



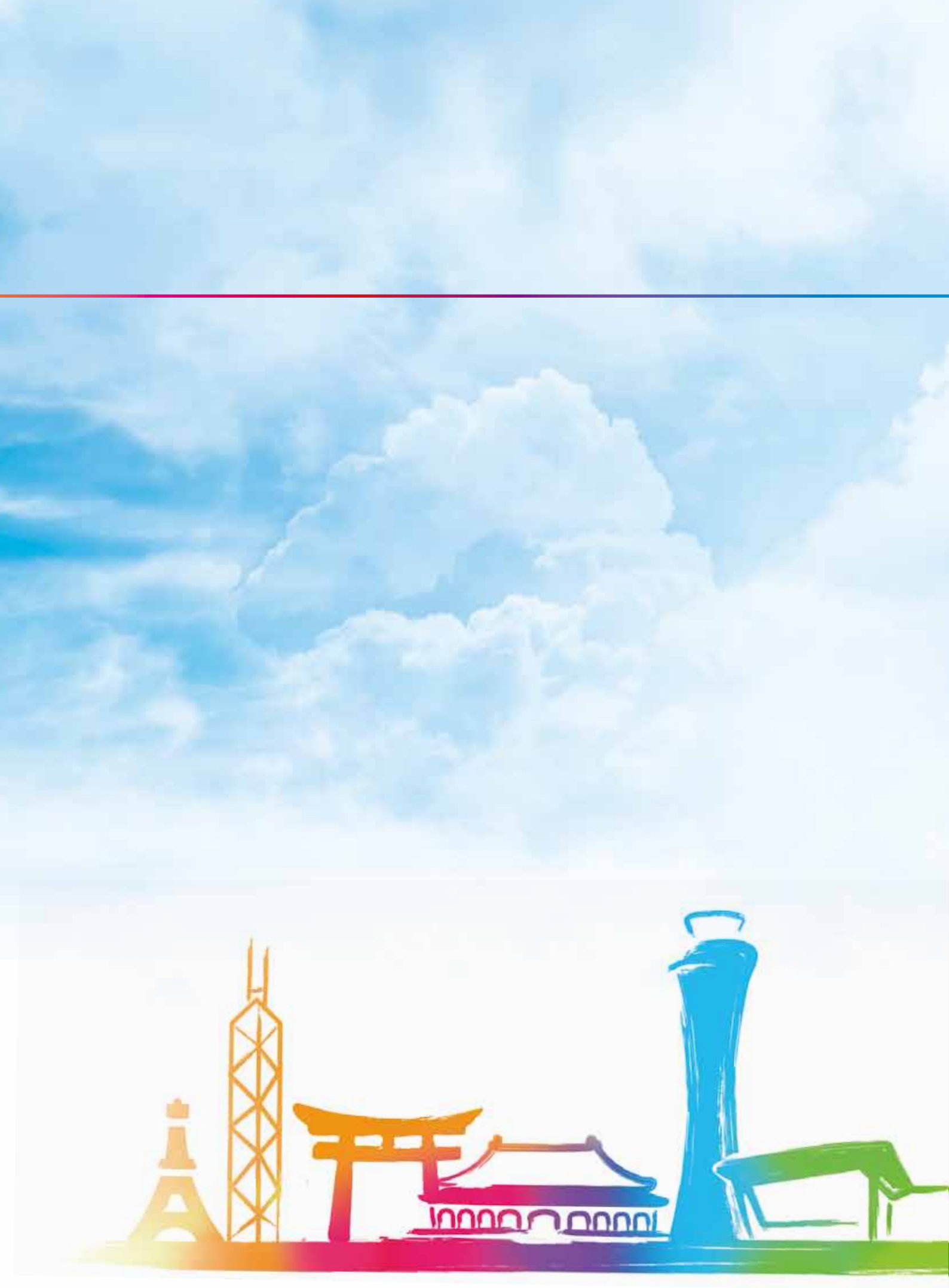
# BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED

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

Stock Code: 00694



2014 Annual Report



# CONTENTS

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Financial Summary	3
Company Profile	4
Chairman's Statement	6
Report of the Board	15
Management Discussion and Analysis	51
Corporate Governance Report	63
Report of the Supervisory Committee	83
Independent Auditor's Report	86
Notes to the Financial Statements	97
Company Information	181
Price and Turnover History	184





ADVANCE THE CHINESE SERVICE  
DEVELOP AN INTERNATIONAL HUB

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# Financial Summary

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

	2014	2013	2012	2011	2010
<b>Operating Results</b>					
Revenues	7,655,957	7,224,818	6,862,660	6,500,216	5,776,731
EBITDA	3,860,232	3,925,572	3,685,493	3,718,707	3,016,061
Profit before tax	1,859,039	1,775,380	1,532,580	1,485,596	793,059
Tax	(467,808)	(446,356)	(383,518)	(371,603)	(197,868)
Profit for the year	1,391,231	1,329,024	1,149,062	1,113,993	595,191
Attributable to:					
Equity holders of the Company	1,391,231	1,329,024	1,149,062	1,113,993	595,191
Non-controlling interests	—	—	—	—	—
Earnings per share-basic and diluted (RMB)	0.32	0.31	0.27	0.26	0.14
Return on Equity	8.09%	8.20%	7.55%	7.70%	4.43%
<b>Financial Position</b>					
<b>Assets</b>					
Non-current assets	28,217,096	29,361,009	30,336,954	31,546,967	32,901,246
Current assets	3,694,171	3,335,558	3,085,762	2,352,162	2,079,366
<b>Total</b>	<b>31,911,267</b>	<b>32,696,567</b>	<b>33,422,716</b>	<b>33,899,129</b>	<b>34,980,612</b>
<b>Equity and liabilities</b>					
<b>Shareholders' equity</b>	<b>17,202,369</b>	16,211,781	15,223,799	14,471,646	13,434,786
Non-controlling interests	—	—	—	—	—
Non-current liabilities	8,029,063	10,814,098	8,073,293	16,933,884	18,604,220
Current liabilities	6,679,835	5,670,688	10,125,624	2,493,599	2,941,606
<b>Total</b>	<b>31,911,267</b>	<b>32,696,567</b>	<b>33,422,716</b>	<b>33,899,129</b>	<b>34,980,612</b>



## Company Profile

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 on 15 October 1999 to own and manage the aeronautical operations and certain ancillary commercial businesses at the international airport in Beijing, the PRC (the “Beijing Capital Airport”). On 27 January 2000, 1,346,150,000 H shares in the Company of RMB1.00 each were issued to the public at HK\$1.87 per share and such shares were listed on the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 1 February 2000. Upon such issue, the total share capital of the Company increased from 2,500,000,000 shares to 3,846,150,000 shares. Among which, Capital Airports Holding Company (the “Parent Company” or “CAHC”) holds 2,500,000,000 domestic shares, representing 65% of the total share capital; the public investors hold 1,346,150,000 H shares, representing 35% of the total share capital. On 18 May 2001, as approved by the Ministry of Foreign Trade and Economic Cooperation of the PRC (the former entity of the Ministry of Commerce of the PRC), the Company became a foreign invested joint stock limited company.

The Company has completed the placing of H shares to institutional or professional investors in Hong Kong, on 4 October 2006 and 10 June 2008, respectively. Upon the completion of the above two placements, the total share capital of the Company increased to 4,330,890,000 shares. Among which, the Parent Company holds 2,451,526,000 domestic shares, representing 56.61% of the total share capital; the public investors hold 1,879,364,000 H shares, representing 43.39% of the total share capital.

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

## Company Profile (Continued)

The aeronautical business of the Company consists of the provision of aircraft landings and take-offs and passenger service facilities, ground support services, and fire-fighting services for domestic and foreign air transportation enterprises.

By the end of 2014, there were 96 airliners operating fixed commercial flights at the Beijing Capital Airport, including 26 domestic airliners and 70 airliners from foreign countries, Hong Kong, Macau and Taiwan.

By the end of 2014, there were 244 flight points linking with the Beijing Capital Airport, including 133 domestic flight points and 111 international flight points.

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

The non-aeronautical business of the Company also includes the self-operation of: (1) leasing of properties in the terminals; (2) provision of car parking services, and (3) the provision of ground handling facilities for ground handling agent companies.



## Chairman's Statement

### Development • Win-win

“ Along with the continuous growth and diversified categories in business development, the Company will be committed to provide passengers and the public with safe, efficient and high-quality services, and encouraging the establishment and development of a green and smart airport with innovative technology, as well as rewarding the society and our shareholders with high efficiency and excellent performance for their trust and support, which will lead to a new win-win pattern of sustainable development for the Company and all parties involved. ”



Mr. Liu Xuesong  
Chairman





## Chairman's Statement (Continued)

### To Shareholders:

In 2014, the global economy has recovered from recession though it was not easy, while the domestic economy witnessed increasing downward pressure. Against such backdrop, the Company ensured that Beijing Capital Airport could maintain a steady growth momentum in the air traffic volumes, and the passenger throughput for the entire year steadily ranked the second in the world by continuing to intensify the hub construction. Meanwhile, the Company achieved prominent performance in respect of security, operation and services and ensured that the operating results were steadily being improved through enhancement in management practices and efficiency.

### 2014 RESULTS HIGHLIGHTS

In recent years, the new normal with moderate growth was seen in the air traffic volumes at Beijing Capital Airport due to the impact produced by the economic environment, both domestically and internationally, as well as the inherent characteristics of the development of the airport. In 2014, the aircraft movements at Beijing Capital Airport reached 581,953 sorties, representing an increase of 2.5% over the previous year; the passenger throughput reached 86,128,270 person-times, representing an increase of 2.9% over the previous year; the cargo and mail throughput reached 1,848,251 tonnes, representing an increase of 0.2% over the previous year.

Besides, the Company spared no effort in enhancing the security, operation, services and management quality regarding the airport, tapped operational potentials and strictly controlled costs, allowing the Company to maintain a favourable momentum in its operating results even under the new normal where the air traffic volumes of the airport were experiencing slow growth.

In 2014, the Company's operating revenues recorded RMB7,655,957,000, representing an increase of 6.0% over the previous year, among which, aeronautical revenues amounted to RMB4,367,823,000, representing an increase of 4.0% over the previous year; non-aeronautical revenues amounted to RMB3,288,134,000, representing an increase of 8.8% over the previous year.

In 2014, net profits attributable to shareholders of the Company increased to RMB1,391,231,000, representing a growth of 4.7% over the previous year, among which, approximately RMB556,520,000 will be distributed to all shareholders as dividends for the entire year.



## Chairman's Statement (Continued)

### INTENSIFYING CONSTRUCTION OF HUB IN SAFETY AND STABILITY

In 2014, the Company coordinated with all parties at the airport to successfully accomplish 29 major security tasks, including the security programme for the APEC Meeting, and ensured stable safety and security condition at Beijing Capital Airport throughout the year. In addition, the Company actively intensified the construction of hub. By endeavouring best efforts in exploring and developing international businesses, 3 international destinations have been newly added, the flight frequency for 14 international routes has been increased, while the proportion of international businesses has been enlarged and the structure of aeronautical business has been optimized. Furthermore, the Company actively facilitated the cooperative development among Beijing, Tianjin and Hebei, and entered into cooperative agreements for collaborative development and strategy with Tianjin Airport and Hebei Airport to reach consensus on resources sharing, functional complementation and synchronized development. By strengthening the interaction with on-site parties at the airport, the transfer process was streamlined and the transfer efficiency was enhanced. Furthermore, the Company was well prepared for the restructuring and optimization of cargo resources by conducting systematic research on the overall planning and layout of the cargo business at Beijing Capital Airport. In 2014, the Company was awarded the Verification of e-Freight Pilot Run by the International Air Transport Association (IATA) and became the only airport in China that received such certificate granted by IATA and ran normalized operation of e-freight.



## Chairman's Statement (Continued)

### COMMERCIAL INNOVATION AND VALUE ENHANCEMENT

Facing the increasingly intensified market competition and the complicated environment for commercial business, the Company kept developing its commercial potential and enhancing its business value. On one hand, it brought new points for growth to non-aeronautical revenues through developing in-flight catering business; on the other hand, it recorded a significant increase in the revenue from lease business by giving full play to the value of the resources and the market leverage. In addition, the Company closely followed the trend of the pattern of modern consumption and payment methods led by e-commerce and e-financing, systematically regulated the online business development of Beijing Capital Airport. By cooperating with some well-known internet companies, certain commercial online APP with functions of advance booking and payment making were implemented.



## Chairman's Statement (Continued)

### FIFTEEN YEARS' DEVELOPMENT

#### **Business Growing • Linking the World**

The year of 2014 marked the fifteenth anniversary for the establishment of the Company. Since the establishment in 1999, the Company's business has experienced significant growth and development. Beijing Capital Airport made tremendous progress in the aspects of the expansion of route network, optimization of business structure, complementation of airspace resources, construction of hub and air ground coordination etc. In such regard, Beijing Capital Airport became a model for a super-large airport with high-speed growth and high-quality development in the world. During the fifteen years, the passenger throughput, the aircraft movements and the cargo and mail throughput of Beijing Capital Airport grew by 473%, 354% and 302% respectively; the ranks of passenger throughput and aircraft movements in the world significantly jumped from the 42nd and the 96th to the 2nd and the 6th respectively; the airfield area expanded from 6 million sq.m. to 15.73 million sq.m.; the route network coverage increased from 134 destinations to 244 destinations; and the number of the airlines operating at Beijing Capital Airport increased from 61 to 96. Since the network and layout of the routes have been improving, Beijing is being connected to the world with accessibility by over 200 routes extended from Beijing Capital Airport.

#### **Operation Developing • Benefiting All Sides**

Following the continuous development of both Beijing Capital Airport and the Company over the past fifteen years, the operation efficiency and management quality continues to enhance, the operating benefits oft-broken new records, the assets scale and shareholder's equity have been gradually expanding, the Company's international image and industrial position have been strengthening, and thousands of jobs were created and considerable economic contribution was made for the local development. Meanwhile, over these fifteen years, the Company has been earnestly implementing its social responsibility as a corporate and has been persisting in adhering to the sustainable development whereby, aiming at "creating a green gateway", the Company has been devoting itself to building a green airport which is energy-saving, environmentally friendly, hi-tech and user-friendly. Moreover, the Company has endeavoured a lot of efforts in energy-saving and emission reduction so that significant results in this respect has been accomplished.



## Chairman's Statement (Continued)

### Chinese Service • Leading in the Industry

By making unremitting efforts in the past fifteen years, Beijing Capital Airport achieved striding improvement in service quality. In recent years, under the guidance of the “Chinese Service” concept, the Company has been working in close coordination with over twenty on-site parties operating at Beijing Capital Airport to strive to achieve the goal by creating a seamless collaborative model of “beyond boundaries” and exploring a new approach to enhance the value chain of service as a super-large airport. According to the passenger satisfaction survey conducted by Airports Council International (ACI), Beijing Capital Airport jumped to the top globally from a very low rank when it was first commented by the ACI. Since 2011, Beijing Capital Airport has ranked the third place among all airports in the world for four consecutive years and has also gained a number of recognitions and awards from various institutions and associations in the industry.

### LOOKING AHEAD

#### New Normality

The economic development of China is now entering into the stage of new normal with substantial changes on the growth rate, development model, structure and momentum of the economy. The civil aviation industry which is highly related to daily life of people is also entering into the stage of new normal where growth rate slows down, market competition intensifies and development condition is complex.

Indeed, gone through the striding development in the past fifteen years, Beijing Capital Airport and the Company are also gradually presenting the features of the new normal. The air traffic volumes at Beijing Capital Airport are experiencing slow growth and the operating quality of Beijing Capital Airport is under great pressure against the backdrop of stringent aviation safety and security regulations. Besides, the resources development abilities of Beijing Capital Airport are limited by the saturating operating resources, and the business development model of Beijing Capital Airport is subject to its business structure.

The Company is still full of confidence about the development prospect and layout in the future as long as it manages to identify and recognize rationally and precisely the prevailing conditions and problems arising from its development and to proactively adapt itself to the development rules and adjust the development mode under the new normal stage in a bid to create and capture opportunities under such circumstances.



## Chairman's Statement (Continued)

### **New Opportunities**

The new normal of the economic development brought about new opportunities. The collaboration development among Beijing, Tianjin and Hebei based on the national strategies formulated by the State and the deepening of the reform on state-owned enterprises have provided the Company's future development with strategic guidance. The integrated development among Beijing, Tianjin and Hebei is not only a favorable opportunity to push forward the complementary advantages, diversified functions and joint development among Beijing Capital Airport, Tianjin Airport and Shijiazhuang Airport, but also a valuable chance and platform for Beijing Capital Airport to release its resources and optimize its resources allocation. The Company will continue to promote the interaction and collaboration among the three airports and make a breakthrough in tackling the bottlenecks in the development of Beijing Capital Airport through assisting in the establishment of an integrated layout for the aviation network covering Beijing, Tianjin and Hebei. The reform on state-owned enterprises is an entire release from the restrictions on development and an important key for solving the difficulties in the sustainable development of the Company. The Company will adhere to the concept of market-orientation and legal governance in its future development to carry out reform and innovation. The Company will create new drive for sustainable development on the foundation it has established for fifteen years.

### **New Growth**

Regarding business growth, the Company is currently insuring safety and security, reorganizing structure, stabilizing growth and improving quality while exploring new growth momentum and means for its business by optimizing inventories and layouts. For instance, the Company will explore a new model for the cargo business through integration of cargo resources so as to create new growth momentum for the operation business of the Company. Regarding the non-aeronautical business, with the adjustment and innovation on the commercial concession model and the strengthening of online marketing, the Company will introduce more external business models to stimulate new vitality and potential of growth for the non-aeronautical business.



## Chairman's Statement (Continued)

### New Development

Airport serves as an engine to drive regional economic growth. To this end, every RMB100 million contribution made by Beijing Capital Airport to the economy will enable another RMB430 million made by related industries in Beijing City. In the future, along with the continuous growth and more diversified businesses for development, Beijing Capital Airport will be able to make more contributions to the regional economy. Meanwhile, as an infrastructure operator, the Company is committed to providing passengers and the public with safe, efficient and high-quality services and actively performing its social responsibilities and encouraging the establishment and development of a green and smart airport with innovative technology. Under the new normal, the Company will capture the new opportunities, create new growth momentum, pursue new development and reward the society and our shareholders with high efficiency and excellent performance for their trust and support, which will lead to a new win-win pattern of sustainable development for the Company and all parties involved.

### ACKNOWLEDGEMENTS

Reviewing the past fifteen years, Beijing Capital Airport and the Company have made gratifying achievement in development. I hereby would like to take this opportunity to express our sincere gratitude to all shareholders for your trust and support, to all governmental authorities that greatly support the Beijing Capital Airport, and to all airlines and other parties working in coordination and operating at the Beijing Capital Airport. Furthermore, I would also like to thank all staff of the Company and Beijing Capital Airport for their commitment and hard work.



**Liu Xuesong**

*Chairman*

Beijing, the PRC, 25 March 2015





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# Report of the Board

The board of directors of the Company (“the Board”) is pleased to present the annual report and the audited financial statements of the Company for the fiscal year ended 31 December 2014.

## OPERATING RESULTS AND FINANCIAL POSITION

The Company’s operating results for the year ended 31 December 2014 and the financial position of the Company as at 31 December 2014 prepared basing on International Financial Reporting Standards (“IFRS”) are set out on pages 88 to 180 of the annual report.

## BUSINESS REVIEW

A fair review of the business of the Company is provided in the “2014 Results Highlights” on page 7 and “Management Discussion and Analysis” from page 51 to 62 respectively of this annual report.

Description of the principal risks and uncertainties facing the Company can be found in the “Exposure to Fluctuations in Exchange Rates” and “Exposure to Fluctuations in Interest Rates” from pages 59 to 60 of this annual report.

The probable future business development of the Company is discussed in the paragraph headed “Looking Ahead” from page 11 to 13 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Company as at 31 December 2014 and their movements for the fiscal year ended 31 December 2014 are set out in Note 6 to the Financial Statements.

## RESERVES

Changes in reserves of the Company for the fiscal year ended 31 December 2014 is set out on page 143 to 144 of this annual report.

## FINANCIAL SUMMARY

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



## Report of the Board (Continued)

### ISSUED SHARE CAPITAL

No share capital was issued by the Company during the year ended 31 December 2014.

The disclosure of equity interests of the Company as at 31 December 2014 is set out on pages 31 to 32 of this annual report.

### TAXATION

The details of taxation of the Company for the year ended 31 December 2014 are set out in Note 25 to the Financial Statements.

### ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2014, the Company has no entrusted loans or any fixed deposits matured but not yet withdrawn placed in financial institutions or any other entities.

### MAJOR CUSTOMERS AND SUPPLIERS

The largest customer, Air China Limited (including its subsidiaries), and the five largest customers of the Company represented 19.8% and 54.3% respectively, of the total revenues of the Company for the year ended 31 December 2014.

The largest supplier, Capital Airports Power and Energy Co., Ltd. and the five largest suppliers of the Company represented 14.9% and 43.9% respectively, of the total operating expenses of the Company for the year ended 31 December 2014.

To the knowledge of the Board, none of the Company's directors and their respective close associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules")) or shareholders holding more than 5% of the Company's issued share capital (excluding the Parent Company) owned any interests in the Company's five largest customers or five largest suppliers at any time during the year ended 31 December 2014. The Parent Company was one of the five largest suppliers and also held the equity interests of the five largest suppliers of the Company as follows: held 100% equity interest of Capital Airports Power and Energy Co., Ltd.; held 100% equity interest of Capital Airport Aviation Security Co., Ltd.; held 100% equity interest of Beijing Capital Airport Property Management Company Limited.



## Report of the Board (Continued)

### SUBSIDIARIES AND JOINT VENTURES

The Company has no subsidiary but holds 60% equity interest in one joint venture, Beijing Bowei Airport Support Limited (“Boweï”), as at 31 December 2014. Details are set out in Note 9 to the Financial Statements.

### ACQUISITION AND DISPOSAL

Save as disclosed below, the Company did not conduct any acquisition or disposal during the year ended 31 December 2014.

### MATERIAL ACQUISITION AND MATERIAL SUBSEQUENT EVENT

On 18 December 2014, the Company entered into Asset Transfer Agreement with the Parent Company, pursuant to which the Company would acquire T3D and ancillary assets from the Parent Company. For details of the consideration for acquisition, please refer to the section headed “Connected Transactions” on page 30 and the section headed “Event After the Balance Sheet” on page 180 of this annual report. For relevant particulars, please refer to the announcement dated 31 October 2014 and the circular dated 21 November 2014 of the Company.

### TRADE AND OTHER RECEIVABLES

As at 31 December 2014, the Company’s trade and other receivables (including non-current portion) were RMB1,445,343,000, representing an increase of 18.2% as compared with the previous year.

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

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the financial year ended 31 December 2014, the Company has not redeemed, purchased or sold any of its listed securities.



## Report of the Board (Continued)

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of PRC, by which the shareholders of the Company would oblige the Company to offer new shares in proportion to their shareholding.

