**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: 00694)

# 2016 ANNUAL RESULTS ANNOUNCEMENT

**FINANCIAL HIGHLIGHTS**

- In 2016, the aircraft movements of Beijing Capital Airport reached 606,086 sorties, representing an increase of 2.7% as compared with the previous year. The passenger throughput reached 94,393,454 person-times, representing an increase of 5.0% as compared with the same period of the previous year. The cargo and mail throughput reached 1,943,159 tonnes, representing an increase of 2.8% as compared with the previous year.

- In 2016, the revenues of the Company were RMB8,729,090,000, representing an increase of 2.6% as compared with the same period of the previous year.

- In 2016, the aeronautical revenues of the Company were RMB4,836,737,000, representing an increase of 5.3% as compared with the same period of the previous year.

- In 2016, the non-aeronautical revenues of the Company were RMB3,892,353,000, representing a decrease of 0.6% as compared with the same period of the previous year.

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

- In 2016, the net profit after tax of the Company was RMB1,781,001,000, and the earnings per share was RMB0.41, representing an increase of 8.5% as compared with the same period of the previous year.

- The Board proposed to distribute the final dividend of RMB0.1018 per share for the year ended 31 December 2016, accumulated to an amount of RMB440,885,000.

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 2016, together with the comparative figures of 2015, which have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as below:

## STATEMENT OF COMPREHENSIVE INCOME

| | *Note* | **2016** *RMB'000* | 2015 *RMB'000* |
|---|---|---|---|
| Revenues | | | |
| Aeronautical | 3 | **4,836,737** | 4,593,099 |
| Non-aeronautical | 3 | **3,892,353** | 3,916,863 |
| | | **8,729,090** | 8,509,962 |
| Business tax and levies | | **(51,299)** | (122,740) |
| Operating expenses | | | |
| Depreciation and amortisation | | **(1,549,830)** | (1,593,418) |
| Repairs and maintenance | | **(716,149)** | (687,285) |
| Utilities and power | | **(619,834)** | (616,654) |
| Concession management fees | | **(576,541)** | (562,519) |
| Aviation safety and security guard costs | | **(571,603)** | (532,888) |
| Staff costs | | **(543,647)** | (531,004) |
| Operating contracted services | | **(328,140)** | (277,500) |
| Greening and environmental maintenance | | **(205,947)** | (197,888) |
| Real estate and other taxes | | **(202,999)** | (171,527) |
| Rental expenses | | **(111,336)** | (112,123) |
| Other costs | | **(360,348)** | (320,254) |
| | 4 | **(5,786,374)** | (5,603,060) |

| | Note | 2016 RMB’000 | 2015 RMB’000 |
|---|---|---|---|
| Other income | | **2,706** | 14,742 |
| **Operating profit** | | **2,894,123** | 2,798,904 |
| Finance income | 5 | **29,146** | 29,880 |
| Finance costs | 5 | **(552,181)** | (643,845) |
| | | **(523,035)** | (613,965) |
| Share of post-tax profit of a joint venture | | **5,623** | 8,017 |
| **Profit before income tax** | | **2,376,711** | 2,192,956 |
| Income tax expense | 6 | **(595,710)** | (551,041) |
| **Profit for the year** | | **1,781,001** | 1,641,915 |
| **Other comprehensive income** | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurements of retirement benefit obligations | | **(36,444)** | 551 |
| Share of other comprehensive loss of investment in a joint venture | | **(10,612)** | (4,090) |
| **Other comprehensive loss for the year, net of tax** | | **(47,056)** | (3,539) |
| **Total comprehensive income for the year** | | **1,733,945** | 1,638,376 |
| **Earnings per share, basic and diluted *(RMB)*** | 7 | **0.41** | 0.38 |

## BALANCE SHEET

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

| | | As at 31 December | |
|---|---|---|---|
| | | **2016** | 2015 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | 12 | **3,000,000** | 1,885,000 |
| Bonds payable | 14 | **–** | 2,997,278 |
| Retirement benefit obligations | | **161,135** | 114,280 |
| Deferred income | | **25,996** | 17,288 |
| Loans from the Parent Company | 15 | **2,132,726** | 2,156,118 |
| | | **5,319,857** | 7,169,964 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **3,148,759** | 2,216,392 |
| Interest payable | | **142,717** | 142,887 |
| Short-term borrowings | 12 | **–** | 2,000,000 |
| Short term debentures | 13 | **2,500,000** | – |
| Current income tax liabilities | | **236,363** | 240,961 |
| Current portion of long-term borrowings | 12 | **–** | 1,985,000 |
| Current portion of bonds payable | 14 | **2,999,857** | – |
| Current portion of retirement benefit obligations | | **7,702** | 7,319 |
| Current portion of loans from the Parent Company | 15 | **170,618** | 659,713 |
| | | **9,206,016** | 7,252,272 |
| **Total liabilities** | | **14,525,873** | 14,422,236 |
| **Total equity and liabilities** | | **33,904,190** | 32,691,226 |

