



## Beijing Capital International Airport Company Limited

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

Stock Code: 00694



# 2018 Annual Report

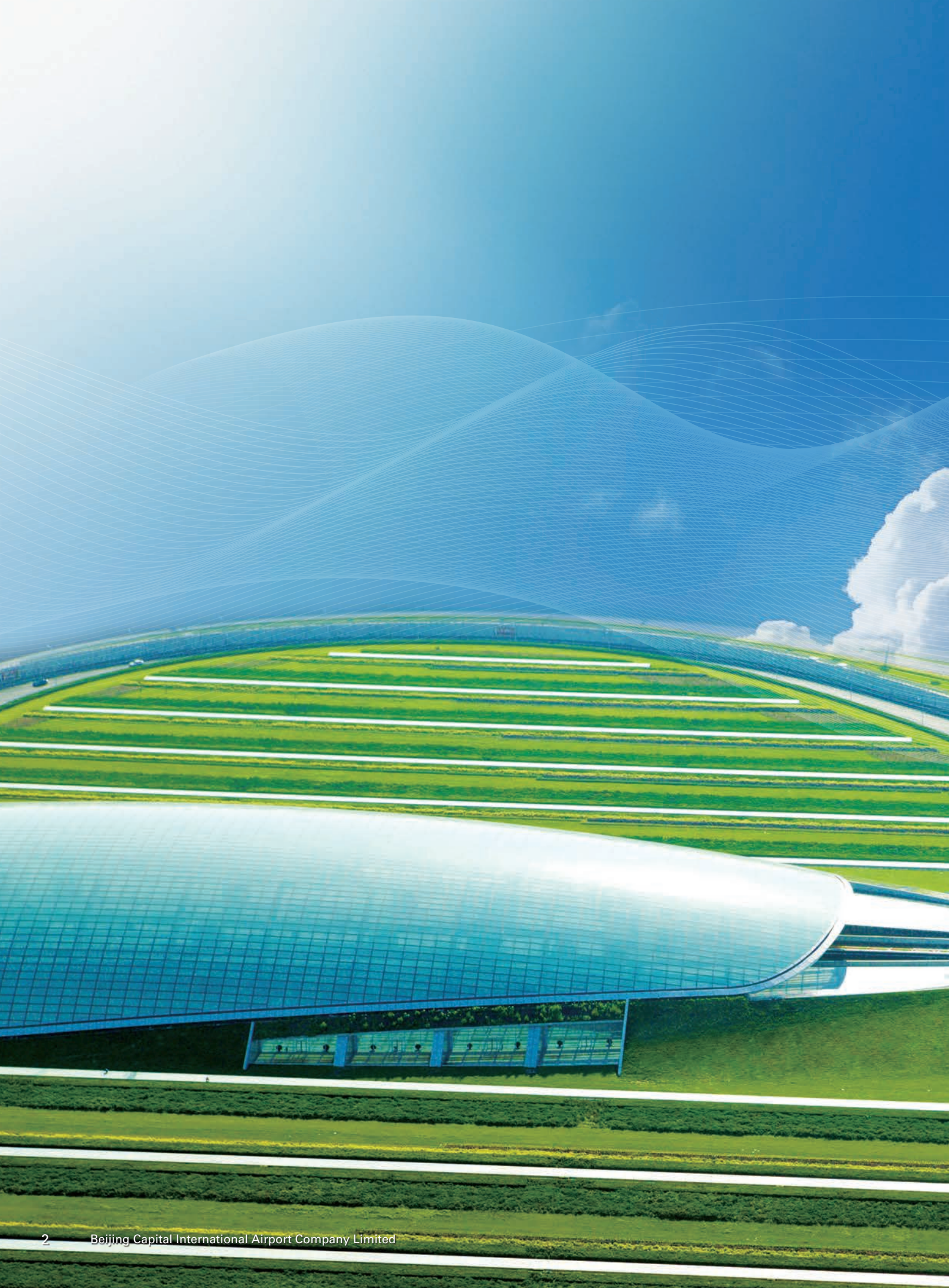




# CONTENTS

<b>3</b>	Financial Summary	<b>89</b>	Balance Sheet
<b>4</b>	Company Profile	<b>91</b>	Statement of Comprehensive Income
<b>6</b>	Chairman's Statement	<b>93</b>	Statement of Changes in Equity
<b>12</b>	Report of the Board	<b>94</b>	Statement of Cash Flows
<b>55</b>	Management Discussion and Analysis	<b>95</b>	Notes to the Financial Statements
<b>63</b>	Corporate Governance Report	<b>165</b>	Company Information
<b>82</b>	Report of the Supervisory Committee	<b>168</b>	Price and Turnover History
<b>84</b>	Independent Auditor's Report		





# FINANCIAL SUMMARY

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

	2018	2017	2016	2015	2014
<b>Operating Results</b>					
Revenues	<b>11,262,512</b>	9,574,516	8,729,090	8,509,962	7,655,957
EBITDA	<b>5,375,970</b>	5,118,797	4,320,423	4,292,798	3,860,232
Profit before tax	<b>3,828,591</b>	3,470,294	2,376,711	2,192,956	1,859,039
Tax	<b>(956,536)</b>	(869,833)	(5,95,710)	(551,041)	(467,808)
Profit after tax	<b>2,872,055</b>	2,600,461	1,781,001	1,641,915	1,391,231
Attributable to:					
Equity holders of the Company	<b>2,872,055</b>	2,600,461	1,781,001	1,641,915	1,391,231
Non-controlling interests	–	–	–	–	–
Earnings per share					
— basic and diluted (RMB)	<b>0.66</b>	0.60	0.41	0.38	0.32
Return on Equity	<b>12.27%</b>	12.13%	9.19%	9.00%	8.09%
<b>Financial Position</b>					
<b>Assets</b>					
Non-current assets	<b>30,565,679</b>	27,478,651	28,084,854	29,186,899	28,217,096
Current assets	<b>4,132,430</b>	3,158,607	5,819,336	3,504,327	3,694,171
Total	<b>34,698,109</b>	30,637,258	33,904,190	32,691,226	31,911,267
<b>Equity and liabilities</b>					
<b>Shareholders' equity</b>					
Non-controlling interests	–	–	–	–	–
Non-current liabilities	<b>1,950,858</b>	4,994,277	5,319,857	7,169,964	8,029,063
Current liabilities	<b>9,334,060</b>	4,213,166	9,206,016	7,252,272	6,679,835
Total	<b>34,698,109</b>	30,637,258	33,904,190	32,691,226	31,911,267

## COMPANY PROFILE

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

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



## COMPANY PROFILE (CONTINUED)

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

The Company's aeronautical business includes provision of aircraft landings and take-offs and passenger service facilities, ground support services and firefighting services for domestic and foreign air transportation enterprises.

As at the end of 2018, there were 105 airliners operating fixed commercial flights at Beijing Capital Airport, including 29 domestic airliners, 7 airliners from Hong Kong, Macau and Taiwan, and 69 airliners from foreign countries.

As at the end of 2018, there were 296 flight points linking with Beijing Capital Airport, including 160 domestic flight points (including Hong Kong, Macau and Taiwan) and 136 international flight points.

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

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

## CHAIRMAN'S STATEMENT

Facing a new development situation, the Company will fully focus on developing the aeronautical and non-aeronautical businesses of Beijing Capital Airport, and will realise a high-quality development of Beijing Capital Airport by adjusting structure, perfecting functions, improving network, and enhancing quality and efficiency.



**Liu Xuesong**  
Chairman



## CHAIRMAN'S STATEMENT (CONTINUED)

TO SHAREHOLDERS:

In 2018, the global economy continued to grow moderately, but encountered slowdown in momentum and obvious differentiation. Despite the complex international environment, the development needs of China's civil aviation industry were still strong. In 2018, China's civil aviation continued to maintain a stable and healthy development trend by continuously deepening structural reform on the supply side. Beijing Capital Airport continued to accelerate structural optimisation, replenish supporting resources, and improve management efficiency, thereby achieving higher quality development in safety, operation and service, and the business performance reached another record as a result. I am pleased to report to our shareholders the operating and financial results of the Company in 2018, as well as our prospects for the future development.

### **TRAFFIC SCALE MADE HISTORY AND STRUCTURAL OPTIMISATION MOTIVATED GROWTH**

2018 marked a milestone in Beijing Capital Airport's air traffic volumes, with passenger throughput exceeding 100 million person-times for the first time. Annual aircraft movements reached 614,022 sorties, representing an increase of 2.8% over the previous year; the passenger throughput reached 100,983,290 person-times, representing an increase of 5.4% over the previous year, consolidating its second place globally; the cargo and mail throughput was 2,074,005 tonnes, representing an increase of 2.2% over the previous year. Coupled with the continuous implementation of the strategy and measures for structural optimization of the Company's aeronautical business, Beijing Capital Airport's international air traffic volume maintains its steady growth.

### **INCREASINGLY CONSOLIDATED POSITION AS A HUB AND STRONG DRIVING FORCE FOR COMMERCIAL OPERATIONS**

In 2018, the Company continued to promote airlines to expand their international long-distance routes and the routes along the "Belt and Road". In addition, the Company newly opened international destinations and increased the movements, and continued to enrich international "EASY Way" products by launching Beijing-Munich and Beijing-Hong Kong, so as to constantly improve the competitiveness and attractiveness of the premium routes. At the same time, the Company continued to mitigate the non-international hub functions of Beijing Capital Airport to promote high-quality growth in air traffic volumes.

In 2018, with the implementation of new duty free business operation contracts, the duty free business of Beijing Capital Airport entered a new round of business cycle. During the new contract period, the Company's income from duty free business increased significantly. In addition, driven by the renewal and entering into of nearly 100 non-aeronautical business contracts, as well as the comprehensive marketing activities for seven times throughout the year, the main commercial businesses of Beijing Capital Airport achieved growth and improvement to varying degrees.

## CHAIRMAN'S STATEMENT (CONTINUED)

### OPERATING REVENUES ACHIEVING OVER RMB10 BILLION AND CONTRIBUTING TO PERFORMANCE IMPROVEMENT WHILE SUFFERING COST PRESSURE

In 2018, benefiting from the growth of air traffic volumes, as well as driven by the upward adjustment of the charging rates for domestic airlines operating domestic routes, the Company recorded its aeronautical revenues of RMB5,309,408,000 in total, representing an increase of 4.1% over the previous year; while achieved its non-aeronautical revenues of RMB5,953,104,000 due to the steady growth as driven by new duty free business operation contracts and comprehensive marketing activities, representing an increase of 33.1% over the previous year. During the year, the Company's operating revenues exceeded RMB10 billion, reaching RMB11,262,512,000, representing an increase of 17.6% over the previous year.

Meanwhile, due to the increased air traffic volumes and higher operating costs, the Company faced increasing cost pressure. In 2018, the total operating costs of the Company was RMB7,223,392,000, representing an increase of 21.0% over the previous year. Due to fluctuations in RMB exchange rate, the Company's financial expenses increased by 193.1% from the previous year; and the Company's total gearing ratio was 32.5%.

In 2018, the net profit after tax of the Company was RMB2,872,055,000, representing an increase of 10.4% over the previous year. Throughout the year, in the context of increasingly saturated operating resources and limited release of production capacity, the Company continued to optimise its business structure and improve its resource value and management quality, thus maintaining stable profitability leveraging steady revenue growth.

### OVERALL STABLE SECURITY SITUATION WITH SIGNIFICANTLY INCREASED OPERATIONAL EFFICIENCY

In 2018, the Company improved safety management system, strengthened safety management innovation and enhanced potential safety hazard management to ensure that the safety and security situation of Beijing Capital Airport remained good in stability. At the same time, the Company continued to focus on improving the flight on-time ratio. Through continuously improving operational efficiency, optimising resource allocation and strengthening operational coordination, the Company significantly improved the operational efficiency of Beijing Capital Airport, leading to the highest flight on-time ratio over the past four years. In addition, in the face of the pressure from the saturated operation and service resources and the continuous growth of business scale, the Company has always lived up to sincere service, and continuously improved service weakness and made innovations on basic services, with a view to constantly improving service quality.

## CHAIRMAN'S STATEMENT (CONTINUED)

### POLICY IMPACT

The year 2018 brought mingled hope and concern for the Company. On the one hand, strong market demand and sizable air traffic volumes brought considerable growth and benefits to the Company. On the other hand, policy adjustments made a negative impact on the future operating results of the Company to a certain degree. On 15 June 2018, the Company received the "Notice of the Ministry of Finance regarding the Abolition of the Policy of Recognition of Refunds from the Civil Aviation Development Fund to Three Listed Airports Including the Capital Airport as Revenues\*" (財政部關於取消民航發展基金用於首都機場等三家上市機場返還作企業收入處理政策的通知)" transmitted by the CAAC and was informed that the Company would no longer enjoy the policy of recognising the refunds from the Civil Aviation Development Fund as revenues since 29 November 2018 <sup>(Note 1)</sup>.