### CONNECTED TRANSACTIONS

#### Continuing Connected Transactions

According to the requirements under Chapter 14A of the Listing Rules, the continuing connected transactions of the Company, which are subject to the annual review requirements, for the year ended 31 December 2014 are set out as follows:

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2014 RMB'000	Annual Cap RMB'000
<p>1 The Company and Beijing Capital Airport Commercial &amp; Trading Company Limited ("BACT") entered into the Retail Franchise-out Agreement on 1 January 2005 with effect from 1 January 2005 to 31 December 2014, pursuant to which the Company agreed to franchise the designated retail premises of Beijing Capital Airport from time to time to BACT for its exclusive operation of retail business in Beijing Capital Airport; the merchandises offered include cigarette, alcohol, cosmetics, packed food and beverage, arts and crafts, ornaments, fashion, bags &amp; cases, books &amp; audio/video products, and other merchandise falling in the scope of business of BACT as approved by the relevant authorities of industry and commerce. The execution of this agreement is expected to enhance the quality of trading and retail services of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport and improving the cost control of the Company. Further, the rental receivable under this agreement will increase the overall income of the Company. For details of the relevant transactions, please refer to the Company's announcement on 27 November 2008.</p>	<p>The Parent Company is holding 100% equity interest of BACT.</p>	<p><b>943,311</b></p>	<p><i>Note (1)</i></p>



## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2014 RMB'000	Annual Cap RMB'000
<p>2 The Company and Beijing Capital Airport Advertising Company Limited ("BAA") entered into the Advertising Franchise-out Agreement on 1 January 2005 with effect from 1 January 2005 to 31 December 2014, pursuant to which the Company agreed to franchise the advertising resources in certain areas of Beijing Capital Airport such as carparking building and terminals to BAA for its exclusive operation in Beijing Capital Airport. The execution of this agreement is expected to enhance the quality of advertising services of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport and improving the cost control of the Company. Further, the franchise receivable under this agreement will increase the overall income of the Company. For details of the relevant transactions, please refer to the Company's announcement on 27 November 2008.</p>	<p>The Parent Company is holding 100% equity interest of BAA.</p>	<p>817,222</p>	<p>Note (1)</p>
<p>3 The Company and Beijing Capital Airport Food Management Company Limited ("BAFM") entered into the Restaurant Franchise-out Agreement on 1 January 2005 with effect from 1 January 2005 to 31 December 2014, pursuant to which the Company agreed to franchise the designated restaurants and related premises of Beijing Capital Airport to BAFM for its exclusive operation of restaurants business. The execution of the agreement is expected to enhance the quality of restaurants and food &amp; beverage services of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport and improving the cost control of the Company. Further, the franchise receivable under this agreement will increase the overall income of the Company. For details of the relevant transactions, please refer to the Company's announcement on 27 November 2008.</p>	<p>The Parent Company is holding 100% equity interest of BAFM.</p>	<p>125,431</p>	<p>Note (1)</p>



## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2014 RMB'000	Annual Cap RMB'000
<p>4 The Company and Capital Airport VIP Services Management Co., Ltd. ("CAVIP") entered into the Traveller Services Franchise Agreement on 4 June 2012 with effect from 1 June 2012 to 31 December 2014, pursuant to which the Company agreed to permit CAVIP to use certain areas and resources at the terminals of the Beijing Capital Airport for the provision of various travellers' services to the passengers of the Beijing Capital Airport. Meanwhile, the Company and CAVIP agreed to terminate the Lease of Commercial Areas and Other Premises and Service Staff Engagement Agreement with effect from 1 June 2012. The execution of Traveller Services Franchise Agreement with CAVIP may enable the Company to conduct integrated planning and management of the resources used for the passenger services in the terminals to advance the utilization efficiency of the resources in the terminals. On the other hand, CAVIP would be able to coordinate and arrange its professional service staff to improve its service quality. For details of the relevant transaction, please refer to the Company's announcement on 4 June 2012.</p>	<p>The Parent Company is holding 100% equity interest of CAVIP.</p>	<p>71,306</p>	<p>95,000</p>



## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2014 RMB'000	Annual Cap RMB'000
<p>5 The Company and Capital Jet Company Co., Ltd. ("CACL") entered into the Business Jet Ground Services Joint Operation Agreement on 16 October 2012 with effect from 1 October 2012 to 30 September 2015, pursuant to which the Company agreed to permit CACL to be the exclusive service provider for the provision of ground services to business jets taking off and landing at the Beijing Capital Airport. The execution of Business Jet Ground Services Joint Operation Agreement with CACL may enable the Company to advance the utilization efficiency of the ground services resources for business jets in the Beijing Capital Airport, enhance overall costs control, services quality, management efficiency and market competitiveness. Meanwhile, the cooperation with CACL can also increase the revenue of the Company. For details of the relevant transaction, please refer to the Company's announcement on 16 October 2012.</p>	<p>The Parent Company is holding 60.00% equity interest of CACL.</p>	<p>18,107</p>	<p>22,040</p>
<p>6 The Company and Capital Airports Power and Energy Company Limited ("CAPE") entered into the Supply of Power and Energy Services on 18 November 2011 with effect from 1 January 2012 to 31 December 2014, pursuant to which CAPE agreed to provide water, electricity, steam power, natural gas, air conditions and heaters to the Company at the terminals and other areas at Beijing Capital Airport. The execution of the agreement is expected to provide stable supply of water, electricity, steam power, natural gas, air conditions and heaters to the Company, and CAPE is the sole supplier of water, electricity, steam power, natural gas, air conditions and heaters in the area around Beijing Capital Airport with rich experiences providing the above services to the Company. For details of the relevant transactions, please refer to the Company's announcement on 22 November 2011.</p>	<p>The Parent Company is holding 100% equity interest of CAPE.</p>	<p>640,836</p>	<p>780,000</p>



## Report of the Board (Continued)

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2014 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
7	<p>The Company and CAPE entered into the Supply of Operation and Maintenance Services of Power and Energy Facilities Agreement on 9 January 2014 with effect from 1 January 2014 to 31 December 2014, pursuant to which CAPE agreed to provide the operation and maintenance services of power and energy facilities to the Company at Beijing Capital Airport. The execution of this agreement is expected to provide operation and maintenance services in respect of power and energy facilities such as energy, water supply and heating, air-conditioning, lighting, etc. in the area where Terminal One, Terminal Two and Terminal Three locate and their surrounding areas, and in respect of power and water facilities in the office buildings of Beijing Capital Airport, as well as to provide operation and maintenance for sewage disposal and purification stations and garbage incineration, etc. and other relevant services as requested by the Company. For details of the relevant transaction, please refer to the Company's announcement on 9 January 2014.</p>	<p>The Parent Company is holding 100% equity interest of CAPE.</p>	126,903	163,000





## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2014 RMB'000	Annual Cap RMB'000
<p>8 The Company and Capital Airports Aviation Security Company Limited (“CAAS”) entered into the Supply of Aviation Safety and Security Guard Services Agreement on 18 November 2011 with effect from 1 January 2012 to 31 December 2014, pursuant to which CAAS agreed to provide aviation safety and security guard services to the Company in the Beijing Capital Airport. Since CAAS has the expertise and experience in the provision of aviation safety and security guard services in Beijing Capital Airport, it is able to provide an integrated and complete range of aviation security services to the Company. The Company considers that the engagement of CAAS for the provision of aviation safety and security guard services will enable the Company to focus on developing and operating its core businesses in Beijing Capital Airport. For details of the relevant transaction, please refer to the Company’s announcement on 22 November 2011.</p>	<p>The Parent Company is holding 100% equity interest of CAAS.</p>	<p>463,169</p>	<p>540,000</p>
<p>9 The Company and Beijing Capital Property Management Company Limited (“BCPM”) entered into the Supply of Miscellaneous Property Services Agreement on 18 November 2011 with effect from 1 January 2012 to 31 December 2014, pursuant to which BCPM agreed to provide the Company with miscellaneous property services to Terminal One, Terminal Two, Terminal Three, the public area, airfield area and other designated area at the Beijing Capital Airport. The execution of this agreement is expected to help the Company control overall costs, and enhance service quality in the related areas. For details of the relevant transaction, please refer to the Company’s announcement on 22 November 2011.</p>	<p>The Parent Company is holding 100% equity interest of BCPM.</p>	<p>221,530</p>	<p>277,000</p>



## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2014 RMB'000	Annual Cap RMB'000
<p>10 The Company and BCPM entered Into the Carpark Operation and Management Agreement on 16 April 2011, in relation to the operation and management of the car park in the west zone of Beijing Capital Airport, with effect from 16 April 2011 to 15 April 2014, pursuant to which BCPM agreed to (i) provide the Company with management services in respect of the car park in the west zone of Beijing Capital Airport, including being fully responsible for the safety, services, operation and other businesses in respect of all car park premises; and (ii) fully comply with the service standard, supervision and guidance of the Company in respect of the provision of the management services. The execution of this agreement is expected to reduce the management cost to be paid by the Company for the management of the car park, while stimulating competition between the service providers in the east and west zones of Beijing Capital Airport, thus encouraging the two service providers to improve the quality of their services. For details of the relevant transaction, please refer to the Company's announcement on 19 April 2011.</p>	<p>The Parent Company is holding 100% equity interest of BCPM.</p>	<p><b>7,583</b></p>	<p>8,720 <i>Note (2)</i></p>
<p>11 The Company entered into the T3D Assets Transitional Leasing Agreement with the Parent Company on 25 July 2013, for a term commencing from 25 July 2013 to 31 December 2014, pursuant to which the Company agreed to lease the T3D Assets from the Parent Company. This agreement was entered into in order to alleviate the capacity pressure of the Beijing Capital Airport and to accommodate the expected continual growth in the traffic flow of the Beijing Capital Airport in future years. For details of the relevant transaction, please refer to the Company's announcement on 25 July 2013.</p>	<p>The Parent Company is holding 56.61% of the issued share capital of the Company.</p>	<p><b>263,419</b></p>	<p>285,000</p>



## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2014 RMB'000	Annual Cap RMB'000
<p>12 The Company and Beijing Capital Airport Property Management Center (“BAPMC”) entered into the Leasing Framework Agreement on 10 January 2013 for the lease of certain premises, including but not limited to office buildings, carparks, a canteen area and dormitory area, from BAPMC, with effect from 1 January 2013 to 31 December 2015. The execution of this lease is expected to address the Company’s need to maintain the overall steady operation of the Beijing Capital Airport in its management and daily operation of the airport. For details of the relevant transaction, please refer to the Company’s announcement on 10 January 2013.</p>	<p>The Parent Company is holding 100% of the issued share capital of BAPMC.</p>	<p>47,755</p>	<p>77,000</p>
<p>13 The Company and the Parent Company entered into the Airfield Land Lease Agreement on 26 October 2006, for the lease of Airfield Land from the Parent Company. The term of the Airfield Land Lease Agreement is 20 years from the date on which the approval from the Beijing Bureau of Land and Resources on the transactions contemplated under the Airfield Land Lease Agreement is obtained, subject to renewal for 20 years on same terms and conditions upon request by the Company in accordance with the applicable PRC laws, and subject to further renewal for 10 years on same terms and conditions upon request by the Company in accordance with the applicable PRC laws. The execution of this agreement is expected to ensure the long term use of the foresaid airfield areas and to save a substantial amount of capital expenditure in acquiring the land use rights to the Airfield Land. On 31 January 2008, the Company and the Parent Company entered into a supplemental agreement for adjustment of rental. For details of these transactions, please refer to the Company’s announcements on 26 October 2006 and 31 January 2008.</p>	<p>The Parent Company is holding 56.61% of the issued share capital of the Company.</p>	<p>28,000</p>	<p>28,000 Note (3)</p>



## Report of the Board (Continued)

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2014 RMB'000	Annual Cap RMB'000
14	The Company and the Parent Company entered into the Information Technology Center Lease Agreement on 9 January 2014, for the lease of the information technology center from the Parent Company, with effect from 1 January 2014 to 31 December 2016, pursuant to which the Company leased the information technology center from the Parent Company as a command centre for Beijing Capital Airport and to house the information technology system in order to ensure the smooth operation of Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcement on 9 January 2014.	The Parent Company is holding 56.61% of the issued share capital of the Company.	16,811	17,000
15	The Company entered into the GTC Outsource Agreement with the Parent Company on 5 February 2013, with effect from 1 January 2013 to 31 December 2015, pursuant to which the Parent Company agreed to outsource the operation and management of the GTC to the Company. The Company has the right to use, operate and manage the GTC and will be able to share a portion of the profit generated from the operation and management of the GTC. For details of the relevant transaction, please refer to the Company's announcement on 5 February 2013.	The Parent Company is holding 56.61% of the issued share capital of the Company.	25,129	33,000
16	The Company and the Parent Company entered into the Lease Agreement on 16 November 1999, for the lease of the land use rights to the runways, aprons and parking lands from the Parent Company. The term of the lease of the land use rights to the runways and aprons is 50 years, while the term of the lease of the land use rights to the parking lands is 40 years. For details of the relevant transactions, please refer to the Company's prospectus.	The Parent Company is holding 56.61% of the issued share capital of the Company.	8,186	8,199 <i>Note (4)</i>



## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Transaction amounts for the year ended 31 December 2014 RMB'000	Annual Cap RMB'000
17 The Company and the Parent Company entered into the Trademark License Agreement on 23 December 2013, with effect from 1 December 2013 to 30 November 2016, pursuant to which the Parent Company agreed to grant the Company the right to use the Trademarks in the PRC in the goods and services under the registered classes of the Trademarks. This agreement was entered into because the continual use of the Trademarks will ensure the continuity of the brand and image of the Company and the Beijing Capital Airport, thereby ensuring that the services and businesses of the Company will be well recognised by the market. For details of the relevant transaction, please refer to the Company's announcement on 23 December 2013.	The Parent Company is holding 56.61% of the issued share capital of the Company.	69,354	74,000
18 The Company and Beijing Aviation Construction Engineering Co., Ltd ("BACE") entered into the Airfield Light and Cable Maintenance Agreement on 7 June 2011 with effect from 1 July 2011 to 30 June 2013, pursuant to which BACE agreed to provide the Company with regular and emergency inspection and maintenance services on the lights and cables in the airfield area of Beijing Capital Airport. The execution of this agreement is expected to ensure the safety and reliability of the operation of lights and cables in Beijing Capital Airport. On 16 September 2013 and 5 December 2013, the Company and BACE renewed the agreement with effect until 15 January 2014. For details of the relevant transactions, please refer to the Company's announcement on 7 June 2011, 16 September 2013 and 5 December 2013.	The Parent Company is indirectly holding 56.65% equity interest of BACE.	716	1,000 <i>Note (5)</i>
19 The Company and Beijing Capital Airport Group Finance Company Limited ("BAGF") entered into the Financial Service Agreement on 13 December 2013 with effect from 1 January 2014 to 30 June 2016, pursuant to which BAGF agreed to provide the Company with deposit services, loan and guarantee services, and other financial services. The execution of this agreement is expected to enable the Company to obtain more expedient and efficient financial services. For details of the relevant transactions, please refer to the Company's announcements on 13 December 2013.	The Parent Company is holding 100% equity interest of BAGF, either directly or indirectly.	329,357	For deposit services (maximum daily balance of the deposit) <i>Note (6)</i> : 340,000; For other financial services: 10,000



## Report of the Board (Continued)

### Notes:

- (1) In 2008 and 2009, the Parent Company acquired the equity interests in BAFM, BACT and BAA, and such companies became its subsidiaries. As disclosed in the announcement of the Company dated 27 November 2008, no annual caps were set for the franchise agreements entered into with BAFM, BACT and BAA.
- (2) The amount and annual cap represent the transaction amount and annual cap for the period from 1 January 2014 to 15 April 2014.
- (3) The Airfield Land Lease Agreement and the related supplemental agreement, including the rented areas and rental, is in the progress of obtaining approval from the related land governmental authorities.
- (4) The cap for the year 1999 was no more than RMB5,600,000. Since 1999, the annual cap may increase by no more than 10% every three years; the cap for the year 2014 may increase by no more than 46.41% over the year 1999, to RMB8,199,000.
- (5) The amount and annual cap represent the transaction amount and annual cap for the period from 1 January 2014 to 15 January 2014.
- (6) This amount and annual cap represents the maximum daily balance of deposit placed by the Company at BAGF during the year ended 31 December 2014.

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

1. in the ordinary and usual course of business of the Company;
2. either (i) on the normal commercial terms or (ii) on the terms no less favourable to the Company than the terms available to or from independent third parties (if applicable); and
3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.



## Report of the Board (Continued)

The Company's auditor was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Company as above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

### CONNECTED TRANSACTIONS

According to the requirements under Chapter 14A of the Listing Rules, the connected transactions of the Company, which are subject to the annual review requirements, for the year ended 31 December 2014 are set out as follows:

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions (RMB'000)
1 The Company and Beijing Aviation Construction Engineering Co., Ltd ("BACE") entered into the Z4 and Z6 Taxiways Maintenance Agreement on 3 September 2014, pursuant to which, BACE agreed to provide services in relation to the maintenance of Z4 and Z6 taxiways of the Beijing Capital Airport. The term of the Z4 and Z6 Taxiways Maintenance Agreement is for a term of 60 calendar days from the commencement date of work, which shall be within 30 days from the date of signing the Z4 and Z6 Taxiways Maintenance Agreement. The execution of this agreement aims to improve aviation safety at the Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcement on 3 September 2014.	The Parent Company is indirectly holding 56.65% equity interest of BACE.	41,303 (the maximum consideration will not exceed 45,433)



## Report of the Board (Continued)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions (RMB'000)
2 The Company and the Parent Company entered into the Assets Transfer Agreement on 31 October 2014, pursuant to which, the Parent Company agreed to sell the T3D and ancillary assets to the Company. The execution of this agreement is expected to satisfy the needs of the operation of Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcement on 31 October 2014.	The Parent Company is holding 56.61% equity interest of the Company.	2,240,000 Note (1)

Note:

- (1) The consideration was determined after arm's length negotiations between the Company and the Parent Company with reference to (i) the valuation of the T3D and ancillary assets as at the valuation date, i.e., 30 June 2014, conducted by China United Assets Appraisal Group (中聯資產評估集團有限公司), an independent registered PRC valuer, which is to be filed with the government authorities in the PRC and (ii) deduction for the provision for depreciation for the T3D and ancillary assets for the period from the valuation date to the delivery date. After the valuation report is filed with the government authorities, the Company and the Parent Company shall make adjustment to the consideration in accordance with the adjustment to the valuation sum to be made by the government authorities (if any). In the event that the adjustment is within the range of 10% of the valuation sum, the corresponding party shall pay/reimburse the other party the difference between the consideration and the adjusted consideration, as the case maybe. In the event that the adjustment is outside the range of 10% of the valuation sum, the parties shall enter into a supplemental agreement in writing to make further arrangements.

The continuing connected transactions and connected transactions of the Company disclosed above also constitute transactions with related parties ("Related Party Transactions") as set out in Note 31(b) to the financial statements. The Company confirms that in respect of these transactions which are both (i) Related Party Transactions; and (ii) connected/continuing connected transactions, it has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules.





## Report of the Board (Continued)

### DISCLOSURE OF INTERESTS

As at 31 December 2014, the total issued capital of the Company is 4,330,890,000 shares, comprising 1,879,364,000 H shares and 2,451,526,000 domestic shares.

As at 31 December 2014, the interests and long positions and short positions held by the following persons, other than directors or supervisors of the Company, as recorded in the register required to be kept by the Company under Section 336 of the Securities of Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) were as follows:

Name of substantial shareholder	Class of shares	Number of shares holding interest	Capacity	Percentage of shareholding to the relevant class	Percentage to the total issued shares
Capital Airports Holding Company (Note 1)	Domestic shares	2,451,526,000 (L)	Beneficial owner	100%	56.61%
NWS Holdings Limited	H SHARES	448,342,000 (L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Cheng Yu Tung Family (Holdings II) Limited (Note 2)	H SHARES	448,342,000 (L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Cheng Yu Tung Family (Holdings) Limited (Note 2)	H SHARES	448,342,000 (L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Chow Tai Fook (Holding) Limited (Note 2)	H SHARES	448,342,000 (L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Chow Tai Fook Capital Limited (Note 2)	H SHARES	448,342,000 (L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Chow Tai Fook Enterprises Limited (Note 2)	H SHARES	448,342,000 (L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Fortland Ventures Limited (Note 2)	H SHARES	448,342,000 (L)	Beneficial owner	23.86%	10.35%
New World Development Company Limited (Note 2)	H SHARES	448,342,000 (L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
NWS Ports Management Limited (Note 2)	H SHARES	448,342,000 (L)	Interest of corporation controlled by substantial shareholder	23.86%	10.35%
Citigroup Inc.	H SHARES	150,057,376 (L)	Interest of corporation controlled	7.98%	3.46%
		140,568,592 (P)	by substantial shareholder	7.48%	3.25%
BlackRock, Inc.	H SHARES	133,736,633 (L)	Interest of corporation controlled by substantial shareholder	7.12%	3.09%

(L)= Long Position

(S)= Short Position

(P)= Lending Pool



## Report of the Board (Continued)

### Notes:

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

Mr. Liu Xuesong, an executive director and the Chairman of the Board, is the General Manager and Vice Secretary of Communist Party of Capital Airports Holding Company.

Mr. Yao Yabo, a non-executive director of the Company, is the Deputy General Manager of Capital Airports Holding Company.

Mr. Zhang Musheng, a non-executive director of the Company, is the Deputy General Manager of Capital Airports Holding Company.

Mr. Ma Zheng, a non-executive director of the Company, is the general legal counsel and chairman of labor union of Capital Airports Holding Company.

2. Cheng Yu Tung Family (Holdings) Limited holds approximately 48.98% interest in Chow Tai Fook Capital Limited ("CTF Capital") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by CTF Capital.

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

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

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

CTF Enterprises, together with its subsidiaries, hold more than one-third of the issued shares of New World Development Company Limited ("NWD") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.

NWD holds approximately 61.31% interest in NWS Holdings Limited ("NWS") and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWS.

NWS holds 100% interest in NWS Ports Management Limited, which holds 100% interest in Fortland Ventures Limited.

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



## Report of the Board (Continued)

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

As at 31 December 2014, none of the directors, supervisors or the general manager of the Company had any interests or short positions in any shares, any underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) recorded in the register of the Company required to be kept by the Company under section 352 of the SFO; or (b) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies. During the year ended 31 December 2014, none of the directors, supervisors, or the general manager of the Company or their associates had been granted the right to subscribe for any equity or debentures of the Company, nor had any of them exercised such rights during the same period.

### DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the year ended 31 December 2014, none of the directors or supervisors of the Company directly or indirectly had any material interests in any contracts of significance (as defined in the Listing Rules) or arrangements (other than service contracts/appointment letters) to which the Company was a party.

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

During the year ended 31 December 2014, none of the directors or supervisors of the Company had any interest in any business competing with the Company.

### MATERIAL CONTRACTS

Save for those transactions described in the note headed "Related Party Transactions" in the Note 31 to the Financial Statements and the section headed "Connected Transactions" in the Report of the Directors above, there was no material contract in 2014:

- (a) between the Company and its controlling shareholder (or any of its subsidiaries); or
- (b) for the provision of services to the Company by its controlling shareholder (or any of its subsidiaries).



## Report of the Board (Continued)

### MANAGEMENT CONTRACTS

During the year ended 31 December 2014, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company (other than service contracts with any directors) were entered into or subsisted.

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

The details of emoluments of directors, supervisors and the five highest paid individuals during the financial year are set out in Note 24 to the Financial Statements.

### MATERIAL LITIGATION OR ARBITRATION

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2014.

### PUBLIC FLOAT

As at 25 March 2015, the Board confirmed that 1,879,364,000 H shares, representing 43.39% of the entire issued share capital of the Company are held by the public, which is in compliance with the minimum requirement of public float under Rule 8.08 of the Listing Rules.

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

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

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



## Report of the Board (Continued)

### AUDITORS

For the three years ended 31 December 2011, 2012 and 2013, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were the Company's PRC and international auditor, respectively.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were approved by way of a resolution passed at the 2013 Annual General Meeting ("AGM") of the Company held on 30 June 2014, to act as the Company's PRC and international auditor, respectively, for the year 2014.

The Board will present the resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's PRC and international auditor, respectively, for the year 2015 at the forthcoming 2014 AGM.

### DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

All executive directors of the Company have entered into director's service contract with the Company with a term expiring on the date of the 2016 AGM of the Company. All non-executive directors and supervisors of the Company have entered into letters of undertaking to perform the obligations of non-executive directors and supervisors, respectively, in accordance with the Articles of Association of the Company. Save as mentioned above, none of the directors or supervisors of the Company has entered or proposing to enter into a service contract with the Company. None of the directors or supervisors of the Company has a service contract with the Company which is terminated within one year without payment of compensation to the Company (other than statutory compensation).



## Report of the Board (Continued)

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

### Executive Directors

**Mr. Dong Zhiyi**, aged 52, was appointed as an executive director of the Company on 26 March 2007 and resigned as an executive director of the Company on 30 June 2014. He is a senior economist and has an Executive Master's degree of Business Administration from HEC Paris and PHD degree in Management from Huazhong University of Science and Technology. Mr. Dong has nearly 30 years of experience in airport and civil aviation management. From June 1996 to January 2001, he was the deputy chief officer of Inner Mongolia Municipality Bureau of the General Administration Civil Aviation of China (CAAC, the predecessor of the Civil Aviation Administration of the China). From January 2001 to December 2003, he was deputy party secretary and chief officer of Inner Mongolia Municipality Bureau of CAAC. From December 2003 to February 2006, he acted as the party secretary and general manager of Inner Mongolia Airport Group Company Limited. Mr. Dong was the deputy general manager of the Parent Company from July 2005 to March 2010 and was the general manager of the Parent Company from March 2010 to March 2014. He has been the deputy director of CAAC since March 2014. From February 2007 to March 2010, Mr. Dong was the General Manager of the Company. Mr. Dong was appointed as the Chairman of the Board of the Company on 16 March 2010, and resigned as the Chairman of the Board of the Company on 30 June 2014.

**Mr. Liu Xuesong**, aged 50, was appointed as an executive Director and the Chairman of the Company on 30 June 2014. Mr. Liu graduated from Chengdu Science and Technology University with a master's degree of the department of Polymer Materials. Mr. Liu started to work in June 1988, is currently an expert enjoying special government allowance from the State Council. From June 1988 to February 1994, Mr. Liu served as an assistant engineer and engineer of the Second Research Institute of Civil Aviation Administration of China ("CAAC") (中國民航局第二研究所). From February 1994 to January 1997, he served as the deputy general manager of Liuwei Company (六維公司) under the Second Research Institute of CAAC; from January 1997 to November 1998, the assistant to the director of the Second Research Institute of CAAC; from November 1998 to May 2000, the deputy director of the Second Research Institute of CAAC; from May 2000 to February 2002, the director and the party secretary of the Second Research Institute of CAAC. From February 2002 to February 2004, Mr. Liu served as the director and the deputy party secretary of CAAC Guizhou Administration Bureau (中國民航局貴州省管理局). From February 2004 to February 2006, he was the deputy secretary (field practice) of Yan'an City of the CPC. From February 2006 to November 2009, he served as the director, a member of the standing committee and the secretary of the party committee of CAAC Northwest Regional Administration; from November 2009 to June 2011, the director, a member of the standing committee and the secretary of the party committee of CAAC North China Regional Administration; from June 2011 to March 2014, the director, a member of the standing committee and the deputy secretary of the party committee of CAAC North China Regional Administration. Mr. Liu has been the general manager and deputy party secretary of the Parent Company since March 2014.