## STATEMENT OF CHANGES IN EQUITY

| | Note | Share capital RMB'000 | Share premium RMB'000 | Capital reserve RMB'000 | Other reserve RMB'000 | Statutory and discretionary reserves RMB'000 | Retained earnings RMB'000 | Total equity RMB'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2015** | | 4,330,890 | 5,055,425 | 927,704 | (11,309) | 3,427,412 | 3,472,247 | 17,202,369 |
| Profit for the year | | – | – | – | – | – | 1,641,915 | 1,641,915 |
| Other comprehensive loss for the year | | – | – | – | (3,539) | – | – | (3,539) |
| Total comprehensive income for the year | | – | – | – | (3,539) | – | 1,641,915 | 1,638,376 |
| Cash contribution from the Parent Company | 10 | – | – | 29,806 | – | – | – | 29,806 |
| 2014 final dividend | | – | – | – | – | – | (353,401) | (353,401) |
| 2015 interim dividend | 8 | – | – | – | – | – | (248,160) | (248,160) |
| Transfer to statutory and discretionary reserves | | – | – | – | – | 442,438 | (442,438) | – |
| **Balance at 31 December 2015** | | 4,330,890 | 5,055,425 | 957,510 | (14,848) | 3,869,850 | 4,070,163 | 18,268,990 |
| **Balance at 1 January 2016** | | **4,330,890** | **5,055,425** | **957,510** | **(14,848)** | **3,869,850** | **4,070,163** | **18,268,990** |
| Profit for the year | | **–** | **–** | **–** | **–** | **–** | **1,781,001** | **1,781,001** |
| Other comprehensive loss for the year | | **–** | **–** | **–** | **(47,056)** | **–** | **–** | **(47,056)** |
| Total comprehensive income for the year | | **–** | **–** | **–** | **(47,056)** | **–** | **1,781,001** | **1,733,945** |
| Cash contribution from the Parent Company | 10 | **–** | **–** | **55,332** | **–** | **–** | **–** | **55,332** |
| 2015 final dividend | 8 | **–** | **–** | **–** | **–** | **–** | **(408,403)** | **(408,403)** |
| 2016 interim dividend | 8 | **–** | **–** | **–** | **–** | **–** | **(271,547)** | **(271,547)** |
| Transfer to statutory and discretionary reserves | | **–** | **–** | **–** | **–** | **506,483** | **(506,483)** | **–** |
| Balance at 31 December 2016 | | **4,330,890** | **5,055,425** | **1,012,842** | **(61,904)** | **4,376,333** | **4,664,731** | **19,378,317** |

**NOTE**

## 1 GENERAL INFORMATION

Beijing Capital International Airport Company Limited (the "Company") was incorporated as a joint stock company with limited liability in the People's Republic of China (the "PRC") on 15 October 1999 and has been listed on The Stock Exchange of Hong Kong Limited since 1 February 2000. The Company is majority owned by Capital Airports Holding Company ("CAHC" or the "Parent Company"), a state-owned enterprise established in the PRC under the control of the Civil Aviation Administration of China ("CAAC").

The Company is principally engaged in the ownership and operation of the international airport in Beijing ("Beijing Capital Airport") and the provision of related services. The address of its registered office is Capital Airport, Beijing, the PRC.

## 2 BASIS OF PREPARATION

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

As at 31 December 2016, the current liabilities of the Company exceeded the current assets by RMB3,386,680,000 (2015: RMB3,747,945,000). Given the debt obligations and working capital requirements, management has thoroughly considered the Company's available sources of funds as follows:

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

- The Company's fund raising from National Association of Financial Market Institutional Investors.

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

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

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

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

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

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

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

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

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

## 3 REVENUES AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews the Company's internal reporting in order to assess performance and allocate resources.

