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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)

2008 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 2008 together with the comparative figures in 2007 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as follows:

INCOME STATEMENT

For the year ended 31 December 2008

		2008	2007
	Note	***Rmb'000***	*Rmb'000*
Revenues			
Aeronautical	3	**2,813,722**	2,490,494
Non-aeronautical	3	**1,810,716**	1,025,631
		4,624,438	3,516,125
Business tax and levies			
Aeronautical		**(91,165)**	(80,692)
Non-aeronautical		**(115,084)**	(59,711)
		(206,249)	(140,403)

	Note		
Operating expenses			
Rental expenses		**(1,179,100)**	(50,048)
Depreciation and amortisation	5	**(699,184)**	(508,677)
Utilities and power		**(517,009)**	(211,198)
Repairs and maintenance		**(495,177)**	(142,330)
Staff costs		**(344,366)**	(226,648)
Aviation safety and security guard costs		**(296,440)**	(213,712)
Greening and environmental maintenance		**(211,099)**	(105,744)
Operating contracted service		**(149,401)**	(62,313)
Real estate and other taxes		**(127,416)**	(56,120)
Other costs		**(274,717)**	(125,274)
		(4,293,909)	(1,702,064)
Other income/(expense) — net	4	**37,476**	6,746
Operating profit	5	**161,756**	1,680,404
Finance costs		**(92,769)**	(4,989)
Share of profit of associates		**—**	328
Profit before income tax		**68,987**	1,675,743
Income tax credit/(expense)	6	**16,344**	(546,256)
Profit for the year		**85,331**	1,129,487
Earnings per share, basic and diluted (Rmb)	7	**0.02**	0.28
Dividends			
Interim dividend declared	8	**—**	166,782
Final dividend proposed	8	**—**	369,130

BALANCE SHEET

As at 31 December 2008

	Note	**2008** *Rmb'000*	2007 *Rmb'000*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**34,217,029**	7,986,574
Land use rights		**760,414**	218,155
Intangible assets		**127,013**	23,437
Investment in an associate		**24,689**	25,802
Deferred income tax assets		**87,358**	14,658
		35,216,503	8,268,626
Current assets			
Inventories		**24,002**	13,210
Trade and other receivables	10	**1,862,956**	863,741
Cash and cash equivalents		**576,458**	3,134,996
		2,463,416	4,011,947
Total assets		**37,679,919**	12,280,573
EQUITY			
Capital and reserves			
Share capital	11	**4,330,890**	4,046,150
Share premium		**4,602,735**	3,032,824
Capital reserve		**300,000**	300,000
Statutory and discretionary reserves	12	**1,937,032**	1,718,655
Retained earnings		**1,139,207**	1,272,253
Proposed final dividend	8	**—**	369,130
Total equity		**12,309,864**	10,739,012

	Note		
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations		**66,616**	40,418
Deferred income		**11,929**	10,940
Loan from Parent Company		**8,489,126**	—
		8,567,671	51,358
Current liabilities			
Trade and other payables	13	**16,756,172**	1,174,815
Current income tax liabilities		**44,173**	313,771
Current portion of retirement benefit obligations		**2,039**	1,617
		16,802,384	1,490,203
Total liabilities		**25,370,055**	1,541,561
Total equity and liabilities		**37,679,919**	12,280,573
Net current (liabilities)/assets		**(14,338,968)**	2,521,744
Total assets less current liabilities		**20,877,535**	10,790,370

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*	Total equity *Rmb'000*
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							
— 2006 final dividend		—	—	—	—	(357,032)	(357,032)
— 2007 interim dividend	8	—	—	—	—	(166,782)	(166,782)
Cash contribution from Parent Company		—	—	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

	Note						
Balance at 1 January 2008		4,046,150	3,032,824	300,000	1,718,655	1,641,383	10,739,012
Profit for the year		—	—	—	—	85,331	85,331
New shares issue	11	284,740	1,569,911	—	—	—	1,854,651
2007 final dividend	8	—	—	—	—	(369,130)	(369,130)
Transfer to statutory and discretionary reserves	12	—	—	—	218,377	(218,377)	—
Balance at 31 December 2008		4,330,890	4,602,735	300,000	1,937,032	1,139,207	12,309,864
Representing:							
Share capital and reserves		4,330,890	4,602,735	300,000	1,937,032	1,139,207	12,309,864
2008 proposed final dividend		—	—	—	—	—	—
Balance at 31 December 2008		4,330,890	4,602,735	300,000	1,937,032	1,139,207	12,309,864

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 on 24 April 2009.

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 at 31 December 2008, the current liabilities of the Company exceeded the current assets by approximately Rmb14,338,968,000, which comprised primarily the short term payable to the Parent Company of Rmb14,851,477,000. 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;
- Unutilised long term banking facilities of approximately RMB13.5 billion; and
- Aggregated bank loans of approximately Rmb10 billion currently borrowed by the Parent Company which can be assumed by the Company to reduce the amount payable to Parent Company.