## Report of the Board (Continued)

**Mr. Zhang Guanghui**, aged 61, was appointed as an executive director of the Company on 22 June 2010 and resigned as an executive director of the Company on 30 June 2014. He graduated from Radio Engineering department of Northern Jiaotong University, and obtained Master's degree of Law Theory of Party School of the Central Committee of C.P.C. Mr. Zhang has over 20 years of experience in civil aviation industry. From July 1974 to July 1988, Mr. Zhang was in service for China Civil Airport Designing Institute consecutively as technician, assistant engineer, engineer and the deputy director of communication office. From July 1988 to November 1991, Mr. Zhang worked as the deputy director of Navigation & Communication division of China Civil Airport Designing Academy. From November 1991 to January 2000, Mr. Zhang served as the vice president of China Civil Airport Designing Academy, the deputy general manager of China Civil Aviation Airport Construction & Engineering Company in succession. From January 2000 to March 2003, Mr. Zhang Guanghui served as the deputy chief of Civil Airport Department of CAAC. From March 2003 to March 2010, Mr. Zhang Guanghui served as the chief of Civil Airport Department of CAAC. Mr. Zhang was the general manager of the Company from 22 March 2010 to 1 April 2014.

**Mr. Shi Boli**, aged 57, was appointed as an executive Director of the Company on 30 June 2014. Mr. Shi graduated from China Civil Aviation Institute with major in transportation. Meanwhile, he possesses a master's degree in law of Peking University and the Executive Master of Business Administration degree (EMBA) of Tsinghua University. From July 1982 to November 1989, Mr. Shi worked for the Transportation Service Department and Plan Department of CAAC. From November 1989 to August 1994, he served as a principal staff member and deputy chief of Enterprise Management Division of Enterprise Management Department of CAAC. From August 1994 to September 1998, he served as the deputy chief and chief of the Enterprise Management Division of System Reform, Regulations and Enterprise Management Department of CAAC. From September 1998 to September 2005, he served as the chief and deputy director of the License Management Division of Transportation Department of CAAC. From September 2005 to September 2009, he served as the deputy director of the Policy and Regulation Department of CAAC. From September 2009 to May 2012, he served as the deputy director and director of the Transportation Department of CAAC. From May 2012 to March 2014, he served as a commissioner of safety supervision of civil aviation of CAAC concurrently. Mr. Shi joined the Company as the general manager in April 2014.



## Report of the Board (Continued)

**Ms. Gao Lijia**, aged 50, was appointed as an executive Director of the Company on 30 June 2014. Ms. Gao is a senior engineer, graduated from the Computer Science Department, Beijing University of Aeronautics and Astronautics (BUAA) with a master's degree of engineering. She also has the master's degree of Business Administration from China Europe International Business School. From January 1989 to May 1995, Ms. Gao served at BUAA as deputy director and associate professor of the electronic engineering department. From May 1995 to June 1997, she worked in the electronic communication technology industry. From June 1997 to October 1999, Ms. Gao has been working as manager of Computer Division of Technological Equipment Department and then deputy director of Computer Centre of the Company. From October 1999 to October 2001, Ms. Gao served as the manager of the IT department of the Company. From October 2001 to February 2004, she became the manager of the Planning and Development Department of the Company. From February 2004 to March 2010, she was a deputy general manager of the Company. From March 2010 to April 2014, Ms Gao served as the first deputy general manager of the Company. Since April 2014, Ms. Gao served as the first deputy general manager of the Company (general manager level). Ms Gao also serves as a member of Airport Information Technology Standing Committee of ACI.

### Non-executive Directors

**Mr. Chen Guoxing**, aged 61, was appointed as a non-executive director of the Company on in March 2003 and resigned as a director of the Company on 30 June 2014. He is a senior engineer, graduated from Tongji University. He has extensive experience in infrastructure constructions, especially in airport constructions. He had served as general commander for the construction of Terminal Three and relevant facilities at the Beijing Capital Airport, which played a positive role for the successful holding of the 29th Olympic Games in Beijing. From 1992 to 2002, Mr. Chen has served as the vice-director of the Planning Committee of Jiangxi Province, the director of the Engineering Administration Section of Communications Department, Jiangxi Province, the general commander of the Command Office for Construction of Changbei Airport (which is located in Nanchang, Jiangxi Province, PRC), and subsequently the deputy mayor of Nanchang city. From March 2002 to March 2014, he was the deputy general manager of the Parent Company.





## Report of the Board (Continued)

**Mr. Gao Shiqing**, aged 54, was appointed as a non-executive director of the Company in June 2005 and resigned as a director of the Company on 30 June 2014. Mr. Gao graduated from Beijing University of Aeronautics & Astronautics with a master's degree in aviation engineering. From August 1983 to July 2004, Mr. Gao served as the deputy chief of Planning & Science Department and the Development & Finance Department in CAAC. From July 2004 to July 2005, he had been the assistant of general manager of the Parent Company, and has been the deputy general manager of the Parent Company from July 2005.

**Mr. Yao Yabo**, aged 53, was appointed as a non-executive director of the Company on 15 June 2011 and was reappointed as a non-executive director of the Company on 30 June 2014. He graduated from the Civil Engineering and Architecture Department of Hebei Polytechnic College majoring in civilian construction, and was awarded a Bachelor's degree. Mr. Yao obtained MBA degree from China Europe International Business School. He worked for China Civil Airport Designing Academy from July 1983 to January 1991 and served as senior staff of Human Resources and Labor Division of CAAC, deputy chief and chief of Infrastructure Management Office under Airport Division from January 1991 to September 1998. Mr. Yao served as deputy general manager of China Civil Aviation Engineering Consultancy Company from September 1998 to January 2001, and served as deputy general manager and general manager of China Airport Construction Corporation from January 2001 to September 2009. He has been deputy general manager of Capital Airports Holding Company since September 2009 and has concurrently served as executive chief commander of Beijing New Airport Construction Headquarters since December 2010.

## Report of the Board (Continued)

**Mr. Zhang Musheng**, aged 58, was appointed as a non-executive director of the Company on 15 June 2011 and was reappointed as a non-executive director of the Company on 30 June 2014. He holds Bachelor's degree in economic management from Party School of the Central Committee. He worked for Beijing Administrative Bureau of CAAC from November 1972 to May 1989, and served as deputy director of Publicity and Education Division, deputy chief and chief of Publicity Department of Beijing Capital International Airport from May 1989 to April 2000. Mr. Zhang was party secretary and deputy general manager of Construction Engineering Investment Company of Capital Airports Holding Company from April 2000 to June 2002, head of CCP working group of Capital Airports Holding Company from June 2002 to January 2003, deputy general manager, general manager, chairman and party secretary of Tianjin Binhai International Airport from January 2003 to December 2005, and assistant to general manager of Capital Airports Holding Company, chairman and Party secretary of Beijing Capital Airport Advertising Co., Limited from November 2007 to September 2009. Mr. Zhang has been deputy general manager of the Parent Company since September 2009.

**Mr. Ma Zheng**, aged 56, was appointed as a non-executive Director of the Company on 18 December 2014. Mr. Ma graduated from China University of Political Science and Law majoring in law and obtained a Master's degree in World Economics from the Party School of the Central Committee of C.P.C.. Mr. Ma worked in Public Security Bureau of CAAC from August 1984 to April 1989. He served as a member at the director level and deputy chief of the Judiciary Division in System Reform, Regulations and Enterprise Management Department of CAAC from April 1989 to September 1998. From September 1998 to June 2000, he served as the deputy director of the Legal System Office under the general office of CAAC. He served as the deputy chief, chief, deputy director and director of the Policy and Regulation Department of CAAC from June 2000 to March 2014. From May 2012 to March 2014, he served as a commissioner of safety supervision of civil aviation of CAAC concurrently. Mr. Ma has been the general legal counsel and chairman of the Labor Union of the Parent Company since March 2014.

**Mr. Lau Eng Boon**, aged 54, was appointed as a non-executive director of the Company on 15 June 2011 and resigned as a director of the Company on 26 February 2014. Mr. Lau has a Bachelor of Engineering at Kobe University, Japan, and a MBA at National University of Singapore. Mr. Lau is a Senior Vice President, Senior Portfolio Specialist of the Government Investment Corporation of Singapore (GIC). He has the responsibilities to manage GIC's portfolio in the Transportation, Business Services and Technology/Media/Telecoms sectors. Before joining GIC, Eng Boon was the Chairman & President of TELUS International (listed on the Toronto Stock Exchange), the international business of TELUS Communications, the 2nd largest Telecommunications company in Canada. Mr. Lau has also worked as the General Manager of Avanade Asia and Cap Gemini. Mr. Lau was the vice-president of Operations and Six Sigma at Honeywell. He has extensive board experience, including chairmanship of boards of all TELUS International group companies in US, UK, Singapore, Hong Kong, Korea, the Philippines and LatAm. He also served on the boards of Singapore Stock Exchange listed United Papers and Pulp (listed on the Singapore Stock Exchange), and Indonesia Stock Exchange Listed Matahari Departmental Stores (listed on the Indonesia Stock Exchange).



## Report of the Board (Continued)

**Mr. Cheng Chi Ming, Brian**, aged 32, was appointed as a non-executive Director of the Company on 26 February 2014 and was reappointed as a non-executive Director of the Company on 30 June 2014. Mr. Cheng is an executive director of NWS Holdings Limited (“NWS”, a listed public company in Hong Kong) and also a member of the Executive Committee and the Corporate Social Responsibility Committee of NWS. He has been with NWS since January 2008 and is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of NWS Group. Mr. Cheng is the Chairman and non-executive director of Integrated Waste Solutions Group Holdings Limited and a non-executive director of Newton Resources Ltd, Haitong International Securities Group Limited and Wai Kee Holdings Limited, all being listed public companies in Hong Kong. He is also a director of Sino-French Holdings (Hong Kong) Limited, The Macao Water Supply Company Limited and a director of a number of companies in Mainland China. Moreover, Mr. Cheng was appointed as a non-executive director of Tharisa plc (its shares are listed on JSE Securities Exchange) 19 December 2014. Before joining NWS, Mr. Cheng had been working as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. Mr. Cheng holds a Bachelor of Science degree from Babson College in Massachusetts, USA.

### Independent Non-executive Directors

**Mr. Japhet Sebastian Law**, aged 63, Mr. Law was appointed as an independent non-executive director of the Company on 12 June 2008 and was reappointed as an independent non-executive director of the Company on 30 June 2014. Mr. Law graduated from the University of Texas at Austin with Ph.D. in Mechanical/Industrial Engineering in 1976. He was a Professor in the Department of Decision Sciences and Managerial Economics of the Chinese University of Hong Kong from 1986 until 2012. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Prior to returning to Hong Kong, Mr. Law was the Director of Operations Research at the Cullen College of Engineering and Director of Graduate Studies in Industrial Engineering at the University of Houston, and was also involved with the U. S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Mr. Law has acted as consultants with various corporations in Hong Kong and overseas. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government and various other committees, and is also active on the boards of profit, non-profit, and charitable organizations in Hong Kong and overseas. From 1 May 2006, he is serving as an independent non-executive director of Tianjin Port Development Holdings Limited. Mr. Law was appointed as an independent non-executive Director of the Company on 12 June 2008. From 1 September 2008, Mr. Law is serving as an independent non-executive director of Global Digital Creations Holdings Limited. From 23 March 2009, he is also serving as an independent non-executive director of BinHai Investment Company Limited (Formerly “Wah Sang Gas Holdings Limited”). From 18 June 2012, he is serving as an independent non-executive director of Regal Hotels International Holdings Limited (listed on the Hong Kong Stock Exchange). From 13 August 2012, he is also serving as an independent non-executive director of Tianjin Binhai Teda Logistics (Group)



## Report of the Board (Continued)

Corporation Limited (listed on the Hong Kong Stock Exchange). From 11 August 2013, he is serving as an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd. (listed on the Hong Kong Stock Exchange). From 1 September 2013, he is serving as an independent non-executive director of Shougang Fushan Resources Group Limited (listed on the Hong Kong Stock Exchange).

**Mr. Wang Xiaolong**, aged 59, Mr. Wang was appointed as an independent non-executive director of the Company on 12 June 2008 and was re-appointed as an independent non-executive Director of the Company on 30 June 2014. He graduated from School of Economics of Peking University with Ph.D. degree. From December 1985 to April 1990, Mr. Wang served as the office director and department director of the Research Institute of China's Economic Reforms in the National Committee of China's Economic Reforms. From April 1990 to March 1994, Mr. Wang served as the deputy director and standing deputy director of Beijing New Technology Industrial Development Zone. From April 1994 to 1997, Mr. Wang served as a director and the deputy general manager of Hong Kong Jing Tai Industrial Corporation. From May 1997 to June 1998, Mr. Wang served as the executive director and vicepresident of Hong Kong Beijing Holding Ltd.. From June 1998 till now, Mr. Wang served as the deputy chairman of the board and general manager of Beijing International Trust and Investment Co., Ltd..

**Mr. Jiang Ruiming**, aged 49, was appointed as an independent non-executive Director of the Company on 15 June 2011 and was re-appointed as an independent non-executive Director of the Company on 30 June 2014. He graduated from Department of Law of Peking University with a Bachelor's degree. He obtained a MBA degree from Tsinghua SEM. Mr. Jiang had been executive chief editor of China Food Industry Magazine, partner of Beijing Guofang Law Firm, executive partner of Beijing Grandfield Law Offices and a member of 10th and 11th Issuance Examination Commission of CSRC. He is currently an executive partner of Beijing Grandway Law Offices and an independent director of Beijing Chinese All Digital Publishing Co., Ltd.

**Mr. Liu Guibin**, aged 49, was appointed as an independent non-executive director of the Company on 15 June 2011 and was re-appointed as an independent non-executive Director of the Company on 30 June 2014. He graduated from Zhongnan University of Economics and Law in 1989, is a Certified Public Accountant and one of the first group of senior members (practicing) of CICPA. Mr. Liu is senior partner of Ruihua Certified Public Accountants, in charge of internal training, risk quality control and operation instruction of major projects of the firm. Mr. Liu has served as a CPA for over 20 years and has extensive experience and theoretical knowledge. He is an expert in financial audit and consultancy. Meanwhile, Mr. Liu has accumulated abundant experience in restructuring and listing of enterprises and has profound research and unique point of view in restructuring and listing of enterprises as well as finance and securities. He also serves as a member of Professional Ethics Committee of CICPA and member of Beijing Institute of Certified Public Accountants.



## Report of the Board (Continued)

### Members of the Supervisory Committee

**Mr. Liu Yanbin**, aged 60, was appointed as a supervisor of the Company on 15 June 2011 and was re-appointed as a supervisor of the Company on 30 June 2014. He holds Master's degree in economic management from Party School of the Central Committee. Mr. Liu served as secretary, deputy chief and chief of secretary department of CAAC office, office director, deputy director and director of execution department of CAAC from April 1984 to October 2008, and as deputy party secretary of the Parent Company and party secretary of the Company from October 2008 to March 2010. He has been the party secretary of the Parent Company since March 2010.

**Mr. Song Shengli**, aged 53, was appointed as a supervisor of the Company on 30 June 2014. Mr. Song graduated from Southwest University of Political Science and Law with a bachelor's degree in criminal investigation. Mr. Song worked as a cadre of the Public Security Bureau and general office of CAAC from July 1984 to October 1994. From October 1994 to October 2001, he served as the deputy director and director of the Secretariat under the general office of CAAC; from October 2001 to March 2008, as a full-time deputy director of the Leading Group Office for National Hijackings (國家處置劫機事件領導小組) and the general captain of the Aircop Corps of CAAC (中國民航空中警察總隊). From March 2008 to December 2008, Mr. Song served as the director and party secretary of the Public Security Bureau, and the general captain and party secretary of the Aircop Corps of CAAC. From December 2008 to September 2009, he served as the director and party secretary of the Public Security Bureau, and the party secretary of the Aircop Corps of CAAC. From September 2009 to March 2014, he served as the director and party secretary of the Public Security Bureau, and the party secretary of the Aircop Corps of CAAC. Mr. Song has been the party secretary of the Company since March 2014.

**Mr. Cui Youjun**, aged 58, was appointed as a supervisor of the Company on 15 June 2011 and resigned as a supervisor of the Company on 13 March 2014. He graduated from History Department of Peking University with Bachelor's degree in Chinese history. Mr. Cui was a clerk and chief of human resources department, deputy director of supervision office, and deputy secretary of discipline committee of China National Overseas Trading Corporation from July 1993 to April 1997, and inspector (deputy director level and director level) and chief of Case Inspection Office of Discipline Committee (Inspection Bureau) of CAAC from April 1997 to July 2005. Mr. Cui has been deputy party secretary, leader of discipline inspection team and chairman of labor union of the Parent Company since July 2005.



## Report of the Board (Continued)

**Ms. Zhao Jinglu**, aged 44, was appointed as a supervisor of the Company on 15 June 2011 and resigned as a supervisor of the Company on 13 March 2014. She graduated from the accounting school of Nankai University of Tianjin with a bachelor's degree in auditing, and holds a MBA of Beijing Jiaotong University. From July 1992 to February 1995, Ms. Zhao served in the First Academe of CAAC and in the Auditing Bureau of CAAC. From February 1995 to April 2003, Ms. Zhao served in the Finance Department of CAAC, among this, from April 2001 to April 2003, Ms. Zhao served as the Deputy Director of Economy Adjustment Division of Accounting Department of CAAC; from April 2003 to September 2004, Ms. Zhao served as the Deputy Director of the Finance and Economy Division of Planning, Development and Accounting Department of CAAC; from September 2004 to November 2006, Ms. Zhao was served as the Director of Finance and Economy Division of the Planning, Development and Accounting Department of CAAC; From November 2006 to June 2007, Ms. Zhao served as the Director of Finance and Economy Division of the Accounting Department of CAAC. From June 2007 to February 2015, Ms. Zhao was the chief accountant of the Parent Company. From December 2007 to June 2011, Ms. Zhao was appointed as a non-executive director of the Company.

**Ms. Li Xiaomei**, aged 56, acted as a supervisor of the Company since March 2003 and was re-appointed as a supervisor of the Company on 30 June 2014. She resigned as a supervisor of the Company on 18 March 2015. Ms. Li is an economist, and graduated from Cheung Kong Graduate School of Business with a degree of Executive Master of Business Administration (EMBA). She has over 20 years of experience in labour economics and human resources. From 1994 to 2000, she was the deputy director of the Beijing Capital Airport's human resources division and the human resources manager of the Company from January 2000 to January 2003. From January 2003 to March 2010, she has been the vice party secretary, the general secretary of the disciplinary committee and chairman of labor union of the Company. Ms. Li was the party secretary of the Company from March 2010 to March 2014. Since April 2014, she has been the vice secretary general (full time) of China Civil Airports Association.

**Mr. Deng Xianshan**, aged 49, was appointed as a supervisor of the Company on 6 June 2012 and was reappointed as a supervisor of the Company on 30 June 2014. Mr. Deng graduated from the Department of History of Xiangtan University and was awarded an EMBA from Cheung Kong Graduate School of Business. Mr. Deng served as a lecturer for School of Textile Science and Technology of Beijing Union University from June 1990 to December 1994; the officer the Publicity Department of Beijing Capital Airport from January 1995 to November 1995; the director of the Party Office of Beijing Airport Inflight Kitchen Ltd. from November 1995 to May 1998; the deputy director of the Publicity Department of Beijing Capital Airport from May 1998 to November 1999; manager of the Administrative Management Division of the Company from November 1999 to November 2000; general manager, deputy party secretary and director of Beijing Airport Inflight Kitchen Ltd. from December 2001 to January 2009; deputy general manager and deputy party secretary of Jiangxi Airports Group Company from January 2009 to March 2012; deputy party secretary and the general secretary of the Disciplinary Committee of the Company from March 2012. He has been elected as the chairman of the Labour Union of the Company at the third staff representative meeting of the Company since 6 June 2012.



## Report of the Board (Continued)

**Mr. Kwong Che Keung, Gordon**, aged 65, was appointed as a supervisor of the Company on 15 June 2011 and resigned as a supervisor of the Company on 30 June 2014. Mr. Kwong was independent non-executive director of the Company from October 1999 to June 2011. Mr. Kwong is also the independent non-executive director of a number of companies listed on the Stock Exchange, namely China Cosco Holdings Company Limited, NWS Holdings Limited, OP Financial Investments Limited, China Chengtong Development Group Limited, Global Digital Creations Holdings Limited, CITIC Telecom International Holdings Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, and Agile Property Holdings Limited. He has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants. From 1984 to 1998, Mr. Kwong was a partner of the Pricewaterhouse and was an independent member of the Council of the Hong Kong Stock Exchange from 1992 to 1997, during which, he had acted as convener of both the compliance committee and the listing committee. Mr. Kwong had served as independent non-executive director of China Oilfield Services Limited, Frasers Property (China) Limited, China Cosco Holdings Company Limited, Quam Limited and the Company in the past three years.

**Mr. Dong Ansheng**, aged 63, was appointed as a supervisor of the Company on 15 June 2011 and was reappointed as a supervisor of the Company on 30 June 2014. Mr. Dong joined the Company since December 2007 and appointed as an independent non-executive director from December 2007 to June 2011. Mr. Dong graduated from the Law School of Renmin University of China with J.D. degree. Mr. Dong is a professor and PHD Supervisor of the School of Laws of Renmin University of China, and serves as the deputy director of Research Center of Civil and Commercial Law of the Renmin University of China. Mr. Dong currently serves as deputy master of China Securities Law Society and directorates in several Law Societies. Mr. Dong also participates in the legislation of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other related rules and regulations on governing securities. Since 1992, Mr. Dong has long term studies on the companies' laws and securities laws. He had served as PRC legal advisor on the issue of shares, merger and acquisition and other listing matters of more than 40 listed A shares companies, several listed B shares companies and listed H companies and other listed companies in Hong Kong. Mr. Dong is also serving as the independent non-executive director of, Beijing Wangfujing Department Store (Group) Co., Ltd. (listed on the Shanghai Stock Exchange), Tongyu Heavy Industry Co., Ltd. (listed on the ChiNext of the Shenzhen Stock Exchange) and Dynamic Global Holdings Limited (listed on the Hong Kong Stock Exchange).



## Report of the Board (Continued)

**Mr. Lau Siu Ki**, aged 56, was appointed as a supervisor of the Company on 30 June 2014. He has over 30 years of experience in corporate finance, financial advisory and management, accounting and auditing. Mr. Lau is currently a financial advisory consultant of his management consultancy firm, Hin Yan Consultants Limited. Previously, Mr. Lau worked at Ernst & Young for over 15 years. He graduated from Hong Kong Polytechnic in 1981. Mr. Lau is a member of both the Association of Chartered Certified Accountants (“ACCA”) and Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the World Council of ACCA from 2002 to 2011 and was the chairman of ACCA Hong Kong in 2000/2001. During these year, he has helped raising the profile of ACCA. Mr. Lau also serves as an independent non-executive director of Binhai Investment Company Limited, COL Capital Limited, Comba Telecom Systems Holdings Limited, Embry Holdings Limited, Samson Holding Ltd., TCL Communication Technology Holdings Limited, FIH Mobile Limited and UKF (Holdings) Limited, all being listed companies on the Stock Exchange.

**Mr. Chang Jun**, aged 38, was appointed as supervisor of the Company on 6 June 2012 and was reappointed as a supervisor of the Company on 30 June 2014. Mr. Chang graduated from the Civil Aviation Institute of China, majored in air traffic control, and also had an MBA degree of School of Economics and Management, Beijing University of Aeronautics and Astronautics. From July 1999 to October 2002, Mr. Chang served as a seat allocation officer of Operation Management Department, commander and coordinator, and airfield business assistant. From October 2002 to July 2006, he worked as a secretarial assistant of Personnel Administration Department of the Company. From July 2006 to October 2009, he served as a duty manager of the Operational Control Centre of the Company. From October 2006 to May 2011, he worked as a deputy manager of the Operational Control Centre of the Company. Since May 2011, he has served as deputy head of Working Group of the Party and director of the Labour Union Office of the Company.

Save and except for the relationships as stated above, none of the directors or the supervisors of the Company has any relationship with other directors, senior management, substantial shareholders or controlling shareholder of the Company, nor has any interest in the shares of the Company within the meaning of Part XV of the SFO.

### Other Senior Management

**Mr. Liu Zengyu**, aged 42, was appointed as the deputy general manager of the Company in March 2012 and resigned as the deputy general manager of the Company in June 2014. Mr. Liu is a senior engineer, holds the bachelor’s degree in highway and city road from the Road Engineering Department of Chongqing Jiaotong College, and MBA degree from City University of Hong Kong. From July 1995 to August 2000 he served as member and deputy chief of the Airport Service Section under the Airport Management Department of the Company; deputy supervisor, supervisor and party secretary of the Airport Service Team of the Company, and working for two years’ in assistance to Tibet at Gonggar Airport under Tibet Bureau, CAAC from August 2000





## Report of the Board (Continued)

to August 2002; from January 2002 to December 2005 he served as vice manager of the Airport Management Division of the Company; manager of the Flying Area Assurance Sub-division under the Property Management Division; manager of the Flying Area Assurance Sub-division under the Operation Management Division; party secretary and responsible person of the Flying Area Management Division of the Company; from January 2006 to November 2007 he served as director, general manager, and deputy party secretary of Jiangxi Airports Group Company, and from December 2007 to June 2009, he was the chairman, general manager, deputy party secretary of BCIA Property Management Co., Ltd.. From June 2009 to March 2012, he served as the general manager and deputy party secretary of Guizhou Airports Group Company. From March 2012 to June 2014, Mr. Liu was the deputy general manager of the Company.