The Company runs a single business of operating and managing an airport and provision of related services in the PRC and resources are allocated based on what is beneficial to the Company in enhancing the value as a whole rather than any special unit. The Board of Directors considers the performance assessment of the Company should be based on the results of the Company as a whole. Therefore, management considers there to be only one operating segment under the requirement of IFRS 8.

**Analysis of revenues by category**

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

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

Pursuant to the "Notice regarding the Issuance of Levy and Utilisation Methods of Civil Aviation Development Fund" issued by Ministry of Finance of the People's Republic of China on 9 December 2015, with effect from 1 January 2016 to 31 December 2020, the Civil Aviation Development Fund is imposed on passengers at the same rate as previous years.

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

During the year, the Company did not receive any notice from relevant authorities for the updated charge rates attributable to the Company on the Airport Fee collected by CAAC from outbound passengers. Based on historical transaction pattern, cash settlement made by CAAC and management's best estimation, the Company recognised its revenue of the Airport Fee for the year ended 31 December 2016 at the rate of 48% of total amount collected by CAAC from outbound passengers, which was as same as that of previous years.

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

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

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

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

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

## 4 EXPENSES BY NATURE

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Depreciation on property, plant and equipment | | |
| – owned assets | **1,467,556** | 1,511,554 |
| – owned assets leased out under operating leases | **33,675** | 29,909 |
| Amortisation of land use rights | **28,429** | 28,201 |
| Amortisation of intangible assets | **20,170** | 23,754 |
| Operating lease rentals | | |
| – Office building | **46,553** | 49,101 |
| – Land use rights | **42,383** | 40,389 |
| – Information technology center | **16,404** | 16,811 |
| – Other rentals | **5,996** | 5,822 |
| Loss on disposal of property, plant and equipment | **2,830** | 7,426 |
| Provision for impairment of trade receivables *(Note 9)* | **72,893** | 32,519 |
| Auditor's remuneration | **3,516** | 3,905 |
| – Audit services | **3,500** | 3,420 |
| – Non-audit services | **16** | 485 |

## 5 FINANCE INCOME/(COSTS)

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

## 6 TAXATION

### (a) Corporate income tax

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

The Company is subject to corporate income tax at a rate of 25% (2015: 25%) on its taxable income as determined in accordance with the relevant PRC income tax laws and regulations.

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current income tax | **618,759** | 581,653 |
| Deferred income tax | **(23,049)** | (30,612) |
| | **595,710** | 551,041 |

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

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

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

Before 1 May 2016, pursuant to "Notice regarding the Issuance of Pilot Proposal for the Change from Business Tax to Value Added Tax" (Cai Shui [2011] No.110) and "Notice regarding the Issuance of Pilot Proposal for the Change from Business Tax to Value Added Tax on Transportation Industry and Part of Modern Service Industry in Beijing and other 8 provinces and cities" (Cai Shui [2012] No.71) and relevant further regulations issued by the Ministry of Finance of the People's Republic of China and the State Administration of Taxation, starting from 1 September 2012, aeronautical revenues and revenues of 400Hz power fees and air condition fees from domestic airliners and concession revenues (excluding concession revenue of restaurants and food shops) of the Company are subject to value added tax at the rate of 6%; rental revenues of tangible movable assets under operating lease are subject to value added tax at the rate of 3% based on the simplified method for tax calculation; the revenues of Airport Fee, aeronautical revenues and revenues of 400Hz power fees and air condition fees from international, Hong Kong, Macau and Taiwan airliners are exempt from paying any value added tax or business tax since 1 September 2012. Other revenues are subject to business tax at the rate of 5%.

Since 1 May 2016, pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying Value Added Tax in place of Business Tax' (Cai Shui [2016] 36) jointly issued by the Ministry of Finance and the State Administration of Taxation, aeronautical revenues and revenues of 400Hz power fees and air condition fees from domestic airliners, concession revenues and other non-aeronautical revenues of the Company are subject to value added tax, and the applicable tax rate is 6%; rental revenues (excluding rental revenue of tangible movable assets under lease) and revenues of car parking service fees of the Company are subject to value added tax, and the applicable tax rate is 11%; rental revenues from immovable assets which are obtained before 30 April 2016 and revenues of car parking service fees which are generated from the assets obtained before 30 April 2016 could be chosen to be subject to value added tax of 5% based on the simplified method for tax calculation; rental revenues of tangible movable assets under lease are subject to value added tax, and the applicable tax rate is 17%; rental revenues of tangible movable assets under operating lease, which the assets are obtained before 30 April 2016, could be chosen to be subject to value added tax of 3% based on the simplified method for tax calculation; the revenues of Airport Fee, aeronautical revenues and revenues of 400Hz power fees and air condition fees from international, Hong Kong, Macau and Taiwan airliners are exempt from paying any value added tax or business tax.