In addition, the Company will continue to optimise its fund raising strategy from long-term perspectives and to seize the opportunity in the current capital market to take advantage of the low interest rates by issuing medium to long-term debts with low financing cost.

Based on the above considerations, the Board is of the opinion that the Company has sufficient available financial resources to meet or refinance its working capital requirements as and when they fall due. As a result, the financial statements of the Company for the year ended 31 December 2008 have been prepared on a going concern basis.

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

Amendments and interpretations effective in 2008 but not relevant to the Company

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Company's operations:

- Amendment on IAS 39, 'Financial Instruments: Recognition and Measurement' and related amendment on IFRS 7, 'Financial Instruments: Disclosures'.

- IFRIC - Int 11, 'IFRS 2 - Group and Treasury Share Transactions'.

- IFRIC - Int 12, 'Service Concession Arrangements'.

- IFRIC - Int 14, 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

The adoption of these amendments and interpretations to published standards in the current year did not result in any significant changes to the Company's accounting policies and had no material effect on the financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, and have not been early adopted:

- IAS 1 (Revised), 'Presentation of Financial Statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- IAS 23 (Revised), 'Borrowing Costs' (effective from 1 January 2009). The amendment 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. It is the Company's accounting policy to capitalise borrowing costs directly attributable to the construction of any qualifying assets as part of the cost of the assets and hence it is not expected to have any impact on the financial statements.

- IFRS 3 (Revised), 'Business Combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 8, 'Operating Segments' (effective from 1 January 2009). This standard replaces IAS 14, 'Segment Reporting', 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. Management does not anticipate that this will have a material impact on the presentation of the Company's financial statements.

- International Accounting Standards Board's ("IASB") annual improvements to IFRSs published in 2008:

There are a number of amendments to IFRS which are unlikely to have a significant impact on the Company's financial statements and have therefore not been analysed in detail.

		Effective for accounting periods beginning on or after
IAS 1 (Amendment)	"Presentation of Financial Statements"	1 January 2009
IAS 8 (Amendment)	"Accounting Policies, Changes in Accounting Estimates and Errors"	1 January 2009
IAS 10 (Amendment)	"Events after the Balance Sheet Date"	1 July 2009
IAS 18 (Amendment)	"Revenue"	1 January 2009
IAS 19 (Amendment)	"Employee Benefits"	1 January 2009
IAS 23 (Amendment)	"Borrowing Costs"	1 January 2009
IAS 34 (Amendment)	"Interim Financial Reporting"	1 January 2009
IAS 36 (Amendment)	"Impairment of Assets"	1 January 2009
IAS 39 (Amendment)	"Financial Instruments: Recognition and Measurement"	1 July 2009
IFRS 5 (Amendment)	"Non-current Assets Hold for Sale and Discontinued Operations"	1 July 2009
IFRS 7 (Amendment)	"Financial Instruments: Disclosures"	1 January 2009

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. 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 2008. 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	**2008**	2007
	Rmb'000	*Rmb'000*
Aeronautical:		
Passenger charges	**1,070,586**	780,936
Aircraft movement fees and related charges	**1,021,623**	973,860
Airport fee *(note a)*	**721,513**	735,698
	2,813,722	2,490,494
Non-aeronautical:		
Concessions *(note b)*	**1,205,092**	712,539
Rentals	**539,553**	222,038
Car parking fee	**38,085**	67,896
Other	**27,986**	23,158
	1,810,716	1,025,631
Total revenues	**4,624,438**	3,516,125

(a) The charge rates of the airport fee are regulated by relevant authorities. Pursuant to the approval document (Ju Fa Ming Dian [2008] No. 4591) issued by General Administration of Civil Aviation of China (the "CAAC") on 8 December 2008, for the year ended 31 December 2008, the charge rates for the airport fee is 48% (2007: 50%) of total amount collected from outbound passengers when departing the airport.

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

	2008	2007
	Rmb'000	*Rmb'000*
Advertising	**657,015**	244,242
Retailing	**379,916**	284,875
Restaurants and food shops	**78,314**	60,980
Ground handling service	**76,211**	114,568
Air Catering	**6,048**	5,589
Other	**7,588**	2,285
Total concessions	**1,205,092**	712,539

4. OTHER INCOME/(EXPENSE) — NET

	2008	2007
	Rmb'000	*Rmb'000*
Interest income	**27,371**	6,774
Government subsidies	**11,218**	—
Net loss on disposal of an associate	**—**	(28)
Impairment of investment in an associate	**(1,113)**	—
	37,476	6,746

5. OPERATING PROFIT

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

	2008	2007
	Rmb'000	*Rmb'000*
Depreciation on property, plant and equipment		
— owned assets	**656,562**	472,473
— owned assets leased out under operating leases	**18,096**	21,872
Loss on disposal of property, plant and equipment	**7,931**	2,875
Amortisation of land use rights	**8,014**	5,225
Amortisation of intangible assets	**16,512**	9,107
Operating lease rentals		
— Phase III Assets *(note 9)*	**1,080,628**	—
— land use rights on which the airfield and related areas of Phase III Asset are situated	**28,000**	—
— airfield assets	**48,373**	35,000
— land use rights	**6,764**	8,035
— buildings	**15,335**	7,013
Impairment charge on trade receivables *(note 10)*	**20,862**	—
Foreign exchange loss/(gain) — net	**15,952**	(303)
Auditors' remuneration	**2,700**	2,400

6. TAXATION

Corporate income tax

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

Under the Corporate Income Tax law of the People's Republic of China (the "new CIT Law") which is effective from 1 January 2008, the Company is subject to corporate income tax at a rate of 25% (2007: 33%) on the taxable income as reported in their statutory financial statements which are prepared using the accounting principles and financial regulations applicable to PRC enterprises.