**Mr. Zhang Wei**, aged 49, was re-appointed as the deputy general manager of the Company in June 2014. Mr. Zhang is an engineer, holds the bachelor's degree in environmental monitoring from the Environment & Chemistry Department of Beijing University of Technology, and the master's degree in agriculture extension from Beijing Forestry University. Mr. Zhang served as assistant and league secretary of the Environmental Protection & Greening Section under the Airport Management Department of the Company; chief of the Environmental Protection & Greening Section; supervisor of the Greening Team under the Airport Management Department; vice manager of the Company; manager of the Administrative Management Division from July 1988 to June 2003; and as general manager, chairman and party secretary of Beijing Capital Airport Food Management Company Limited from June 2003 to January 2009; as deputy party secretary, secretary of the Disciplinary Committee, chairman of the labor union and deputy general manager of Chongqing Airports Group Company from January 2009 to March 2012. Since March 2012, Mr. Zhang has been the deputy general manager of the Company.

**Mr. Du Qiang**, aged 45, was re-appointed as the director of operations of the Company in June 2014. Mr. Du holds the master's degree from the University of International Business and Economics. He served as assistant at the deputy chief level of the Transportation Services Department of Inner Mongolia Bureau, Civil Aviation Administration of China; chief of the Transportation Section; assistant, deputy secretary, vice manager and manager of the Transportation Services Department, and chief of the Marketing Section; and vice general manager and a member of the party committee of Inner Mongolia Airports Group Company. From January 2009 to July 2011, Mr. Du served as director, general manager and deputy party secretary of Beijing Aviation Ground Services Company Limited. Since July 2011, he has served as director of operations and a member of the party committee of the Company and concurrently as general manager of Capital Airport Aviation Security Co., Ltd.



## Report of the Board (Continued)

**Mr. Liu Renjie**, aged 53, was re-appointed as the director of operations of the Company in June 2014. Mr. Liu holds the master's degree in management from Harbin University of Science and Technology. From October 1993 to July 2003, he worked for Heilongjiang Bureau, Civil Aviation Administration of China in a range of positions: member at the deputy head level of the Communications Section under the Political Department; deputy director and director of the Organization Department of the Party Committee; party secretary of Security Inspection Department; party secretary of the On-site Command Center; secretary of the Discipline Inspection Commission. From December 2003 to May 2010, he worked for Heilongjiang Airports Management Group Co., Ltd. as vice general manager and party committee member. He has concurrently served as general manager of Beijing Bowei Airport Support Limited since April 2010. He has been the director of operations of the Company since May 2010 and a member of the party committee of the Company since March 2014.

**Mr. Wen Wu**, aged 39, was re-appointed as the director of operations of the Company in June 2014. Mr. Wen graduated from Civil Aviation Flight University of China with a degree in air control. Mr. Wen also holds EMBA degree from the City University of Hong Kong. From 1998 to January 2006, he worked for the Company in a variety of positions: commander of the External Command Center, Operation Management Division; head of the Operation Monitoring & Command Center, Operation Management Division; manager of the Operation Monitoring & Command Center, Operation Management Division; and responsible person of the Operation Monitoring & Command Center. From January 2006 to January 2010, he worked as the manager of the Operation Monitoring & Command Center. Since January 2010, he has been the director of operations of the Company. From March 2012 to March 2014, he concurrently served as the general manager of the Flying Area Management Division of the Company. Since March 2014, he has served as a member of the party committee of the Company.

**Ms. Hao Ling**, aged 41, was re-appointed as the director of services of the Company in June 2014. Ms. Hao graduated from Renmin University of China with the bachelor's degree in history. Ms. Hao also holds the EMBA degree from Tsinghua university. From August 1996 to June 2009, she worked for the Company in a variety of positions: vice manager of the Terminal Area Sub-division under the Operation Management Division; assistant manager of Terminal Building West Area Management Department; manager of the Party-Masses Work Department; and party secretary and vice manager of the Terminal Building East Area Management Department. From June 2009 to January 2010, she worked as the manager of BCIA Quality & Security Department. Since January 2010, she has been the director of services of the Company. From March 2012 to March 2014, she concurrently served as the general manager of the Terminal Building Management Division of the Company. Since March 2014, he has served as a member of the party committee of the Company.



## Report of the Board (Continued)

**Mr. Kong Yue**, aged 48, was re-appointed as the director of commerce of the Company in June 2014. Mr. Kong holds the MBA degree from Guanghua School of Management, Peking University. From July 1988 to December 2000, he worked as chief of International Office of the Company. From December 2000 to January 2008, he served as assistant to the manager of Planning & Development Division of the Company; manager of the Business Sub-division Operation Management Division of the Company; manager of the Operation Management Division of the Company; manager of the Aviation Business Division of the Company; manager of the Marketing Division of the Company; and manager of the Planning & Development Division of the Company. Since January 2010, he has been the director of commerce of the Company. From March 2012 to March 2014, he concurrently served as the general manager of the Public Area Management Department of the Company.

**Mr. Ma Yin**, aged 41, was re-appointed as the director of business of the Company in June 2014. Mr. Ma graduated from the Automation Department of Shanghai Jiaotong University with the bachelor's degree in engineering. Mr. Ma also holds the master's degree in traffic engineering from the Civil Aviation University of China. From August 1996 to October 1999, he worked as assistant engineer of Emergency Rescue & Command Office of the Company, and deputy director of the Terminal Area Monitoring & Command Center of the Company. From October 1999 to March 2007, he worked for the Company in a range of positions: deputy director of the Terminal Area Monitoring & Command Center under the Operation Management Division; director of the Integrated Services Office; supervisor of aviation affairs; vice manager of the Business Sub-division, Operation Management Division; vice manager of the Operation Monitoring & Command Center; assistant to the manager of the Property Management Division; and manager of the Technical Procurement Division. From March 2007 to May 2010, he has worked as the manager of Terminal Building West Area Management Division of the Company. Since May 2010, he has been the director of business of the Company. From March 2012 to March 2014, he concurrently served as the general manager of the Operational Control Centre of the Company.

**Mr. Zhu Wenxin**, aged 41, was re-appointed as the director of business of the Company in June 2014. Mr. Zhu graduated from the College of Automation, Beijing Union University, with a bachelor's degree in engineering. Mr. Zhu also holds the MBA degree from the City University of Hong Kong. From 1997 to 2000, he served as supervisor of Shipping Department and Personnel Administration Department of Beijing Aviation Ground Services Company Limited. From 2000 to 2007, he served as office supervisor of the Company, vice manager of the domestic stores of BACT, manager of the Terminal Building Sub-division of the Company, Manager of the Management Division of the Terminal one and manager of the Quality & Security Division of the Company. From 2008 to 2010, he served as manager of the Public Area Management Department of the Company. Since May 2010, he has been the director of business of the Company.



## Report of the Board (Continued)

**Mr. Shu Yong**, aged 42, was re-appointed as the secretary of the Board on 30 June 2014. He graduated from the Law Department of Peking University with a bachelor degree in laws with double majors in economic laws and international economic laws. He also obtained the Executive Master of Business Administration degree (EMBA) from Faculty of Business of the City University of Hong Kong. Mr. Shu worked in the planning and operating division and then the corporate office of the Beijing Capital Airport from August 1996 to October 1999. From October 1999 to January 2003, he was the legal affairs manager of the securities department and subsequently the manager of the Secretariat to the Board. From May 2003 to May 2004, Mr. Shu was the manager assistant and acted as the manager of Planning and Development Department of the Company from May 2004 to April 2006. From May 2010 to July 2011, Mr. Shu was the manager of Legal Department. He has been the secretary of the Board since January 2003.

The details of emoluments of directors and supervisors mentioned above are set out in Note 24(a) to the Financial Statements.

During the year ended 31 December 2014 and 2013, the annual emoluments of each of the senior management paid by the Company were below HKD1,000,000 (approximately equivalent to RMB788,870) individually.

By order of the Board

**Liu Xuesong**

*Chairman*

Beijing, the PRC, 25 March 2015



# Management Discussion and Analysis

## OVERVIEW

In 2014, the operating revenues of the Company were RMB7,655,957,000, representing an increase of 6.0% over the previous year, among which, the aeronautical revenues were RMB4,367,823,000, representing an increase of 4.0% over the previous year, and the non-aeronautical revenues were RMB3,288,134,000, representing an increase of 8.8% over the previous year.

In 2014, the Company's operation remained stable generally. As for the revenues, the aeronautical revenues continued its momentum to increase as a result of a moderate increase in the air traffic volumes. The non-aeronautical revenues maintained steady growth as well driven by the increase in purchasing-power parity of passengers, the increase in the price at some new contracts and other factors. As for the costs, the operating expenses of the Company in 2014 were RMB5,171,471,000, representing an increase of 6.7% over the previous year, due to the commencement of operation of T3D and the increase in energy prices, etc.

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

## AIR TRAFFIC VOLUMES

In 2014, as influenced by various factors including economic slowdown at home and abroad, turbulent political situation in certain foreign areas and others, the air traffic volumes of Beijing Capital Airport recorded a steady and slight increase. For domestic routes, the relevant aircraft movements and passenger throughput continued to record a modest growth subject to the slow growth of domestic economy and the tight flight slots of Beijing Capital Airport; while for international routes, the growth of relevant aircraft movements and passenger throughput remained stable due to the gradual increase in demand for air travel of international passengers and the higher percentage of large aircrafts in 2014, which were comparable to those in the previous year. In 2014, the aircraft movements of Beijing Capital Airport reached 581,953 sorties, representing an increase of 2.5% over the previous year. The passenger throughput reached 86,128,270 person-times, representing an increase of 2.9% over the previous year. The cargo and mail throughput reached 1,848,251 tonnes, representing an increase of 0.2% over the previous year.



## Management Discussion and Analysis (Continued)

The details are as follows:

	2014	2013	Change (%)
<b>Aircraft Movements</b> ( <i>unit: sorties</i> )	<b>581,953</b>	567,759	2.5%
including: Domestic	<b>456,177</b>	444,197	2.7%
International and Hong Kong, Macau & Taiwan	<b>125,776</b>	123,562	1.8%
<b>Passenger Throughput</b> ( <i>unit: person-times</i> )	<b>86,128,270</b>	83,712,355	2.9%
including: Domestic	<b>65,397,707</b>	63,900,130	2.3%
International and Hong Kong, Macau & Taiwan	<b>20,730,563</b>	19,812,225	4.6%
<b>Cargo and Mail Throughput</b> ( <i>unit: tonnes</i> )	<b>1,848,251</b>	1,843,681	0.2%
including: Domestic	<b>1,007,897</b>	1,026,868	-1.8%
International and Hong Kong, Macau & Taiwan	<b>840,354</b>	816,813	2.9%

## AERONAUTICAL REVENUES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	Change (%)
Passenger charges	<b>1,701,331</b>	1,641,613	3.6%
Aircraft movement fees and related charges	<b>1,575,036</b>	1,494,701	5.4%
Airport Fee	<b>1,091,456</b>	1,065,432	2.4%
<b>Total aeronautical revenues</b>	<b>4,367,823</b>	4,201,746	4.0%



## Management Discussion and Analysis (Continued)

In 2014, the total aeronautical revenues of the Company were RMB4,367,823,000, representing an increase of 4.0% over the previous year. Among which, the revenue from passenger charges was RMB1,701,331,000, representing an increase of 3.6% over the previous year, which was higher than the increase in passenger throughput, mainly due to another one-quarter (i.e. the first quarter in 2014) positive impact of the uniform charging policy for domestic airliners operating international routes (*Note*) with effect from 1 April 2013 on the aeronautical revenue of the Company during the reporting period; the revenue from aircraft movement fees and related charges was RMB1,575,036,000, representing an increase of 5.4% over the previous year which was higher than the increase in aircraft movement mainly due to an increase in aircraft movements, a higher percentage of large aircrafts and the uniform charging policy for domestic airliners operating international routes; the revenue from the Airport Fee was RMB1,091,456,000, representing an increase of 2.4% over the previous year, which was slightly lower than the increase of passenger throughput, mainly due to the significant growth in the number of children passengers (*Note*: Airport Fee is waived for children passengers) resulted from the popularity of the parent-child travel market.

*Note:* Uniform charging policy for domestic airliners operating international routes refers to: pursuant to the “Notice Regarding the Adjustment of Charging Standards of Civil Airport for International, Hong Kong and Macau Flights Operated by Domestic Airliners” issued by the Civil Aviation Administration of China and the National Development and Reform Commission (Min Hang Fa [2013] No. 3) (the “Notice”), with effect from 1 April 2013, for international, Hong Kong and Macau flights operated by domestic airliners, the benchmark price of charging standards for the charging items in the aeronautical business in the mainland outbound (inbound) airports would be determined based on the benchmark price of the charging standards for flights operated by the international, Hong Kong and Macau airliners; and for the non-outbound (inbound) airports in the mainland, when the destination of the passenger, cargo and mail is an international city, Hong Kong or Macau, the benchmark price of charging standards for passenger charges, security check charges on passengers and luggage, security check charges on cargo and mail would be determined based on the benchmark price of charging standards for flights operated by the international, Hong Kong and Macau airliners.



## Management Discussion and Analysis (Continued)

### NON-AERONAUTICAL REVENUES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	Change (%)
Concessions	<b>2,153,198</b>	2,023,522	6.4%
Including: Retailing	<b>943,311</b>	880,489	7.1%
Advertising	<b>817,222</b>	772,119	5.8%
Restaurants and food shops	<b>125,431</b>	122,747	2.2%
Ground handling	<b>111,523</b>	110,001	1.4%
VIP service	<b>71,306</b>	70,775	0.8%
Others	<b>84,405</b>	67,391	25.2%
Rentals	<b>944,390</b>	815,427	15.8%
Car parking fee	<b>182,580</b>	170,228	7.3%
Others	<b>7,966</b>	13,895	-42.7%
<b>Non-aeronautical revenues</b>	<b>3,288,134</b>	3,023,072	8.8%

In 2014, the non-aeronautical revenues of the Company were RMB3,288,134,000, representing an increase of 8.8% over the previous year. In 2013, the concession revenues of the Company were RMB2,153,198,000, representing an increase of 6.4% over the previous year. Among which, the concession revenues from retailing were RMB943,311,000, representing an increase of 7.1% over the previous year, which was benefited from the recovery of the growth in international passenger throughput and the modest increase in the average purchasing power of passengers resulted from the increase in the number of passengers with high purchasing power (the number of passengers in international routes from domestic airlines increased by 11.6% as compared with the corresponding period of the previous year). The concession revenues from advertising were RMB817,222,000, representing an increase of 5.8% over the previous year due to the addition of certain new media resources and the increase in certain new contractual prices. The concession revenues from restaurants and food shops were RMB125,431,000, representing an increase of 2.2% over the previous year. The concession revenues from ground handling services were RMB111,523,000, representing an increase of 1.4% over the previous year. The concession revenues from VIP services were RMB71,306,000, representing an increase of 0.8% over the previous year. Other concession revenues of the Company were RMB84,405,000, representing an increase of 25.2% over the previous year, which was mainly due to the addition of certain resources and business cooperation projects.





## Management Discussion and Analysis (Continued)

In 2014, the rental revenues of the Company were RMB944,390,000, representing an increase of 15.8% over the previous year, mainly due to the increase in the rental price of relevant business lease resources in the terminals and area lease resources outside the terminals. In addition, the Company reached agreements with certain customers in respect of the usage fee of some facilities for the previous years, and recognised the related revenues in the current year.

In 2014, the car parking service fee of the Company was RMB182,580,000, representing an increase of 7.3% over the previous year, mainly due to the appropriate increase in car parking price standard made by the Company.

In 2014, the other revenues of the Company were RMB7,966,000, representing a decrease of 42.7% from the previous year.

### OPERATING EXPENSES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>	Change (%)
Depreciation and amortisation	1,453,972	1,538,232	-5.5%
Repairs and maintenance	741,153	652,110	13.7%
Utilities and power	628,827	584,836	7.5%
Staff costs	517,135	497,992	3.8%
Aviation safety and security guard costs	488,926	456,803	7.0%
Rental expenses	385,266	229,617	67.8%
Operating contracted services	280,264	248,048	13.0%
Greening and environmental maintenance	202,893	199,556	1.7%
Real estate and other taxes	163,129	163,310	-0.1%
Other costs	309,906	277,166	11.8%
<b>Operating Expenses</b>	<b>5,171,471</b>	<b>4,847,670</b>	<b>6.7%</b>



## Management Discussion and Analysis (Continued)

In 2014, the total operating expenses of the Company were RMB5,171,471,000, representing an increase of 6.7% over the previous year. The change in costs was mainly due to the relevant costs generated from the commencement of operation of T3D. In order to increase the passenger capability of the domestic waiting areas, T3D was officially put into operation in May 2013. Therefore, the repair and maintenance expenses, the utilities and power expenses, the aviation safety and security guard costs, the operating contracted services costs and the rental expenses of the Company, which were related to T3D, correspondingly increased in 2014.

In 2014, the depreciation and amortisation expenses of the Company were RMB1,453,972,000, representing a decrease of 5.5% from the previous year, mainly because the depreciation and amortisation period of certain fixed assets and intangible assets ended as at the end of 2013 and no corresponding expenses were incurred during the reporting period.

In 2014, the repair and maintenance expenses of the Company were RMB741,153,000, representing an increase of 13.7% over the previous year.

In 2014, the utilities and power expenses of the Company were RMB628,827,000, representing an increase of 7.5% over the previous year, mainly due to the increase in corresponding power consumption resulted from the operation of T3D, the increase in energy price and the extended air condition supply during the reporting period.

In 2014, the staff costs of the Company were RMB517,135,000, representing an increase of 3.8% over the previous year.

In 2014, the aviation safety and security guard costs of the Company were RMB488,926,000, representing an increase of 7.0% over the previous year, mainly due to the increase in security personnel and equipment as a result of the growth of the air traffic volumes of the airport, the operation of T3D, the provision for the APEC Meeting and the security upgrade for dealing with international security situation and emergencies in public areas.

In 2014, the rental expenses of the Company were RMB385,266,000, representing an increase of 67.8% over the previous year, mainly due to the longer rental term of another six months for T3D in the reporting period as compared with the previous year.



## Management Discussion and Analysis (Continued)

In 2014, the operation service expenses of the Company were RMB280,264,000, representing an increase of 13.0% over the previous year.

In 2014, the greening and environmental maintenance expenses of the Company were RMB202,893,000, representing an increase of 1.7% over the previous year.

In 2014, the real estate tax and other taxes of the Company were RMB163,129,000, representing a decrease of 0.1% from the previous year.

In 2014, the other costs of the Company were RMB309,906,000, representing an increase of 11.8% over the previous year, which was mainly resulted from the additional new trademark usage fee arising from the contract entered into between the Parent Company and the Company at the end of 2013 (pursuant to the contract, the Company shall pay the trademark usage fee of Beijing Capital Airport to the Parent Company annually, calculated as 1% of the revenues from the principal business of the Company in the preceding year). Meanwhile, the Company significantly reduced each type of administrative expenses, and greatly offset the substantial increase impact of the additional trademark usage fee.

### OTHER ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

In 2014, the other income of the Company was RMB8,195,000, representing an increase of 956.1% as compared with the previous year, which was mainly due to the increase in government subsidies received and credited by the Company in the reporting period.

In 2014, the net finance costs after deducting finance income of the Company were RMB539,100,000, representing an increase of 5.3% as compared with the previous year, which was mainly due to the considerable exchange losses on the liabilities denominated in US dollar as a result of the significant depreciation in RMB against USD in 2014.

In 2014, the income tax expense of the Company was RMB467,808,000, representing an increase of 4.8% as compared with the previous year.



## Management Discussion and Analysis (Continued)

### PROFIT FOR THE YEAR

For the financial year ended 31 December 2014, the profit of the Company amounted to RMB1,391,231,000, representing an increase of 4.7% as compared with the previous year.

### DIVIDEND

The Board proposed to distribute the final dividend of RMB0.0816 per share for 2014, totally amounting to approximately RMB353,401,000 (*Note*) (2013: RMB329,581,000). Such proposal shall be subject to the approval by the shareholders at the AGM of the Company. The details of the payment of the final dividend will be set out in the notice of AGM to be issued by the Company in accordance with the requirements of Listing Rules.

The Company distributed the interim dividend of RMB0.0469 per share for 2014, totally amounting to approximately RMB203,119,000.

There was no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend during the year ended 31 December 2014.

*Note:* Pursuant to the “Enterprise Income Tax Law of the People’s Republic of China” and the “Rules for the Implementation of the Enterprise Income Tax Law of the People’s Republic of China”, both implemented in 2008, and the “Notice of Withholding and Payment of Enterprise Income Tax Regarding China Resident Enterprise Paying Dividend to Non-Resident Enterprise Holders of Overseas H-Share” (No. 897 GSH[2008]) issued by China’s State Administration of Taxation on 6 November 2008, the Company is obliged to withhold and pay enterprise income tax at the rate of 10% when distributing the 2014 final dividend to the non-resident enterprise H share shareholders whose names appear on the register of members for H shares of the Company on the relevant record date (the “Record Date”) to be announced by the Company in accordance with the requirements of the Listing Rules. For the holders of the H shares (the “H Shareholders”) who are registered in the name of non-natural person registered shareholders (including HKSCC (Nominees) Limited, other corporate nominees, trustees, or other organisations or groups which shall be treated as “non-resident enterprises” shareholders) on the register of members for H shares of the Company on the Record Date, the Company will distribute the 2014 final dividend, after withholding and paying enterprise income tax of 10%.



## Management Discussion and Analysis (Continued)

The Company will withhold and pay enterprise income tax on behalf of its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the Record Date. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of the above withholding and payment.

Based on the Company's consultations with the relevant PRC tax authorities, for all natural persons whose names are registered on the register of members for H shares of the Company, being a foreign investment enterprise (外商投資企業), on the Record Date, no income tax will be required to be withheld and paid by the Company.

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Company's businesses are principally denominated in RMB, except for part of the non-aeronautical revenues, purchases of certain equipment, goods and materials, payment of consulting fees, repayment of part of the loans from the Parent Company and distribution of dividends to the shareholders of H Shares, which are paid in United States dollars ("US dollars" or "USD") or Hong Kong dollars ("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 2014. 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 2014, the assets and liabilities of the Company denominated in USD included cash and cash equivalents of approximately RMB92,691,000 (2013: RMB70,936,000), trade and other receivables of approximately RMB3,485,000 (2013: RMB10,812,000), trade and other payables of approximately RMB5,502,000 (2013: RMB5,474,000), and loans from the Parent Company of approximately RMB2,332,736,000 (2013: RMB2,474,266,000). During 2014, the Company recorded a net exchange loss of RMB10,611,000.



## Management Discussion and Analysis (Continued)

### 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 RMB2,832,736,000, which included 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% and the corporate bonds from the Parent Company at an interest rate with reference to interbank repo rate announced by China Foreign Exchange Trading Centre and National Interbank Funding Centre. The total amount of the non-current and current portion of the Company's long-term borrowings was RMB2,235,000,000. The 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 2014, the Company had no significant contingent liabilities.

### LIQUIDITY AND FINANCIAL RESOURCES

In 2014, the Company's net cash generated from operating activities amounted to RMB3,264,680,000, representing an increase of RMB18,494,000 as compared with RMB3,246,186,000 for the year of 2013. In 2014, the Company's net cash outflow from investing activities of the Company amounted to RMB542,578,000. In 2014, the Company's net cash outflow from financing activities amounted to RMB2,590,667,000.

As at 31 December 2014, the Company had cash and cash equivalents totally amounting to RMB2,184,273,000, while the cash and cash equivalents of the Company amounted to RMB2,052,283,000 as at 31 December 2013.



## Management Discussion and Analysis (Continued)

As at 31 December 2014, the Company's short-term borrowings were RMB2,250,000,000, the long-term borrowings which would be matured within one year were RMB10,000,000, the non-current portion of the long-term borrowings were RMB2,225,000,000, the loans from the Parent Company were RMB2,832,736,000, the current portion of the bonds payables was RMB1,899,694,000 and the non-current portion of the bonds payable was RMB2,994,976,000. As at the date of this report, the Company is in the course of negotiation with the relevant financial institutions about the renewal of the borrowings. It is expected that the renewal will be proceeded smoothly and will not cause any significant impact on the financial position of the Company.

As at 31 December 2014, the current ratio of the Company was 0.6, which was same to that as at 31 December 2013. Such ratios were computed by dividing the amount of the total current assets by the amount of the total current liabilities as at those respective dates.

As at 31 December 2014, the liability-to-asset ratio of the Company was 46.09%, and as at 31 December 2013, the liability-to-asset ratio of the Company was 50.42%. 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 2014, the capital and reserves of the Company was RMB17,202,369,000 and as at 31 December 2013, the capital and reserves of the Company was RMB16,211,781,000.