**(c) Real estate tax**

The Company is subject to real estate tax at an annual rate of 1.2% on 70% of the cost of its buildings and land or 12% of the rentals from the buildings and land.

## 7 EARNINGS PER SHARE

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

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2016 and 2015.

| | **2016** | 2015 |
|---|---|---|
| Profit for the year *(RMB'000)* | **1,781,001** | 1,641,915 |
| Basic earnings per share *(RMB per share)* | **0.41** | 0.38 |

## 8 DIVIDENDS

| | 2016 | 2015 |
|---|---|---|
| Dividend proposed | | |
| Final dividend *(RMB'000)* | **440,885** | 408,403 |
| Final dividend per share *(RMB)* | **0.1018** | 0.0943 |
| Interim dividend *(RMB'000)* | **271,547** | 248,160 |
| Interim dividend per share *(RMB)* | **0.0627** | 0.0573 |

The final dividend for the year ended 31 December 2016 was proposed at the Board of Directors meeting held on 21 March 2017. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017.

## 9 TRADE AND OTHER RECEIVABLES

| | 2016 *RMB'000* | 2015 *RMB'000* |
|---|---|---|
| Trade receivables | | |
| – CAHC's subsidiaries | **37,302** | 27,288 |
| – a joint venture of the Company | **496** | 438 |
| – third parties | **1,247,790** | 1,250,356 |
| | **1,285,588** | 1,278,082 |
| Less: Provision for impairment | **(185,303)** | (112,410) |
| | **1,100,285** | 1,165,672 |
| Bill receivable | | |
| – third parties | **–** | 11,346 |

| | 2016 | 2015 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Dividends receivable | | |
| – a joint venture of the Company | **10,715** | 22,946 |
| Prepayments and other receivables | | |
| – CAHC and its subsidiaries | **54,081** | 95,402 |
| – third parties | **26,398** | 23,110 |
| | **80,479** | 118,512 |
| Total trade and other receivables | **1,191,479** | 1,318,476 |
| Less: non-current portion | **(52,895)** | (52,668) |
| Current portion | **1,138,584** | 1,265,808 |

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

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

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

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

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

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **112,410** | 79,891 |
| Provision for impairment of receivables | **72,893** | 32,519 |
| At end of year | **185,303** | 112,410 |

Prepayments and other receivables do not contain impaired assets.

## 10 CAPITAL RESERVE

Capital reserve represents equity contributions from CAHC in cash to which CAHC is fully entitled. In accordance with relevant government authorities' instruction, this amount is to be accounted for as capital reserve of the Company for the benefit of the Parent Company and it is not to be distributed as dividend. In future, when the Company increases its share capital, the capital reserve may be converted into shares of the Company to be held by CAHC, provided appropriate conditions are met. The conversion is however subject to obtaining prior approval from the relevant government authorities and shareholders.

## 11 TRADE AND OTHER PAYABLES

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

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

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

* In 2008, the Company acquired the Airfield Assets, Terminal Three of the Beijing Capital 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 construction is situated (collectively the "Phase III Assets").

## 12 BORROWINGS

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Short-term | **–** | 2,000,000 |
| Long-term | | |
| – non-current portion *(note a)* | **3,000,000** | 1,885,000 |
| – current portion | **–** | 1,985,000 |
| | **3,000,000** | 5,870,000 |

The movement in borrowings is analysed as follows:

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

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

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **–** | 3,985,000 |
| Between 1 and 2 years | **–** | 10,000 |
| Between 2 and 5 years | **3,000,000** | 1,875,000 |
| | **3,000,000** | 5,870,000 |

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

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

## 13 SHORT-TERM DEBENTURES

| | **2016** | 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Short-term debentures | **2,500,000** | – |

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

## 14 BONDS PAYABLE

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

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

## 15 LOANS FROM THE PARENT COMPANY

As part of the acquisition of the Phase III Assets, the Company entered into agreements with the Parent Company to assume the following borrowings which were previously obtained by the Parent Company with same terms from European Investment Bank and domestic financial institutions. The borrowings were not reassigned into the name of the Company.