Being an important component of the Company's aeronautical revenues in the past, the "Airport Fee" (being the refunds from the Civil Aviation Development Fund recognised as revenues) will not be sustainable. Affected by this, the Company's revenue and profit will suffer a large degree of decrease. As a result, the Company's share price experienced a remarkable decrease in June 2018, which also drew wide concerns in the capital market.

Although policy adjustments had a negative impact on the Company's development objectively, the long-standing material uncertainties and risks arising from the policy level have also been eliminated with the clarification of the policy. The future development of Beijing Capital Airport will be more market-oriented, and the Company's operations will further fit into the market mechanism. Capitalising on the advantageous resources of Beijing Capital Airport, the Company is confident that it will make another great stride forward by gradually absorbing the adverse effects of policy factors and improving efficiency through high-quality development in the future.

*Note 1:* For details, please see the inside information announcement of the Company dated 15 June 2018 published on the website of the Stock Exchange.



## CHAIRMAN'S STATEMENT (CONTINUED)

### FUTURE PROSPECTS

In 2019, the external environment will be complex and grim. From a macro perspective, trade friction, geopolitics and other factors will intensify the uncertainty of the global economy, the economic downside risk will increase, and the economy will evolve amid overall stability, but not without concerns. However, from the perspective of the development of the civil aviation industry, the macro-economy is still providing strong support to the development of the industry. In the future, there will still be considerable room for growth in the air transport market, the demand in China's aviation market will remain strong, and China's civil aviation industry will maintain relatively fast growth. As for Beijing Capital Airport, with the completion and commencement of operation of Beijing Daxing International Airport ("Daxing Airport") by 30 September 2019, the aviation market in Beijing will present a new landscape of "one city, two airports", and Beijing Capital Airport and the Company will also face a new development situation.

In view of the huge capital investment in the construction of Daxing Airport by the Parent Company, as well as the relatively large operating pressure and financial pressure that will be subsequently faced by Daxing Airport, after careful consideration by the Board and management of the Company, the Company formally approved on 28 June 2018 that the Parent Company may engage in the aeronautical and non-aeronautical businesses of Daxing Airport, and the Company would retain the option to acquire the assets of Daxing Airport <sup>(Note 2)</sup>. Therefore, Beijing Capital Airport and Daxing Airport will operate independently in the future. The Company will fully focus on developing the aeronautical and non-aeronautical businesses of Beijing Capital Airport and strive to build a large world-class international hub.

In 2019, in response to the new situation arising from changes in the external environment and policies, Beijing Capital Airport and the Company will enter a new development period. In the new period, the capacity and total volumes of Beijing Capital Airport will fall due to the diversion to Daxing Airport, and the revenue of the Company will also be under pressure due to the decline in volumes and the abolition of the policy of recognising "Airport Fee" revenue. Therefore, as far as the Company is concerned, it will no longer be feasible to rely on traditional impetus to promote the rapid growth of the air traffic volumes and economic efficiency of Beijing Capital Airport in the short term. Instead, it should apply new concepts and methods of high-quality development to create and seize opportunities and foster new development momentum. By adjusting structure, perfecting functions, improving network, and enhancing quality and efficiency, Beijing Capital Airport will realise the development that is characterised by high quality, high efficiency and high satisfaction.

As shown by preliminary statistics, for the first two months of 2019, Beijing Capital Airport's aircraft movement has increased by 1.3% as compared with the previous year, of which domestic routes (including Hong Kong, Macau and Taiwan) increased by 1.6% and international routes increased by 0.2% as compared with the previous year; passenger throughput increased by 5.0% over the previous year, of which domestic passenger throughput (including Hong Kong, Macau and Taiwan) increased by 4.9% and international passenger throughput increased by 5.4% over the previous year. With the commencement of operations of Daxing Airport, Beijing Capital Airport will face the transfer of some airlines and the consequent decline in air traffic volumes. The Company expects that the impact of Daxing Airport on the air traffic volumes of Beijing Capital Airport will be limited in 2019. The diversion will mostly occur in 2020 and 2021, after which the air traffic volumes of Beijing Capital Airport will once again enter a steady growth cycle.

*Note 2:* For details, please see the inside information announcement of the Company dated 28 June 2018 published on the website of the Stock Exchange.

## CHAIRMAN'S STATEMENT (CONTINUED)

In 2019, as for the aeronautical business, the Company will further consolidate its competitive advantage as an aviation hub, actively expand the routes and destinations along the "Belt and Road", strive to maintain its leading position in the advantageous routes to Europe and the United States, and continue to strengthen the hub construction cooperation platform with Air China as the main base airline in Beijing Capital Airport, so as to enhance the competitiveness as an international aviation hub. The Company will make an in-depth analysis on the demand of passengers in transit in order to conduct featured and attractive marketing for air transit; deepen the cooperation with customs to improve customs clearance efficiency; and promote the optimization of slot structure. Thus, the Company will enhance the value contribution per passenger by further improving the route network, flight and passenger structure, so as to mitigate the negative impact on the operating income of Beijing Capital Airport caused by the abolition of "Airport Fee".

Since 2019, the Company will seize the time window, during which the air traffic volumes of Beijing Capital Airport may drop and be adjusted, to focus on promoting a series of capital investment projects, so as to continuously improve the infrastructure and supporting functions of Beijing Capital Airport. Meanwhile, the Company will further optimize the commercial resource allocation, enhance the effort of business marketing, accelerate the commercial value development of the GTC Assets and provide better business environment and atmosphere, so as to reserve energy for the next new round of growth and development of Beijing Capital Airport.

In 2019, the Company will continue to promote the construction of "Safe Airport, Green Airport, Smart Airport and Humanistic Airport". The Company will continue to strengthen latent risk management, deepen the fulfilment of safety responsibilities, and build the foundation for the development of a "Safe Airport"; scientifically formulate a green development route to promote the implementation of green environmental protection projects and accelerate the pace of construction of a "Green Airport"; improve the "Smart Airport" construction plan and build an information-based platform to form a driving force for smart innovation, and create an example of smart airport that integrates smart security, smart operation, smart service, smart business and smart management; and improve service management, shore up weak links in service and implement sincere service with an aim to realise high satisfaction with a "Humanistic Airport".

Looking back to 2018, Beijing Capital Airport made satisfactory achievements. I would like to express my sincere gratitude to all shareholders for their trust and support, as well as to all government departments, airlines and partners residing at Beijing Capital Airport that have given great support to us. I would also like to thank all employees of the Company for their diligent contribution throughout last year.



**Liu Xuesong**  
*Chairman*

Beijing, the PRC, 27 March 2019

# 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 2018.

## BUSINESS MODEL AND STRATEGIC OBJECTIVES

With the operation and management of Beijing Capital Airport as its principal businesses, the Company endeavors to provide safe, convenient and pleasant arrival and departure services for passengers and promote the development of its aeronautical and non-aeronautical businesses. The Company will continue to take safe development as a prerequisite, focus on improving development quality and adjusting business structure, and enhance the operational and service quality, to promote the construction of Beijing Capital Airport into a large world-class international hub which is “safe, green, smart and humanistic”.

## OPERATING RESULTS AND FINANCIAL POSITION

The Company’s operating results for the year ended 31 December 2018 and the financial position of the Company as at 31 December 2018 prepared basing on International Financial Reporting Standards (“IFRS”) are set out on pages 89 to 164 of this annual report.

## FINANCIAL SUMMARY

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

## BUSINESS REVIEW

### Situation and Business Strategy

As referred to in the “Chairman’s Statement”, with the completion and commencement of operation of Daxing Airport by 30 September 2019, the aviation market in Beijing will present a new landscape of “one city, two airports”, and Beijing Capital Airport and the Company will also face a new development situation.

In view of the huge capital investment in the construction of Daxing Airport by the Parent Company, as well as the relatively large operating pressure and financial pressure that will be subsequently faced by Daxing Airport, after careful consideration and in accordance with the relevant requirements of a deed of non-competition dated 26 October 1999 entered into between the Company and the Parent Company, the Board convened a meeting on 28 June 2018 at which it considered and approved a resolution that (i) the Company approved in writing for the Parent Company to engage in aeronautical and non-aeronautical businesses of Daxing Airport; and (ii) the Company retained the option to purchase the assets of Daxing Airport. Therefore, Beijing Capital Airport and Daxing Airport will operate independently in the future.

According to the “Plan for Transfer and Operation of Beijing Daxing International Airport and Flight Slot Allocation for ‘One City, Two Airports’ (北京大興國際機場轉場投運及“一市兩場”航班時刻資源配置方案)” and the “Plan for Resource Coordination in the Transfer and Operation Period of ‘One City, Two Airports’ in Beijing” (北京“一市兩場”轉場投運期資源協調方案) issued by the CAAC on 3 January 2019, flight slots will be allocated to Beijing Capital Airport and Daxing Airport by adopting the measure of “transfer, optimization, and increment” successively during the period from the commencement of operations of Daxing Airport to the winter and spring flight season of 2021/22. The air traffic volumes of Beijing Capital Airport will be gradually diverted to Daxing Airport due to the successive transfer of operations of some airlines, and the passenger throughput will also slowly decrease from the historical high of over 100 million person-times and undergo an adjustment period.

## REPORT OF THE BOARD (CONTINUED)

The commencement of operations of Daxing Airport and the dual-hub model of “two airports independently operating in one city” may objectively have certain short-term negative impact on the Company’s business and operating income from 2019 onwards. The Board and management of the Company have fully understood this regard and attached great importance to the above risk factors. Simultaneously, the Board and management of the Company consider that, due to the transfer of airlines, the huge pressure arising from the fully saturated operations of Beijing Capital Airport will be moderately eased, so that the Company will have a valuable opportunity to strengthen its infrastructure renovation, improve its service functions, and enhance its capability to safeguard resources. The Company will apply new concepts and methods of high-quality development to create and seize opportunities and foster new development momentum. By adjusting structure, perfecting functions, improving network, and enhancing quality and efficiency, Beijing Capital Airport will realise the development that is characterised by high quality, high efficiency and high satisfaction, which will enable the Company to continuously enhance its own development potential, and therefore make adequate preparations for Beijing Capital Airport and the Company to enter into a new growth cycle of high-quality development after the adjustment period.

A fair review of the business of the Company for the year ended 31 December 2018 is provided in the “Management Discussion and Analysis” on pages 55 to 62 of this annual report.

Save for the above mentioned in “Situation and Business Strategy”, description of other principal risks and uncertainties facing the Company can be found in the “Exposure to Fluctuations in Exchange Rates” and “Exposure to Fluctuations in Interest Rates” on page 60 to 61 of this annual report.

The likely future business development of the Company is discussed in the paragraph headed “Future Prospects” on pages 10 to 11 of this annual report.

### **Environmental Protection**

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

### **Compliance with Laws and Regulations**

The Company stringently adheres to relevant national and local laws and regulations which have a significant impact on the Company and establishes sound and tight systems of risk management and internal control to avoid the happening of the events which will violate the laws and the regulations and materially influence the reputation of the Company.

## REPORT OF THE BOARD (CONTINUED)

### Relationship with Employees, Suppliers and Customers

The Company and employees: The Company bravely takes responsibility for “the Gateway of the Country”, together with partners, to serve peripheral regions and promote the Beijing – Tianjin – Hebei coordinated development, takes active steps in response to the “Belt and Road” initiative, strengthens technological innovation, and expands international competitiveness and influence. The Company integrates “Sincere Service” into every detail of the daily work of Beijing Capital Airport, optimises service procedures, adopts advanced facilities and equipment, and continuously improves staff quality. The Company upholds the concept of talent management of “people-oriented, people-merited, people-talented and development-shared” to create a healthy and safe working environment and an open and diversified communication platform and strive to achieve the joint development of enterprises and employees.

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

The Company and customers: The major customers of the Company are airlines. During the year ended 31 December 2018, the Company formed a strategic cooperation team with Air China Limited, through which the Company aims to build up synergy by optimizing infrastructure and providing consistent services. At the same time, the Company has constantly enhanced its communication with main airlines such as China Southern Airlines, China Eastern Airlines and Hainan Airlines to create more favorable coordination conditions for the all-around implementation of its hub strategy. By optimizing passenger transport procedures at the terminal and improving ground service quality, the Company has formed service products that are mutually beneficial to airlines and Beijing Capital Airport.

### PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Company as at 31 December 2018 and their movements for the fiscal year ended 31 December 2018 are set out in Note 6 to the Financial Statements.

### RESERVES

Changes in reserves of the Company for the fiscal year ended 31 December 2018 are set out in Note 18 to Financial Statements.

### ISSUED SHARE CAPITAL

No share capital was issued by the Company during the year ended 31 December 2018. The disclosure of equity interests of the Company as at 31 December 2018 is set out on pages 40 to 42 of this annual report.