As at 31 December 2014, the Company had unutilised long-term bank credit facilities totalling RMB13 billion (2013: RMB15.5 billion). The Company may consider to use the unutilised bank credit facilities mentioned above partly or totally according to the requirements of the business operation and cash management of the Company.



## Management Discussion and Analysis (Continued)

### EMPLOYEES AND EMPLOYEE WELFARE

- The numbers of employees of the Company are set out as follows, together with a comparison with those in the previous year:**

	2014	2013
Total employees	1,683	1,675

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 of 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.

- Employees' basic medical insurance and commercial medical insurance**

Since 1 January 2003, the Company and its subsidiaries have 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 2014, there were no assets charged or pledged by the Company.





# Corporate Governance Report

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

The Board confirmed that the Company complied with all the provisions of the Corporate Governance Code (the "Code") under Appendix 14 of the Listing Rules, save for the deviation from provision A.6.7 of the Code due to reasonable grounds (as explained below), during the period from 1 January 2014 to 31 December 2014.

In respect of Code provision A.6.7 of the Code, the Company held its 2013 AGM on 30 June 2014. Save for Mr. Zhang Guanghui (an executive director) and Mr. Chen Guoxing (a non-executive director) 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.

## CORPORATE GOVERNANCE PRACTICES

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

- (a) to formulate and review the corporate governance policy and practices of the Company and give suggestions to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policy and practices in relation to compliance with laws and regulations;
- (d) to formulate review and monitor the code of conduct and compliance handbook (if any) for employees and directors; and
- (e) to review the compliance of the Company with the Code and relevant disclosure in the Corporate Governance Report.



## Corporate Governance Report (Continued)

### THE SECURITIES TRANSACTION BY DIRECTORS

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

Having made specific enquiry on all directors of the Company, the Company has confirmed that each of its directors has complied with the Model Code and the required standard set out in “the Code for Securities Transaction by Directors and Staff” adopted by the Company throughout the year ended 31 December 2014.

### BOARD OF DIRECTORS

#### **Composition and Term of Office**

As at 31 December 2014, the sixth session of the Board consists of eleven directors, including three executive directors, four non-executive directors and four independent non-executive directors. In line with the Listing Rules, the Company has no less than three independent non-executive directors, representing at least one third of the members of the Board, at least one of whom has the appropriate professional qualifications or expertise in accounting or related financial management. The sixth session of the Board was established on 30 June 2014. Except for one director who was additionally appointed on the extraordinary general meeting on 18 December 2014, the other directors were elected by the Company’s shareholders at the 2013 AGM. The term of office of all directors (including non-executive directors) will end on the day of convening the 2016 AGM. The composition and changes of directors, the list of directors and their respective biographies are set out in the Report of the Board in this annual report.

The members of the Board know their own obligations and responsibilities very well, and treat all shareholders equally without discrimination. In order to make sure that the interests of all investors are protected properly, the members of the Board are provided with the documents and materials in connection with the Company’s operations in a timely manner. The independent non-executive directors have performed their responsibilities in accordance with the relevant laws, rules and regulations, safeguarding the rights of the Company and all its shareholders. The Company has received the confirmation of independence from all independent non-executive directors pursuant to Rule 3.13 of the Listing Rules.



## Corporate Governance Report (Continued)

### Duties and Operation

According to the Articles of Association of the Company, the Board has been elected by and reported to the shareholders at the AGM, and has made decisions on the business development plans and investment policies, while the general manager (i.e., chief executive under the Listing Rules) shall be responsible for the daily operation and internal management.

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

The Board and its members have carried out the corporate governance earnestly, and all the directors have, with due diligence, attended the Board meetings, performed their duties, committed themselves to the overall interests of the Company and its shareholders.

### Board Meetings

Board Meetings shall be held at least four times a year and convened by the chairman. Notice of a Board meeting shall be served on all directors at least 14 days prior to the meeting. In case of any emergency, an interim Board meeting may be held with the proposal by no less than one-third of the directors or the general manager of the Company.

In 2014, the Board held eight meetings (of which three were held by way of circulating written documents) to discuss and determine the strategic development, major operational matters, financial affairs and other matters of the Company set out in the Articles of Association of the Company.



## Corporate Governance Report (Continued)

Records of the directors' attendance at Board meetings in 2014 are as follows:

		<b>Attendance rate Number of meetings attended/number of meetings held</b>
Dong Zhiyi	Chairman, executive director (resigned on 30 June 2014) (note 1)	1/2
Liu Xuesong	Chairman, executive director (appointed as a director and elected as the chairman on 30 June 2014) (note 2)	6/6
Zhang Guanghui	General manager, executive director (resigned on 30 June 2014) (note 1)	2/2
Shi Boli	General manager, executive director (appointed on 30 June 2014) (note 2)	6/6
Gao Lijia	Executive director (appointed on 30 June 2014) (note 2)	6/6
Chen Guoxing	Non-executive director (resigned on 30 June 2014) (note 1)	1/2
Gao Shiqing	Non-executive director (resigned on 30 June 2014) (note 1)	2/2
Yao Yabo	Non-executive director	8/8
Zhang Musheng	Non-executive director	7/8
Ma Zheng	Non-executive director (appointed on 18 December 2014) (note 3)	1/1
Lau Eng Boon	Non-executive director (resigned on 26 February 2014) (note 4)	1/1
Cheng Chi Ming, Brian	Non-executive director (appointed on 26 February 2014) (note 5)	7/7
Japhet Sebastian Law	Independent non-executive director	8/8
Wang Xiaolong	Independent non-executive director	8/8
Jiang Ruiming	Independent non-executive director	7/8
Liu Guibin	Independent non-executive director	7/8

*Note 1:* As Mr. Dong Zhiyi, Mr. Zhang Guanghui, Mr. Chen Guoxing and Mr. Gao Shiqing ceased to be directors of the Company with effect from 30 June 2014, they did not attend the Board meetings held on 30 June 2014 and thereafter.

*Note 2:* As Mr. Liu Xuesong, Mr. Shi Boli and Ms. Gao Lijia were appointed as directors of the Company on 30 June 2014, they did not attend the Board meetings held before 30 June 2014.

*Note 3:* As Mr. Ma Zheng was appointed as a director of the Company on 18 December 2014, he did not attend the Board meetings held before 18 December 2014.

*Note 4:* As Mr. Lau Eng Boon ceased to be director of the Company with effect from 26 February 2014, he did not attend the Board meetings held after 26 February 2014.

*Note 5:* As Mr. Cheng Chi Ming, Brian was appointed as a director of the Company on 26 February 2014, he did not attend the Board meetings held before 26 February 2014.



## Corporate Governance Report (Continued)

### Chairman and General Manager

For the year ended 31 December 2014 and during the period up to the date of publication of this annual report, two executive directors of the Company, Mr. Liu Xuesong (*note 1*) and Mr. Shi Boli (*note 2*), hold the positions of Chairman and General Manager respectively. The chairman's responsibilities are to convene the Board meetings and promote the corporate governance of the Company, while the general manager is responsible for taking part in the critical decision-making as part of the Board and taking charge of the daily operation of the Company. Their duties and responsibilities are clearly separated and there are no financial, business or relative relationship between them. The governance structure of the Company features the clearly defined rights and responsibilities and express division of work, with each one performing his own duties.

*Note 1:* Mr. Dong Zhiyi ceased to be the Chairman of the Company with effect from 30 June 2014. Mr. Liu Xuesong was appointed as the Chairman on the same date.

*Note 2:* Mr. Zhang Guanghui ceased to be the General Manager of the Company with effect from 1 April 2014. Mr. Shi Boli was appointed as the General Manager on the same date.

### Insurance Arrangement

According to the provision A.1.8 of the Code, an issuer shall arrange appropriate insurance in respect of any legal action that may be threatened against its directors. The Company has arranged liability insurance for its directors, supervisors and other senior executives.

### Training

The Company provided all members of the Board with monthly updates on the Company's operation, financial conditions, prospect and relevant market and regulation dynamics.

The Company also encouraged the Board to participate in the continuous professional development program to improve and upgrade their knowledge and skills. The Company also organized relevant trainings to ensure directors had comprehensive information and proper expertise to make contribution to the Board. The Company kept training records to help directors record the training courses they had attended, and required directors to submit relevant training records to the Company each year.



## Corporate Governance Report (Continued)

During the year ended 31 December 2014, the records of training received by directors of the Company are summarized as follows:

	Corporate Governance	Regulatory rules	Operation and management	Other relevant trainings
<b>Executive directors</b>				
Mr. Dong Zhiyi ( <i>note 1</i> )	✓	✓	✓	✓
Mr. Liu Xuesong ( <i>note 2</i> )	✓	✓	✓	✓
Mr. Zhang Guanghui ( <i>note 1</i> )	✓	✓	✓	✓
Mr. Shi Boli ( <i>note 2</i> )	✓	✓	✓	✓
Ms. Gao Lijia ( <i>note 2</i> )	✓	✓	✓	✓
<b>Non-executive director</b>				
Mr. Chen Guoxing ( <i>note 1</i> )		✓	✓	
Mr. Gao Shiqing ( <i>note 1</i> )		✓	✓	
Mr. Yao Yabo	✓	✓	✓	
Mr. Zhang Musheng	✓	✓	✓	
Mr. Ma Zheng ( <i>note 3</i> )	✓	✓	✓	✓
Mr. Lau Eng Boon ( <i>note 4</i> )		✓	✓	
Mr. Cheng Chi Ming, Brian ( <i>note 4</i> )	✓	✓	✓	✓
<b>Independent non-executive director</b>				
Mr. Japhet Sebastian Law	✓	✓	✓	✓
Mr. Wang Xiaolong	✓	✓	✓	
Mr. Jiang Ruiming	✓	✓	✓	
Mr. Liu Guibin	✓	✓	✓	

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

*Note 1:* Mr. Dong Zhiyi, Mr. Zhang Guanghui, Mr. Chen Guoxing and Mr. Gao Shiqing resigned as directors of the Company on 30 June 2014.

*Note 2:* Mr. Liu Xuesong, Mr. Shi Boli and Ms. Gao Lijia were appointed as directors of the Company on 30 June 2014.

*Note 3:* Mr. Ma Zheng was appointed as a director of the Company on 18 December 2014.

*Note 4:* Mr. Lau Eng Boon resigned as director of the Company on 26 February 2014. Mr. Cheng Chi Ming, Brian was appointed as a director of the Company on the same date.



# Corporate Governance Report (Continued)

## COMMITTEE OF THE BOARD

### The Remuneration and Evaluation Committee

#### Composition and Term of Office

The Remuneration and Evaluation Committee of the Company (the “Remuneration and Evaluation Committee”) was established on 2 June 2005. On 30 June 2014, the sixth session of the Board re-appointed the members of the Remuneration and Evaluation Committee with their term of office to end on the day of convening of the 2016 AGM. At present, the Remuneration and Evaluation Committee is comprised of six members including four independent non-executive directors, one non-executive director and one executive director, namely, Mr. Japhet Sebastian Law (chairman of the Remuneration and Examination Committee), Mr. Wang Xiaolong, Mr. Jiang Ruiming, Mr. Liu Guibin, Mr. Zhang Musheng and Ms. Gao Lijia.

#### Duties

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

- (i) To establish a remuneration plan or scheme, which should include benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, for directors and senior management, based on and considering the main scope of the management post of directors and senior management, duties, time commitment, importance, salaries paid by comparable companies to comparable posts and employment terms of other posts in the Company, and to make recommendations to the Board;
- (ii) To review and approve the management’s remuneration proposals with reference to the board’s corporate goals and objectives;
- (iii) To review the performance of duties of directors (including independent non-executive directors) and senior management and to make their annual performance evaluation;
- (iv) To monitor the implementation of the remuneration system of the Company;



## Corporate Governance Report (Continued)

- (v) To review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that such compensation is consistent with the relevant contractual terms and that such compensation is otherwise fair and reasonable and not excessive for the Company;
- (vi) To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are consistent with the relevant contractual terms and are otherwise reasonable and appropriate;
- (vii) To make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (viii) To make recommendations to the Board on the remuneration of non-executive directors;
- (ix) To ensure that no director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration; and
- (x) To be responsible for other matters delegated by the Board.

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

### Meeting

The Remuneration and Evaluation Committee held one meeting during the reporting period, at which the members of the Remuneration and Evaluation Committee reviewed the Company's remuneration policy and the implementation thereof, and made recommendations to the Board on the remuneration plan. The Remuneration and Evaluation Committee played the role of an adviser to the Board, giving advice to the Board in respect of the directors' and senior management's remuneration policy for its determination.





## Corporate Governance Report (Continued)

The records of attendance of the members of the Remuneration and Evaluation Committee are as follows:

<b>Members</b>	<b>Attendance rate Number of meetings attended/ number of meetings held</b>
Japhet Sebastian Law ( <i>Chairman</i> )	1/1
Wang Xiaolong	1/1
Jiang Ruiming	1/1
Liu Guibin	1/1
Zhang Musheng	1/1
Gao Lijia	1/1

### The Nomination Committee

#### Composition and Term of Office

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

#### Duties

The main duties, roles and function of the Nomination Committee are set out as follows:

- (i) To make recommendations to the Board on the size and composition of the Board according to the business condition and the scale of assets and shareholding structure of the Company;
- (ii) To consider the standards and procedures of selection of directors and senior management of the Company and make recommendations to the Board;



## Corporate Governance Report (Continued)

- (iii) To review the qualifications of the candidates of directors and senior management and make recommendations;
- (iv) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (v) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (vi) To assess the independence of the independent non-executive directors;
- (vii) To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the general manager; and
- (viii) To be responsible for other matters delegated by the Board.

The Company has adopted a board diversity policy, summary of which are set out as follows:

### **Vision**

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

### **Policy Statement**

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



## Corporate Governance Report (Continued)

### Measurable Objectives

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

### Monitoring and Reporting

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

### Review of this Policy

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

### Disclosure of this Policy

A summary of this policy together with the measurable objectives set for implementing this policy, and the progress made towards achieving those objectives will be disclosed in the annual corporate governance report.



## Corporate Governance Report (Continued)

### Meetings

The Nomination Committee held two meetings during the reporting period. By combining the amendments in relation to board diversity under the Listing Rules, the committee members examined the structure and composition of the Board and made recommendation to the Board. The current Board further diversified and balanced its structure through inclusion of female members and members with different professional backgrounds. Accordingly, the current Board is expected to have a well-balanced mix, which is appropriate for the business of the Company. Change of the senior management as well as their profiles are set out in the "Report of the Board" in this annual report.

The records of attendance of the members of the Nomination Committee are as follows:

<b>Members</b>	<b>Attendance rate Number of meetings attended/ number of meetings held</b>
Jiang Ruiming ( <i>Chairman</i> )	2/2
Japhet Sebastian Law	2/2
Wang Xiaolong	2/2
Liu Guibin	2/2
Dong Zhiyi ( <i>note 1</i> )	1/1
Zhang Guanghui ( <i>note 1</i> )	1/1
Liu Xuesong ( <i>note 2</i> )	1/1
Shi Boli ( <i>note 2</i> )	1/1

*Note 1:* As Mr. Dong Zhiyi and Mr. Zhang Guanghui resigned from members of the Nomination Committee on 30 June 2014, they did not attend the meeting held after that date.

*Note 2:* As Mr. Liu Xuesong and Mr. Shi Boli were appointed as members of the Nomination Committee on 30 June 2014, they did not attend the meeting held before that date.



## Corporate Governance Report (Continued)

### The Audit Committee

#### Composition and Term of Office

The Audit Committee of the Company (the “Audit Committee”) was established on 10 January 2000. On 30 June 2014, the sixth session of the Board re-appointed the members of the Audit Committee with their term of office to end on the day of convening of the 2016 AGM. At present, the Audit Committee is comprised of four independent non-executive directors, namely, Mr. Liu Guibin (chairman of the Audit Committee, Chinese CPA, and one of the first batch of the senior members (practising) of Chinese Insititute of Certified Public Accountant), Mr. Japhet Sebastian Law, Mr. Wang Xiaolong and Mr. Jiang Ruiming.

#### Duties

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

- (i) To be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- (ii) To review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;
- (iii) To develop and implement policy on engaging an external auditor to supply non-audit services. For which purpose, “external auditor” includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (iv) To monitor the integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;



## Corporate Governance Report (Continued)

- (v) To monitor the Company's financial reporting system and internal control system;
- (vi) To review the Company's financial controls, internal control and risk management systems;
- (vii) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (viii) To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (ix) To ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (x) To review the Company's financial and accounting policies and practices;
- (xi) To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response; to ensure that the Board provides a timely response to the issues raised in the external auditor's management letter;
- (xii) To report to the Board on the matters in the code provision of the Corporate Governance Code;
- (xiii) To review arrangements that the employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;
- (xiv) To act as the key representative body for overseeing the Company's relations with the external auditor;
- (xv) To consider other issues, as defined by the Board; and
- (xvi) To consider other issues delegated by the Board.



## Corporate Governance Report (Continued)

### Meetings

The Audit Committee held three meetings in the reporting period, and the notice of meeting shall be delivered to all its members seven days prior to the meetings.

The attendances of the members of the Audit Committee are as follows:

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

The work performed by the Audit Committee of the Company for 2014 is summarized as follows:

In 2014, the Audit Committee reviewed the annual results report of the Company for 2013 and the interim results report of the Company for 2014, as well as the auditor's report for 2013 and the interim auditor's report for 2014; reviewed the report on compliance of continuing connected transactions of the year, issued an opinion on the report on compliance of continuing connected transactions of the year; reviewed the internal audit report of the Company; reviewed the proposal for re-appointment of external auditors, and defined their remuneration and term.

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

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



## Corporate Governance Report (Continued)

### The Strategy Committee

#### Composition and Term of Office

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

#### Duties

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

- (i) To investigate the operation environment and resources of the Company, to formulate the basic direction, goals and implementation plan for the future development of the Company;
- (ii) To regularly assess the work of managing staff to ensure that their works are in line with the requirements under the mid-term and long-term development strategy of the Company;
- (iii) To analyse and prepare the research report on the capital expenditure items which may pose material impact on the development strategy of the Company, to formulate the basic implementation plan and present it to the Board for approval; and
- (iv) To consider other matters as required by the Board.





## Corporate Governance Report (Continued)

### RESPONSIBILITIES OF THE DIRECTORS AND AUDITOR FOR ACCOUNTS

The directors of the Company hereby confirm the responsibilities for preparation of the financial statements of the Company. The directors of the Company confirm that the financial statements of the Company for the year were prepared in accordance with the relevant rules and regulations as well as applicable accounting policies. The directors of the Company ensure that the financial statements of the Company will be published in course. The responsibilities of the external auditor for the shareholders are described on page 86 to 87.

### INTERNAL CONTROL

#### System Composition

The objectives of the internal control system of the Company are to insure the efficiency of the business activities, the safety of the assets, as well as the reliability of the business information and financial report. By means of risk management, the system is very complete and covers every aspect of the management and operation of the Company. The internal control system of the Company consists of the Supervisory Committee, the Board and the Audit Committee, as well as the internal audit department of the Company. In addition, the Company established especially the Risk Management Committee, which reports to the general manager's work meeting, studies and establishes the risk management system, conducts risk appraisal and puts forward the solution for risks.

#### Operations

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

The work performed by the internal audit department of the Company for 2014 is summarized as follows:

In 2014, the internal audit department conducted the proactive internal audit in the business-critical fields and high-risk areas of the Company. In the same year, the internal audit department reported its internal control work to the Audit Committee three times, and the Audit Committee reported to the Board accordingly. The Board has conducted a review of the effectiveness of the internal control of the Company and believes that, in the year ended 31 December 2014, the existing internal control system of the Company is prudent and sufficient to assure the interests of the Company and all shareholders.



## Corporate Governance Report (Continued)

### AUDITORS' REMUNERATION

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the international auditor and PRC auditor respectively for 2014. During the year ended 31 December 2014, the above auditors charged the Company RMB3,707,000 as service fees in respect of the audit and non-audit services.

During the year ended 31 December 2014, the above auditors provided two non-audit services for the Company, with total service fee of RMB417,000. Such non-audit services included the service of appraisal and consultation for research on financial strategy positioning of Beijing Capital Airport — cost control system (for which RMB187,000 of service fee was charged) and the service of consultation for liquidation of housing allowance (for which RMB230,000 of service fee was charged).

### COMPANY SECRETARY

Mr. Shu Yong served as the company secretary of the Company since 2003 and is familiar with the Company's day-to-day business operation. Mr. Shu provided advice on corporate governance issues for the Board by reporting to the Chairman of the Board or the chief executive of the Company and made arrangement for directors' induction training and professional development. Mr. Shu confirmed he received 18 hours relevant professional training during the reporting period.

### SHAREHOLDERS' RIGHTS

#### Convening an Extraordinary General Meeting

According to the Articles of Association of the Company, an extraordinary general meeting may be convened on the written request of shareholders holding 10% or more of the issued shares of the Company which carries the right of voting. Meanwhile, at an AGM, shareholders holding 5% or more of the total shares which carries the right of voting are entitled to raise new proposals in writing to the Company, and the Company shall incorporate the proposals which fall within the scope of duties of the general meeting into the agenda of the meeting.



## Corporate Governance Report (Continued)

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

Requisitionists must sign a written requisition, specifying the principal matters intended to be considered at the extraordinary general meeting and deposit it at the Company's registered office in Hong Kong;

The Company will check with our share registrar to understand the situation. If the main matters proposed by the requisitionists fall within the scope of the general meeting's terms of reference, the company secretary will request the Board to hold an extraordinary general meeting and dispatch a notice to all registered shareholders in accordance with the Listing Rules and the Articles of Association of the Company;

An extraordinary general meeting will not be held if the issues or the main matters proposed by requisitionists for consideration are deemed inappropriate after investigation, and the Company will inform relevant shareholders of the results;

If the Board fails to proceed duly to convene an extraordinary general meeting within 21 days of receiving the request, requisitionists, themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

### INQUIRIES TO THE BOARD

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

### INVESTOR RELATIONS

During the reporting period, there is no any material amendment to the Articles of Association of the Company.



## Corporate Governance Report (Continued)

### COMMUNICATION WITH SHAREHOLDERS

The Company is committed to a policy of open and regular communication with its shareholders. The Company will also make reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manners:

1. The Company delivers the interim and annual results and reports to all shareholders and publishes the announcements on the annual and interim results and other information on the Stock Exchange's website and the Company's website.
2. The general meeting of the Company is also one of the communication channels between the Board and the shareholders.
3. The Company constantly strengthens ongoing communications with its shareholders, investors and analysts through:

establishing specialized agencies and personnel for receiving investors and analysts and answering the relevant questions raised by them;

arranging on-site visits by investors and analysts to the Company to facilitate their timely understanding of the business conditions and latest development of the business of the Company;

gathering, in a timely manner, various kinds of opinions and suggestions from securities analysts and investors on the operation of the Company, compiling reports regularly, and selectively adopting them to the operation of the Company; and

providing relevant financial and operational information via the Company's website.



# Report of the Supervisory Committee

## **To all shareholders,**

During 2014, in accordance with the Company Law of the People's Republic of China, the Listing Rules and the Company's Articles of Association, the Supervisory Committee of the Company actively conducted supervision and inspection in the best interests of the shareholders and the Company and pursuant to regulatory laws and regulations as well as the requirements for corporate governance. During the year, all supervisors performed their supervisory duties conscientiously and effectively by convening and attending meetings, listening to the management's reports, attending regulation conferences and training. Acting on the principle of honesty and diligence, the Supervisory Committee successfully executed its work plan for 2014 and continuously improved the Company's governance practices.

The sixth session of the Supervisory Committee was established on 30 June 2014, upon election and confirmation by the Company's shareholders at the annual general meeting. The term of office for all the supervisors is three years, and will expire on the day when the 2016 Annual General Meeting is held.

As at 31 December 2014, the sixth session of the Supervisory Committee comprises seven members, including Mr. Liu Yanbin and Mr. Song Shengli as representatives of shareholders, Ms. Li Xiaomei, Mr. Deng Xianshan and Mr. Chang Jun as representatives of employees, and Mr. Dong Ansheng and Mr. Lau Siu Ki as external supervisors. Among them, Mr. Deng Xianshan and Mr. Chang Jun were elected as supervisors representing employees at the staff representative congress held on 6 June 2012.

During the reporting period, the Supervisory Committee held one meeting.

On 19 March 2014, the Supervisory Committee held the first meeting of this year, at which the 2013 work of the Supervisory Committee were summarized, and the Report of the Supervisory Committee of the Company for 2013 was considered and approved. The secretary to the Board was authorized to incorporate the report into the 2013 annual report for review by the Company's shareholders.



## Report of the Supervisory Committee (Continued)

During the reporting period, supervisors attended 5 on-site Board meetings and 3 meetings for the Audit Committee held by the Company, and monitored the decision making process of the Board, the completeness of the minutes of the Board meetings and implementation of the resolutions passed at the Board meetings. Supervisors also involved themselves in major operational events including general manager's work meeting, and audited the Company's financial, daily management and operational status as well as the operating results and financial condition of the Company in 2014.

Meanwhile, the Supervisory Committee carefully reviewed the Report of the Board, the financial statements and the profit distribution proposal to be submitted to the shareholders at the AGM and is of the view that the shareholders' equity continued to grow, the Company's profitability was enhanced, liability-to-asset ratio lowered, dividend distribution policy was reasonable and the overall financial position was sound in 2014.

## INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

### Legality of the Company's Operation

The Company's business operation is in compliance with the Company Law, the Law of Commercial Banks and the Articles of Association. The decision making procedure is lawful and valid. During the reporting period, the members of the Board, the general manager and other senior management observed the principle of diligence and honesty, and performed their duties in good faith and in the interests of the shareholders and the Company. The Supervisory Committee was not aware of any breach of laws, regulations and the Articles of Association or actions to the detriment of the interests of the shareholders and the Company on the part of directors, senior management in carrying out their duties.

### Truthfulness of the Company's Financial Information

The financial report for the year gives a true, objective, fair and accurate view of the Company's financial position and operating results.



## Report of the Supervisory Committee (Continued)

### Acquisition and Disposal of Assets

During the reporting period, the Supervisory Committee was not aware of any acquisition and disposal of assets to the detriment of shareholders' interests or leading to loss of the Company's assets or insider trading.

### Connected Transactions

During the reporting period, the Company entered into connected transactions by following the legal decision making procedure, in strict compliance with the principle of fairness, in accordance with the Listing Rules, with open and transparent information disclosure and without harming the interests of the Company.

In 2014, the Beijing Capital Airport, as the world's second biggest airport, saw its passenger throughput surpassing 86 million, with security, operation, services and management continuously improving. The traffic volume of the Beijing Capital Airport is expected to maintain a stable growth momentum in 2015. The Supervisory Committee is fully confident in the prospects of the Company's future development. Meanwhile, we will continue to safeguard the interests of all the shareholders and the Company, carry out our duties diligently and focus on monitoring the Company's actions for fulfilling its commitments to shareholders.

By order of the Supervisory Committee

**Liu Yanbin**

*Chairman of the Supervisory Committee*

Beijing, the PRC, 25 March 2015



# Independent Auditor's Report



羅兵咸永道

## To the shareholders of Beijing Capital International Airport Company Limited

*(Incorporated in the People's Republic of China with limited liability)*

We have audited the financial statements of Beijing Capital International Airport Company Limited (the "Company") set out on pages 88 to 180, which comprise the balance sheet as at 31 December 2014, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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





## Independent Auditor's Report (Continued)



羅兵咸永道

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

### OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2014, and of the Company's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 25 March 2015



# Balance Sheet

As at 31 December 2014

	Note	As at 31 December	
		2014 RMB'000	2013 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	27,298,979	28,492,753
Land use rights	7	667,945	684,280
Intangible assets	8	38,804	37,757
Investment in a joint venture	9	55,647	56,142
Deferred income tax assets	17	102,050	35,950
Other non-current assets	10	53,671	54,127
		<b>28,217,096</b>	29,361,009
<b>Current assets</b>			
Inventories		118,226	114,647
Trade and other receivables	10	1,391,672	1,168,628
Cash and cash equivalents	11	2,184,273	2,052,283
		<b>3,694,171</b>	3,335,558
<b>Total assets</b>		<b>31,911,267</b>	32,696,567



## Balance Sheet (Continued)

As at 31 December 2014

	Note	As at 31 December	
		2014 RMB'000	2013 RMB'000
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	12	4,330,890	4,330,890
Share premium		5,055,425	5,055,425
Capital reserve	13(a)	927,704	773,771
Other reserve	13(b)	(11,309)	10,567
Statutory and discretionary reserves	13(c)	3,427,412	3,022,484
Retained earnings		3,118,846	2,689,063
Proposed final dividend	27	353,401	329,581
<b>Total equity</b>		<b>17,202,369</b>	16,211,781
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	15	2,225,000	2,985,000
Bonds payable	16	2,994,976	4,890,150
Retirement benefit obligations	18	117,633	103,211
Deferred income	19	9,217	11,426
Loans from the Parent Company	20	2,682,237	2,824,311
		<b>8,029,063</b>	10,814,098



## Balance Sheet (Continued)

As at 31 December 2014

	Note	As at 31 December	
		2014 RMB'000	2013 RMB'000
<b>Current liabilities</b>			
Trade and other payables	14	1,926,554	2,132,635
Interest payable		221,720	225,813
Short-term borrowings	15	2,250,000	3,000,000
Current income tax liabilities		214,058	145,533
Current portion of long-term borrowings	15	10,000	10,000
Current portion of bonds payable	16	1,899,694	—
Current portion of retirement benefit obligations	18	7,310	6,752
Current portion of loans from the Parent Company	20	150,499	149,955
		<b>6,679,835</b>	5,670,688
<b>Total liabilities</b>		<b>14,708,898</b>	16,484,786
<b>Total equity and liabilities</b>		<b>31,911,267</b>	32,696,567
<b>Net current liabilities</b>		<b>(2,985,664)</b>	(2,335,130)
<b>Total assets less current liabilities</b>		<b>25,231,432</b>	27,025,879

The notes on pages 97 to 180 are an integral part of these financial statements.

The financial statements on pages 88 to 180 were approved by the Board of Directors on 25 March 2015 and were signed on its behalf.

**Liu Xuesong**  
Chairman

**Shi Boli**  
Director



# Statement of Comprehensive Income

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
<b>Revenues</b>			
Aeronautical	5	4,367,823	4,201,746
Non-aeronautical	5	3,288,134	3,023,072
		<b>7,655,957</b>	7,224,818
<b>Business tax and levies</b>			
Aeronautical		(7,646)	(7,937)
Non-aeronautical		(91,732)	(85,959)
		<b>(99,378)</b>	(93,896)
<b>Operating expenses</b>			
Depreciation and amortisation	6, 7 and 8	(1,453,972)	(1,538,232)
Repairs and maintenance		(741,153)	(652,110)
Utilities and power		(628,827)	(584,836)
Staff costs	21	(517,135)	(497,992)
Aviation safety and security guard costs		(488,926)	(456,803)
Rental expenses		(385,266)	(229,617)
Operating contracted services		(280,264)	(248,048)
Greening and environmental maintenance		(202,893)	(199,556)
Real estate and other taxes		(163,129)	(163,310)
Other costs		(309,906)	(277,166)
	22	<b>(5,171,471)</b>	(4,847,670)



## Statement of Comprehensive Income (Continued)

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Other income		8,195	776
<b>Operating profit</b>		<b>2,393,303</b>	2,284,028
Finance income	23	21,005	102,388
Finance costs	23	(560,105)	(614,267)
		(539,100)	(511,879)
<b>Share of post-tax profits of a joint venture</b>		<b>4,836</b>	3,231
<b>Profit before income tax</b>		<b>1,859,039</b>	1,775,380
Income tax expense	25(a)	(467,808)	(446,356)
<b>Profit for the year</b>		<b>1,391,231</b>	1,329,024
<b>Other comprehensive income</b>			
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		(16,545)	4,326
Share of other comprehensive income of investments in a joint venture		(5,331)	—



## Statement of Comprehensive Income (Continued)

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
<b>Other comprehensive income for the year, net of tax</b>		<b>(21,876)</b>	4,326
<b>Total comprehensive income for the year</b>		<b>1,369,355</b>	1,333,350
Earnings per share, basic and diluted (RMB)	26	<b>0.32</b>	0.31

The notes on pages 97 to 180 are an integral part of these financial statements.

### Dividends

Interim dividend declared	27	<b>203,119</b>	201,819
Final dividend proposed	27	<b>353,401</b>	329,581



# Statement of Changes In Equity

For the year ended 31 December 2014

		Share	Capital	Other	Statutory and	Retained	Total equity
	Share capital	premium	reserve	reserve	discretionary	earnings	
Note	RMB'000	RMB'000	RMB'000	RMB'000	reserves	RMB'000	RMB'000
<b>Balance at 1 January 2013</b>	4,330,890	5,055,425	621,520	6,241	2,655,065	2,554,658	15,223,799
Profit for the year	—	—	—	—	—	1,329,024	1,329,024
Other comprehensive income for the year	—	—	—	4,326	—	—	4,326
Total comprehensive income for the year	—	—	—	4,326	—	1,329,024	1,333,350
Cash contribution from the Parent Company	13(a)	—	152,251	—	—	—	152,251
2012 final dividend		—	—	—	—	(295,800)	(295,800)
2013 interim dividend	27	—	—	—	—	(201,819)	(201,819)
Transfer to statutory and discretionary reserves		—	—	—	367,419	(367,419)	—
<b>Balance at 31 December 2013</b>	<u>4,330,890</u>	<u>5,055,425</u>	<u>773,771</u>	<u>10,567</u>	<u>3,022,484</u>	<u>3,018,644</u>	<u>16,211,781</u>
Representing:							
Share capital and reserves	4,330,890	5,055,425	773,771	10,567	3,022,484	2,689,063	15,882,200
2013 proposed final dividend	27	—	—	—	—	329,581	329,581
<b>Balance at 31 December 2013</b>	<u>4,330,890</u>	<u>5,055,425</u>	<u>773,771</u>	<u>10,567</u>	<u>3,022,484</u>	<u>3,018,644</u>	<u>16,211,781</u>





## Statement of Changes In Equity (Continued)

For the year ended 31 December 2014

		Share capital	Share premium	Capital reserve	Other reserve	Statutory and discretionary reserves	Retained earnings	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2014</b>		4,330,890	5,055,425	773,771	10,567	3,022,484	3,018,644	16,211,781
Profit for the year		—	—	—	—	—	1,391,231	1,391,231
Other comprehensive income for the year		—	—	—	(21,876)	—	—	(21,876)
Total comprehensive income for the year		—	—	—	(21,876)	—	1,391,231	1,369,355
Cash contribution from the Parent Company	13(a)	—	—	153,933	—	—	—	153,933
2013 final dividend	27	—	—	—	—	—	(329,581)	(329,581)
2014 interim dividend	27	—	—	—	—	—	(203,119)	(203,119)
Transfer to statutory and discretionary reserves	13(c)	—	—	—	—	404,928	(404,928)	—
<b>Balance at 31 December 2014</b>		<b>4,330,890</b>	<b>5,055,425</b>	<b>927,704</b>	<b>(11,309)</b>	<b>3,427,412</b>	<b>3,472,247</b>	<b>17,202,369</b>
Representing:								
Share capital and reserves		4,330,890	5,055,425	927,704	(11,309)	3,427,412	3,118,846	16,848,968
2014 proposed final dividend	27	—	—	—	—	—	353,401	353,401
<b>Balance at 31 December 2014</b>		<b>4,330,890</b>	<b>5,055,425</b>	<b>927,704</b>	<b>(11,309)</b>	<b>3,427,412</b>	<b>3,472,247</b>	<b>17,202,369</b>

The notes on pages 97 to 180 are an integral part of these financial statements.

# Statement of Cash Flows

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	30	3,724,548	3,678,272
Income tax paid		(459,868)	(432,086)
Net cash generated from operating activities		3,264,680	3,246,186
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(548,338)	(480,221)
Purchase of intangible assets		(16,876)	(20,005)
Proceeds from sale of assets held for sale		—	80,400
Interest received		22,636	19,006
Net cash used in investing activities		(542,578)	(400,820)
<b>Cash flows from financing activities</b>			
Repayment of short-term borrowings		(3,250,000)	—
Repayment of long-term borrowings		(760,000)	(8,005,000)
Interest paid		(549,160)	(610,291)
Dividends paid		(532,700)	(497,619)
Repayment of loans from the Parent Company		(152,740)	(150,631)
Drawdown of short-term borrowings		2,500,000	3,000,000
Cash contribution from the Parent Company	13(a)	153,933	152,251
Drawdown of long-term borrowings		—	3,500,000
Net cash used in financing activities		(2,590,667)	(2,611,290)
<b>Net increase in cash and cash equivalents</b>			
		131,435	234,076
Cash and cash equivalents at beginning of year		2,052,283	1,818,404
Exchange gains/(losses) on cash and cash equivalents		555	(197)
<b>Cash and cash equivalents at end of year</b>	11	<b>2,184,273</b>	<b>2,052,283</b>

The notes on pages 97 to 180 are an integral part of these financial statements.



# Notes to the Financial Statements

*For the year ended 31 December 2014*

## 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, a state-owned enterprise established in the PRC (“CAHC” or the “Parent Company”) under the control of the Civil Aviation Administration of China (“CAAC”).

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

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated, and were approved for issue by the Board of Directors on 25 March 2015.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and have been prepared under the historical cost convention.

The financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.



# Notes to the Financial Statements (Continued)

*For the year ended 31 December 2014*

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As at 31 December 2014, the current liabilities of the Company exceeded the current assets by RMB2,985,664,000 (2013: RMB2,335,130,000). 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
- Unutilised long-term banking facilities of RMB13.0 billion.

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 2014 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

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

##### (1) *Amendments and interpretation to standards which are effective for the financial year beginning on 1 January 2014 and adopted by the Company*

The following amendments and interpretation to standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2014:

<b>Amendments and interpretation to standards</b>		<b>Effective for accounting periods beginning on or after</b>
Amendment to IAS 32	'Financial instruments: Presentation' on offsetting of financial asset and financial liability	1 January 2014
Amendment to IAS 36	'Impairment of assets' on the recoverable amount disclosures for the non-financial assets	1 January 2014
Amendment to IAS 39	'Financial Instruments: Recognition and Measurement' — 'Novation of derivatives and the continuation of hedging accounting'	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27	'Consolidation for investment entities'	1 January 2014
IFRIC – Int 21	'Levies'	1 January 2014

None of amendments and interpretation to standards which are effective for the financial year beginning on 1 January 2014 and adopted by the Company has significant impact to the Company's results for the year ended 31 December 2014 and the Company's financial position as at 31 December 2014.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

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

#### (2) *New standards and amendments to standards not yet effective for the financial year beginning on 1 January 2014 and have not been early adopted by the Company*

New standards and amendments to standards		Effective for accounting periods beginning on or after
Amendment to IAS 19	Defined benefit plans: employee contributions	1 July 2014
Amendment to IAS 1	For the disclosure initiative	1 January 2016
Amendment to IAS 27	Equity method in separate financial statements	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
IFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	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
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 9	Financial instruments	1 January 2018

Management is in the process of assessing the impact of these new standards and amendments to standards on the financial statements. None of new standards and amendments to standards mentioned above is expected to have a significant effect on the financial statements of the Company.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

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

##### (3) *New Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Company is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the financial statements will be affected.

#### (b) Joint arrangement

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

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



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

#### (b) Joint arrangement (Continued)

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

#### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

#### (d) Foreign currency translation

The financial statements are presented in RMB, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other costs'.





## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

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

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All the other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

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

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



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

#### (f) Land use rights

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

#### (g) Intangible assets

Acquired software and software use rights are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years to 10 years on a straight-line basis.

#### (h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value of inventories, represented by the spare parts and consumable items, is the expected amount to be realised from use.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

#### (j) Trade and other receivables

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

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

#### (k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

#### (l) Share capital

Ordinary shares are classified as equity.

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

#### (m) Trade and other payables

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

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

#### (n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

#### (o) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in joint venture, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

#### (q) Employee benefits

##### (1) Pension obligations

The Company operates various pension schemes.

All of the Company's full-time Chinese employees are covered by a state-sponsored pension plan under which the Company was required to make monthly contributions at rate of 20% of the employees' basic salaries for the year.

In addition, the Company also has a retirement benefit plan which is a defined benefit scheme for retirees and an annuity plan (the "Annuity Plan") which includes both the defined contribution schemes as well as the defined benefit schemes for all current participating employees:

- (i) The defined contribution scheme under the Annuity Plan applies to all current participating employees that the Company will make annual contributions determined by a specified level of the salary of the participating employees to a privately administered pension insurance plan.
- (ii) The defined benefit scheme under the Annuity Plan represents the additional benefits guaranteed by the Company to certain employees, who have been employed by the Company before 1 January 2011 and whose accumulated fund under the defined contribution scheme of the Annuity Plan will not be able to meet the amount guaranteed by the Company upon their retirement. The Company will provide such employees additional benefits up to the guaranteed amount of pension benefit on their retirement. The Company will make further payments to the trustee, which constitutes plan assets being held in the trust for the purpose of meeting the corresponding additional retirement benefit obligations.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Employee benefits (Continued)

#### (1) Pension obligations (continued)

##### *Defined contribution plans*

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employees service in the current and prior periods. The contributions are recognised as staff costs when they are due.

##### *Defined benefit plans*

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of services and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries, Aon Hewitt, using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of long-term government bonds that are denominated in RMB, and that have terms to maturity approximating to the terms of the related pension obligation.





## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

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

##### (1) Pension obligations (continued)

###### *Defined benefit plans (continued)*

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

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

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

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



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

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

##### (2) Other post-employment obligations

The Company provides post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by Aon Hewitt, the independent qualified actuaries.

##### (3) Housing funds and housing subsidies

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

In addition, the Company provides cash housing subsidies to its employees, which are determined based on a number of factors, including the position, length of service and ability of the employees concerned, as well as the staff quarters that the employees had already obtained from CAHC and its related entities prior to the incorporation of the Company and currently occupy. Housing subsidies are recognised in the statement of comprehensive income in the period in which they are incurred.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

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

##### (4) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

The liability for bonus entitlements is expected to be settled within 12 months and is measured at the amounts expected to be paid when it is settled.

#### (r) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

#### (s) Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Company will comply with all attached conditions.

Government subsidies relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government subsidies relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

#### (t) Revenues/Income recognition

Revenues is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sale of goods and services, stated net of value-added tax, returns, rebates and discounts. The Company recognises revenues when the amount of revenues can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- (i) The Airport fee represents Civil Aviation Development Fund (the "Airport Fee") which are recognised when the related services are rendered to the outbound passengers departing from Beijing Capital Airport. The charge rates of the Airport Fee are regulated by relevant authorities. Revenues are recognised according to the authorised charge rates attributable to the Company collected by CAAC from outbound passengers (Note 4(c)).



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

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

- (ii) Aeronautical revenues other than the Airport Fee such as passenger charges and aircraft movement fees are recognised when the related airport services are rendered.
- (iii) Concession revenues comprise sales-related revenue from retailing, restaurants, advertising, ground handling service, VIP service and other services in Beijing Capital Airport and are recognised at the same time when the services are provided by the franchisee.

Concession revenues from retailing, restaurants, advertising and VIP service are recognised based on a percentage of sales or specified minimum rent guarantees.

Concession revenues from ground handling are recognised based on mutual negotiations with the franchisee and with reference to the charge rates promulgated by CAAC.

- (iv) Rental income is recognised on a straight-line basis over the period of the lease.
- (v) Car parking fees are recognised when the parking services are rendered.
- (vi) Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

#### (u) Leases

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

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

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

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

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

#### (v) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.



## Notes to the Financial Statements (Continued)

*For the year ended 31 December 2014*

### 3 FINANCIAL RISK MANAGEMENT

#### (a) Financial risk factors

The Company conducts its operations in the PRC and accordingly is subject to certain specific risks. These include risks associated with, among others, the political, economic and legal environment, influence of national authorities over pricing regulation and competition in the industry. Also the Company's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk and liquidity risk.

The Company's overall financial risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Company's financial performance. Financial risk management is carried out by a treasury division and a revenue division under the Company's finance department, following the overall directions determined by the Board of Directors. The treasury division identifies and evaluates financial risks in close co-operation with the Company's operating units and makes decisions on portfolio of currencies and term of deposits. The revenue division monitors the Company's exposure to credit risks with respect to its customers and coordinate collection efforts. The Board of Directors provides directions on overall risk management and makes key decisions on matters which may give rise to significant financial risks.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Financial risk factors (Continued)

##### (i) Market risk

###### (1) Foreign exchange risk

The Company's businesses are principally conducted in RMB. The Company is exposed to foreign currency risk with respect to primarily United States dollar (US dollar" or "USD") and Hong Kong dollar ("HK dollar" or "HKD"). Foreign currency risk arises from transactions including revenues from non-aeronautical revenues, purchases of equipment, goods and materials, payment of consulting fee, part of the loans from the Parent Company and dividends to equity holders holding H shares.

As at 31 December 2014, all of the Company's assets and liabilities were denominated in RMB except that cash and cash equivalents of RMB92,691,000 (2013: RMB70,936,000), trade and other receivables of RMB3,485,000 (2013: RMB10,812,000), trade and other payables of RMB5,502,000 (2013: RMB5,474,000) and loans from the Parent Company of RMB2,332,736,000 (2013: RMB2,474,266,000) were denominated in US dollar.

As at 31 December 2014, if RMB had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax profit would have decreased/increased by RMB84,077,000 (2013: decreased/increased by RMB89,925,000), mainly as a result of foreign exchange losses/gains in translation of US dollar denominated cash and cash equivalents, trade and other receivables, trade and other payables and loans from the Parent Company.

The Company did not enter into any forward contract to hedge its exposure to foreign currency risk for the years ended 31 December 2014 and 2013.





## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Financial risk factors (Continued)

##### (i) Market risk (continued)

##### (2) Interest rate risk

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

Bonds payable is at fixed interest rate and exposes the Company to fair value interest rate risk. Loans from the Parent Company and long-term and short-term borrowings are at floating interest rates and expose the Company to cash flow interest rate risk. Long-term and short-term borrowings and bonds payable are denominated in RMB. Loans from the Parent Company are denominated in RMB and US dollar.

The Company analyses its interest rate exposure on a dynamic basis by simulating various options available for financing, and considers an interest rate swap arrangement to hedge its interest rate risk when appropriate.

As at 31 December 2014, if the interest rate on those long-term loans with floating interest rates had increased/decreased by 50 basis points with all other variables held constant, post-tax profit and equity would have been lower/higher by RMB19,004,000 (2013: RMB22,385,000).



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Financial risk factors (Continued)

##### (ii) Credit risk

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

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

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



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Financial risk factors (Continued)

##### (iii) Liquidity risk

The Company adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through short and long term banks loans from an adequate amount of committed credit facilities to meet its capital commitments and working capital requirements.

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

As at 31 December 2014 and 2013, the amounts disclosed below are the contractual undiscounted cash flows of the Company's financial liabilities, which are primarily trade and other payables (excluding payroll and welfare payable, housing subsidy payable to employees, advance for customers and tax payable), interest payable, long-term and short-term borrowings, bonds payable and loans from the Parent Company.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) Financial risk factors (Continued)

##### (iii) Liquidity risk (continued)

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>
<b>As at 31 December 2014</b>				
Trade and other payables	1,419,016	—	—	—
Interest payable	221,720	—	—	—
Short-term borrowings	2,296,912	—	—	—
Long-term borrowings	129,659	2,275,396	—	—
Bonds payable	1,919,643	139,500	3,139,500	—
Loans from the Parent Company	184,922	680,717	490,853	1,641,961
	<b>6,171,872</b>	<b>3,095,613</b>	<b>3,630,353</b>	<b>1,641,961</b>
<b>As at 31 December 2013</b>				
Trade and other payables	1,611,387	—	—	—
Interest payable	225,813	—	—	—
Short-term borrowings	3,063,000	—	—	—
Long-term borrowings	172,823	177,327	3,044,526	—
Bonds payable	19,643	2,124,050	3,279,000	—
Loans from the Parent Company	185,196	199,044	1,009,127	1,798,913
	<b>5,277,862</b>	<b>2,500,421</b>	<b>7,332,653</b>	<b>1,798,913</b>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

As part of the capital risk management process, the Company monitors capital on the basis of the liability-to-asset ratio. This ratio is calculated as total liabilities divided by total assets.

The liability-to-asset ratios at 31 December 2014 and 2013 were as follows:

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Total liabilities	<b>14,708,898</b>	16,484,786
Total assets	<b>31,911,267</b>	32,696,567
Liability-to-asset ratio	<b>46%</b>	50%

There is no significant change in the liability-to-asset ratio during 2014.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (c) Fair values estimation

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

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

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

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



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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



## Notes to the Financial Statements (Continued)

*For the year ended 31 December 2014*

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The carrying amounts of the Company's financial assets, including cash and cash equivalents, trade and other receivables and financial liabilities, including trade and other payables, interest payable, short-term and long-term borrowings and loans from the Parent Company approximate their fair values.

The fair value of bonds payable for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments, which is included in level 2.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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





## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

#### (a) Estimated useful lives of property, plant and equipment

The Company's major operating assets represent buildings and improvements, runways and plant, furniture, fixtures and equipment. Management determines the estimated useful lives of its property, plant and equipment based on management's experience in operating airport and the conditions of the property, plant and equipment.

With all other variables held constant, if the useful lives differ by 10% from management estimates, the depreciation expense would be lower/higher by RMB187,298,000/RMB277,250,000 for the year ended 31 December 2014.

#### (b) The cost of the Phase III Assets

The Company acquired from CAHC the airfield assets (including runway base courses, runway wearing courses, taxiways, road non-asphalt layers, road asphalt layers, aprons and tunnels, lighting and other airfield facilities), Terminal Three of the Beijing Capital Airport ("T3"), T3 related assets, roads within the airport area, the driverless electric train system, commercial areas and other relevant equipment, machinery and facilities and the land use rights of the land on which T3 and other related constructions are situated (collectively the "Phase III Assets").

