of the Chinese title of the notice, 財政部關於印發《民航機場管理建設費徵收使用管理辦法》的通知). In accordance with the notice, which became effective from 19 December 2007, the Company should hold such funds as capital reserve on account for CAHC.

In addition, the notice permits the Company at a time it considers appropriate, convert such capital reserve into ordinary shares to be held by CAHC. The conversion is however subject to obtaining prior approval from the relevant government authorities and shareholders.

## 12. 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 accounts) 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 directors, to the discretionary surplus reserve fund. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

For the year ended 31 December 2007, the Board of Directors proposed appropriations of 10% and 20% of profit after tax (2006: 10% and 20%) respectively, as determined under the PRC accounting standards, of Rmb107,180,000 and Rmb214,360,000 (2006: Rmb101,660,000 and Rmb203,320,000) to the statutory surplus reserve fund and the discretionary surplus reserve fund respectively.

The proposed profit appropriation of Rmb214,360,000 (20% of profit after tax) to the discretionary surplus reserve fund for the year ended 31 December 2007 will be recorded in the financial statements for the year ending 31 December 2008.

The appropriation to discretionary surplus reserve fund of Rmb203,320,000 (2005: Rmb173,800,000) proposed for the year ended 31 December 2006 by the Board of Directors on 25 April 2007 was recorded in the financial statements for the year ended 31 December 2007.

According to the Articles of Association of the Company, the reserve available for distribution is the lower of the amount determined under the PRC accounting standards and the amount determined under IFRSs. As at 31 December 2007, the reserve available for distribution was approximately Rmb1,392,958,000 (2006: Rmb1,042,255,000).

## 13. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 18 January 2008, the Company entered into a trial run operation and management agreement with CAHC to manage and operate the Phase III Assets from 29 February 2008 to 25 March 2008 (both days inclusive) (the "Trial Run Period") for nil consideration. The Phase III Assets will be put into formal operation after the Trial Run Period.

(b) On 31 January 2008, the Company entered into a supplemental assets transfer agreement (the "Supplemental Assets Transfer Agreement") with CAHC in relation to the assets transfer agreement dated 26 October 2006 in respect of the acquisition of the Phase III Assets by the Company from CAHC. The total consideration for the proposed acquisition of the Phase III Assets is estimated to be approximately Rmb26.9 billion. Pursuant to the Supplemental Assets Transfer Agreement, the consideration was arrived at based on the assumption that the relevant approvals for the proposed acquisition from the relevant government authorities in the PRC to be obtained by the Company on 31 December 2008.

Pursuant to the Supplemental Assets Transfer Agreement, pending completion of the proposed acquisition, CAHC has agreed to provide the Phase III Assets to the Company for use as a transitional arrangement after the Trial Run Period and before the completion of the proposed acquisition. The consideration payable by the Company to CAHC for the transitional use of the Phase III Assets will be approximately Rmb240,100,000 per month.

The proposed acquisition of the Phase III Assets had been approved by the independent shareholders of the Company in the extraordinary general meeting held on 28 March 2008 but is subject to the approval by the relevant government authorities in the PRC, including Ministry of Finance and CAAC.

## CONTINUOUS GROWTH OF AIR TRAFFIC VOLUMES

In 2007, the air traffic volumes at Beijing Airport maintained smooth growth as a whole, details of which are set out as follows:

| | **2007** | 2006 | Change (%) |
|---|---|---|---|
| **Aircraft Movements** | **399,697** | 376,643 | 6.1 |
| Domestic | **299,266** | 288,491 | 3.7 |
| International, Hong Kong & Macau | **100,431** | 88,152 | 13.9 |
| **Passenger Throughput** | **53,583,664** | 48,654,770 | 10.1 |
| Domestic | **40,865,736** | 37,534,671 | 8.9 |
| International, Hong Kong & Macau | **12,717,928** | 11,120,099 | 14.4 |
| **Freight Throughput (tonnes)** | **1,192,554** | 1,028,909 | 15.9 |
| Domestic | **643,682** | 642,817 | 0.1 |
| International, Hong Kong & Macau | **548,872** | 386,092 | 42.2 |