## REPORT OF THE BOARD (CONTINUED)

### TAXATION

The details of taxation of the Company for the year ended 31 December 2018 are set out in Note 28 to the Financial Statements.

### EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company during the year ended 31 December 2018.

### ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2018, the Company has no entrusted loans or any fixed deposits matured but not yet withdrawn placed in financial institutions or any other entities.

### DIVIDEND

The details of the dividend for 2018 are set out on page 60 of this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

The largest customer, Sunrise Duty Free (China) Co., Ltd., and the five largest customers of the Company represented 18.6% and 49.7%, respectively, of the total revenues of the Company for the year ended 31 December 2018.

The largest supplier, Capital Airports Power and Energy Co., Ltd. and the five largest suppliers of the Company represented 11.8% and 41.2%, respectively, of the total operating expenses of the Company for the year ended 31 December 2018.

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 2018. The Parent Company held the equity interests of the five largest suppliers of the Company as follows: held 100% equity interest of Capital Airports Power and Energy Co., Ltd.; held 100% equity interest of Capital Airport Aviation Security Co., Ltd.; held 100% equity interest of Beijing Capital Airport Commercial & Trading Co., Ltd.; held 60% equity interest of Beijing Bowei Airport Support Limited ("Bowei").

## REPORT OF THE BOARD (CONTINUED)

### SUBSIDIARIES AND JOINT VENTURES

The Company has no subsidiary and joint venture as at 31 December 2018.

During 2017, the Company entered into a share transfer agreement with the Parent Company to transfer 60% of the entire registered capital of Bowei from the Company to the Parent Company. The disposal was completed in August 2018.

### ACQUISITION AND DISPOSAL

During the year ended 31 December 2018, except for the acquisition of the GTC Assets <sup>(Note)</sup> from the Parent Company, the Company did not conduct any other significant merger, acquisition or disposal.

*Note:* In 2018, the Company acquired the Ground Traffic Centre and its relevant facilities, land and the relevant land use rights from the Parent Company, which are collectively referred to as the GTC Assets.

### MATERIAL ACQUISITION AND MATERIAL SUBSEQUENT EVENT

Save as disclosed above, during the year ended 31 December 2018, the Company had no material acquisition. During the period from 1 January 2019 to 27 March 2019, the Company had no material subsequent event.

### TRADE RECEIVABLES

As at 31 December 2018, the Company's trade receivables were RMB1,386,376,000, representing an increase of 9.7% as compared with the end of the previous year.

The details of the Company's trade receivables are set out in Note 10 to the Financial Statements, and the policies relating to the trade receivables and the impairment contained in Note 2(m) to the Financial Statements.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2018, the Company did not redeem, purchase or sell any of its listed securities.

### PRE-EMPTIVE RIGHTS

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

## REPORT OF THE BOARD (CONTINUED)

### 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 2018 are set out as follows:

<b>Description of the transactions and date of the relevant announcements</b>	<b>Relationship between contracting parties</b>	<b>Transaction amounts for the year ended 31 December 2018</b> <i>RMB'000</i>	<b>Annual Cap</b> <i>RMB'000</i>
1 The Company and Beijing Capital Airport Commercial & Trading Co., Ltd. ("BACT") entered into the Domestic Retail Leasing Agreement on 28 December 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which BACT agreed to lease the designated retail resources in the domestic isolated area and the public area in Terminal One, Terminal Two and Terminal Three of Beijing Capital Airport. The execution of the agreement is expected to operate the retail resources designated by Beijing Capital Airport in a more effective manner, which in turn will enhance commercial satisfaction and service quality of Beijing Capital Airport and increase the revenue of the Company as a whole. For details of the relevant transactions, please refer to the Company's announcement dated 28 December 2017.	The Parent Company holds 100% equity interest of BACT.	149,505	160,000

## 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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>2 The Company and Beijing Capital Airport Food Management Co., Ltd. ("BAFM") entered into the Food and Beverage Leasing Agreement on 28 December 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which BAFM agreed to lease the designated food and beverage resources in Terminal One, Terminal Two and Terminal Three of Beijing Capital Airport. The execution of the agreement is expected to operate the food and beverage resources in Beijing Capital Airport in a more effective manner, which in turn will enhance food and beverage satisfaction and quality of Beijing Capital Airport and increase the revenue of the Company as a whole. For details of the relevant transactions, please refer to the Company's announcement dated 28 December 2017.</p>	<p>The Parent Company holds 100% equity interest of BAFM.</p>	<p>50,474</p>	<p>55,000</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>3 The Company and Capital Airport VIP Services Management Co., Ltd. (“CAVIP”) entered into the Traveller Services Franchise Agreement on 28 December 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which the Company agreed to permit CAVIP to use certain areas and resources at the terminals of Beijing Capital Airport for the provision of the businesses related to VIP travellers’ services in Beijing Capital Airport. The execution of the Traveller Services Franchise Agreement with CAVIP can enhance the efficiency of the traveller service resources usage in the terminals and improve the quality of traveller services in Beijing Capital Airport. For details of the relevant transaction, please refer to the Company’s announcement dated 28 December 2017.</p>	<p>The Parent Company holds 100% equity interest of CAVIP.</p>	<p>104,623</p>	<p>125,000</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>4 The Company and Capital Jet Co., Ltd. ("CACL") entered into the Business Jet Ground Services Joint Operation Agreement on 29 January 2016 with effect from 1 October 2015 to 30 September 2018, pursuant to which the Company agreed to permit CACL to conduct ground services to business jets taking off and landing and other relevant businesses at Beijing Capital Airport. The execution of the Business Jet Ground Services Joint Operation Agreement with CACL may enable the Company to advance the utilisation efficiency of the ground services resources for business jets in Beijing Capital Airport, enhance overall costs control, services quality, management efficiency and market competitiveness. Meanwhile, the cooperation with CACL can also increase the revenue of the Company. For details of the relevant transaction, please refer to the Company's announcement dated 29 January 2016.</p>	<p>The Parent Company holds 60.00% equity interest of CACL.</p>	<p>13,960</p>	<p>18,000 (Note: This amount represents the actual and maximum transaction amount for the period from 1 January 2018 to 30 September 2018)</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>5 The Company and CACL entered into the Business Jet Ground Services Joint Operation Agreement on 28 September 2018 with effect from 1 October 2018 to 30 September 2021, pursuant to which the Company agreed to permit CACL to conduct ground services to business jets taking off and landing and other relevant businesses at Beijing Capital Airport. The execution of the Business Jet Ground Services Joint Operation Agreement with CACL may enable the Company to advance the utilisation efficiency of the ground services resources for business jets in Beijing Capital Airport, enhance overall costs control, services quality, management efficiency and market competitiveness. Meanwhile, the cooperation with CACL can also increase the revenue of the Company. For details of the relevant transaction, please refer to the Company's announcement dated 28 September 2018.</p>	<p>The Parent Company holds 60.00% equity interest of CACL.</p>	<p>5,458</p>	<p>5,600 (Note: This amount represents the actual and maximum transaction amount for the period from 1 October 2018 to 31 December 2018)</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>6 The Company and Capital Airports Power and Energy Co., Ltd. ("CAPE") entered into the Supply of Power and Energy Agreement on 25 October 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which CAPE agreed to provide power and energy to the Company, including the provision of heating and cooling services, electricity, water, natural gas and steam power 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 conditioning and heating to the Company, and CAPE is the only provider of water, electricity, steam power, natural gas, air conditioning and heating in the area around Beijing Capital Airport with abundant experience in the provision of power and energy for Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 25 October 2017 and circular dated 15 November 2017.</p>	<p>The Parent Company holds 100% equity interest of CAPE.</p>	<p>671,063</p>	<p>822,381</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>7 The Company and Capital Airports Aviation Security Co., Ltd. ("CAAS") entered into the Supply of Aviation Safety and Security Guard Services Agreement on 25 October 2017 with effect from 1 January 2018 to 31 December 2019, pursuant to which CAAS agreed to provide aviation safety and security guard services to the Company in Beijing Capital Airport. Since CAAS has the expertise and experience in the provision of aviation safety and security guard services in Beijing Capital Airport, it is able to provide an integrated and complete range of aviation security services to the Company. The Company considers that the engagement of CAAS for the provision of aviation safety and security guard services will enable the Company to focus on developing and operating its core businesses in Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 25 October 2017 and circular dated 15 November 2017.</p>	<p>The Parent Company holds 100% equity interest of CAAS.</p>	<p>713,985</p>	<p>766,042</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>8 The Company and BACT entered into the International Retail Management Agreement on 15 November 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which BACT agreed to provide to the Company with the operation and management services of the designated retail resources in the international isolated area and the international arrival area of Terminal Two and Terminal Three of Beijing Capital Airport. Given that BACT is quite familiar with the international retail business in Beijing Capital Airport and has rich resources of international retail customers and strong management capacity on retail investment invitation and operation, the execution of this agreement is expected to enhance the value of trading and retail services of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport and helping the cost control of the Company as a whole. For details of the relevant transactions, please refer to the Company's announcement dated 15 November 2017 and circular dated 5 December 2017.</p>	<p>The Parent Company holds 100% equity interest of BACT.</p>	<p>619,057</p>	<p>700,000</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>9 The Company and Beijing Capital Airport Advertising Co., Ltd. ("BAA") entered into the Advertising Management Agreement on 28 December 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which BAA agreed to provide advertising management services to the Company in respect of the designated advertising resources in or nearby Beijing Capital Airport including terminals, ground transportation center at Beijing Capital Airport, buildings, outside lanes nearby etc. Given that BAA is quite familiar with the advertising business in Beijing Capital Airport and has ample client resources and strong capability of initiating invitation and management for advertising business, the execution of this agreement is expected to enhance the value of advertising resources of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport and helping cost control of the Company as a whole. For details of the relevant transactions, please refer to the Company's announcement dated 28 December 2017.</p>	<p>The Parent Company holds 100% equity interest of BAA.</p>	<p>318,318</p>	<p>335,000</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>10 The Company and BAFM entered into the Food and Beverage Management Agreement on 28 December 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which BAFM agreed to provide operation and management services to the Company in respect of the designated food and beverage resources in Terminal One, Terminal Two and Terminal Three of Beijing Capital Airport. Given that BAFM is quite familiar with the food and beverage business in Beijing Capital Airport and has ample client resources and strong capability of initiating invitation and management for food and beverage business, the execution of the agreement is expected to enhance the quality of restaurants and food &amp; beverage services and value of food and beverage resources of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 28 December 2017.</p>	<p>The Parent Company holds 100% equity interest of BAFM.</p>	<p>142,497</p>	<p>153,000</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>11 The Company and Beijing Capital Airport Property Management Co., Ltd. ("BAPM") entered into the Supply of Miscellaneous Property Services Agreement on 22 December 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which BAPM agreed to provide the Company with miscellaneous property services at Terminal One, Terminal Two, Terminal Three, the public area, airfield area and other designated areas at Beijing Capital Airport. The execution of this agreement is expected to help the Company control overall costs, and enhance service quality in the related areas. For details of the relevant transaction, please refer to the Company's announcement dated 22 December 2017. For details of revision of the annual caps, please refer to the announcement of the Company dated 28 December 2018.</p>	<p>The Parent Company holds 100% equity interest of BCPM.</p>	<p>251,553</p>	<p>315,000</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>12 The Company and CAPE entered into the Supply of Operation and Maintenance Services of Power and Energy Facilities Agreement on 22 December 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which CAPE agreed to provide the operation and maintenance services for 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 are located and their surrounding areas, and in respect of power and water facilities in the office buildings of Beijing Capital Airport, as well as the provision of 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 transactions, please refer to the Company's announcement dated 22 December 2017.</p>	<p>The Parent Company holds 100% equity interest of CAPE.</p>	<p>193,707</p>	<p>204,000</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>13 The Company and the Parent Company entered into the Trademark License Agreement on 30 November 2016, with effect from 1 December 2016 to 30 November 2019, pursuant to which the Parent Company agreed to grant the Company the right to use the Trademarks in the PRC in the goods and services under the registered classes of the Trademarks. This agreement was entered into because the continual use of the Trademarks will ensure the continuity of the brand and image of the Company and Beijing Capital Airport, thereby ensuring that the services and businesses of the Company will be well recognised by the market. For details of the relevant transaction, please refer to the Company's announcement dated 30 November 2016.</p>	<p>The Parent Company holds 56.61% of the issued share capital of the Company.</p>	90,326	92,000
<p>14 The Company and Beijing Capital Airport Property Management Center ("BAPMC") entered into the Leasing Framework Agreement on 22 December 2015 for the lease of certain premises, including but not limited to office buildings, car parks, airport lounge area and office area for operation in the airfield, from BAPMC, with effect from 1 January 2016 to 31 December 2018. The execution of this lease is expected to address the Company's need to maintain the overall steady operation of Beijing Capital Airport in its administration and daily operation of the airport. For details of the relevant transaction, please refer to the Company's announcement dated 22 December 2015.</p>	<p>The Parent Company holds 100% equity interest of BAPMC.</p>	53,543	58,350