Pursuant to the relevant assets transfer agreements, the Company acquired from the Parent Company the Phase III Assets on 1 October 2008. The date was different from the previously acknowledged acquisition date of 26 March 2008 by the Ministry of Finance ("MOF"). During the period from 26 March 2008 to 30 September 2008, the Phase III Assets were used by the Company under operating leases arrangements. As of the date of approval of the financial statements, a submission through CAAC has been made to the MOF for endorsement of the acquisition date of 1 October 2008. The Board of Directors is of the view that such submission will be endorsed.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

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

The cost of the Phase III Assets is determined based on the valuation performed by independent valuer and is subject to final adjustment when the final account of construction by the surveyors in respect of the Phase III Assets is available. Due to the size of the Phase III Assets, the final account of construction by the surveyors in respect of the Phase III Assets had not completed as at 31 December 2014. The total cost is therefore subject to future adjustment according to the final account of construction by the surveyors. Management does not expect the final account of construction by the surveyors to have an adjustment of more than 10% of the cost of the Phase III Assets. Any adjustment will be accounted for prospectively as a change in accounting estimate.

#### (c) The charge rates attributable to the Company on the Airport Fee collected

Pursuant to the “Notice regarding the Issuance of Levy and Utilisation Methods of Civil Aviation Development Fund” issued by Ministry of Finance of the People’s Republic of China on 17 March 2012, with effect from 1 April 2012 to 31 December 2015, the civil airport management and construction fee 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.

The charge rates of the Airport Fee (Note 2(t)) 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.



## Notes to the Financial Statements (Continued)

*For the year ended 31 December 2014*

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

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

During the year, the Company did not receive any notice from relevant authorities for the updated charge rates attributable to the Company on the Airport Fee collected by 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 2014 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 2014, the Company has received from CAAC the Airport Fee for the year ended 31 December 2014 in full at the rate of 48% of total amount collected by CAAC from outbound passengers departing from Beijing Capital Airport.

#### (d) Impairment of trade and other receivables

The risk of impairment of trade and other receivables is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. Should the outcome differ from the assumptions and estimates, revisions to the estimated impairment of trade and other receivables would be required.



## Notes to the Financial Statements (Continued)

*For the year ended 31 December 2014*

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

#### (e) Employee benefits

The Company's accounting policy is to recognise any actuarial gains or losses to equity in other comprehensive income in the period in which they arise.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net loss/gain for pensions include the selection of discount rate, pension cost inflation rate, salary inflation rate, employees' withdrawal rate and mortality rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The discount rate is calculated based on long-term government bonds. The pension cost inflation rate and salary inflation rate are based on the general local economic conditions. The employees' withdrawal rate is based on historical trends of the Company. Mortality rates for male and female are made reference to the China Life Incurrence Mortality Table (2000-2003) published by the China Insurance Regulatory commission.

Additional information is disclosed in Note 18.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 5 REVENUES AND SEGMENT INFORMATION

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

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

<b>Analysis of revenues by category</b>	<b>2014</b>	2013
	<b>RMB'000</b>	<i>RMB'000</i>
Aeronautical:		
Passenger charges	<b>1,701,331</b>	1,641,613
Aircraft movement fees and related charges	<b>1,575,036</b>	1,494,701
Airport Fee ( <i>Note 4(c)</i> )	<b>1,091,456</b>	1,065,432
	<b>4,367,823</b>	4,201,746
Non-aeronautical:		
Concessions ( <i>note a</i> )	<b>2,153,198</b>	2,023,522
Rentals	<b>944,390</b>	815,427
Car parking fee	<b>182,580</b>	170,228
Others	<b>7,966</b>	13,895
	<b>3,288,134</b>	3,023,072
Total revenues	<b>7,655,957</b>	7,224,818



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Retailing	943,311	880,489
Advertising	817,222	772,119
Restaurants and food shops	125,431	122,747
Ground handling	111,523	110,001
VIP service	71,306	70,775
Other	84,405	67,391
	<b>2,153,198</b>	<b>2,023,522</b>

As the Company is domiciled in the PRC from where all of its revenues from external customers for the years ended 31 December 2014 and 2013 are derived and in where all of its assets are located, no geographical segment information is shown.

For the year ended 31 December 2014, approximately 20%, 12% and 11% (2013: 20%, 12% and 11%) of the total revenues of the Company are derived from three single external customers (including their subsidiaries).



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 6 PROPERTY, PLANT AND EQUIPMENT

	2014					
	Buildings and improvements RMB'000	Runways RMB'000	Plant, furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Assets under construction RMB'000	Total RMB'000
<b>Cost</b>						
At beginning of year	21,283,300	10,092,306	7,919,792	674,889	515,287	40,485,574
Additions	480	—	41,788	16,099	344,013	402,380
Transfers	28,144	—	89,558	—	(117,702)	—
Disposals and other decreases	(14,577)	—	(104,519)	(5,240)	—	(124,336)
Reclassification	123,905	(271,476)	147,571	—	—	—
Adjustment according to finalization of construction account by the surveyors	(126,555)	31,930	(71,683)	—	—	(166,308)
At end of year	21,294,697	9,852,760	8,022,507	685,748	741,598	40,597,310
<b>Accumulated depreciation and impairment</b>						
At beginning of year	4,602,854	2,105,126	4,955,976	319,929	8,936	11,992,821
Charge for the year	547,997	223,260	608,262	44,558	—	1,424,077
Disposals and other decreases	(14,485)	—	(99,163)	(4,919)	—	(118,567)
Reclassification	(54,083)	28,708	25,375	—	—	—
At end of year	5,082,283	2,357,094	5,490,450	359,568	8,936	13,298,331
<b>Net book amount</b>						
At end of year	16,212,414	7,495,666	2,532,057	326,180	732,662	27,298,979



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2013					
	Buildings and improvements	Runways	Plant, furniture, fixtures and equipment	Motor vehicles	Assets under construction	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost</b>						
At beginning of year	21,237,015	10,018,930	7,913,612	641,238	294,465	40,105,260
Additions	4,992	—	32,212	1,595	480,695	519,494
Transfers	44,429	92,825	86,287	36,332	(259,873)	—
Disposals and other decreases	(3,136)	(19,449)	(112,319)	(4,276)	—	(139,180)
At end of year	21,283,300	10,092,306	7,919,792	674,889	515,287	40,485,574
<b>Accumulated depreciation and impairment</b>						
At beginning of year	4,040,394	1,878,766	4,406,800	280,078	8,936	10,614,974
Charge for the year	565,073	226,360	656,485	43,998	—	1,491,916
Disposals and other decreases	(2,613)	—	(107,309)	(4,147)	—	(114,069)
At end of year	4,602,854	2,105,126	4,955,976	319,929	8,936	11,992,821
<b>Net book amount</b>						
At end of year	16,680,446	7,987,180	2,963,816	354,960	506,351	28,492,753





## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leased assets, where the Company is a lessor, comprise buildings under operating leases with cost and accumulated depreciation as follows:

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Cost	<b>1,049,913</b>	1,089,516
Accumulated depreciation	<b>(387,081)</b>	(407,385)
Net book amount	<b>662,832</b>	682,131

As at 31 December 2014, buildings with net book value of RMB140,549,000 (2013: RMB270,763,000) are situated on parcels of allocated land owned by the Parent Company. These parcels of land are occupied by the Company at nil consideration. As at 31 December 2014, buildings and terminal with a net book value of RMB8,694,649,000 (2013: RMB8,937,142,000) are situated on parcels of land which had been acquired from the Parent Company as part of the acquisition of the Phase III Assets (Note 7). As at the date of approval of the financial statements, the Company is in the process of applying for the building ownership certificates of these buildings.

As at 31 December 2014, taxiways and structures with net book value of RMB1,244,005,000 (2013: RMB1,075,228,000) are situated on parcels of allocated land owned by the Parent Company and another party. These parcels of land are occupied by the Company at nil consideration.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 7 LAND USE RIGHTS

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Outside Hong Kong, held on:		
Leases of between 10 to 50 years		
<b>Cost</b>		
At beginning of year	816,488	814,984
Additions	—	1,504
At end of year	816,488	816,488
<b>Accumulated amortisation</b>		
At beginning of year	(132,208)	(115,892)
Amortisation	(16,335)	(16,316)
At end of year	(148,543)	(132,208)
<b>Net book amount</b>		
At end of year	667,945	684,280

As at 31 December 2014, the land use rights for parcels of land with net book value of RMB481,489,000 (2013: RMB492,494,000) were acquired from the Parent Company as part of the acquisition of the Phase III Assets. As at the date of approval of the financial statements, the Parent Company is in the process of applying and obtaining the land use rights certificates from the Beijing Municipal Bureau of Land and Resource.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 8 INTANGIBLE ASSETS

Intangible assets comprised software and software use rights which are amortised on a straight-line basis between 5 years to 10 years respectively, and their net book values are analysed as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>Cost</b>		
At beginning of year	224,811	197,559
Additions	14,607	27,252
At end of year	239,418	224,811
<b>Accumulated amortisation</b>		
At beginning of year	(187,054)	(157,054)
Amortisation	(13,560)	(30,000)
At end of year	(200,614)	(187,054)
<b>Net book amount</b>		
At end of year	<u>38,804</u>	<u>37,757</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 9 INVESTMENT IN A JOINT VENTURE

	2014 RMB'000	2013 RMB'000
At beginning of year	56,142	52,911
Share of profit	4,836	3,231
Other comprehensive loss	(5,331)	—
At end of year	<u>55,647</u>	<u>56,142</u>

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

	Place of incorporation	Percentage of equity interest directly held	2014	2013
Beijing Bowei Airport Support Limited ("Boweï")	Beijing, the PRC	60%	60%	60%

Pursuant to Bowei's Articles of Association, the strategic operating, investing and financing activities of Bowei are jointly controlled by the Company and the other joint venture partner. Accordingly, the Company accounts for Bowei as a joint venture using the equity method.

As at 31 December 2014, the total assets and total liabilities of Bowei, as well as its revenue and net profit for the year then ended are as follows:

	2014 RMB'000	2013 RMB'000
Total assets	235,921	216,554
Total liabilities	218,940	196,712
Revenue	374,442	331,168
Net profit	8,060	5,385



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 10 TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Trade receivables		
— CAHC's subsidiaries (Note 31(a))	205,629	140,563
— a joint venture (Note 31(a))	139	255
— third parties	1,174,629	1,053,546
	<b>1,380,397</b>	1,194,364
Less: Provision for impairment	<b>(79,891)</b>	(65,326)
	<b>1,300,506</b>	1,129,038
Bill receivable		
— third parties	32,035	19,489
Dividends receivable		
— a joint venture (Note 31(a))	3,230	3,230
Prepayments and other receivables		
— CAHC and its subsidiaries (Note 31(a))	90,483	49,810
— third parties	19,089	21,188
	<b>109,572</b>	70,998
Total trade and other receivables	<b>1,445,343</b>	1,222,755
Less: non-current portion	<b>(53,671)</b>	(54,127)
Current portion	<b>1,391,672</b>	1,168,628

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



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Currency	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
RMB	1,441,858	1,211,943
US dollar	3,485	10,812
	1,445,343	1,222,755

The ageing analysis of the trade receivables is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Less than 3 months	957,625	740,327
4-6 months	46,890	75,278
7-12 months	79,254	86,495
1-2 years	138,616	142,091
2-3 years	101,720	86,430
Over 3 years	56,292	63,743
	1,380,397	1,194,364

The credit terms given to trade customers are determined on an individual basis with normal credit period mainly between 1 to 3 months.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2014, trade receivables of RMB446,436,000 (2013: RMB438,526,000) were past due but were considered not impaired by management. These receivables relate to a number of customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Past due up to 3 months	<b>144,745</b>	146,776
Past due 4–6 months	<b>46,420</b>	68,863
Past due 7–12 months	<b>75,352</b>	108,094
Past due over 1 year	<b>179,919</b>	114,793
	<b>446,436</b>	438,526

As at 31 December 2014, trade receivables of RMB79,891,000 (2013: RMB65,326,000) had indication of impairment. The amounts mainly related to non-aeronautical customers which were either in an unexpected difficult economic situation or in negotiation of the settlement amounts. It was assessed that after mutual negotiations, specific provision of RMB79,891,000 (2013: RMB65,326,000) was made. The ageing of these receivables is as follows:

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Not past due	<b>29</b>	—
Past due up to 3 months	<b>144</b>	72
Past due 4–6 months	<b>49</b>	28
Past due 7–12 months	<b>252</b>	1,694
Past due over 1 year	<b>79,417</b>	63,532
	<b>79,891</b>	65,326



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	<b>2014</b> <b>RMB'000</b>	2013 <i>RMB'000</i>
At beginning of year	<b>65,326</b>	30,627
Provision for impairment of receivables	<b>25,860</b>	34,699
Receivables written off during the year as uncollectible	<b>(11,295)</b>	—
At end of year	<b>79,891</b>	65,326

Prepayment and other receivables do not contain impaired assets.

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

### 11 CASH AND CASH EQUIVALENTS

	<b>2014</b> <b>RMB'000</b>	2013 <i>RMB'000</i>
Deposits placed with a subsidiary of CAHC <i>(Note 31(a) and note (a))</i>	<b>277,696</b>	262,853
Bank deposits	<b>1,906,577</b>	1,789,430
	<b>2,184,273</b>	2,052,283

- (a) Deposits placed with a subsidiary of CAHC, which is a financial institution, bear interest at prevailing market rates.
- (b) The interest rates on time deposits placed with a subsidiary of CAHC and banks as at 31 December 2014 were in the range of 1.35% to 2.86% (2013: 1.35% to 2.86%) per annum and such deposits had maturities of less than three months. The deposits earn interests at floating rates based on prevailing market rates.





## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 12 SHARE CAPITAL

	<b>Number of ordinary shares</b> <i>(thousands)</i>	<b>H-Shares of RMB1.00 each</b> <i>RMB'000</i>	<b>Domestic Shares of RMB1.00 each</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
Registered, issued and fully paid				
As at 31 December 2014 and 2013	<u>4,330,890</u>	<u>1,879,364</u>	<u>2,451,526</u>	<u>4,330,890</u>

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

### 13 RESERVES

#### (a) Capital reserve

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

#### (b) Other reserve

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



## Notes to the Financial Statements (Continued)

*For the year ended 31 December 2014*

### 13 RESERVES (CONTINUED)

#### (c) Statutory and discretionary reserves

In accordance with the relevant laws and regulations of the PRC and the Articles of Association of the Company, when distributing the net profit of each year, the Company shall set aside 10% of its profit after taxation (based on the Company's PRC 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. The appropriation to the statutory surplus reserve fund of RMB139,123,000 for the year ended 31 December 2014 (2013: RMB132,902,000) was recorded in the financial statements for the year ended 31 December 2014.

The proposed profit appropriation of RMB278,246,000 to the discretionary surplus reserve fund for the year ended 31 December 2014 has been approved by the Board of Directors on 25 March 2015, which will be recorded in the financial statements for the year ending 31 December 2015. The proposed profit appropriation of RMB265,805,000 to the discretionary surplus reserve fund for the year ended 31 December 2013 has been approved by the Board of Directors on 19 March 2014, which was recorded in the financial statements for the year ended 31 December 2014.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 14 TRADE AND OTHER PAYABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Payables to CAHC ( <i>Note 31(a)</i> )	163,868	68,154
Payables to CAHC's subsidiaries ( <i>Note 31(a)</i> )	404,668	522,985
Payables to a joint venture of the Company ( <i>Note 31(a)</i> )	141,537	146,997
Payables to third parties		
— Construction payable	158,307	428,361
— Deed taxes in respect of the acquisition of the Phase III Assets	312,578	312,578
— Repairs and maintenance charges payable	244,211	189,653
— Payroll and welfare payable	107,372	145,394
— Deposits received	74,785	63,424
— Accounts payable for purchases	38,725	20,979
— Other taxes payable	27,848	5,329
— Greening and environmental maintenance charges payable	21,880	29,393
— Sub-contracting charges payable	18,021	18,303
— Housing subsidy payable to employees	3,614	10,789
— Other payables	209,140	170,296
	<b>1,926,554</b>	<b>2,132,635</b>

(a) The ageing analysis of trade and other payables is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Less than 3 months	1,075,128	1,058,336
4–6 months	119,204	112,576
7–12 months	101,995	99,701
Over 12 months	630,227	862,022
	<b>1,926,554</b>	<b>2,132,635</b>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 15 BORROWINGS

	2014 RMB'000	2013 RMB'000
Short-term (note a)	2,250,000	3,000,000
Long-term		
— non-current portion (note b)	2,225,000	2,985,000
— current portion (note b)	10,000	10,000
	<b>4,485,000</b>	5,995,000

Movements in borrowings are analysed as follows:

	2014 RMB'000	2013 RMB'000
Opening amount as at 1 January	5,995,000	7,500,000
Proceeds of new borrowings	2,500,000	6,500,000
Repayments of borrowings	(4,010,000)	(8,005,000)
Closing amount as at 31 December	<b>4,485,000</b>	5,995,000

- (a) As at 31 December 2014, this loan is denominated in RMB and unsecured. The interest rate has been made by reference to published loan interest rate issued by the People's Bank of China. The principal amount is repayable in May 2015.
- (b) This loan is denominated in RMB and unsecured. The interest rate has been made by reference to published loan interest rate issued by the People's Bank of China. According to the repayment schedule of the principal amount, RMB5,000,000 is required to be paid semi-annually commencing on 20 November 2013 through 20 November 2015 and the remaining balance is required to be paid in 2016. During the year ended 31 December 2014, an additional principal amount of RMB750,000,000 was paid in advance. The fair value of the long-term borrowings as at 31 December 2014 approximates to its carrying amount.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 16 BONDS PAYABLE

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Principal amount	<b>4,900,000</b>	4,900,000
Bonds issuance cost	<b>(25,650)</b>	(25,650)
Proceeds received	<b>4,874,350</b>	4,874,350
Accumulated amortisation amounts of bonds issuance cost	<b>20,320</b>	15,800
Less: current portion	<b>4,894,670</b> <b>(1,899,694)</b>	4,890,150 —
Non-current portion	<b>2,994,976</b>	4,890,150

On 5 February 2010, the Company issued bonds with an aggregate principal amount of RMB1,900,000,000 and RMB3,000,000,000 with maturity periods of 5 and 7 years, respectively.

The bonds are unsecured, guaranteed by the Parent Company and interest-bearing at 4.45% and 4.65% per annum. The interest is payable annually and the principal amounts are repayable in 2015 and 2017, respectively.

The bonds with the principal amount of RMB1,900,000,000 will be repayable in February 2015, thus the book value of RMB1,899,694,000 as at 31 December 2014 is reclassified as current liabilities.

The fair value of the bonds payable at 31 December 2014 is RM4,819,059,000 which is based on discounted cash flows with the applicable discount rate of 5.6% and 6.0% representing the prevailing market rate of interest available to the Company for financial instruments with substantially the same terms and characteristics as at the balance sheet date. The fair value is within level 2 of the fair value hierarchy.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 17 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2013: 25%).

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

	2014 RMB'000	2013 RMB'000
At beginning of year	35,950	(15,268)
Credited to income tax expenses	60,585	52,660
Credited/(Charged) to other comprehensive income	5,515	(1,442)
At end of year	<u>102,050</u>	<u>35,950</u>

The movements in deferred income tax assets and liabilities during the year are as follows:

Deferred income tax assets	Retirement benefit obligations RMB'000	Accelerated accounting depreciation RMB'000	Provision RMB'000	Accruals and others RMB'000	Total RMB'000
As at 1 January 2013	44,107	32,555	12,940	18,577	108,179
Credited/(charged) to income tax expense	1,946	(1,588)	6,793	1,110	8,261
Charged to other comprehensive income	(1,442)	—	—	—	(1,442)
As at 31 December 2013	<u>44,611</u>	<u>30,967</u>	<u>19,733</u>	<u>19,687</u>	<u>114,998</u>
As at 1 January 2014	44,611	30,967	19,733	19,687	114,998
Credited/(charged) to income tax expense	(154)	(1,222)	3,641	(12,184)	(9,919)
Credited to other comprehensive income	5,515	—	—	—	5,515
As at 31 December 2014	<u>49,972</u>	<u>29,745</u>	<u>23,374</u>	<u>7,503</u>	<u>110,594</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 17 DEFERRED INCOME TAXES (CONTINUED)

<b>Deferred income tax liabilities</b>	<b>Accelerated tax depreciation</b> <i>RMB'000</i>	<b>Other temporary differences</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
As at 1 January 2013	114,394	9,053	123,447
Credited to income tax expense	(44,075)	(324)	(44,399)
As at 31 December 2013	70,319	8,729	79,048
As at 1 January 2014	<b>70,319</b>	<b>8,729</b>	<b>79,048</b>
Credited to income tax expense	<b>(67,549)</b>	<b>(2,955)</b>	<b>(70,504)</b>
As at 31 December 2014	<b>2,770</b>	<b>5,774</b>	<b>8,544</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	<b>2014</b> <i>RMB'000</i>	2013 <i>RMB'000</i>
Deferred income tax assets	<b>110,594</b>	114,998
Deferred income tax liabilities	<b>(8,544)</b>	(79,048)
	<b>102,050</b>	35,950



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 17 DEFERRED INCOME TAXES (CONTINUED)

The amounts shown in the balance sheet include the following:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Deferred income tax assets to be recovered after more than 12 months	<u>103,374</u>	<u>96,285</u>
Deferred income tax liability to be settled after more than 12 months	<u>8,301</u>	<u>78,724</u>

### 18 RETIREMENT BENEFIT OBLIGATIONS

As at 31 December 2014, the retirement benefit obligations recognised in the balance sheet are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Pension subsidies ( <i>note a</i> )	92,023	84,845
Post-retirement medical benefits ( <i>note b</i> )	32,920	25,118
	<u>124,943</u>	<u>109,963</u>
Less: Amounts due within one year included in current liabilities	<u>(7,310)</u>	<u>(6,752)</u>
	<u>117,633</u>	<u>103,211</u>





## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2014 RMB'000	2013 RMB'000
Pension subsidies ( <i>note a</i> )	6,947	6,662
Post-retirement medical benefits ( <i>note b</i> )	2,265	2,329
Total, charged to staff costs ( <i>Note 21</i> )	<u>9,212</u>	<u>8,991</u>
Pension subsidies ( <i>note a</i> )	16,188	(3,690)
Post-retirement medical benefits ( <i>note b</i> )	5,872	(2,078)
Total, charged to other comprehensive income	<u>22,060</u>	<u>(5,768)</u>

#### (a) Pension subsidies

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

	2014 RMB'000	2013 RMB'000
Present value of the Annuity Plan	88,422	71,473
Present value of unfunded obligations	87,126	78,572
Present value of plan assets	(83,525)	(65,200)
Liability in the balance sheet	<u>92,023</u>	<u>84,845</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

#### (a) Pension subsidies (continued)

Movements in the liability recognised in the balance sheet are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
At beginning of year	84,845	89,818
Total cost	6,947	6,662
Other comprehensive income — actuarial gain and loss	16,188	(3,690)
Contribution to fund the plan assets	(10,746)	(2,767)
Payment made in the year	(5,211)	(5,178)
At end of year	<u>92,023</u>	<u>84,845</u>

The amounts recognised in the staff cost are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Service cost	3,084	3,060
Net interest cost	3,863	3,602
	<u>6,947</u>	<u>6,662</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

#### (a) Pension subsidies (continued)

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

	2014	2013
Discount rate	4.00%	5.00%
Pension cost inflation rate for the participating employees under the Annuity Plan	3.00%	3.00%
Salary inflation rate for the participating employees under the Annuity Plan	5.00%	5.00%
Employee withdrawal rate	2.85%	2.85%
Mortality rate	note	note

Note: Mortality rates for male and female were made reference to the China Life Incurrence Mortality Table (2000-2003) published by the China Insurance Regulatory commission in 2005.

Plan assets are comprised as follows:

	2014 RMB'000	2013 RMB'000
Cash and cash equivalents	31,129	32,713
Corporate bonds	29,690	26,806
Others	22,706	5,681
Total	<u>83,525</u>	<u>65,200</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

#### (b) Post-retirement medical benefits

Movements in the liability recognised in the balance sheets are as follows:

	2014 RMB'000	2013 RMB'000
At beginning of year	25,118	25,179
Total cost	2,265	2,329
Other comprehensive income — actuarial gain and loss	5,872	(2,078)
Payment made in the year	(335)	(312)
At end of year	<u>32,920</u>	<u>25,118</u>

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

	2014 RMB'000	2013 RMB'000
Service cost	1,045	1,272
Net Interest cost	1,220	1,057
	<u>2,265</u>	<u>2,329</u>

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

	2014	2013
Discount rate	4.00%	5.00%
Inflation rate of average medical benefit	7.00%	7.00%
Employee withdrawal rate	2.85%	2.85%
Mortality rate	note	note

Note: Mortality rates for male and female were made reference to the China Life Incurrence Mortality Table (2000-2003) published by the China Insurance Regulatory commission in 2005.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 24%	Increase by 31%

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

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

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

Changes in bond yields     A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk                 The retirement benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

- (e) **Expected contributions to the Pension subsidies for the year ending 31 December 2015 are RMB8,989,000.**
- (f) **The weighted average duration of the retirement benefit obligations is 17 years.**
- (g) **Expected maturity analysis of undiscounted pension subsidies and Post-retirement medical benefits:**

<b>At 31 December 2014</b>	<b>Less than a year</b>	<b>Between 1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pension subsidies	6,948	24,124	144,476	175,548
Post-retirement medical benefits	362	1,228	31,330	32,920
Total	<u>7,310</u>	<u>25,352</u>	<u>175,806</u>	<u>208,468</u>

### 19 DEFERRED INCOME

The Company received subsidies from government in respect of certain construction projects. Such subsidies are deferred and recognised in the statement of comprehensive income over the estimated useful lives of the related fixed assets.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 20 LOANS FROM THE PARENT COMPANY

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

	Loans previously obtained by the Parent Company from		Total
	European Investment Bank <i>(note a)</i> RMB'000	Domestic financial institutions <i>(note b)</i> RMB'000	
<b>As at 31 December 2014</b>			
Loans from the Parent Company	2,332,736	500,000	2,832,736
Less: current portion	(150,499)	—	(150,499)
	<u>2,182,237</u>	<u>500,000</u>	<u>2,682,237</u>
<b>As at 31 December 2013</b>			
Loans from the Parent Company	2,474,266	500,000	2,974,266
Less: current portion	(149,955)	—	(149,955)
	<u>2,324,311</u>	<u>500,000</u>	<u>2,824,311</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

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

	2014 RMB'000	2013 RMB'000
Opening amount as at 1 January	2,974,266	3,205,398
Repayments of borrowings	(152,740)	(150,631)
Currency translation differences	11,210	(80,501)
Closing amount as at 31 December	<b>2,832,736</b>	2,974,266

- (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.
- (b) This loan is denominated in RMB and unsecured. The interest rate is referenced to published inter-bank repo rates issued by China Foreign Exchange Trading Center & National Interbank Funding Center and repriced every half year. The interest is payable semi-annually. The principal amount will be repayable in full in 2016.