As the table below shows, for the first seven months of 2007, the air traffic volumes at Beijing Airport maintained rapid growth. From August 2007 to December 2007, in order to reduce flight delays and to ensure aviation safety, the State General Administration of Civil Aviation (Former the General Administration of Civil Aviation of China, "CAAC") decided to cancel certain scheduled domestic flights to and from Beijing Airport by stages for the periods from 15 August 2007 to 27 October 2007 and from the end of October 2007 to the end of March 2008, respectively. This had slowed down the growth of domestic air traffic at Beijing Airport during the mentioned periods, while international air traffic, over the whole year, maintained rapid and steady growth.

| | **Jan 2007 to Jul 2007** *(Accumulative)* | Jan 2006 to Jul 2006 *(Accumulative)* | Change *(%)* | **Aug 2007 to Dec 2007** *(Accumulative)* | Aug 2006 to Dec 2006 *(Accumulative)* | Change *(%)* |
|---|---|---|---|---|---|---|
| **Aircraft movements** | **237,684** | 213,222 | 11.5% | **162,013** | 163,421 | -0.9% |
| Domestic | **179,911** | 163,975 | 9.7% | **119,355** | 124,516 | -4.1% |
| International, Hong Kong & Macau | **57,773** | 49,247 | 17.3% | **42,658** | 38,905 | 9.6% |
| **Passenger throughput** | **31,119,121** | 26,986,030 | 15.3% | **22,464,543** | 21,668,740 | 3.7% |
| Domestic | **23,943,989** | 20,847,090 | 14.9% | **16,921,747** | 16,687,581 | 1.4% |
| International, Hong Kong & Macau | **7,175,132** | 6,138,940 | 16.9% | **5,542,796** | 4,981,159 | 11.3% |

## OVERVIEW OF THE AERONAUTICAL BUSINESS

For the year ended 31 December 2007, benefiting from the continuous growth of the air traffic volumes, the aeronautical revenues of the Company were Rmb2,490,494,000, representing an increase of 8.5% as compared with the year of 2006, details of which are set out as follows:

| | **2007** ***(Rmb'000)*** | 2006 *(Rmb'000)* | Change *(%)* |
|---|---|---|---|
| Passenger charges | **780,936** | 733,406 | 6.5 |
| Aircraft movement fees and related charges | **973,860** | 897,877 | 8.5 |
| Airport fee | **735,698** | 664,816 | 10.7 |
| **Total aeronautical revenues** | **2,490,494** | 2,296,099 | 8.5 |
| Less: business tax and levies | **(80,692)** | (68,883) | 17.1 |
| **Aeronautical revenues less business tax and levies** | **2,409,802** | 2,227,216 | 8.2 |

In 2007, in line with the growth of aircraft movements, the revenues from passenger charges of the Company were Rmb780,936,000, representing an increase of 6.5% as compared with the previous year, and the revenues from aircraft movement fees and related charges of the Company were Rmb973,860,000, representing an increase of 8.5% as compared with the previous year. In the second half year of 2007, due to the cancellation of certain scheduled domestic flights by CAAC, the growth rate of passenger charges revenues and aircraft movement fees and related charges revenues had slowed down as compared with the same period of the previous year.

In 2007, in line with the growth of passenger throughput, the revenues from airport fee were Rmb735,698,000, representing an increase of 10.7% as compared with the previous year.

**Major airlines at the Beijing Airport**

| | **Contribution to Aircraft Movements** | | **Contribution to Passenger Throughput** | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| Air China Group | **38.0%** | 37.3% | **38.9%** | 38.1% |
| China Southern Airlines Group | **15.5%** | 16.0% | **16.5%** | 16.8% |
| China Eastern Airlines Group | **12.8%** | 13.8% | **12.8%** | 12.6% |
| Hainan Airlines Group | **10.8%** | 11.5% | **5.1%** | 10.8% |

**Top three destination locations of domestic airlines in 2007 based on traffic volumes:**

| | **Aircraft Movements** | **Passenger Throughput** | **Freight Throughput** |
|---|---|---|---|
| 1. | Shanghai | Shanghai | Shanghai |
| 2. | Chengdu | Guangzhou | Guangzhou |
| 3. | Guangzhou | Shenzhen | Shenzhen |