	2008	2007
	Rmb'000	*Rmb'000*
Current tax	**56,356**	539,742
Deferred income tax (credit)/charge	**(72,700)**	6,514
	(16,344)	546,256

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:

	2008	2007
	Rmb'000	*Rmb'000*
Profit before income tax	**68,987**	1,675,743
Tax calculated at a tax rate of 25% (2007: 33%)	**17,247**	552,995
Share of profits after taxation from the associate	**—**	(108)
Income not subject to taxation	**(1,367)**	(10,262)
Expense not deductable for tax purpose	**929**	67
Tax credit on qualified purchases of domestically manufactured equipment	**(832)**	(1,127)
Recognition of temporary difference in prior years	**(32,321)**	—
Effect on deferred income tax assets/liabilities due to the change in tax rate	**—**	4,691
Tax (credit)/charge	**(16,344)**	546,256

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

Withholding tax ("WHT") on dividend paid to foreign investors

In accordance with the Corporate Income Tax Law of the PRC and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H share of the Company when distributing dividends to them. Any H shares of the Company registered other than in the name(s) of individual(s), including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed to be shares held by non-resident enterprise shareholder(s). Such H-shares shareholders will receive their dividends after the deduction of corporate income tax.

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
Profit of the Company *(Rmb'000)*	**85,331**	1,129,487
Weighted average number of ordinary shares in issue *(thousands)*	**4,204,339**	4,046,150
Basic earnings per share *(Rmb per share)*	**0.02**	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 2008 and 2007.

8. DIVIDENDS

	2008	2007
Dividend declared		
Interim dividend *(Rmb'000)*	—	166,782
Interim dividend per share *(Rmb)*	—	0.04122
Dividend proposed		
Final dividend *(Rmb'000)*	—	369,130
Final dividend per share *(Rmb)*	—	0.09123

The Board does not recommend the payment of a dividend for the year ended 31 December 2008.

9. PROPERTY, PLANT AND EQUIPMENT

(a) 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 the opening of the Terminal Three of Beijing Capital Airport, it has provided additional capacity to the existing facilities. As such, the management has undertaken a technical study on the utilisation of its existing facilities. Based on the results of the technical study, management has re-assessed the estimated useful lives of the assets, taking into account the historical experience on the utilisation of the facilities, the useful lives of these assets were extended. Management has revised the estimated useful lives of the assets as below:

	Original estimated useful lives	**Revised estimated useful lives**
Buildings and improvements	20-35 years	25-45 years
Runways	30 years	40 years
Motor vehicles (special type)	6 years	12 years

This represents a change in accounting estimate and has been accounted for prospectively from 1 January 2008.

The net book value of property, plant and equipment as at 31 December 2008 and the profit before income tax for the year then ended have been increased by approximately Rmb99,539,000 by way of a decrease in depreciation charge for the year as a result of such changes to the useful lives of property, plant and equipment.

(b) The Company and the Parent Company entered into assets transfer agreement and supplemental assets transfer agreement on 26 October 2006 and 31 January 2008 respectively ("collectively SPA") in respect of the proposed acquisition of the Airfield Assets, Terminal Three of the Beijing Capital International Airport (T3), T3 related assets, roads within airport area, the driverless electric train system, commercial areas and other relevant equipment, machinery and facilities and the land use rights of the land on which T3 and other related constructions is situated (collectively the "Phase III Assets"). The proposed acquisition of the Phase III Assets was approved by the independent shareholders of the Company at the extraordinary general meeting on 28 March 2008. On 22 December 2008, the Company obtained the approval and endorsement of the acquisition from the Ministry of Finance ("MOF"), all conditions precedent to the acquisition was fulfilled in 2008. In the approval notification from the MOF in December, the MOF acknowledged an acquisition date of 26 March 2008 previously applied by the Company and the Parent Company.

As permitted under the SPA, the Company and the Parent Company have agreed the date of completion of the acquisition of the Phase III Assets to be 1 October 2008. This requires the Parent Company to submit a report to the MOF through CAAC for further endorsement from the MOF. In this connection, on 30 March 2009, the Parent Company had filed the report with CAAC which would be further submitted to the MOF for endorsement. Based upon the PRC laws and regulation, the Company would require a lapse of 20 working days after the submission to obtain no objection from the MOF. As of the date of approval of the financial statements, the Company, the Parent Company and CAAC have verbally communicated this matter with the MOF. As such, the Board is of the opinion that the MOF would endorse 1 October 2008 as the date of completion of the acquisition of Phase III Assets.