## 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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>15 The Company and CAVIP entered into the Purchase of Services for Travellers Agreement on 28 December 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which the Company agreed to engage travellers' service staff from CAVIP to provide travellers' services to the ordinary travellers in the terminals of Beijing Capital Airport. The execution of this Agreement with CAVIP can enhance efficiency of the traveller service resources usage in terminals, and improve the quality of traveller services in Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcement dated 28 December 2017.</p>	<p>The Parent Company holds 100% equity interest of CAVIP.</p>	<p>45,704</p>	<p>52,000</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>16 The Company and Beijing Capital Airport Aviation Services Company Limited (“Aviation Services Company”) entered into the Purchase of Services Framework Agreement dated 31 January 2018 with effect from 1 February 2018 to 31 January 2021, pursuant to which the Aviation Services Company agreed to provide joint inspection services staff to the Company to assist in the provision of a number of on-site joint inspection services in the arrival and departure halls and the customs area of Terminal Two and Terminal Three at Beijing Capital Airport. The execution of this agreement can ensure the normal daily operations of the terminals of Beijing Capital Airport and further consummate the traffic order and improve the service experience of travellers. For details of the relevant transactions, please refer to the Company’s announcement dated 31 January 2018. For details of revision of the annual caps, please refer to the announcement of the Company dated 29 August 2018.</p>	<p>The Parent Company holds 100% equity interest of Aviation Services Company indirectly.</p>	<p>16,606</p>	<p>30,000</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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>17 The Company and Beijing Aviation Ground Services Co., Ltd (“BGS”) entered into the De-icing Services Cooperation Framework Agreement dated 25 October 2018 with effect from 1 November 2018 to 31 October 2021, pursuant to which the Company agreed to lease the de-icing vehicles and protection vehicles to BGS so that BGS can provide station de-icing services to airline companies for their aircrafts. The execution of this agreement can ensure the normal daily operations of the terminals of Beijing Capital Airport and further consummate the traffic order and improve the service experience of travellers. For details of the relevant transactions, please refer to the Company’s announcement dated 25 October 2018.</p>	<p>The Parent Company holds 51% equity interest of BGS.</p>	6,000	30,300
<p>18 The Company and BAA, BACT, BAFM, BAPM, Beijing Capital Airport Tourism Business Co., Ltd. (“Beijing Airport Tourism Business”) and CAVIP (collectively referred to as “Specialised Companies”) entered into the Beijing Airport General Marketing Fund Framework Agreement dated 31 October 2018 with effect from 31 October 2018 to 31 December 2020, pursuant to which the Company would provide funds to the Specialised Companies for the purpose of jointly carrying out marketing campaign(s) to allow tenants in the shopping zone of the Beijing Capital Airport to provide cash coupons, discounts or promotional subsidies to the travellers. For details of the relevant transactions, please refer to the Company’s announcement dated 31 October 2018.</p>	<p>The Parent Company holds 100% equity interest of the Specialised Companies.</p>	5,400	18,000

## 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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>19 The Company and the Parent Company entered into the GTC Assets Transitional Leasing Agreement dated 22 December 2017, pursuant to which the Company agreed to lease the GTC Assets from the Parent Company with effect from 1 January 2018 to 30 June 2018 (inclusive of the first day). During the lease term, if the Company obtains approval for acquisition of the GTC Assets at the general meeting and completes other necessary legal approval procedures, the contract shall be terminated. Where the Company fails to complete the aforesaid procedures during the lease term, the contract shall be automatically extended for half a year. In case the aforesaid procedures are not completed upon expiry of the extended period (31 December 2018), the lease shall be re-submitted to the Board for approval. For details of the relevant transaction, please refer to the Company's announcement dated 22 December 2017.</p>	<p>The Parent Company holds 56.61% the issued share capital of the Company.</p>	<p>168,086</p>	<p>226,000</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 2018 RMB'000	Annual Cap RMB'000
<p>20 The Company and the Parent Company entered into the Airfield Land Lease Agreement on 26 October 2006, for the lease of Airfield Land from the Parent Company. The term of the Airfield Land Lease Agreement is 20 years from the date on which the approval from the Beijing Bureau of Land and Resources on the transactions contemplated under the Airfield Land Lease Agreement is obtained, subject to renewal for 20 years on same terms and conditions upon request by the Company in accordance with the applicable PRC laws, and subject to further renewal for 10 years on same terms and conditions upon request by the Company in accordance with the applicable PRC laws. The execution of this agreement is expected to ensure the long-term use of the foresaid airfield areas and to save a substantial amount of capital expenditure in acquiring the land use rights to the Airfield Land. On 31 January 2008, the Company and the Parent Company entered into a supplemental agreement for adjustment of rental. For details of these transactions, please refer to the Company's announcements dated 26 October 2006 and 31 January 2008.</p>	<p>The Parent Company holds 56.61% of the issued share capital of the Company.</p>	<p>28,000</p>	<p>28,000 <sup>(Note 1)</sup></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 2018 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>21 The Company and Parent Company entered into the Property Leasing Framework Agreement dated 9 January 2018, pursuant to which the Company agreed to lease certain properties, including but not limited to ITC Property and the Armed Police Property, from the Parent Company with effect from 10 January 2018 to 31 December 2020. This agreement aims to meet the needs of the overall steady operation of Beijing Capital Airport administrated and daily operated by the Company. For details of the relevant transactions, please refer to the announcement of the Company dated 9 January 2018.</p>	<p>The Parent Company holds 56.61% of the issued share capital of the Company.</p>	12,116	16,000
<p>22 The Company and the Parent Company entered into the Lease Agreement dated 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.</p>	<p>The Parent Company holds 56.61% of the issued share capital of the Company.</p>	9,915	9,921 <sup>(Note 2)</sup>

## 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 2018 RMB'000	Annual Cap RMB'000
<p>23 The Company and China Civil Airport Equipment Co., Ltd ("CCAEC Company") entered into the Agreement on Front End Operation and Maintenance of Production Operations and Operations Management System dated 28 September 2018, for a term from 1 October 2018 to 30 September 2021, pursuant to which CCAEC Company agreed to provide Maintenance Services for the information front end at the terminals of the Beijing Airport. The execution of this agreement aims to ensure the stable and smooth operations of the information front-end of the Beijing Airport and improve the core operational and maintenance capabilities of the information front end system, thereby enabling the Company to fulfil the ever-increasing standard of safety and service operations. For details of the relevant transactions, please refer to the Company's announcement dated 28 September 2018.</p>	<p>The Parent Company holds 30.6% equity interest of CCAEC Company.</p>	2,980	3,500
<p>24 The Company and Beijing Capital Airport Group Finance Co., Ltd. ("BAGF") entered into the Financial Services Agreement dated 25 October 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which BAGF agreed to provide the Company with deposit services, loan and guarantee services, and other financial services. The execution of this agreement is expected to enable the Company to obtain more expedient and efficient financial services. For details of the relevant transactions, please refer to the Company's announcement dated 25 October 2017 and circular dated 15 November 2017.</p>	<p>The Parent Company holds 100% equity interest of BAGF.</p>	<p>Maximum daily balance of the deposit: 911,635; Service fee payable for other financial services: Nil</p>	<p>For deposit services (maximum daily balance of the deposit): 1,000,000; For other financial services: 10,000 <i>(Note 3)</i></p>

## REPORT OF THE BOARD (CONTINUED)

### Notes:

- 1 The Airfield Land Lease Agreement and the related supplemental agreement, including the rented areas and rental, is in the progress of obtaining approval from the related land governmental authorities.
- 2 The cap for the year 1999 was not 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 2018 may increase by no more than 77.16% over the year 1999, to RMB9,920,742.
- 3 Pricing policies for the Financial Services Agreement and the Supplementary Agreement are as follows:
  - (1) The interest rate payable for the Company's deposits with BAGF shall not be lower than the interest rate payable by the PBOC for comparable deposits;
  - (2) The interest rate to be charged for the loans to be provided by BAGF to the Company shall not be higher than the rate charged by normal commercial banks in the PRC for comparable loans;
  - (3) The service fee to be charged for the settlement services, draft acceptance and discount services, financial and financing advisory services to be provided by BAGF shall not be higher than the service fees charged by normal commercial banks in the PRC for comparable services.

The management of the Company confirmed that the aforesaid transactions: (1) were entered into in the ordinary course of business of the Company, and carried out under effective regulatory and internal control system; (2) were on the normal commercial terms or more favourable terms; (3) were on terms that are fair and reasonable; and (4) in which the total annual interest from deposit services was RMB12,814,947 as at 31 December 2018.

The Company has followed the pricing policies and guidelines, as stated in the relevant announcements and circulars of the Company, when determining the prices and terms of the aforesaid continuing connected transactions that were conducted during the year ended 31 December 2018.

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

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

## REPORT OF THE BOARD (CONTINUED)

### Connected Transactions

According to the requirements under Chapter 14A of the Listing Rules, the connected transactions of the Company, which are subject to the annual reporting requirements, for the year ended 31 December 2018 are set out as follows:

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions <i>RMB'000</i>
<p>1 The Company and the Parent Company entered into the GTC Assets Transfer Agreement dated 3 July 2018, pursuant to which the Parent Company conditionally agreed to sell, and the Company conditionally agreed to acquire the GTC Assets. The agreement shall become effective upon being signed by the legal representatives or authorised representatives of the parties with their company chops affixed and upon the fulfillment of the following conditions: (1) the approval by the independent Shareholders at the EGM in accordance with the Listing Rules; and (2) the approval by the Civil Aviation Administration of China. The execution of this agreement aims to facilitate the further completion of the Company's ownership of resources for the operation of Beijing Capital Airport and the enhancement of the proactiveness of Beijing Capital Airport's resources management, enhance the overall operational capacity and coordinative efficiency of Beijing Capital Airport, which will in turn improve the utilization efficiency of Beijing Capital Airport's resources and maximise the value of its resources. For details of the relevant transactions, please refer to the Company's announcement dated 3 July 2018 and circular dated 7 August 2018.</p>	<p>The Parent Company holds 56.61% of the issued share capital of the Company.</p>	<p>Approximately 2,435,153 (with the maximum consideration not exceeding 4,500,000)</p>
<p>2 The Company and Bowei entered into the Agreement on Procurement of Aircraft De-icing Vehicles dated 25 October 2018, pursuant to which the Company agreed to purchase six F-class aircraft de-icing vehicles from Bowei. The execution of this agreement aims to further improve the de-icing capacity of Beijing Capital Airport for the aircrafts in voyage during winter and replenish the on-site protection resources, so as to improve the guarantee capability of aircraft ground services at the Beijing Capital Airport, especially aircrafts at remote boarding gates, and therefore improve the operational efficiency and service quality of Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 25 October 2018.</p>	<p>The Parent Company holds 60% equity interest of Bowei.</p>	<p>Approximately 23,430 (with the maximum consideration not exceeding 45,000)</p>



## REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions <i>RMB'000</i>
<p>3 The Company and CECD Supervision &amp; Consulting Co., Ltd. ("CECD") entered into the Supervision Agreement dated 16 November 2018, pursuant to which the Company agreed to engage CECD to provide supervisory services for the Beijing Airport Apron No. 7 Retrofit Work. The execution of this agreement aims to ensure the smooth progress of the project, so as to enhance the operational efficiency and improve the supporting capacity of the Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 16 November 2018.</p>	<p>The Parent Company holds 100% equity interest of CECD indirectly.</p>	<p>Approximately 382 (with the maximum consideration not exceeding 2,000)</p>

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 34(b) to the Financial Statements. The Company confirms that in respect of these transactions which are both (i) Related Party Transactions; and (ii) connected/continuing connected transactions, it has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules and has followed the pricing policies and guidelines when determining the price and terms of such transactions, the details of which are set out in their respective announcements and circulars mentioned above.