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

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

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

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

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

*The financial figures above in respect of the announcement of the Company's annual results for the year ended 31 December 2016 (the "Announcement") have been agreed by the Company's international auditors, PricewaterhouseCoopers, to the amounts set out in the Company's financial statements for the year ended 31 December 2016. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.*

## MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

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

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

### Overview of Aeronautical Business

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

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

**Aeronautical Revenues**

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

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

**Non-Aeronautical Revenues**

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

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

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

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

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

**Operating expenses**

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

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

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

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

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

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

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

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

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

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

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

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

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

**Other Items in the Statement of Comprehensive Income**

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

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

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

## PROFIT FOR THE YEAR

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

## DIVIDEND

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

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

There was no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend during the year ended 31 December 2016.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

According to the overall plan of the acquisition of the Phase III Assets *(Note)*, the Company assumed the US dollar-denominated loans from the European Investment Bank in respect of the Phase III Assets and the interest thereof as at 31 December 2016. Therefore, the fluctuation of RMB exchange rate against the US dollar will affect the financial results of the Company.

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

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

## EXPOSURE TO FLUCTUATIONS IN INTEREST RATES

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

## CONTINGENT LIABILITIES

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

## LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

As at 31 December 2016, the current ratio of the Company was 0.63, and as at 31 December 2015, the current ratio of the Company was 0.48. Such ratio was computed by dividing the amount of the total current assets by the amount of the total current liabilities as at those respective dates.

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

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

## EMPLOYEES AND EMPLOYEE WELFARE

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

| | **2016** | 2015 |
|---|---|---|
| Total number of employees | **1,623** | 1,641 |

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

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

Since 1 January 2003, the Company has complied with the regulations of the Beijing Municipal Government for basic medical insurance. According to the regulations, the Company pays the basic medical insurance and mutual insurance for large sum medical expenses for its employees at 9% and 1%, respectively, of the average monthly salaries of its employees in the previous year.

In addition, the Company may on a voluntary basis provide supplemental medical insurance benefits to its employees with an amount within 4% of the average monthly salaries of its employees in the previous year. Meanwhile, the Company no longer pays medical subsidies or medical compensations in cash to its employees. As such, the implementation of the aforesaid basic medical insurance regulations did not have any material impact on the balance sheet or statement of comprehensive income of the Company.

## CHARGE ON ASSETS

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

## MERGER, ACQUISITION AND DISPOSAL

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

## MATERIAL SUBSEQUENT EVENT

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, the Company did not redeem, purchase or sell any of its listed securities.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In respect of Code provision A.2.1 of the Code, since the general manager (equivalent to "chief executive" under the Listing Rules) of the Company resigned in September 2015, his work and duties have been temporarily taken up by the Chairman (equivalent to "chairman of the Board" under the Listing Rules) of the Company. During the relevant acting period, the Company has expanded the authorisations granted by the Chairman to the management members, extended the scope of the management meeting and increased the frequency of such meeting, so as to avoid the excessive concentration of power of the Chairman when he performs his duties as the Chairman and the acting general manager. At the same time, the Company has been actively looking for suitable candidate to act as the general manager. The new general manager was appointed on 22 March 2016. The details of the appointment are set out in the announcement of the Company dated 22 March 2016.

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

## FUTURE PROSPECTS

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

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

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

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

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

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

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

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

## THE ANNUAL RESULTS ANNOUNCEMENT, ANNUAL REPORT AND AGM

The annual results of the Company have been reviewed by the audit committee of the Company. The financial figures in respect of this annual results announcement have been agreed by the Company's international auditor, PricewaterhouseCoopers, to the amounts set out in the Company's financial statements for the year ended 31 December 2016. This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk), IR Asia (http://www.irasia.com.hk) and the Company (http://www.bcia.com.cn).

The annual report for the year ended 31 December 2016 containing all the relevant information required by Appendix 16 to the Listing Rules and the Notice of 2016 AGM will be despatched to shareholders and will be available on the abovementioned websites in due course.

By order of the Board
**Luo Xiaopeng**
*Secretary of the Board*

Beijing, the PRC, 21 March 2017

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

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| *Executive Directors:* | *Mr. Liu Xuesong, Mr. Han Zhiliang and Ms. Gao Lijia* |
| *Non-executive Directors:* | *Mr. Yao Yabo, Mr. Zhang Musheng, Mr. Ma Zheng and Mr. Cheng Chi Ming, Brian* |
| *Independent Non-executive Directors:* | *Mr. Japhet Sebastian Law, Mr. Wang Xiaolong, Mr. Jiang Ruiming and Mr. Liu Guibin* |