The consideration for this acquisition was determined to be Rmb26,940,546,000, which is payable by the following means:

a) Prepayment of Rmb4,900,000,000 in cash during the year.

b) Assumption of the loans of Parent Company from the European Investment Bank amounting to Rmb2,489,126,000.

c) Assumption of bonds issued by Parent Company amounting to Rmb6,000,000,000.

d) The remaining balance amounting to approximately Rmb13,551,420,000 for the acquisition will be repaid by the company within one year.

In addition, pursuant to the SPA, for the period from the formal operation of Phase III Assets on 26 March 2008 to the completion of the acquisition on 1 October 2008, the Parent Company had agreed to provide the Phase III Assets to the Company for use as a transitional arrangement at a fee of approximately Rmb1,080,628,000.

10. TRADE AND OTHER RECEIVABLES

	2008	2007
	Rmb'000	*Rmb'000*
Trade receivables		
— third parties	**1,273,563**	674,921
— related parties	**489,174**	151,423
	1,762,737	826,344
Less: Provision for impairment	**(25,253)**	(5,291)
	1,737,484	821,053
Prepayments and other receivables	**59,505**	35,437
Due from related parties	**65,967**	7,251
	1,862,956	863,741

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

Currency	2008	2007
	Rmb'000	*Rmb'000*
RMB	**1,853,479**	807,553
US dollar	**9,477**	55,721
HK dollar	**—**	467
	1,862,956	863,741

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

The ageing analysis of the trade receivables is as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Less than 3 months	**989,790**	656,161
4 - 6 months	**398,839**	122,336
7 - 12 months	**283,410**	31,243
Over 12 months	**90,698**	16,604
	1,762,737	826,344

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

The carrying amount of trade receivables is individually determined to be impaired. These receivables mainly relate to debtors who have some degree of difficulties in repayment. It was assessed that a portion of these receivables are expected to be recovered. The movements on the provision for impairment of trade receivables are as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Gross amount	**389,578**	185,082
Less: Provision for impairment	**(25,253)**	(5,291)
At end of year	**364,325**	179,791

The impaired trade receivables arise mainly from revenue of aeronautical customers.

	2008	2007
	Rmb'000	*Rmb'000*
At beginning of year	**5,291**	6,929
Provision for impairment of receivables	**20,862**	—
Receivables written off during the year as uncollectible	**(900)**	(1,638)
At end of year	**25,253**	5,291

The ageing of the impaired receivables is as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Less than 3 months	**170,513**	28,536
4 - 6 months	**115,959**	117,669
7 - 12 months	**82,851**	31,273
Over 12 months	**20,255**	7,604
	389,578	185,082

The ageing analysis of trade receivables past due but not impaired is as follows:

	2008	2007
	Rmb'000	*Rmb'000*
Past due up to 3 months	**362,808**	—
Past due 4 - 6 months	**132,692**	—
Past due over 6 months	**177,630**	—
	673,130	—

Trade and other receivables that are neither past due nor impaired are substantially companies with good credit history and low default rate. Based on past experience, management believed that no impairment allowance is necessary in respect of these balances as there has been no significant change in credit quality and the balances are considered fully recoverable. These companies are mainly reputable stated owned airlines.

Prepayment and other receivables and balances due from related parties do not contain impaired assets.

The Company does not hold any collateral as security.

11. SHARE CAPITAL

On 10 June 2008, the Company issued 313,214,000 H-shares with par value of Rmb1 each at HK$7.45 per share, of which 28,474,000 H-shares issued in exchange of the Domestic shares held by CAHC and 284,740,000 H-shares issued through placement to institutional investors. The net proceeds of the placement was about Rmb1,854,651,000 (HK$2,093,120,000).

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 financial statements) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's registered capital), and, at the discretion of the Board of Directors, to the discretionary surplus reserve fund. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

For the year ended 31 December 2008, the Board proposed appropriations of 10% and 20% of profit after tax (2007: 10% and 20%) respectively, as determined under the PRC accounting standards, of Rmb4,017,000 and Rmb8,034,000 (2007: Rmb107,180,000 and Rmb214,360,000) respectively to the statutory surplus reserve fund and the discretionary surplus reserve fund respectively.

The proposed profit appropriation of Rmb8,034,000 to the discretionary surplus reserve fund for the year ended 31 December 2008 will be recorded in the financial statements for the year ending 31 December 2009.

The appropriation to discretionary surplus reserve fund of Rmb214,360,000 (2006: Rmb203,320,000) proposed for the year ended 31 December 2007 by the Board of Directors on 1 April 2008 was recorded in the financial statements for the year ended 31 December 2008.

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 2008, the reserve available for distribution was approximately Rmb821,967,000 (2007: Rmb1,369,309,000).