## REPORT OF THE BOARD (CONTINUED)

### DISCLOSURE OF INTERESTS

As at 31 December 2018, 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 2018, the interests and short positions held by the following persons, other than directors or supervisors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") were as follows:

Name of substantial shareholder	Class of shares	Number of shares holding interest	Capacity	Percentage of shareholding to the relevant class of shares	Percentage to the total issued shares
Capital Airports Holding Company <i>(Note 1)</i>	Domestic shares	2,451,526,000(L)	Beneficial owner	100%	56.61%
Cheng Yu Tung Family (Holdings II) Limited <i>(Note 2)</i>	H shares	240,342,000(L)	Interest of corporation controlled by substantial shareholder	12.79%	5.55%
Cheng Yu Tung Family (Holdings) Limited <i>(Note 2)</i>	H shares	240,342,000(L)	Interest of corporation controlled by substantial shareholder	12.79%	5.55%
Chow Tai Fook Capital Limited <i>(Note 2)</i>	H shares	240,342,000(L)	Interest of corporation controlled by substantial shareholder	12.79%	5.55%
Chow Tai Fook (Holding) Limited <i>(Note 2)</i>	H shares	240,342,000(L)	Interest of corporation controlled by substantial shareholder	12.79%	5.55%
Chow Tai Fook Enterprises Limited <i>(Note 2)</i>	H shares	240,342,000(L)	Interest of corporation controlled by substantial shareholder	12.79%	5.55%
New World Development Company Limited <i>(Note 2)</i>	H shares	240,342,000(L)	Interest of corporation controlled by substantial shareholder	12.79%	5.55%
NWS Holdings Limited <i>(Note 2)</i>	H shares	240,342,000(L)	Interest of corporation controlled by substantial shareholder	12.79%	5.55%
NWS Ports Management Limited <i>(Note 2)</i>	H shares	240,342,000(L)	Interest of corporation controlled by substantial shareholder	12.79%	5.55%
Fortland Ventures Limited <i>(Note 2)</i>	H shares	240,342,000(L)	Beneficial owners	12.79%	5.55%

## REPORT OF THE BOARD (CONTINUED)

Name of substantial shareholder	Class of shares	Number of shares holding interest	Capacity	Percentage of shareholding to the relevant class of shares	Percentage to the total issued shares
BlackRock, Inc.	H shares	154,406,870(L)	Interest of corporation controlled by substantial shareholder	8.22%	3.57%
		114,000(S)		0.01%	
Citigroup Inc.	H shares	153,068,179(L)	Interest of corporation controlled by substantial shareholder	8.14%	3.53%
		1,182,000(S)		0.06%	
		148,224,080(P)		7.88%	
Aggregate of Standard Life Aberdeen plc affiliated investment management ( <i>Note 3</i> )	H shares	131,403,000(L)	Interest of corporation controlled by substantial shareholder	6.99%	3.03%
Aberdeen Asset Management plc and its associates ( <i>Note 3</i> )	H shares	114,868,000(L)	Interest of corporation controlled by substantial shareholder	6.11%	2.65%
Matthews International Capital Management, LLC. ( <i>Note 4</i> )	H shares	94,782,000(L)	Interest of corporation controlled by substantial shareholder	5.04%	2.19%

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

### Notes:

- Capital Airports Holding Company was incorporated in the PRC, and is the controlling shareholder of the Company. Mr. Liu Xuesong, an executive director and the chairman of the Board, is the general manager and deputy party secretary of Capital Airports Holding Company. Mr. Han Zhiliang, an executive director and the general manager, is the deputy general manager of Capital Airports Holding Company. Mr. Gao Shiqing, a non-executive director of the Company, is the deputy general manager of Capital Airports Holding Company. Mr. Yao Yabo, a non-executive director of the Company, is the deputy general manager (general manager level) of Capital Airports Holding Company. Mr. Ma Zheng, a non-executive director of the Company, is the general legal counsel and chairman of labor union of Capital Airports Holding Company.
- 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 81.03% 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.

## REPORT OF THE BOARD (CONTINUED)

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

CTF Enterprises, together with its subsidiaries, hold approximately 44.46% interest in New World Development Company Limited (“NWD”) and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWD.

NWD holds approximately 60.99% interest in NWS Holdings Limited (“NWS”) and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWS.

NWS holds 100% interest in NWS Ports Management Limited (“NWS Ports”) and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by NWS Ports.

NWS Ports holds 100% interest in Fortland Ventures Limited (“Fortland Ventures”) and is accordingly deemed to have an interest in the shares interested by or deemed to be interested by Fortland Ventures.

Therefore, Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, CTF Capital, CTF Holding, CTF Enterprises, NWD, NWS and NWS Ports (collectively, the “New World Group”) are all deemed to be interested in all the shares held by or deemed to be interested by Fortland Ventures.

On 11 January 2018, Fortland Ventures entered into a placing arrangement in relation to the disposal of 208,000,000 H shares of the Company, the completion of which took place on 16 January 2018. Accordingly, the New World Group (as defined above) were deemed to be interested in 240,342,000 H shares of the Company as at 31 December 2018.

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

## REPORT OF THE BOARD (CONTINUED)

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

As at 31 December 2018, 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 2018, none of the directors, supervisors, or the general manager of the Company or their associates had been granted the right to subscribe for any equity or debentures of the Company, nor had any of them exercised such rights during the same period.

### DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT

During the year ended 31 December 2018, none of the directors or supervisors of the Company or those entities connected with them directly or indirectly had any material interests in any transaction, arrangement or contract of significance (as defined in the Listing Rules) (other than service contracts/appointment letters) to which the Company was a party.

### DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2018, the Company, its holding company or the subsidiaries of its holding company was not a party to an arrangement to enable the directors or supervisors of the Company to acquire benefits by means of acquisition of any shares in, or debentures of, the Company or any other body corporate.

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

During the year ended 31 December 2018, 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 34 to the Financial Statements and the sections headed "Connected Transactions" and "Continuing Connected Transactions" in this Report of the Board, there was no material contract in 2018:

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

### MANAGEMENT CONTRACTS

During the year ended 31 December 2018, 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.

## REPORT OF THE BOARD (CONTINUED)

### PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company is currently in force and was in force throughout the financial year. The Company has taken out and maintained directors and officers liability insurance which provides appropriate covers for, among others, liability which may be incurred by directors of the Company to a third party.

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

The details of emoluments of directors, supervisors and the five highest paid individuals during the financial year are set out in Notes 25(c) and 35 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 2018.

### PUBLIC FLOAT

As at 27 March 2019, the Board confirmed that 1,879,364,000 H shares, representing 43.39% of the entire issued share capital of the Company are held by the public, which is in compliance with the minimum requirement of public float under Rule 8.08 of the Listing Rules.

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

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

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

### AUDITORS

For the three years ended 31 December 2015, 2016 and 2017, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were the Company’s PRC and international auditors, respectively.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were approved by way of a resolution passed at the 2017 Annual General Meeting (“AGM”) of the Company held on 28 June 2018, to act as the Company’s PRC and international auditors, respectively, for the year 2018.

The Board will present a resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company’s PRC and international auditors, respectively, for the year 2019 at the forthcoming 2018 AGM.

## REPORT OF THE BOARD (CONTINUED)

### DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

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

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

On 2 February 2018, Mr. Cheng Chi Ming, Brian resigned as a non-executive director of the Company and ceased to be a member of the strategy committee of the Board because he was required to devote more time to his other commitments due to work arrangements.

On 5 March 2018, Mr. Luo Xiaopeng resigned as the secretary of the Board of the Company due to job change. On the same day, Mr. Meng Xianwei was appointed as the secretary of the Board of the Company.

On 28 June 2018, Mr. Luo Xiaopeng resigned as the company secretary of the Company as a result of further adjustment in work allocation. On the same day, Mr. Meng Xianwei and Mr. Mok Chung Kwan, Stephen were appointed as the joint company secretary of the Company.

On 27 September 2018, Ms. Zhao Ying was appointed as the deputy general manager of the Company.

On 9 November 2018, Mr. Deng Xianshan resigned as the supervisor representing employees of the Company. On the same day, Mr. Liu Shaocheng was elected as the supervisor representing employees of the Company.

On 12 November 2018, Mr. Deng Xianshan was appointed as the deputy general manager of the Company.

All executive directors of the Company have entered into director's service contracts with the Company with a term expiring on the date of the 2019 AGM of the Company. All non-executive directors and supervisors of the Company have entered into letters of undertaking to perform the obligations of non-executive directors and supervisors, respectively, in accordance with the Articles of Association of the Company. Save as mentioned above, none of the directors or supervisors of the Company has entered or proposed to enter into a service contract with the Company. None of the directors or supervisors of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## REPORT OF THE BOARD (CONTINUED)

The Company has received the confirmation of independence from all independent non-executive directors of the Company pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors of the Company are independent in accordance with the Listing Rules. The profiles of the directors, supervisors and senior management of the Company are as follows:

### Executive Directors

**Mr. Liu Xuesong**, aged 54, a senior engineer and an expert enjoying special government allowance from the State Council, was re-appointed as an executive director and the chairman of the Company on 28 June 2017. Mr. Liu graduated from Chengdu Science and Technology University with a master's degree of the department of Polymer Materials. From June 1988 to February 1994, Mr. Liu served as an assistant engineer and engineer of the Second Research Institute of Civil Aviation Administration of China ("CAAC"). From February 1994 to January 1997, he served as the deputy general manager of Liuwei Company under the Second Research Institute of CAAC; from January 1997 to November 1998, the assistant to the director of the Second Research Institute of CAAC; from November 1998 to May 2000, the deputy director of the Second Research Institute of CAAC; from May 2000 to February 2002, the director and the party secretary of the Second Research Institute of CAAC. From February 2002 to February 2004, Mr. Liu served as the director and the deputy party secretary of CAAC Guizhou Administration Bureau. From February 2004 to February 2006, he was the deputy secretary (field practice) of Yan'an City of the CPC. From February 2006 to November 2009, he served as the director, a member of the standing committee and the secretary of the party committee of CAAC Northwest Regional Administration; from November 2009 to June 2011, the director, a member of the standing committee and the secretary of the party committee of CAAC North China Regional Administration; from June 2011 to March 2014, the director, a member of the standing committee and the deputy secretary of the party committee of CAAC North China Regional Administration. Mr. Liu has been the general manager and deputy party secretary of the Parent Company since March 2014, and the president of the board of supervisors of China Civil Airport Association since June 2017.

**Mr. Han Zhiliang**, aged 54, a senior economist, was re-appointed as an executive director of the Company on 28 June 2017. He obtained a Bachelor's degree in History from Inner Mongolia University, and a Master's degree in Management Science and Engineering from Chinese Academy of Agricultural Sciences and an Executive Master of Business Administration (majoring in Aviation Management) from Tsinghua University. From July 1986 to December 2003, Mr. Han successively served as officer of Political Division, deputy director of Political Division, deputy chief of Personnel and Labour Division and chief of Personnel and Labour Division of Inner Mongolia Bureau under Civil Aviation Administration of China; from December 2003 to March 2004, he served as the chief of Human Resources and Education Division of Inner Mongolia Airports Group Company Limited. He served as the vice general manager and a member of the Party committee of Inner Mongolia Airport Group Company Limited from March 2004 to February 2006, and then as a director, the general manager and deputy Party secretary of the same company, and subsequently as the general manager and deputy Party secretary of the same company from February 2006 to July 2009. From July 2009 to April 2015, he served as the general manager, a member of the Party committee and the deputy secretary of the Party committee of Hubei Airports Holding Company (from June 2014 to April 2015, he concurrently held such positions). He has been the vice general manager and a member of the Party committee of the Parent Company since June 2014; he has been the general manager and deputy party secretary of the Company since March 2016.



## REPORT OF THE BOARD (CONTINUED)

**Ms. Gao Lijia**, aged 54, a professor level senior engineer, was re-appointed as an executive director of the Company on 28 June 2017. Ms. Gao graduated from the Computer Science Department, Beijing University of Aeronautics and Astronautics (BUAA) with a master's degree of engineering. She also has the master's degree of Business Administration from China Europe International Business School. From January 1989 to May 1995, Ms. Gao served at branch campus of BUAA as deputy director and associate professor of the electronic engineering department. From May 1995 to June 1997, she worked in the electronic communication technology industry. From June 1997 to October 1999, Ms. Gao has been working as manager of Computer Division of Technological Equipment Department and then deputy director of Computer Centre of Beijing Capital International Airport Branch. From October 1999 to November 2000, Ms. Gao served as deputy manager and then the manager of the IT department of the Company. From November 2000 to February 2004, she became the manager of the Planning and Development Department of the Company. From February 2004 to March 2010, she was a deputy general manager of the Company. From March 2010 to April 2014, Ms. Gao served as the executive deputy general manager of the Company. From April 2014 to August 2016, Ms. Gao served as the executive deputy general manager of the Company (general manager level). Since August 2016, Ms. Gao has been the party secretary of the Company; since September 2016, she has concurrently served as the deputy general manager of the Company. Ms. Gao also serves as a member of Airport Information Technology Standing Committee of ACI.

### Non-executive Directors

**Mr. Gao Shiqing**, aged 58, was appointed as a non-executive director of the Company on 28 June 2017. Mr. Gao graduated from BUAA with a master's degree in aviation engineering. From August 1983 to September 1992, Mr. Gao successively served as the assistant of the Comprehensive Division of the Planning Department, deputy chief of the Investment Planning Division and the section chief of the Investment Planning Division in CAAC; the deputy director general of the Investment Planning Division in CAAC from September 1992 to July 1994; the deputy director general of the Investment Division of the Planning and Technology Department in CAAC from July 1994 to July 1996; the section chief of the Investment Division of the Planning and Technology Reform Department in CAAC from July 1996 to July 1998; the section chief of the Investment Division of the Planning and Technology Department in CAAC from July 1998 to January 2000; the deputy director of the Planning and Technology Division in CAAC from January 2000 to March 2003; the deputy chief of the Finance Division of the Planning & Department in CAAC from March 2003 to July 2004. From July 2004 to July 2005, he had been the assistant of general manager of the Parent Company, and has been the deputy general manager of the Parent Company since July 2005. Mr. Gao had been a non-executive director of the Company from June 2005 to June 2014.