**Top three destinations of international, Hong Kong and Macau airlines in 2007 in terms of traffic volumes:**

| | Aircraft Movements | Passenger Throughput | Freight Throughput |
|---|---|---|---|
| 1. | Hong Kong | Hong Kong | Hong Kong |
| 2. | Seoul | Seoul | Frankfurt |
| 3. | Tokyo | Tokyo | Tokyo |

## OVERVIEW OF THE NON-AERONAUTICAL BUSINESS

In 2007, the Company's total non-aeronautical revenues were Rmb1,025,631,000, representing an increase of 18.7% from the year of 2006, details of which are set out as follows:

| | **2007** | 2006 | Change |
|---|---|---|---|
| | ***Rmb'000*** | *Rmb'000* | *(%)* |
| Concession revenues | **712,539** | 574,566 | 24.0 |
| Retailing | **284,875** | 213,706 | 33.3 |
| Advertising | **244,242** | 163,128 | 49.7 |
| Restaurants and food shops | **60,980** | 52,606 | 15.9 |
| Ground handling service | **114,568** | 136,317 | -16.0 |
| Air catering | **5,589** | 6,649 | -15.9 |
| Other concessions | **2,285** | 2,160 | 5.8 |
| Rentals | **222,038** | 217,816 | 1.9 |
| Car parking | **67,896** | 58,067 | 16.9 |
| Others | **23,158** | 13,315 | 73.9 |
| **Total non-aeronautical revenues** | **1,025,631** | 863,764 | 18.7 |
| Less: Business tax and levies | **(59,711)** | (53,674) | 11.2 |
| **Non-aeronautical revenues less business tax and levies** | **965,920** | 810,090 | 19.2 |

In 2007, the concession revenues of the Company were Rmb712,539,000, representing an increase of 24.0% as compared with the previous year. Among these, benefiting from the growth of the air traffic volumes and various promotion measures taken by the Company to expand market, the concession revenues from retailing reached Rmb284,875,000, representing an increase of 33.3% as compared with the previous year, and concession revenues from restaurants and food shops were Rmb60,980,000, representing an increase of 15.9% as compared with the previous year. In the second half year of 2007, although CAAC cancelled certain scheduled domestic flights, it had no evident effect on the related revenues, the related revenues contributed by the international and domestic business passengers continued to grow steadily.

Attributable to the aggressive exploitation of advertising resources and the rising price of advertising services, the concession revenues from advertising reached Rmb244,242,000, representing an increase of 49.7% as compared with the previous year.

In 2007, the concession revenues from ground handling service were Rmb114,568,000, representing a decrease of 16.0% as compared with the previous year, which was mainly because the Company offered certain price discount to major customers in 2007.

In 2007, the concession revenues from air catering were Rmb5,589,000, representing a decrease of 15.9% as compared with the previous year. The other concession revenues of the Company were Rmb2,285,000.

In 2007, the rental incomes of the Company were Rmb222,038,000, representing an increase of 1.9% as compared with the previous year.

In 2007, the revenues from car parking were Rmb67,896,000, representing an increase of 16.9% as compared with the previous year, which was mainly because of the growth of the car traffic brought along by the air traffic volumes.

In 2007, the other revenues of the Company were Rmb23,158,000, representing an increase of 73.9% as compared with the previous year, which was mainly contributed by the new business such as the airport pass services.

## OPERATING EXPENSES

| | **2007** | 2006 | Change |
|---|---|---|---|
| | ***(Rmb'000)*** | *(Rmb'000)* | *(%)* |
| Depreciation and amortisation | **508,677** | 498,766 | 2.0% |
| Staff costs | **226,648** | 135,001 | 67.9% |
| Aviation safety and security guard expenses | **213,712** | 180,831 | 18.2% |
| Utilities and power | **211,198** | 194,082 | 8.8% |
| Repairs and maintenance | **189,541** | 175,172 | 8.2% |
| Greening and environmental maintenance | **105,744** | 93,122 | 13.6% |
| Real estate tax and other taxes | **56,120** | 53,475 | 4.9% |
| Rental expenses | **50,048** | 12,834 | 290.0% |
| General, administrative and other expenses | **140,376** | 119,558 | 17.4% |
| Total operating expenses | **1,702,064** | 1,462,841 | 16.4% |

In 2007, the depreciation and amortisation expenses of the Company were Rmb508,677,000, representing an increase of 2.0% as compared with the previous year. Such increase was mainly due to the addition in some newly completed construction projects and certain software in 2007.