13. TRADE AND OTHER PAYABLES

	2008	2007
	Rmb'000	*Rmb'000*
Trade payables *(note a)*	**18,769**	8,239
Other payables		
Payable to parent company	**14,851,477**	61,800
Payables to related parties	**385,615**	137,527
Construction payable	**393,747**	471,240
Tax payable *(note b)*	**324,722**	—
Maintenance fee payable	**190,964**	97,134
Payroll and welfare payable	**113,172**	69,132
Deposits received	**84,736**	27,074
Business tax payable	**76,258**	54,536
Receipts on behalf of North China Air Traffic Control Bureau *(note c)*	**71,509**	71,170
Housing subsidy payable to employees *(note d)*	**12,525**	12,024
Other payables	**232,678**	164,939
	16,737,403	1,166,576
	16,756,172	1,174,815

(a) As at 31 December 2007 and 2008, all trade payables were aged within one year.

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

(c) 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.

(d) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUOUS GROWTH OF AIR TRAFFIC VOLUMES

In 2008, the air traffic volumes at Beijing Capital Airport maintained a solid growth, details of which are set out as follows:

	2008	2007	Change *(%)*
Aircraft Movements	**431,670**	399,697	8.0%
Including: Domestic	**333,171**	299,266	11.3%
International, Hong Kong & Macau	**98,499**	100,431	(1.9%)
Passenger Throughput	**55,937,287**	53,583,664	4.4%
Including: Domestic	**42,540,489**	40,865,736	4.1%
International, Hong Kong & Macau	**13,396,798**	12,717,928	5.3%
Freight Throughput (tonnes)	**1,281,000**	1,192,554	7.4%
Including: Domestic	**709,000**	643,682	10.1%
International, Hong Kong & Macau	**572,000**	548,872	4.2%

Note: The freight throughput in 2008 excluded the weight of freight containers. With effect from 2009, the freight throghput will include the weight of freight containers in order to be consistent with the statistics of CAAC.

OVERVIEW OF THE REVENUES

From 1 March 2008, a new set of rates and policies for charges has come into effect for Beijing Capital Airport in accordance with the Reform Scheme for Civil Airport Charges promulgated by CAAC and the National Development and Reform Commission (the "Scheme"). According to the Scheme, the charges such as aircraft movement fees and related charges and passenger charges, have been substantially adjusted both in structure and in standard among domestic and foreign airlines. The new rates and policies and the growth of traffic volumes at Beijing Capital Airport resulted in steady growth in the aeronautical revenues in 2008 to Rmb2,813,722,000, representing an increase of 13.0% as compared with the previous year. Among these, the revenues from the passenger charges were Rmb1,070,586,000, representing an increase of 37.1% as compared with the previous year and the revenues from aircraft movement fees and related charges of the Company were Rmb1,021,623,000, representing an increase of 4.9% as compared with the previous year. According to the notice of relevant governmental authorities, the Company recognised 48% of total civil airport management and construction fees (the "Airport Fees") collected in Beijing Capital Airport in 2008, or Rmb721,513,000, as the Airport Fee revenues of the Company, representing a decrease of 1.9% as compared with the previous year.

AERONAUTICAL REVENUES

	2008 ***Rmb'000***	2007 *Rmb'000*	Change *(%)*
Passenger charges	**1,070,586**	780,936	37.1%
Aircraft movement fees and related charges	**1,021,623**	973,860	4.9%
Airport fee	**721,513**	735,698	(1.9%)
Total aeronautical revenues	**2,813,722**	2,490,494	13.0%

NON-AERONAUTICAL REVENUES

	2008	2007	Change
	Rmb'000	*Rmb'000*	*(%)*
Concession	**1,205,092**	712,539	69.1%
Rentals	**539,553**	222,038	143.0%
Car parking fee	**38,085**	67,896	(43.9%)
Others	**27,986**	23,158	20.8%
Total non-aeronautical revenues	**1,810,716**	1,025,631	76.5%

For the year 2008, benefiting from the significantly increased commercial resources resulted from the commencement of operation of Phase III Target Assets, which enlarged the business area of the Company, and the advertising effect of the Beijing Olympic Games, the non-aeronautical revenues of the Company recorded a rapid growth to Rmb1,810,716,000, representing a substantial increase of 76.5% as compared with the previous year.