**Mr. Yao Yabo**, aged 57, was appointed as a non-executive director of the Company on 30 June 2014 and was re-appointed as a non-executive director of the Company on 28 June 2017. He graduated from the Civil Engineering and Architecture Department of Hebei Polytechnic College majoring in civilian construction, and was awarded a Bachelor's degree. Mr. Yao obtained MBA degree from China Europe International Business School. He worked for China Civil Airport Designing Academy from July 1983 to January 1991 and served as senior staff of Human Resources and Labor Division of CAAC, deputy chief and chief of Infrastructure Management Office under Airport Division from January 1991 to September 1998. Mr. Yao served as deputy general manager of China Civil Aviation Engineering Consultancy Company from September 1998 to January 2001, served as deputy general manager and general manager of China Airport Construction Corporation from January 2001 to September 2009 and served as deputy general manager of the Parent Company from September 2009 to May 2015. He concurrently served as executive chief commander of Beijing New Airport Construction Headquarters from December 2010 to May 2015. Since May 2015, he has been the deputy general manager (general manager level) of the Parent Company. Since May 2015, he has concurrently served as chief commander of Beijing New Airport Construction Headquarters. Since July 2018, he has also been the general manager of Beijing New Airport Management Center.

## REPORT OF THE BOARD (CONTINUED)

**Mr. Ma Zheng**, aged 60, a senior economist, was appointed as a non-executive director of the Company on 18 December 2014 and was re-appointed as a non-executive director of the Company on 28 June 2017. Mr. Ma graduated from China University of Political Science and Law majoring in law and also obtained a Master's degree in World Economics from the Party School of the Central Committee of C.P.C.. Mr. Ma worked in Public Security Bureau of CAAC from August 1984 to April 1989. He served as a member at the director level and deputy chief of the Judiciary Division in System Reform, Regulations and Enterprise Management Department of CAAC from April 1989 to September 1998. From September 1998 to June 2000, he served as the deputy director of the Legal System Office under the general office of CAAC. He served as the deputy chief, chief, deputy director and director of the Policy and Regulation Department of CAAC from June 2000 to March 2014. From May 2012 to March 2014, he served as a commissioner of safety supervision of civil aviation of CAAC concurrently. Mr. Ma has been the general legal counsel and chairman of the Labor Union of the Parent Company since March 2014.

### Independent Non-executive Directors

**Mr. Japhet Sebastian Law**, aged 67, was appointed as an independent non-executive director of the Company on 12 June 2008 and was re-appointed as an independent non-executive director of the Company on 28 June 2017. Mr. Law graduated from the University of Texas at Austin with Ph.D. in Mechanical/Industrial Engineering in 1976. Mr. Law was a Professor in the Department of Decision Sciences and Managerial Economics of the Chinese University of Hong Kong from 1986 until 2012. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Prior to returning to Hong Kong, Mr. Law was the Director of Operations Research at the Cullen College of Engineering and Director of Graduate Studies in Industrial Engineering at the University of Houston, and was also involved with the U. S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. Mr. Law has acted as consultants with various corporations in Hong Kong and overseas. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government and varies other committees, and is also active on the boards of profit, non-profit, and charitable organizations in Hong Kong and overseas. Since 1 May 2006, he has served as an independent non-executive director of Tianjin Port Development Holdings Limited. Mr. Law has been an independent non-executive Director of the Company since 12 June 2008. Since 1 September 2008, Mr. Law has served as an independent non-executive director of Global Digital Creations Holdings Limited. Since 23 March 2009, he has also served as an independent non-executive director of BinHai Investment Company Limited (formerly "Wah Sang Gas Holdings Limited"). Since 18 June 2012, he has served as an independent non-executive director of Regal Hotels International Holdings Limited (listed on the Hong Kong Stock Exchange). Since 13 August 2012, he has also served as an independent non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (listed on the Hong Kong Stock Exchange). From 11 August 2013 to July 2016, he has been an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd. (listed on the Hong Kong Stock Exchange). Since 1 September 2013, he has served as an independent non-executive director of Shougang Fushan Resources Group Limited (listed on the Hong Kong Stock Exchange).

**Mr. Jiang Ruiming**, aged 53, was appointed as an independent non-executive director of the Company on 15 June 2011 and was re-appointed as an independent non-executive director of the Company on 28 June 2017. He graduated from Department of Law of Peking University with a Bachelor's degree. He obtained a MBA degree from Tsinghua SEM. Mr. Jiang had been executive chief editor of China Food Industry Magazine, partner of Beijing Guofang Law Firm, executive partner of Beijing Grandfield Law Offices and a member of 10th and 11th Issuance Examination Commission of CSRC. He is currently an executive partner of Beijing Grandway Law Offices and the director of Beijing Grandway (Shanghai) Law Offices. In May 2018, he was appointed as an arbitrator of the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Centre) with a term of three years.

## REPORT OF THE BOARD (CONTINUED)

**Mr. Liu Guibin**, aged 53, was appointed as an independent non-executive director of the Company on 15 June 2011 and was re-appointed as an independent non-executive director of the Company on 28 June 2017. He graduated from Zhongnan University of Economics and Law in 1989, is a Certified Public Accountant and one of the first group of senior members (practicing) of CICPA. Mr. Liu is senior partner of Ruihua Certified Public Accountants, in charge of internal training, risk quality control and operation instruction of major projects of the firm. Mr. Liu has served as a CPA for nearly 30 years and has extensive experience and theoretical knowledge. He is an expert in financial audit and consultancy. Meanwhile, Mr. Liu has accumulated abundant experience in restructuring and listing of enterprises and has profound research and unique point of view in restructuring and listing of enterprises as well as finance and securities. He also serves as a member of Professional Ethics Committee of CICPA and member of Beijing Institute of Certified Public Accountants. Since June 2015, Mr. Liu has also been an independent director of China Resources and Environment Co., Ltd. (listed on the Shanghai Stock Exchange) and 360 Security Technology Inc. (listed on the Shanghai Stock Exchange).

**Mr. Zhang Jiali**, aged 64, a senior economist, was appointed as an independent non-executive director of the Company on 28 June 2017. Mr. Zhang graduated from Heilongjiang University majoring in English and also participated the courses for the diploma of advanced study of modern management held by Hong Kong Professional Management Association. Mr. Zhang worked as a clerk in Research Institute of Qingdao Port Authority from February 1980 to November 1984; as a business analyst, deputy director, director, deputy general manager of Research Department of China Merchants Group Limited from November 1984 to August 1991; as a deputy general manager of Hong Kong Ming Wah Shipping Company Limited from August 1991 to March 1993; as a director and deputy manager of China Merchants International Consultancy Company from March 1993 to July 1996; as a deputy general manager of Oversea Affairs Department of China Merchants Group from August 1996 to June 1997; as a deputy general manager of Department of Planning and Statistics of China Merchants Group from June 1997 to November 1998; as a deputy head of Preparation Unit of China Merchants Group Shanghai Company from November 1998 to October 1999; as the business supervisor of Asia of the USA-based Global Insight Inc. from February 2000 to March 2005; as the project supervisor of China Merchants Holdings (International) Company Limited from April 2005 to June 2005 and as the vice president of Shanghai International Port (Group) Co., Ltd. from July 2005 to January 2014.

### Members of the Supervisory Committee

**Mr. Song Shengli**, aged 57, was appointed as a supervisor of the Company on 30 June 2014 and was re-appointed as a supervisor of the Company and elected as the chairman of the supervisory committee of the Company on 28 June 2017. Mr. Song graduated from Southwest University of Political Science and Law with a bachelor's degree in criminal investigation. Mr. Song worked as a cadre of the Public Security Bureau and general office of CAAC from July 1984 to October 1994. From October 1994 to October 2001, he served as the deputy director and director of the Secretariat under the general office of CAAC; from October 2001 to March 2008, as a full-time deputy director of the Leading Group Office for National Hijackings and the general captain of the Aircop Corps of CAAC. From March 2008 to December 2008, Mr. Song served as the director and party secretary of the Public Security Bureau, and the general captain and party secretary of the Aircop Corps of CAAC. From December 2008 to September 2009, he served as the director and party secretary of the Public Security Bureau, and the party secretary of the Aircop Corps of CAAC. From September 2009 to March 2014, he served as the director and party secretary of the Public Security Bureau, and the party secretary of the Aircop Corps of CAAC. From March 2014 to May 2015, Mr. Song served as the party secretary of the Company. He has been the party secretary and the deputy general manager of the Parent Company since May 2015.

## REPORT OF THE BOARD (CONTINUED)

**Mr. Liu Shaocheng**, aged 53, was appointed as a supervisor of the Company on 9 November 2018. Mr. Liu graduated from Peking University with a master's degree in Management Science. Mr. Liu served as a cadre of China Civil Aviation Science and Technology Research Centre from July 1994 to February 1997, a cadre at the Research Office of Civil Aviation Administration of China from February 1997 to February 1998, a member at the director level at the Research Office of the General Office of Civil Aviation Administration of China from February 1998 to August 2000, deputy director at the Research Office of the General Office of Civil Aviation Administration of China from August 2000 to August 2003, the director at the Research Office of the General Office of Civil Aviation Administration of China from August 2003 to October 2008, the director (assisting roles of departments or equivalents) at the Research Office of the General Affairs Office of Civil Aviation Administration of China from October 2008 to September 2009, the director (assisting roles of departments or equivalents) at the Research Office of the General Affairs Department of Civil Aviation Administration of China from September 2009 to July 2012, and the deputy secretary to the Party Committee, secretary of the Discipline Inspection Commission and chairman of the Labour Union of Tianjin Binhai International Airport from July 2012 to October 2018. Mr. Liu has been a member of the Party Committee, deputy secretary of the Party Committee and secretary of the Discipline Inspection Commission of the Company since October 2018. Since November 2018, he has been a supervisor of the Company. Since December 2018, he has served as the chairman of the labor union of the Company.

**Mr. Dong Ansheng**, aged 67, was appointed as a supervisor of the Company on 30 June 2014 and was re-appointed as a supervisor of the Company on 28 June 2017. Mr. Dong was an independent non-executive director from December 2007 to June 2011. Mr. Dong graduated from the Law School of Renmin University of China with J.D. degree. Mr. Dong is a professor and PHD Supervisor of the School of Laws of Renmin University of China, and serves as the deputy director of Research Center of Civil and Commercial Law of the Renmin University of China. Mr. Dong serves as deputy master of China Securities Law Society and directorates in several Law Societies. He also participates in the legislation of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other related rules and regulations on governing securities. Since 1992, Mr. Dong has long term studies on the companies' laws and securities laws. He had served as PRC legal advisor on the issue of shares, merger and acquisition and other listing matters of more than 40 listed A shares companies, several listed B shares companies and listed H companies and other listed companies in Hong Kong. Mr. Dong is also serving as an independent director of Beijing Wangfujing Department Store (Group) Co., Ltd. (listed on the Shanghai Stock Exchange) and Wasu Media Holding Co., Ltd. (listed on the ChiNext of the Shenzhen Stock Exchange). He is also an independent non-executive director of Beijing North Star Company Limited (listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) and Shanghai Xinhuangpu Property Co., Ltd. (上海新黄浦置業股份有限公司) (listed on the Shanghai Stock Exchange). He has ever been an independent director of Tongyu Heavy Industry Co., Ltd. (listed on the Shenzhen Stock Exchange) and resigned in March 2016.

**Mr. Wang Xiaolong**, aged 63, was appointed as a supervisor of the Company on 28 June 2017. He graduated from School of Economics of Peking University with Ph.D. degree. From December 1985 to April 1990, Mr. Wang served as the office director and department director of the Research Institute of China's Economic Reforms in the National Committee of China's Economic Reforms. From April 1990 to March 1994, Mr. Wang served as the deputy director and standing deputy director of Beijing New Technology Industrial Development Zone. From April 1994 to 1997, Mr. Wang served as a director and the deputy general manager of Hong Kong Jing Tai Industrial Corporation. From May 1997 to June 1998, Mr. Wang served as an executive director and vice-president of Hong Kong Beijing Holding Ltd. From June 1998 to December 2015, Mr. Wang served as the deputy chairman of the board and general manager of Beijing International Trust and Investment Co., Ltd.. Mr. Wang was an independent non-executive director of the Company from 30 June 2014 to 28 June 2017.