In 2007, the staff costs of the Company were Rmb226,648,000, representing an increase of 67.9% as compared with the previous year, and an increase of 35.8% when comparing with the comparable figure Rmb166,854,000 of the previous year (the comparable figure mainly refers to the amount without taking into account the effect of the termination of some labour contracts and writing off the relevant charged staff costs as a result of the business restructuring in the first half year of 2006). The increase mainly came from the number of staff of the Company increased as compared with the previous year due to the preparation for the operation of Phase III Project in Beijing Airport, and the increase of salary caused by the rise in inflation.

For the year of 2007, the aviation safety and security guard expenses were Rmb213,712,000, representing an increase of 18.2% as compared with the previous year. The increase was mainly because of the increase of services of aviation safety and security guard with the growth of the air traffic volumes.

In 2007, as a result of the growth in air traffic volumes at Beijing Airport and the extended period providing heating and air-condition services, the utilities and power expenses were Rmb211,198,000, representing an increase of 8.8% as compared with the previous year.

In 2007, the expenses of repairs and maintenance of the Company were Rmb189,541,000, representing an increase of 8.2% as compared with the previous year, which mainly because the amount of projects of repairs and maintenance increased with the growth of the air traffic volumes.

In 2007, the greening and environmental maintenance expenses were Rmb105,744,000, representing an increase of 13.6% as compared with the previous year, which mainly because the demands of the services of greening and environmental maintenance increased with the growth of the air traffic volumes.

In 2007, the rental expenses were Rmb50,048,000, representing an increase of 290.0% as compared with the same period of the previous year, which mainly because the Company had rented the airfield assets, a portion of the Phase III Project *(Note 1)* since 29 October 2007.

In 2007, the real estate and other taxes were Rmb56,120,000, representing an increase of 4.9% as compared with the previous year, which mainly because of the increase in the taxable fixed assets amount.

In 2007, in line with the development of the business, the general, administrative and other expenses of the Company were Rmb140,376,000, representing an increase of 17.4% as compared with the previous year. The general, administrative and other expenses mainly include disaster-prevailing expenses, insurance fee, business fee, travel expenses, consulting fee, and fees on the engagements of agencies etc.

*Note 1:*

Phase III Project: the extension to the existing facilities of the Beijing Capital Airport operated by the Company, which includes the construction of T3, driverless electric train system, a new runway, airfield, cargo handling area, supporting transportation system, water supply system, electricity supply system and gas supply system and other facilities approved by the NDRC, such as T3C (international flight waiting centres) and GTC (ground traffic centre), etc.

## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

In 2007, the profit attributable to equity holders of the Company totalled Rmb1,129,487,000, representing an increase of 3.35% as compared with the previous year.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Company's businesses are principally denominated in Rmb, except for the purchases of certain equipment, goods and materials and payment of consulting fee which are paid in US dollars and Hong Kong dollars. Dividends to the shareholders of the Company holding H Shares are declared in Rmb and paid in Hong Kong dollars. During the year, the Company did not enter into any foreign currency hedging activities.

As at 31 December 2007, the Company's assets and liabilities denominated in foreign currencies, principally in US dollars and Hong Kong dollars, included cash and cash equivalents of approximately Rmb5,235,000 (2006: Rmb5,457,000), trade and other receivables of approximately Rmb56,188,000 (2006: Rmb51,926,000), trade and other payables of approximately Rmb146,000 (2006: Rmb146,000). In 2007, the Company recorded an exchange gain of Rmb303,000. The fluctuations in exchange rates did not have any significant impact on the results of the Company in 2007.