In 2008, the concession revenues of the Company were Rmb1,205,092,000, representing an increase of 69.1% as compared with the previous year, the details of which are set out as follows:

	2008	2007	Change
	Rmb'000	*Rmb'000*	*(%)*
Advertising	**657,015**	244,242	169.0%
Retailing	**379,916**	284,875	33.4%
Restaurants and food shops	**78,314**	60,980	28.4%
Ground handling service	**76,211**	114,568	(33.5%)
Air catering	**6,048**	5,589	8.2%
Other	**7,588**	2,285	232.1%
Total	**1,205,092**	712,539	69.1%

In 2008, the concession revenues from advertising were Rmb657,015,000, representing an increase of 169.0% as compared with the previous year, mainly because (i) the advertising resources increased significantly as a result of the commencement of operation of the Phase III Target Assets on 26 March 2008, (ii) the rates for advertising in Terminal 2 and Terminal 1 increased, and (iii) the revenue-sharing ratio charged on the franchisees increased in 2008. Benefiting from the commencement of operation of Phase III Target Assets, the total concession revenues from retailing and restaurants for the year of 2008 were Rmb379,916,000 and Rmb78,314,000, respectively, representing an increase of 33.4% and 28.4%, respectively, as compared with the previous year. In 2008, the concession revenues from ground handling service were Rmb 76,211,000, representing a decrease of 33.5% as compared with the previous year, which was mainly because the Company decreased the levies on concession of the related ground handling services after negotiation with the franchisee under the new revised rates and policies for charges which come into effect for Beijing Capital Airport since 1 March 2008. In 2008, the concession revenues from air catering were Rmb 6,048,000. And the other concession revenues, mainly the concession revenues from packaging services, were Rmb7,588,000.

In 2008, due to the increase in the available rental area after the commencement of operation of Phase III Target Assets, and the increase in the Company's rental rates as a result of the application of the new aeronautical changes, the rentals reached Rmb539,553,000, representing an increase of 143.0% as compared with the previous year.

In 2008, the revenues from car parking were Rmb 38,085,000, representing a decrease of 43.9% as compared with the previous year, which was mainly because that after the commencement of operation of Phase III Target Assets, the utilisation of car parking in Terminal 1 and Terminal 2 was diverted to the car parking building nearby Terminal 3 (the ground transportation center in the Beijing Capital Airport, "GTC"), which is owned by the Parent Company. However, the Company provided the operation and management services of the car park in GTC.

In 2008, other revenues of the Company were Rmb27,986,000, representing an increase of 20.8% as compared with the previous year, which mainly represented revenues from management and operation services fees of GTC, airport pass services revenues and etc.

OPERATING EXPENSES

	2008	2007	Change
	Rmb'000	*Rmb'000*	*(%)*
Rental expenses	**1,179,100**	50,048	2255.9%
Depreciation and amortisation	**699,184**	508,677	37.5%
Utilities and power	**517,009**	211,198	144.8%
Repairs and maintenance	**495,177**	142,330	247.9%
Staff costs	**344,366**	226,648	51.9%
Aviation safety and security guard expenses	**296,440**	213,712	38.7%
Greening and environmental maintenance	**211,099**	105,744	99.6%
Operating contracted service	**149,401**	62,313	139.8%
Real estate and other taxes	**127,416**	56,120	127.0%
Other costs	**274,717**	125,274	119.3%
Total operating expenses	**4,293,909**	1,702,064	152.3%

In 2008, the operating expenses of the Company were Rmb4,293,909,000, representing an increase of 152.3% as compared with the previous year, mainly because of the commencement of operation of Phase III Target Assets.

In 2008, the rental expenses of the Company were Rmb1,179,100,000, and this included the assets usage fee of the Terminal 3, the third runway and its supporting facilities and equipments payable to the Parent Company for the period from 26 March 2008 to 30 September 2008.

In 2008, the depreciation and amortisation expenses of the Company were Rmb699,184,000, representing an increase of 37.5% as compared with the previous year, The following factors affected the expenses of depreciation and amortisation of the Company: (i) The fixed assets increased significantly since the Phase III Target Assets was acquired on 1 October 2008, which resulted in the increase of the expenses of depreciation and amortisation; and (ii) Since 1 January 2008, according to the results of the technical study on the utilisation of its existing facilities and taking into account the historical experience on the utilisation of the facilities, the management has re-assessed the estimated useful lives of the assets, and such adjustment resulted in the decrease of the depreciation expenses of the Company for the year of 2008, amounted to Rmb99,539,000.

Due to the commencement of operation of Phase III Target Assets, the utilities and power expenses were Rmb 517,009,000, representing an increase of 144.8% as compared with the previous year. And the repairs and maintenance expenses were Rmb495,177,000, representing an increase of 247.9% as compared with the previous year.

In 2008, the staff costs of the Company were Rmb344,366,000, representing an increase of 51.9% as compared with the previous year, which was mainly resulted from (i) the increase of number of staff to satisfy the operation needs after the commencement of operation of Phase III Target Assets and the additional operational needs during the Beijing Olympic Games and Paralympics; and (ii) the number of average working hours of employees increased, so that the overtime fees and the bonus paid to the employees had increased in order to give the employees more incentive during the year.

In 2008, the aviation safety and security guard expenses of the Company were Rmb296,440,000, representing an increase of 38.7% as compared with the previous year, mainly because that (i) the demand of aviation safety and security guard services increased after the commencement of operation of Phase III Target Assets, and (ii) both the unit labor costs and the unit materials costs had increased in 2008 because of the rising of general cost of living.

In 2008, the greening and environmental maintenance expenses were Rmb211,099,000, representing an increase of 99.6% as compared with the previous year, mainly resulted from the increase of greening and environmental maintenance area after the commencement of operation of Phase III Target assets.