## REPORT OF THE BOARD (CONTINUED)

**Mr. Chang Jun**, aged 42, was appointed as supervisor of the Company on 30 June 2014 and was re-appointed as a supervisor of the Company on 28 June 2017. Mr. Chang graduated from the Civil Aviation Institute of China, majored in air traffic control, and also had an MBA degree of School of Economics and Management, Beijing University of Aeronautics and Astronautics. From July 1999 to October 2002, Mr. Chang served as a seat allocation officer of Operation Management Department, commander and coordinator, and airfield business assistant. From October 2002 to July 2006, he worked as a secretarial assistant of Personnel Administration Department of the Company. From July 2006 to October 2009, he served as a duty manager of the Operational Control Centre, Crisis Management Business Manager and Operations Management Business Manager of the Company. From October 2009 to May 2011, he worked as a deputy manager of the Operational Control Centre of the Company. He has served as deputy head of Working Group of the Party and director of the Labour Union Office of the Company since May 2011.

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

### Other Senior Management

**Mr. Zhang Wei**, aged 53, was re-appointed as the deputy general manager of the Company on 28 June 2017. Mr. Zhang is an engineer, holds the bachelor's degree in environmental monitoring from the Environment & Chemistry Department of Beijing University of Technology, and the master's degree in agriculture extension from Beijing Forestry University. Mr. Zhang successively served as chief of the Environmental Protection & Greening Section, supervisor of the Greening Team under the Airport Management Department, and vice manager of the Greening Team under the Airport Management Department and manager of the Administrative Management Division of the Company from July 1988 to June 2003; and as general manager, chairman and party secretary of Beijing Capital Airport Food Management Company Limited from June 2003 to January 2009; as deputy party secretary, secretary of the Disciplinary Committee, chairman of the labor union of Chongqing Airports Group Company from January 2009 to June 2010, and as deputy general manager and deputy party secretary of Chongqing Airports Group Company from June 2010 to March 2012. He has been the deputy general manager and a member of Party committee of the Company since March 2012.

**Mr. Deng Xianshan**, aged 53, was appointed as the deputy general manager of the Company on 12 November 2018. Mr. Deng graduated from the Department of History of Xiangtan University (湘潭大學) and was awarded an EMBA from Cheung Kong Graduate School of Business (長江商學院). Mr. Deng served as a lecturer for School of Textile Science and Technology of Beijing Union University (北京聯合大學紡織工程學院) from June 1990 to December 1994; the officer of the Publicity Department of Beijing Capital International Airport from January 1995 to November 1995; the director of the Party Office of Beijing Airport Inflight Kitchen Ltd. from November 1995 to May 1998; the deputy director of the Publicity Department of Beijing Capital International Airport from May 1998 to November 1999; manager of the Administrative Management Division of the Company from November 1999 to November 2000; general manager, deputy secretary of the Party Committee and director of Beijing Airport Inflight Kitchen Ltd. from December 2001 to January 2009; deputy general manager and deputy secretary of the Party Committee of Jiangxi Airports Group Company from January 2009 to March 2012; deputy secretary of the Party Committee and general secretary of the Discipline Inspection Commission of the Company from March 2012 to October 2018; chairman of the Labour Union of the Company from June 2012 to December 2018; and the deputy general manager of the Company since November 2018. Mr. Deng served as a supervisor of the Company from 6 June 2012 to 9 November 2018.

## REPORT OF THE BOARD (CONTINUED)

**Mr. Wang Weiyu**, aged 55, was re-appointed as the deputy general manager of the Company on 28 June 2017. Mr. Wang obtained a bachelor's degree in political education from Beijing Normal University and an EMBA degree from the City University of Hong Kong. Mr. Wang taught at the high school affiliated to Beijing Normal University from July 1985 to April 1996 and worked at the Expansion Headquarters of the Capital Airport from April 1996 to May 2000. He successively served as the office director, assistant to office manager, manager of Quality & Security Department and the Party secretary of aviation safety and security department of the Company from May 2000 to January 2006; as the general manager, chairman and Party secretary of Capital Airport Aviation Security Co., Ltd. from January 2006 to March 2008; as president of the School of Management of Capital Airport from March 2008 to June 2009; as the deputy general manager and a member of Party committee of Heilongjiang Airports Management Group Co., Ltd. from June 2009 to June 2010; as the deputy general manager and deputy Party secretary of Heilongjiang Airports Management Group Co., Ltd. from June 2010 to April 2012; and as the Party secretary and deputy general manager of Heilongjiang Airports Management Group Co., Ltd. from April 2012 to April 2015. He has been the deputy general manager and a member of Party committee of the Company since April 2015.

**Mr. Du Qiang**, aged 49, was re-appointed as the deputy general manager of the Company on 28 June 2017. Mr. Du is a senior economist. He graduated from the School of Economics and Management of Inner Mongolia University majoring in economics, and holds the master's degree from the University of International Business and Economics. He served as assistant at the deputy chief level of the Transportation Services Department of Inner Mongolia Bureau, Civil Aviation Administration of China; chief of the Transportation Section; assistant, deputy secretary, vice manager and manager of the Transportation Services Department, and chief of the Marketing Section; and vice general manager and a member of the party committee of Inner Mongolia Airports Group Company. From January 2009 to July 2011, Mr. Du served as director, general manager and deputy party secretary of Beijing Aviation Ground Services Company Limited. From July 2011 to April 2015, he served as director of operations and a member of the party committee of the Company and concurrently as general manager, Party secretary and deputy Party secretary of Capital Airport Aviation Security Co., Ltd. He has served as the deputy general manager and a member of Party committee of the Company since April 2015.

**Mr. Shen Lancheng**, aged 48, was re-appointed as the chief financial officer of the Company on 28 June 2017. Mr. Shen, a senior accountant, holds the qualification of Certified Public Accountant. Mr. Shen graduated from the China Civil Aviation Institute, majoring in financial plans. He also holds a master's degree in accounting from Deakin University in Australia, a master's degree of Business Administration from Tsinghua University and a doctorate degree in management from Northeastern University. From July 1999 to December 1999, Mr. Shen successively served as the accountant, the deputy director of the Financial Office and the chief of the Financial Division of Equipment Management Department of Beijing Capital International Airport. From December 1999 to February 2003, he served as the manager of the Financial Department of Beijing Bowei Airport Support Limited. From February 2003 to February 2005, he successively served as the head, the assistant general manager of the Investment and Management Department and the assistant general manager of Planning and Development Department of Parent Company. From February 2005 to February 2006, he served as the chief financial officer of Chongqing Airports Group Company. From January 2006 to January 2009, he served as the general manager of Legal Affairs and Auditing Department of Parent Company. From January 2009 to November 2010, he served as the general manager of Auditing and Supervision Department of Capital Airports Holding Company. From November 2010 to July 2016, he served as the general manager of Operation Management Department of the Parent Company. He was appointed as a member of the Party committee and the chief financial officer of the Company in July 2016.

## REPORT OF THE BOARD (CONTINUED)

**Ms. Zhao Ying**, aged 44, was appointed as the deputy general manager of the Company on 27 September 2018. Ms. Zhao is an engineer and political work specialist. She graduated from Beijing Union University with a major in Radio Technology of the School of Electronic Engineering. Ms. Zhao started her career and worked at the expansion project headquarters of Beijing Capital International Airport in July 1997, and she served as a system administrator and an office director of the IT department of the Company from October 1999 to May 2005. From May 2005 to August 2008, she was an assistant to the director of working group of the party of the Company. From August 2008 to May 2011, she served as the deputy secretary and deputy manager, party secretary and secretary of discipline committee of the public area management department of the Company. She served as the manager and deputy party secretary of the terminal building west area management department of the Company from May 2011 to July 2012, and served as the deputy head (presiding over work) and the head of working group of the party of the Company from July 2012 to July 2013. She served as the deputy general manager (department general manager level), general manager and deputy party secretary at the operation control center of the Company from July 2013 to September 2018. Since September 2018, she has been the deputy general manager and a member of the Party committee of the Company.

**Mr. Luo Xiaopeng**, aged 43, was re-appointed as the secretary of the Board on 28 June 2017 and resigned as the secretary of the Board in March 2018 and resigned as the joint company secretary of the Company in June 2018. Mr. Luo is a senior accountant. He graduated from Jiangxi University of Finance and Economics and obtained a bachelor's degree in monetary banking and a master's degree in finance. Mr. Luo used to teach in Jiangxi University of Finance and Economics, and joined the Company in August 2003. From August 2003 to September 2011, Mr. Luo successively served as an assistant, the director of financial planning and cost management and the deputy manager of the financial department in the Company. From September 2011 to April 2013, he served as the deputy manager of the financial department in the Company and was responsible for overseeing the whole department. From April 2013 to November 2016, he served as the general manager of the financial department in the Company. Mr. Luo served as the secretary to the Board from October 2016 to March 2018. He served as the joint company secretary of the Company on from November 2016 to June 2018.

**Mr. Meng Xianwei**, aged 43, was appointed as the secretary to the Board of the Company on 5 March 2018 and appointed as the joint company secretary of the Company on 28 June 2018. Mr. Meng is a senior economist, senior accountant and PRC certified public accountant. Mr. Meng graduated from Renmin University of China with a Ph.D. in technological economics and management. Mr. Meng joined the Company in August 2006. He successively served as an assistant for provision of advertising facilitation service in the Marketing Division of the Company; an assistant for strategic management, business manager of strategic management and business manager of operation and management of the Planning & Development Division, the deputy manager of the Planning & Development Division, and vice general manager of the Planning & Development Division of the Company from August 2006 to June 2015. Mr. Meng served as the general manager of the Aviation Business Division of the Company from June 2015 to March 2018 and was in charge of the International Affairs Division of the Company from October 2016 to March 2018. Mr. Meng was appointed as the secretary to the Board of the Company in March 2018 and appointed as the joint company secretary of the Company in June 2018. Since 15 March 2019, he has been the general manager of the Aviation Business Division and the general manager of the International Affairs Division of the Company.

## REPORT OF THE BOARD (CONTINUED)

### Joint Company Secretaries

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

**Mr. Mok Chung Kwan, Stephen**, aged 54, was appointed as the joint company secretary of the Company in 28 June 2018. Mr. Mok is a solicitor as defined in the Legal Practitioners Ordinance and currently a partner of Eversheds Sutherland. Mr. Mok graduated from the University of New South Wales in Australia with Bachelor of Commerce (Accounting)/Bachelor of Laws degrees. Mr. Mok possesses qualifications as a practicing solicitor in England and Wales, New South Wales of Australia, and Hong Kong. Mr. Mok has extensive experience in general business practices and corporate financial transactions, such as assisting corporations on listing their shares on the Stock Exchange, merger and acquisitions, corporate restructuring, organising joint ventures, and compliance with the Listing Rules and securities-related laws of Hong Kong.

The information of directors required to be disclosed under Rule 13.51B(1) of the Listing Rules was already set out in the profiles of the directors above. The details of emoluments of directors and supervisors mentioned above are set out in Note 35 to the Financial Statements.

During the year ended 31 December 2018, the annual emoluments of the senior management (including those who also serve as directors) paid by the Company for each of three members above were below HKD1,000,000 (equivalent to approximately RMB876,200), for five members between HKD1,000,000 and HKD1,500,000 (equivalent to approximately RMB1,314,300) and for one member between HKD1,500,000 and HKD2,000,000 (equivalent to approximately RMB1,752,400).

By order of the Board

**Liu Xuesong**

*Chairman*

Beijing, the PRC, 27 March 2019



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

In 2018, the Company's business performance remained robust. As for the revenues, the income from principal operations was RMB11,262,512,000, representing an increase of 17.6% over the previous year. Among which, the aeronautical revenues continued its momentum to increase as a result of the increased passenger throughput, structural optimisation and the upward adjustment of charging standards in the domestic routes of domestic airlines in Mainland China, and reached RMB5,309,408,000, representing an increase of 4.1% over the previous year. As for the non-aeronautical revenue, as driven by the execution of new duty free business contracts and the increased average purchasing power of passengers, the overall non-aeronautical revenue showed an outstanding performance of RMB5,953,104,000, representing an increase of 33.1% as compared with the previous year. As for the costs, the operating expenses of the Company in 2018 were RMB7,223,392,000, representing an increase of 21.0% over the previous year, due to the combined effect of the factors including the corresponding increase in management fees driven by the increased non-aeronautical concession revenue, the additional payment for the lease of Ground Traffic Centre and the increased investment in the repair and maintenance of operational resources, etc.