## LIQUIDITY AND FINANCIAL RESOURCES

The Company's net cash generated from operating activities in 2007 amounted to Rmb1,967,592,000, representing an increase of Rmb133,360,000 as compared with Rmb1,834,232,000 for the year of 2006. Net cash inflow from investing activities in 2007 amounted to Rmb1,337,054,000, of which Rmb2,000,000,000 was repayment from Parent Company for prepayment for the acquisition of Phase III Target Assets, this is partly offset by the purchase of property, plant and equipment amounting to Rmb669,051,000. In 2007, the Company's net cash outflow from financing activities amounted to Rmb322,139,000, of which, repayment of short-term bank borrowings amounted to Rmb229,793,000, the payment of cash dividend amounted to Rmb622,139,000, cash amounted to Rmb229,793,000 received from the drawdown of short-term bank borrowings as well as cash amounted to Rmb300,000,000 received from government through the Parent Company for construction projects.

As at 31 December 2007, the Company had total cash and cash equivalents amounting to Rmb3,134,996,000, and the cash and cash equivalents of the Company amounted to Rmb152,818,000 as at 31 December 2006.

As at 31 December 2007, the current ratio of the Company was 2.69, and that as at 31 December 2006 was 1.64. Such ratios were computed by dividing the total current assets by total current liabilities as at those respective dates. The increase of current ratio mainly resulted from the repayment of notes payable during the year.

As at 31 December 2007, capital and reserves attributable to the equity holders of the Company was Rmb10,739,012,000, and that as at 31 December 2006 was Rmb9,833,339,000.

As at 31 December 2007, the liability to asset ratio of the Company was 12.55%, and that as at 31 December 2006 was 18.49%. Such ratios were computed by dividing the total amount of liabilities by the total assets as at those respective dates. The decrease of the liability to asset ratio was mainly because the assets of the Company increased and the liabilities such as notes payable decreased during the year.

As far as the directors of the Company known, the civil airport management and construction fee (the "Airport Fee") shall continue to be levied by 31 December 2010. For the fiscal year ended 31 December 2007, the Company recognized 50% of the collected Airport Fee of Beijing Airport as revenues according to the approval of Ministry of Finance issued on 9 October 1999. The Company will pay prompt attention to any adjustment of policies related to the Airport Fee and disclose any updated information to shareholders by issuing announcement.

## DIVIDENDS

The Board recommended the payment of a final dividend of Rmb0.09123 per share for the year of 2007, with a total amount of dividends intended to be distributed of approximately Rmb369,130,000. Such proposal is subject to the approval of the shareholders of the Company at the annual general meeting of the Company (the "AGM") scheduled to be held on Thursday, 12 June 2008. In the event that such approval is obtained, the final dividend will be paid on or before Monday, 30 June 2008 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 19 May 2008.

Pursuant to the resolution of the Board passed on 24 August 2007, the Company declared to its shareholders an interim dividend of Rmb0.04122 per share for 30 June 2007. The interim dividend was paid on Wednesday, 31 October 2007 to the shareholders of the Company.

The total dividends of the Company for the year of 2007 were approximately Rmb535,912,000 (Rmb0.13245 per share), representing approximately 47.45% of the profit attributable to the equity holders of the Company for the year 2007. The total dividends of the Company for the year of 2006 were approximately Rmb508,301,000.

There was no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend during the year ended 31 December 2007.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of the AGM and the payment of dividends, the register of members of the Company will be closed from Wednesday, 14 May 2008 to Thursday, 12 June 2008 (both days inclusive). In order to be qualified for the final dividends and for the entitlement for attending the AGM, holders of H Shares whose transfers have not been registered are requested to deposit the transfer documents together with the relevant share certificates to the Company's H Share Registrar: Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Tuesday, 13 May 2008.

## PROSPECTS

Despite of the slower growth of air traffic in the first quarter of 2008 due to the limitation on domestic flights to and from Beijing Airport by CAAC, benefiting from the overall growth of demand in air travel market and the capacity expansion upon the operation of Phase III Assets as well as the positive effect of the 2008 Beijing Olympics, the air traffic volumes at Beijing Airport are expected to present a rapid growth in 2008. Such growth will provide a favourable basis for the growth of the Company's aeronautical and non-aeronautical revenues.

On 28 December 2007, the Notice of Circulating the Reform Scheme for Civil Airport Charges was jointly promulgated by CAAC and NDRC. Aiming at clearer and more reasonable structure of rates charged by domestic civil airports, the reform is expected to have positive effects on the civil aviation industry of China. Commencing from 1 March 2008, the new rates and policies for charges, as set out in the Reform Scheme for Civil Airport Charges, will come into effect for all airports in China, which is expected to have no significant impact on the aeronautical revenues of the Company in the short term, but favorably foster the increase of the aeronautical revenues of the Company in the long run.