In 2008, the operating contracted service expenses were Rmb149,401,000, representing an increase of 139.8% as compared with the previous year, mainly because the related accessorial power and energy services, operating contract services and the free trolley services in the terminals increased after the commencement of operation of Phase III Target Assets.

In 2008, the real estate and other taxes were Rmb127,416,000, representing an increase of 127.0% as compared with the previous year, mainly because the related taxes increased after the commencement of operation of Phase III Target Assets.

In 2008, other costs of the Company were Rmb274,717,000, representing an increase of 119.3% as compared with the previous year, mainly because the related business expenses increased after the commencement of the operation of Phase III Target Assets.

OTHER ITEMS IN THE INCOME STATEMENT

In 2008, other income of the Company were Rmb37,476,000, representing an increase of 455.5% as compared with the previous year. This amount mainly represented a large increase of interest income arising from the increase of the balance of seven-day-notice deposits and the new subsidies income of Rmb11,218,000 from the government for the Beijing Olympic Games and Paralympics.

In 2008, the financial costs of the Company were Rmb92,769,000, representing the interest expenses of the Company as a result of the assumption of liabilities from the Parent Company from 1 October 2008 as part of the Consideration of Phase III Target Assets.

In 2008, the defered tax assets in respect of the retirement benefit obligations and the accelerated accounting depreciation of fixed assets increased, which were credited to the current tax expense of the Copmany for the reporting period, therefore the total income expense of the Company was a credit of Rmb16,344,000.

PROFIT FOR THE YEAR

For the year ended 31 December 2008, the profit for the year totalled Rmb85,331,000, representing a decrease of 92.4% 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 fees 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.

According to the whole plan of acquisition of Phase III Target Assets, since 1 October 2008, the Company would assume the US dollar-denominated loans of US$364,195,000 from the European Investment Bank related to the Phase III Target Assets and the interest thereof, accordingly, the fluctuation of RMB exchange rate against the U.S. dollar will effect the financial results of the Company.

On 10 June 2008, the Company raised HK$2,093,120,000 (Rmb1,854,651,000) by placing of H Shares and the Company entered into a forward foreign exchange contract to sell Hong Kong Dollars for Renminbi to reduce the impact of exchange fluctuation on the HK Dollar proceeds. This contract was settled in July 2008. Save as the above disclosed, the Company did not involve in any foreign currency hedging activities during the reporting period.

As at 31 December 2008, the assets and liabilities of the Company denominated in foreign currencies (mainly in USD and HKD) included cash and cash equivalents of approximately Rmb6,456,000 (as at 31 December 2007: Rmb5,235,000), trade and other receivables of approximately Rmb9,477,000 (as at 31 December 2007: Rmb56,188,000), trade and other payables of approximately Rmb137,000 (as at 31 December 2007: Rmb146,000), and loans of approximately Rmb2,489,126,000 (as at 31 December 2007: Rmb0) from the Parent Company. During the year 2008, the Company recorded an exchange loss of Rmb15,952,000.

EXPOSURE TO FLUCTUATIONS IN INTERESTS RATES

The non-current liability of the Company is Rmb8,567,671,000, which includes the loans from the European Investment Bank at an interest rates of six-month LIBOR plus 0.4% and the corporate bonds from the Parent Company at an interest rate with reference to published inter-bank repo rate issued by China Foreign Exchange Trading Centre & National Interbank Funding Centre. As such, any change in these rates will affect the interest expenses and financial results of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Company's net cash generated from operating activities in 2008 amounted to Rmb1,221,748,000, representing a decrease of Rmb745,844,000 as compared with Rmb1,967,592,000 for the year of 2007. Net cash outflow from investing activities in 2008 amounted to Rmb5,250,439,000, of which the payment made for the purchase of property, plant and equipment amounting to Rmb5,277,625,000. In 2008, the Company's net cash inflow from financing activities amounted to Rmb1,485,521,000, of which, proceeds from issuance of ordinary shares amounted to Rmb1,854,651,000.

As at 31 December 2008, the Company had total cash and cash equivalents amounting to Rmb576,458,000, as compared to the cash and cash equivalents of the Company amounted to Rmb3,134,996,000 as at 31 December 2007.

As at 31 December 2008, the current ratio of the Company was 0.15, and that as at 31 December 2007 was 2.69. Such ratios were computed by dividing the total current assets by total current liabilities as at those respective dates.

As at 31 December 2008, the liability to asset ratio of the Company was 67.33%, and as compared to that as at 31 December 2007 was 12.55%. Such ratios were computed by dividing the total amount of liabilities by the total assets as at those respective dates.