### 21 STAFF COSTS

	2014 RMB'000	2013 RMB'000
Salaries and welfare	358,799	348,384
Pension costs — defined contribution scheme under statutory pension plan (note a)	41,627	35,447
Housing fund	26,521	24,452
Pension costs — defined contribution scheme under the Annuity Plan	21,960	23,513
Pension costs — defined benefit scheme under the Annuity Plan and others (Note 18)	9,212	8,991
Housing subsidies	3,090	2,562
Other allowances and benefits	55,926	54,643
	<b>517,135</b>	497,992





## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 21 STAFF COSTS (CONTINUED)

- (a) All of the Company's full-time Chinese employees are covered by a state-sponsored pension plan and are entitled to a monthly pension at their retirement dates. The PRC government is responsible for the pension liability to these retired employees. The Company is required to make monthly contributions to the state-sponsored retirement plan at a rate of 20% (2013: 20%) of the employees' basic salaries subject to a cap determined by the state on an annual basis.
- (b) Staff costs include emoluments payable to the Company's directors, supervisors and senior management as set out in Note 24.

### 22 EXPENSES BY NATURE

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

	2014 RMB'000	2013 RMB'000
Depreciation on property, plant and equipment (Note 6)		
— owned assets	1,400,026	1,467,296
— owned assets leased out under operating leases	24,051	24,620
Amortisation of land use rights (Note 7)	16,335	16,316
Amortisation of intangible assets (Note 8)	13,560	30,000
Operating lease rentals		
— Building D of Terminal Three ("T3D")	263,419	113,285
— Office building	47,755	47,755
— Land use rights	39,826	36,186
— Information technology center	16,811	16,321
— Other rentals	17,455	16,070
Loss on disposal of property, plant and equipment	5,769	5,662
Provision for impairment of trade receivables (Note 10)	25,860	34,699
Auditor's remuneration	3,707	3,290
— Audit services	3,290	3,290
— Non-audit services	417	—



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 23 FINANCE INCOME/(COSTS)

	2014 RMB'000	2013 RMB'000
Finance income		
Exchange gain, net	—	80,407
Interest income on bank deposits	21,005	21,981
	<b>21,005</b>	102,388
Finance costs		
Interest for borrowings wholly repayable within 5 years	(274,684)	(340,402)
Interest for bonds payable wholly repayable within 5 years	(228,570)	(228,368)
Interest for loans from the Parent Company		
— Wholly repayable within 5 years	(28,254)	(25,234)
— Not wholly repayable within 5 years	(15,713)	(17,956)
Exchange loss, net	(10,611)	—
Bank charges	(2,273)	(2,307)
	<b>(560,105)</b>	(614,267)
Net finance costs	<b>(539,100)</b>	(511,879)

### 24 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### (a) Directors' and Supervisors' and Chief Executive's emoluments

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

	2014 RMB'000	2013 RMB'000
Fees	800	800
Salaries, housing and other allowances, and benefits in kind	2,416	2,300
Discretionary bonuses	—	570
Contributions to the retirement scheme	254	260
	<b>3,470</b>	3,930



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 24 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### (a) Directors' and Supervisors' and Chief Executive's emoluments (Continued)

The emoluments of each director and supervisor and chief executive for the year ended 31 December 2014 are set out below:

Name of director	Fees	Salaries, housing and other allowances, and benefits in kind	Contributions to the retirement scheme	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liu Xuesong (note ii)	—	—	—	—	—
Shi Boli (note ii and vi)	—	270	—	—	270
Gao Lijia (note ii)	—	556	85	—	641
Yao Yabo (note i)	—	—	—	—	—
Zhang Musheng (note i)	—	—	—	—	—
Ma Zheng (note i and iii)	—	—	—	—	—
Cheng Chi Ming, Brian (note iii and vii)	—	—	—	—	—
Dong Zhiyi (note i and ii)	—	—	—	—	—
Zhang Guanghui (note ii)	—	86	26	—	112
Gao Shiqing (note i and ii)	—	—	—	—	—
Chen Guoxing (note i and ii)	—	—	—	—	—
Lau Eng Boon (note iii and vii)	—	—	—	—	—
Liu Guibin	150	—	—	—	150
Jiang Ruiming	150	—	—	—	150
Japhet Sebastian Law	150	—	—	—	150
Wang Xiaolong	150	—	—	—	150

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 24 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### (a) Directors' and Supervisors' and Chief Executive's emoluments (Continued)

The emoluments of each director and supervisor and chief executive for the year ended 31 December 2014 are set out below: (Continued)

Name of supervisor	Fees	Salaries, housing and other allowances, and benefits in kind	Contributions to the retirement scheme	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liu Yanbin (note i)	—	—	—	—	—
Song Shengli (note i and iv)	—	270	—	—	270
Dong Ansheng	100	—	—	—	100
Lau Siu Ki (note iv)	100	—	—	—	100
Li Xiaomei	—	192	34	—	226
Deng Xianshan	—	490	66	—	556
Chang Jun (note viii)	—	552	43	—	595
Zhao Jinglu (note i and v)	—	—	—	—	—
Cui Youjun (note i and v)	—	—	—	—	—
Kwong Che Keung (note iv)	—	—	—	—	—
	<b>800</b>	<b>2,416</b>	<b>254</b>	<b>—</b>	<b>3,470</b>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 24 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### (a) Directors' and Supervisors' and Chief Executive's emoluments (Continued)

The emoluments of each director and supervisor and chief executive for the year ended 31 December 2013 are set out below:

Name of director	Fees	Salaries, housing and other allowances, and benefits in kind	Contributions to the retirement scheme	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dong Zhiyi (note i and ii)	—	—	—	150	150
Zhang Guanghui (note ii)	—	682	87	150	919
Gao Shiqing (note i and ii)	—	—	—	—	—
Chen Guoxing (note i and ii)	—	—	—	—	—
Yao Yabo (note i)	—	—	—	—	—
Zhang Musheng (note i)	—	—	—	—	—
Yam Kum Weng (note vii)	—	—	—	—	—
Lau Eng Boon (note iii and vii)	—	—	—	—	—
Liu Guibin	150	—	—	—	150
Jiang Ruiming	150	—	—	—	150
Japhet Sebastian Law	150	—	—	—	150
Wang Xiaolong	150	—	—	—	150



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 24 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### (a) Directors' and Supervisors' and Chief Executive's emoluments (Continued)

The emoluments of each director and supervisor and chief executive for the year ended 31 December 2013 are set out below: (Continued)

Name of supervisor	Fees <i>RMB'000</i>	Salaries, housing and other allowances, and benefits in kind <i>RMB'000</i>	Contributions to the retirement scheme <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Total <i>RMB'000</i>
Zhao Jinglu ( <i>note i and v</i> )	—	—	—	—	—
Liu Yanbin ( <i>note i</i> )	—	—	—	—	—
Cui Youjun ( <i>note i and v</i> )	—	—	—	—	—
Li Xiaomei	—	684	88	150	922
Deng Xianshan	—	565	48	120	733
Chang Jun	—	369	37	—	406
Kwong Che Keung ( <i>note iv</i> )	100	—	—	—	100
Dong Ansheng	100	—	—	—	100
	<u>800</u>	<u>2,300</u>	<u>260</u>	<u>570</u>	<u>3,930</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 24 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### (a) Directors' and Supervisors' and Chief Executive's emoluments (Continued)

Note:

- (i) Except for the discretionary bonuses paid to Mr. Dong Zhiyi, the emoluments of these directors and supervisors which were not included in directors' and supervisors' emoluments, were paid by the Parent Company.
- (ii) Mr. Liu Xuesong, Mr. Shi Boli and Ms. Gao Lijia were appointed as executive directors on 30 June 2014. Mr. Dong Zhiyi, Mr. Zhang Guanghui, Mr. Gao Shiqing and Mr. Chen Guoxing resigned from directors on 30 June 2014.
- (iii) Mr. Ma Zheng was appointed as non-executive director on 18 December 2014. Mr. Cheng Chi Ming, Brian was appointed as non-executive director on 26 February 2014. Mr. Lau Eng Boon resigned from non-executive director on 26 February 2014.
- (iv) Mr. Song Shengli and Mr. Lau Siu Ki were appointed as supervisors on 30 June 2014. Mr. Kwong Che Keung resigned from supervisor on 30 June 2014.
- (v) Ms. Zhao Jinglu and Mr. Cui Youjun resigned from supervisors on 13 March 2014.
- (vi) Mr. Shi Boli is a director and is also the chief executive.
- (vii) The emoluments of these directors were paid by a shareholder or former shareholder of the Company.

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

During the year ended 31 December 2014, no emoluments were paid by the Company to the directors and supervisors as an inducement to join or upon joining the Company or as compensation for loss of office (2013: nil).



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 24 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Company for the year include one director, two supervisor and two senior executives (2013: one director, one supervisor and three senior executives). The emoluments of the director and supervisor are reflected in the analysis presented above. The emoluments payable to the remaining two (2013: three) individuals during the year are as follows:

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Salaries, housing and other allowances, and benefits in kind	1,182	1,696
Discretionary bonuses	–	390
Contributions to the retirement scheme	127	195
	<b>1,309</b>	<b>2,281</b>

During the year ended 31 December 2014, no emoluments were paid by the Company to the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office (2013: nil).

During the year ended 31 December 2014 and 2013, the emoluments of each of the above senior executive paid by the Company were below HKD1,000,000 (approximately equivalent to RMB788,870) individually.





## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 25 TAXATION

#### (a) Corporate income tax

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

The Company is subject to corporate income tax at a rate of 25% (2013: 25%) on its taxable income as determined in accordance with the relevant PRC income tax laws and regulations.

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current tax	528,393	499,016
Deferred income tax	(60,585)	(52,660)
	<u>467,808</u>	<u>446,356</u>

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:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit before income tax	1,859,039	1,775,380
Less: Share of post-tax profits of a joint venture	(4,836)	(3,231)
	<u>1,854,203</u>	<u>1,772,149</u>
Tax calculated at a tax rate of 25% (2013: 25%)	463,551	443,037
Expenses not deductible for tax purpose	4,257	3,319
Tax charge	<u>467,808</u>	<u>446,356</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 25 TAXATION (CONTINUED)

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

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 from domestic airliners (excluding the revenue of Civil Aviation Development Fund) 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 assets under operating lease are subject to value added tax at the rate of 3% based on the simplified method for tax calculation; the revenue of Airport Fee and aeronautical revenues from International, Hong Kong and Macau 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%.

#### (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.

### 26 EARNINGS PER SHARE

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

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2014 and 2013.

	2014	2013
Profit for the year (RMB'000)	1,391,231	1,329,024
Basic earnings per share (RMB per share)	0.32	0.31



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 27 DIVIDENDS

	2014	2013
Dividend proposed		
Final dividend (RMB'000)	353,401	329,581
Final dividend per share (RMB)	0.0816	0.0761
Interim dividend (RMB'000)	203,119	201,819
Interim dividend per share (RMB)	0.0469	0.0466

The final dividend for the year ended 31 December 2014 was proposed at the Board of Directors meeting held on 25 March 2015. 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 2015.

### 28 CONTINGENCIES

The Directors of the Company understand that certain residents living in the vicinity of Beijing Capital Airport have made complaints to the Beijing Municipal Government of the aircraft engine noise created by approaching and departing aircrafts, and requested relocation and/or compensation. The Directors of the Company also understand that the relevant government authorities have been involved in resolving these complaints.

As at 31 December 2014, the outcome was still pending. Any potential financial impact to the Company, if any, will depend on the final resolution of these complaints with the parties involved. Based on advice of legal counsel, the Directors are of the opinion that the final amounts (if any) will be insignificant to the Company, therefore, no provision has been made in the financial statements.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 29 COMMITMENTS

#### Capital commitments

Capital commitments primarily relate to the acquisition of T3D (Note 32) and the construction of and the equipment to be installed at the airport terminals and other airport facilities upgrading projects. The Company had the following outstanding capital commitments not provided for in the financial statements as at 31 December 2014:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Authorised but not contracted for	407,693	244,814
Contracted but not provided for	2,471,681	469,838
	<b>2,879,374</b>	714,652

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

As at 31 December 2014, the future aggregate minimum lease payments under non-cancellable operating leases payable to the Parent Company are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Not later than 1 year	63,131	286,780
Later than 1 year and not later than 5 years	163,444	156,174
Later than 5 years	469,227	505,413
	<b>695,802</b>	948,367



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 29 COMMITMENTS (CONTINUED)

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

As at 31 December 2014, the future minimum lease payment receivables under non-cancellable operating leases for buildings are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Not later than 1 year	315,092	309,814
Later than 1 year and not later than 5 years	129,305	272,933
	<u>444,397</u>	<u>582,747</u>

#### Concession income arrangements

As at 31 December 2014, the future minimum concession income receivable under non-cancellable agreements in respect of the operating rights of retailing, advertising, restaurant and food shops, VIP service and other businesses are as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Not later than 1 year	69,919	1,155,525
Later than 1 year and not later than 5 years	112,100	144,986
	<u>182,019</u>	<u>1,300,511</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 30 NOTES TO STATEMENT OF CASH FLOWS

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

	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Profit for the year	<b>1,391,231</b>	1,329,024
Adjustments for:		
Taxation	<b>467,808</b>	446,356
Depreciation	<b>1,424,077</b>	1,491,916
Amortisation of land use rights	<b>16,335</b>	16,316
Amortisation of intangible assets	<b>13,560</b>	30,000
Provision for impairment of trade receivables	<b>25,860</b>	34,699
Losses on disposal of property, plant and equipment	<b>5,769</b>	5,662
Share of post-tax profits of a joint venture	<b>(4,836)</b>	(3,231)
Interest income	<b>(21,005)</b>	(21,981)
Finance costs	<b>549,494</b>	614,267
Foreign exchange gains/(losses),net	<b>10,611</b>	(80,407)
Retirement benefit obligations	<b>(7,080)</b>	734
Deferred income	<b>(2,209)</b>	(776)
Changes in working capital:		
Inventories	<b>(3,579)</b>	10,538
Trade and other receivables	<b>(250,472)</b>	(138,646)
Trade and other payables	<b>108,984</b>	(56,199)
Cash generated from operations	<b>3,724,548</b>	3,678,272



## Notes to the Financial Statements (Continued)

*For the year ended 31 December 2014*

### 31 RELATED PARTY TRANSACTIONS

The Company is controlled by CAHC. The Directors of the Company consider CAHC, which is a PRC state-owned enterprise under the control of CAAC, to be the ultimate holding company.

CAHC itself is a state-owned enterprise and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24, "Related Party Disclosure", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are also defined as related parties of the Company. On that basis, related parties include CAHC and its subsidiaries (other than the Company), other government-related entities and their subsidiaries, other entities and corporations in which those government-related entities are able to control, jointly control or exercise significant influence and key management personnel of the Company and CAHC as well as their close family members.

The Company is part of a larger group of companies under CAHC and has extensive transactions and relationships with members of the CAHC group. The Directors of the Company consider that the transactions between the Company and the members of the CAHC group are activities in the ordinary course of business.

A significant portion of the Company's business activities are conducted with state-owned enterprises. Sale of services to these state-owned enterprises are at state-prescribed prices which are similar to prices to other customers. The Company considers that these sales are activities in the ordinary course of business. In this connection, the Company has significant trading balances with state-owned enterprises in the ordinary course of business which have similar terms of repayments as balances with third parties.

In addition, a large portion of the Company's bank deposits/borrowings were held at/borrowed from state-owned financial institutions in accordance with the terms as set out in the respective agreements or as mutually agreed between the parties concerned at prevailing market terms and rates.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 31 RELATED PARTY TRANSACTIONS (CONTINUED)

For the purpose of the related party transaction disclosures, the Directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

Other than the transactions as disclosed in the respective notes, the following is a summary of significant transactions carried out with related parties in the ordinary course of business.

#### (a) Balances with related parties

As at 31 December 2014, balances with related parties comprised:

	2014 RMB'000	2013 RMB'000
Trade and other receivables from CAHC and its subsidiaries (Note 10 and i)	296,112	190,373
Trade and other receivables from a joint venture of the Company (Note 10 and i)	3,369	3,485
Deposits placed with a subsidiary of CAHC (Note 11 and ii)	277,696	262,853
Trade and other payables to CAHC (Note 14 and i)	163,868	68,154
Trade and other payables to a joint venture of the Company (Note 14 and i)	141,537	146,997
Trade and other payables to CAHC's subsidiaries (Note 14 and i)	404,668	522,985
Interest payable to the Parent Company	9,820	11,390
Loans from the Parent Company (Note 20)	2,832,736	2,974,266





## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 31 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Balances with related parties (Continued)

- (i) The amounts due from and to CAHC and its subsidiaries and the Company's joint venture are unsecured and interest free and repayable within the next twelve months, except for the non-current portion of trade and other receivables from CAHC.
- (ii) The deposits were entered into in accordance with the terms as set out in the respective agreements. The interest rates were set at prevailing market rates.

#### (b) Transactions with related parties

	2014 RMB'000	2013 RMB'000
Transactions with CAHC and its subsidiaries ( <i>note i</i> )		
Revenues:		
Concessions	1,975,266	1,862,565
Rentals	46,443	42,222
Finance income:		
Interest income	3,325	2,865



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 31 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Transactions with CAHC and its subsidiaries ( <i>note i</i> ) (Continued)		
Expenses:		
Provision of utilities and power	625,744	570,438
Provision of aviation safety and security guard services	463,169	439,266
Rental expenses	375,341	224,238
Provision of certain sanitary services, baggage cart, car park operation management services, management services, greening and environmental maintenance services	207,712	210,045
Provision of accessorial power and energy services	141,995	129,413
Use of trademark license ( <i>note ii</i> )	69,354	5,483
Use of grounded traffic center	25,129	8,735
Provision of beverage service	4,082	3,730
Provision of maintenance services	3,944	12,397
Provision of airport guidance service	1,660	1,025
Provision of employee canteen services	—	1,590
Interest charges on loans from the Parent Company ( <i>Note 23</i> )	43,967	43,190
Other:		
Provision of construction service	60,926	156,452
Transactions with a joint venture of the Company		
Revenue-Concessions	272	276
Provision of terminal maintenance and operating services	350,277	313,767
Provision of construction services	2,265	25,468



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 31 RELATED PARTY TRANSACTIONS (CONTINUED)

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

- (i) These transactions constitute connected transactions or continuing connected transactions under the Listing Rules.
- (ii) Before 1 December 2013, the Company used the trademark license of the Parent Company with nil consideration. Since 1 December 2013, the annual license fee payable by the Company to the Parent Company for each year is at 1% of the revenue from the principal business of the Company for the preceding financial year. The license fee shall be paid in proportion to the actual period of licensing if the Trademarks are not licensed for the whole year.

These transactions of revenues, expenses in nature and construction services are based on terms as set out in the underlying agreements, based on statutory rates or market prices or actual cost incurred, or as mutually agreed between the Company and the parties in concern.

#### (c) Commitment with related parties

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

As at 31 December 2014, the future aggregate minimum lease payments under non-cancellable operating leases payable to CAHC are as follows :

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Not later than 1 year	63,131	286,780
Later than 1 year and not later than 5 years	163,444	156,174
Later than 5 years	469,227	505,413
Total	<u>695,802</u>	<u>948,367</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 31 RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

As at 31 December 2014, the future minimum lease payment receivables under non-cancellable operating leases for buildings from CAHC's subsidiaries are as follows :

	2014 RMB'000	2013 RMB'000
Not later than 1 year	20,183	31,530
Later than 1 year and not later than 5 years	212	16,796
Total	<u>20,395</u>	<u>48,326</u>

##### **Concession income arrangements**

As at 31 December 2014, the future minimum concession income receivable under non-cancellable agreements in respect of the operating rights of retailing, advertising, restaurant and food shop businesses from CAHC's subsidiaries are as follows:

	2014 RMB'000	2013 RMB'000
Not later than 1 year	<u>—</u>	<u>1,095,374</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 31 RELATED PARTY TRANSACTIONS (CONTINUED)

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

##### **Purchase of service**

As at 31 December 2014, the future minimum expense payable under non-cancellable agreements to CAHC's subsidiaries are as follows:

	2014 RMB'000	2013 RMB'000
Not later than 1 year	371,135	192,752
Later than 1 year and not later than 5 years	19,066	479
Total	<u>390,201</u>	<u>193,231</u>

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

As at 31 December 2014, bonds issued by the company guaranteed by CAHC are as follows:

	2014 RMB'000	2013 RMB'000
Amount of bonds	<u>4,900,000</u>	<u>4,900,000</u>

##### **Transfer of assets**

As at 31 December 2014, the future minimum transfer prices of assets payable under non-cancellable agreements to CAHC are as follows:

	2014 RMB'000	2013 RMB'000
Not later than 1 year	<u>2,240,000</u>	<u>—</u>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

### 31 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (d) Key management compensation

	2014 RMB'000	2013 RMB'000
Salaries, allowances and other benefits	5,850	8,610

### 32 EVENTS AFTER THE BALANCE SHEET

During January 2015, the Company completed the acquisition of the T3D and related assets for a total consideration around RMB2,240,000,000 pursuant to the assets transfer agreement (the "Agreement") entered into by the Company and the Parent Company on 31 October 2014, which has been approved by the independent shareholders of the Company in the Extraordinary General Meeting on 18 December 2014 (the "Approval Date"). The Company has paid the initial consideration around RMB672,000,000 by cash to the Parent Company in January 2015 and the remaining balance of the consideration shall be paid by the Company to the Parent Company within one year from the Approval Date by way of cash.

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



# Company Information

## COMPANY INFORMATION

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

## BOARD OF DIRECTORS

### Executive Directors

Liu Xuesong (*Chairman*)

Shi Boli (*General Manager*)

Gao Lijia (*Vice Executive President*)

### Non-executive Directors

Yao Yabo

Zhang Musheng

Ma Zheng

Cheng Chi Ming, Brian



## Company Information (Continued)

### **Independent Non-executive Directors:**

Japhet Sebastian Law

Wang Xiaolong

Jiang Ruiming

Liu Guibin

## COMMITTEES

### **Audit Committee**

Liu Guibin

Japhet Sebastian Law

Wang Xiaolong

Jiang Ruiming

### **Remuneration and Evaluation Committee**

Japhet Sebastian Law

Wang Xiaolong

Jiang Ruiming

Liu Guibin

Zhang Musheng

Gao Lijia

### **Nomination Committee**

Japhet Sebastian Law

Wang Xiaolong

Jiang Ruiming

Liu Guibin

Liu Xuesong

Shi Boli





## Company Information (Continued)

### Strategy Committee

Liu Xuesong

Shi Boli

Gao Lijia

Cheng Chi Ming, Brian

Wang Xiaolong

### SHAREHOLDER INFORMATION

Website:	www.bcia.com.cn
E-mail address:	ir@bcia.com.cn
Fax number:	8610 6450 7700
Contact address:	Secretariat to the Board Beijing Capital International Airport Company Limited Beijing, China
Zip Code:	100621
Registrar and Transfer Office:	Hong Kong Registrars Limited 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong

### FINANCE CALENDAR OF 2014

Announcement of interim results:	20 August 2014
Announcement of final results:	25 March 2015

### SHARE INFORMATION

Name of H shares:	Beijing Airport
Stock code:	00694



## Price and Turnover History

Year	Price per share		Turnover of share <i>(in millions)</i>
	High <i>(HK\$)</i>	Low <i>(HK\$)</i>	
2014			
January	6.17	5.38	134.3
February	6.41	5.60	97.6
March	6.05	5.23	95.8
April	5.58	5.25	56.0
May	5.56	4.96	75.2
June	5.42	5.02	76.0
July	5.58	5.23	58.2
August	6.09	5.26	80.0
September	6.30	5.61	69.0
October	5.98	5.42	71.3
November	6.25	5.65	55.0
December	6.78	5.83	120.8





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