In the next year, upon the start-up of Phase III Target Assets *(Note 2)*, a new runway capable of Airbus A380, a terminal with gross floor area of 902,000 squarer meters, and the related ancillary facilities, equipment and constructions have been put into operation. Accordingly, the passenger handling capacity of Beijing Airport has been expanded from 35 million to 78 million per year, and the freight handling capacity has been expanded from 0.78 million tonnes to 1.80 million tonnes per year. The available commercial space in the terminals has also been expanded by more than two times than before. So far, the Phase III Target Assets have all been put into smooth operation. In the long run, the operation of Phase III Target Assets will help the Company to enhance its mid-to-long term competitive advantages and establish a globally leading position among the largest airports, in the following four aspects:

1. Solve the capacity bottleneck of Beijing Airport, and ensure the Company to cope with the fast-growing air traffic demand by 2015;

2. Provide safer, high-standard and customer-oriented services to airlines and passengers by brand new facilities, technologies and environment;

3. Promote the development of non-aeronautical business by more commercial spaces, more choices of brand and more attractive consumption environment, so as to ensure a higher growth speed of non-aeronautical business than that of air traffic, and a steady increase in the portion of non-aeronautical revenues in the total revenue;

4. Optimize the flight structure and transfer connection at Beijing Airport, in collaboration with base airlines and airline alliances on the platform of new facilities, to speed up the pace of Beijing Airport toward a large compound hub airport in the Asia-pacific region.

The consideration of Phase III Target assets is more than Rmb26 billion, as the gross floor area of terminal 3 is more than two times of terminal 1 and terminal 2, and the airfield area has been doubled as well. Upon the start-up of Phase III Target assets, besides the increase in depreciation and/or assets usage expense, other related operating expenses such as utilities and power expenses, staff costs and outsourcing services expenses will also present significant increases than previous years. However, the Phase III Target Assets may not be at its optimal utilization in the start-up year. The Company will also require substantial amount of funds for the acquisition of the Phase III Target assets. The Company will be inevitably exposed to relatively heavy operating and financial pressures in the next few years, which will cause a significant contrast of operational results to its past records. To minimize this short-term impact as much as possible, management of the Company will take actions such as: seeking for flexible pricing policy for peak hours; optimizing resource allocation to increase aeronautical revenues; building up a comprehensive price evaluation system and promoting the development of concession mode to increase the contribution of non-aeronautical business; and developing a financial plan based on the market conditions to cut down financial costs.

*Note 2:*

Phase III Target Assets: the assets owned by the Parent Company and which form the target assets for acquisition by the Company from the Parent Company pursuant to the Assets Transfer Agreement dated 26 October 2006 as amended by the Supplemental Assets Transfer Agreement dated 31 January 2008, comprising the Airfield Assets, T3, T3 related assets, roads within airport area, the driverless electric train system, commercial areas and other relevant equipment, machinery and facilities, etc, in respect of Phase III Project, the land use rights of the land on which T3 and other related constructions is situated

## ACQUISITION AND DISPOSAL

The Company has not conducted any major acquisition or disposal of its associated companies for the year ended 31 December 2007.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed, sold or purchase any of its listed securities during the year ended 31 December 2007.

## CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2007 and up to date of this announcement, the Company has adopted and complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

## REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the Company's annual results for the year ended 31 December 2007.

By order of the Board
**Wang Jiadong**
*Chairman*

Beijing, PRC, 1 April 2008

*As at the date of this announcement, the directors of the Company are:*

| | |
|---|---|
| *Executive Directors:* | *Mr. Wang Jiadong, Mr. Dong Zhiyi* |
| *Non-executive Directors:* | *Mr. Chen Guoxing, Mr. Gao Shiqing, Ms. Zhao Jinglu* |
| *Independent Non-Executive Directors:* | *Mr. Long Tao, Mr. Moses Cheng Mo Chi, Mr. Kwong Che Keung, Gordon, Mr. Dong Ansheng* |