The decrease of current ratio and the increase of the liability to asset ratio were mainly because that the Company acquired the Phase III Target Assets, including assuming certain long-term loans under the project by the Parent Company, which resulted in the significant increase of non-current liabilities, and settling off the balance of the consideration of the acquisition before 30 September 2009, which resulted in the significant increase of current liabilities. Considering the above information, the Board proposed to the forthcoming Annual General Meeting ("AGM") to consider and approve the grant of a general and unconditional mandate to the Board of the Company to raise funds by way of debt financing in the PRC with a maximum amount up to RMB10 billion (including RMB10 billion), including the issuance of corporate bonds of the Company with a maximum amount up to Rmb5 billion (including RMB5 billion). The details will be set out in the notice of AGM and the circular to be dispatched.

As at 31 December 2008, the capital and reserves of the Company was Rmb12,309,864,000 and as compared to that as at 31 December 2007 was Rmb10,739,012,000.

So far as the directors of the Company are aware, the Airport Fee shall continue to be levied until 31 December 2010. For the year ended 31 December 2008, the Company recognized 48% of the collected Airport Fee of the Beijing Capital Airport as revenues, according to the notice of related government authorities. The Company will pay prompt attention to any adjustment of policies related to the Airport Fee and disclose any updated information to shareholders through announcement.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2008.

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.

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 2008.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of holding the Annual General Meeting (the "AGM"), the register of members of the Company will be closed from Wednesday, 13 May 2009 to Friday, 12 June 2009 (both days inclusive). In order to be qualified 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, 12 May 2009.

ACQUISITION AND DISPOSAL

The Company has not conducted any major acquisition or disposal of its associated companies during the year ended 31 December 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended 31 December 2008, the Company has not redeemed, purchased or sold any of its listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2008 and to the date of 24 April 2009, 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed the Company's annual results for the year ended 31 December 2008.

PROSPECTS

Under globally severe and complicated economic conditions with impact of financial crisis spreading, China has to manage the complex challenges of growth slowdown, economic restructuring and industrial upgrading. The air traffic in the Beijing Capital Airport, especially the international air traffic, will predictably be slower in growth. Furthermore, among the ten measures that CAAC adopts against financial crisis to promote industry growth, it has addressed the ceiling price for airport charges for the first half of 2009 and has led to the impossibility of raising the aircraft landing fee for these six months. All these factors above will, to a certain extent, have negative impact on the Company's revenues for 2009.

In the first quarter of 2009, the passenger throughput at Beijing Capital Airport still sustained rapid growth to totally 15,153,600, representing an increase of 21.8% as compared with the same period of the previous year, including 3,183,900 international passengers, representing an decrease of 1.5%, and 11,969,711 domestic passengers, representing an increase of 30.0%. The aircraft movements in the first quarter were 116,098, representing an increase of 26.7% as compared with the same period of the previous year, including 22,655 international aircraft movements, representing a decrease of 6.4%, and 93,443 domestic aircraft movements, representing an increase of 38.6%. Influenced by the global financial crisis, the freight throughput at Beijing Capital Airport declined to 304,548 tonnes in the first quarter of 2009, representing a decrease of 5.2% as compared with the same period of the previous year, including 130,644 tonnes of international and 173,903 tonnes of domestic freight, representing a decrease of 6.1% and 4.5%, respectively.

In 2009, the Company will continue to improve the overall management level, enhance safety, security and service quality, increase resource value, achieve all-round coordinated and sustainable development, and serve the economic and social development.

In order to counteract the adverse effects of economic fluctuation on the Company's business results, the Company will take multiple measures such as detailed financing arrangement based on the capital market performance and tendency in rate of interest to reduce the financial expenses and optimize the financial profile of the Company; extensive participation of staff in activities to increase revenues and cut expenditure; stronger management on budget and strict cost control; energy conversation program to reduce operating expenses; and last but not least, various programs to increase revenues.

The Company will continue to pursue the guideline of continuous safety, take full consideration of the relationship between safety and profit, and further perfect the safety management system. In passenger service, the Company will improve consistently by establishing service standards and process control system, reinforcing airport staff entry rules, improving weakest points, carrying out cultural programs and increasing the brand value of Beijing Capital Airport as China's Premier National Gateway.

As a significant marketing move towards the world hub status, Beijing Capital Airport intends to host the 2009 World Route Development Forum (note), for which over 2,000 professionals from airports, airlines and aviation suppliers all around the world are expected to present.

Note: The World Route Development Forum, organized by the Route Development Forum Centre under The Route Development Group Ltd (RDG), is the most influential annual global event of the aviation industry that gathers nearly 300 major airlines and 500 airports.

The Board of Directors would like to thank CAAC and other governmental authorities, the airlines and other parties operating at Beijing Capital Airport for their support, and thank all staff of the Company and their families for their hard work and dedication in 2008.

By order of the Board
Zhang Zhizhong
Chairman

Beijing, PRC, 24 April 2009

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

Executive Directors:	*Mr. Zhang Zhizhong and Mr. Dong Zhiyi*
Non-executive Directors:	*Mr. Chen Guoxing, Mr. Gao Shiqing and Ms. Zhao Jinglu*
Independent Non-executive Directors:	*Mr. Kwong Che Keung, Gordon, Mr. Dong Ansheng, Mr. Japhet Sebastian Law and Mr. Wang Xiaolong*