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

## OVERVIEW OF AERONAUTICAL BUSINESS

In 2018, the air traffic volumes of Beijing Capital Airport maintained steady growth, as a result of the continuously strong travel demand of passengers and the optimised route structure of the Company. In particular, the growth rate of international air traffic volumes remained higher than that of domestic air traffic volumes. In 2018, the cumulative aircraft movements in Beijing Capital Airport reached 614,022 sorties, representing an increase of 2.8% as compared with the previous year. The cumulative passenger throughput reached 100,983,290 person-times, representing an increase of 5.4% as compared with the previous year. The cumulative cargo and mail throughput reached 2,074,005 tonnes, representing an increase of 2.2% as compared with the previous year. Detailed information is set out in the table below:

	2018	2017	Change
<b>Aircraft Movements</b> (unit: sorties)	<b>614,022</b>	597,259	2.8%
Domestic	<b>485,395</b>	473,318	2.6%
Including: Hong Kong, Macau & Taiwan	<b>22,140</b>	21,331	3.8%
International	<b>128,627</b>	123,941	3.8%
<b>Passenger Throughput</b> (unit: person-times)	<b>100,983,290</b>	95,786,442	5.4%
Domestic	<b>77,692,591</b>	74,065,150	4.9%
Including: Hong Kong, Macau & Taiwan	<b>4,077,715</b>	3,923,159	3.9%
International	<b>23,290,699</b>	21,721,292	7.2%
<b>Cargo and mail Throughput</b> (unit: tonnes)	<b>2,074,005</b>	2,029,584	2.2%
Domestic	<b>1,115,538</b>	1,102,323	1.2%
Including: Hong Kong, Macau & Taiwan	<b>104,429</b>	109,928	-5.0%
International	<b>958,467</b>	927,261	3.4%

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### AERONAUTICAL REVENUES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	Change
Aircraft movement fees and related charges	<b>2,109,536</b>	1,951,845	8.1%
Passenger charges	<b>2,027,707</b>	1,927,420	5.2%
Airport fee	<b>1,172,165</b>	1,221,421	-4.0%
<b>Total aeronautical revenues</b>	<b>5,309,408</b>	5,100,686	4.1%

In 2018, the total aeronautical revenues of the Company were RMB5,309,408,000, representing an increase of 4.1% as compared with the previous year. In particular, revenues from aircraft movement fees and related charges were RMB2,109,536,000, representing an increase of 8.1% as compared with the previous year. On the one hand, it was due to an increase in the charging rates of the domestic flight movement fees and the relevant charges of domestic airlines in Mainland China in the first quarter of 2018, as a result of the upward adjustment of the relevant charging standards that came into effect on 1 April 2017 (pursuant to the "Plan for Adjustment of Charging Standards of Civil Airports" issued by the CAAC); on the other hand, it was driven by the combined effect of the growth in the flight movements and the optimisation of route structure. Revenues from passenger charges were RMB2,027,707,000, representing an increase of 5.2% as compared with the previous year, which basically remained consistent with the growth in passenger throughput. The airport fee revenues of the Company were RMB1,172,165,000, representing a decrease of 4.0% as compared with the previous year, which was mainly due to the abolition of the policy on the refunds from the Civil Aviation Development Fund since 29 November 2018 (pursuant to the "Notice of the Ministry of Finance regarding the Abolition of the Policy of Recognition of Refunds from the Civil Aviation Development Fund to Three Listed Airports Including the Capital Airport as Revenues\* (財政部關於取消民航發展基金用於首都機場等三家上市機場返還作企業收入處理政策的通知)", which shortened the airport fee revenues by around one month as compared with the previous year.

### NON-AERONAUTICAL REVENUES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	Change
Concessions	<b>4,455,856</b>	3,102,092	43.6%
Including: Retailing	<b>2,774,187</b>	1,514,129	83.2%
Advertising	<b>1,148,177</b>	1,098,255	4.5%
Restaurants and food shops	<b>271,263</b>	251,256	8.0%
VIP services	<b>104,623</b>	98,778	5.9%
Ground handling	<b>102,001</b>	55,557	83.6%
Other concessions	<b>55,605</b>	84,117	-33.9%
Rentals	<b>1,300,476</b>	1,197,729	8.6%
Car parking fees	<b>169,896</b>	162,446	4.6%
Others	<b>26,876</b>	11,563	132.4%
<b>Total non-aeronautical revenues</b>	<b>5,953,104</b>	4,473,830	33.1%

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2018, the total non-aeronautical revenues of the Company were RMB5,953,104,000, representing an increase of 33.1% as compared with the previous year. In 2018, the concession revenues of the Company were RMB4,455,856,000, representing an increase of 43.6% as compared with the previous year. In particular, the revenues from retailing were RMB2,774,187,000, representing an increase of 83.2% as compared with the previous year, which was mainly attributable to the execution of new duty-free business operation contracts in the duty-free business of Beijing Capital Airport with effect from 11 February 2018, resulting in a notable increase in the proportion of sales revenues from the duty free business of the Company, as well as the increase in the sales of duty-free business, which was also driven by the growth in international passenger throughput with high consumption abilities and by the promotion in duty-free business. The revenues from advertising were RMB1,148,177,000, representing an increase of 4.5% as compared with the previous year, mainly due to the increase in charges for some renewed advertising contracts and the addition of some advertising media resources in the terminals. The revenues from restaurants and food shops were RMB271,263,000, representing an increase of 8.0% as compared with the previous year, which was mainly due to the continuous increase in catering sales driven by the combined effect of the increased passenger throughput, the increased minimum rental offered to catering tenants and certain comprehensive marketing activities carried out in Beijing Capital Airport. The revenues from VIP services were RMB104,623,000, representing an increase of 5.9% as compared with the previous year, which was mainly due to the increase in minimum charges for the renewed contracts. The revenues from ground handling service were RMB102,001,000, representing an increase of 83.6% as compared with the previous year, which was mainly due to the final recognition of the corresponding revenues generated from the ground handling service concession contracts that were not reached in previous years but have been agreed during the current period. Other concession revenues were RMB55,605,000, representing a decrease of 33.9% as compared with the previous year, mainly due to the fact that the Company entered into the relevant telecommunications cooperation concession agreements in 2017 and recognised relevant revenues from franchising for that year and the previous years, resulting in a bigger base in the previous year.

In 2018, the rental revenues of the Company were RMB1,300,476,000, representing an increase of 8.6% as compared with the previous year, which was mainly due to the additional commercial areas and resources in the terminals, and the final recognition of certain amount of rentals for previous years as agreed during the current period.

In 2018, the car parking fees of the Company were RMB169,896,000, representing an increase of 4.6% as compared with the previous year, which was mainly due to the increase in vehicular traffic flow, which was driven by the growth of passenger throughput.

In 2018, the other revenues of the Company were RMB26,876,000, representing an increase of 132.4% as compared with the previous year, which was mainly attributable to the revenues received from certain stakeholders for the environmental protection measures.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### OPERATING EXPENSES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	Change
Depreciation and amortisation	<b>1,369,200</b>	1,403,946	-2.5%
Concession management fees	<b>1,079,873</b>	661,752	63.2%
Repair and maintenance	<b>1,036,451</b>	774,775	33.8%
Aviation safety and security guard costs	<b>735,066</b>	640,874	14.7%
Staff costs	<b>701,468</b>	600,364	16.8%
Utilities and power	<b>657,959</b>	606,778	8.4%
Operating contracted services	<b>470,058</b>	385,950	21.8%
Rental expenses	<b>308,640</b>	123,085	150.8%
Real estate and other taxes	<b>256,756</b>	250,064	2.7%
Greening and environmental maintenance	<b>246,103</b>	210,213	17.1%
General, administrative and other costs	<b>361,818</b>	312,270	15.9%
<b>Operating expenses</b>	<b>7,223,392</b>	5,970,071	21.0%

In 2018, the operating expenses of the Company were RMB7,223,392,000, representing an increase of 21.0% as compared with the previous year.

In 2018, the depreciation and amortisation expenses of the Company were RMB1,369,200,000, representing a decrease of 2.5% as compared with the previous year, mainly because part of fixed assets had been fully depreciated.

In 2018, the concession management fees of the Company were RMB1,079,873,000, representing an increase of 63.2% as compared with the previous year, which was mainly due to the increase in the retail concession revenues attributable to the execution of new duty-free business operation contracts, as well as the corresponding increase in management fees which were based on a certain percentage of the revenues resulting from the overall growth in the concession revenues of retailing, advertising as well as restaurants and food shops.

In 2018, the repair and maintenance expenses of the Company were RMB1,036,451,000, representing an increase of 33.8% as compared with the previous year, which was mainly due to the increase in renewed price of some equipment maintenance contracts after their expiration, as well as the increased building, equipment and system maintenance fees applied to improve the operation and management efficiency of Beijing Capital Airport.

In 2018, the aviation safety and security guard costs of the Company were RMB735,066,000, representing an increase of 14.7% as compared with the previous year, which was mainly due to the increase in labour costs, explosion prevention costs and special support costs for important projects as a result of the growth in air traffic volumes of Beijing Capital Airport as well as overall national requirements on safety and security.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2018, the staff costs of the Company were RMB701,468,000, representing an increase of 16.8% as compared with the previous year, which was mainly due to the improved overall operating performance of the Company in the year, resulting in a corresponding increase in performance bonuses linked to the Company's performance.

In 2018, the utilities and power expenses of the Company were RMB657,959,000, representing an increase of 8.4% as compared with the previous year, which was mainly due to the increase in renewed price of some energy service contracts after their expiration.

In 2018, the operating services costs of the Company were RMB470,058,000, representing an increase of 21.8% as compared with the previous year. On the one hand, the increase was mainly due to the relevant expenses incurred in connection with the additional apron resources. On the other hand, it was due to the expenses incurred in connection with the Company's new operational services projects as well as the increase in renewed price of some operational services contracts after their expiration.

In 2018, the rental expenses of the Company were RMB308,640,000, representing an increase of 150.8% as compared with the previous year, which was mainly due to the entering into of the GTC Assets Transitional Leasing Agreement between the Company and the Parent Company, whereby the Company leased Ground Traffic Centre from the Parent Company with effect from 1 January 2018, as a transitional arrangement for acquisition of such assets, resulting in a significant increase in the rental expenses.

In 2018, the greening and environmental maintenance expenses of the Company were RMB246,103,000, representing an increase of 17.1% as compared with the previous year, which was due to the increase in the price of some service contracts as well as the growth in air traffic volumes and the improvement of the service quality of Beijing Capital Airport.

In 2018, the general, administrative and other costs of the Company were RMB361,818,000, representing an increase of 15.9% as compared with the previous year, which was mainly due to the increased administrative expenses applied to further improve the Company's brand value, operational benefits and management capability and the increase in trademark fee resulting from the increase in revenues.

### OTHER ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

In 2018, the other income of the Company was RMB4,184,000, representing an increase of 8.9% as compared with the previous year, which was mainly due to the increase of government grants in 2018.

In 2018, due to the increase in the exchange rate of US dollar against RMB, the Company's liabilities denominated in US dollar generated exchange losses while exchange gains were recorded for the same period in 2017. As such, subsequent to the deduction of finance income, the net finance costs of the Company were RMB250,820,000, representing an increase of 193.1% as compared with the previous year.

In 2018, the income tax expense of the Company was RMB956,536,000, representing an increase of 10.0% as compared with the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### PROFIT FOR THE YEAR

For the financial year ended 31 December 2018, the net profit of the Company amounted to RMB2,872,055,000, representing an increase of 10.4% as compared with the previous year.

### DIVIDEND

The Board proposed to distribute the final dividend of RMB0.1623 per share for 2018, totally amounting to approximately RMB702,903,000 (2017: RMB660,894,000). Such proposal shall be subject to the approval by the shareholders at the 2018 annual general meeting ("AGM") of the Company. If the proposal is approved at the AGM, the final dividend is expected to be paid on or before 31 August 2019. The details of the payment of the final dividend (including the tax deduction, registration date and book closure period, etc.) will be set out in the notice of AGM or further announcement to be issued by the Company.

The Company has distributed an interim dividend of RMB0.1030 per share for 2018, amounting to approximately RMB446,082,000 in total. The total amount of the final dividend for 2018 proposed to be distributed and the interim dividend for 2018 that has been distributed amounts to 40% of the after-tax profit of the Company for 2018.

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 2018.

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

According to the overall plan of the acquisition of the Phase III Assets <sup>(Note 1)</sup>, 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 2018. Therefore, the fluctuation of RMB exchange rate against the US dollar will affect the financial results of the Company.

*Note 1:* 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 2018, the assets and liabilities of the Company denominated in USD included cash and cash equivalents of approximately RMB96,728,000 (2017: RMB78,052,000), trade and other receivables of approximately RMB224,000 (2017: RMB426,000), trade and other payables of approximately RMB10,661,000 (2017: RMB11,006,000), and loans from the Parent Company of approximately RMB1,926,055,000 (2017: RMB2,008,888,000). During 2018, the Company recorded a net exchange loss of RMB108,364,000.

## 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 RMB1,926,055,000, which was the borrowings from the European Investment Bank which was assumed from the Parent Company at an interest rate of six-month LIBOR plus 0.4%. The total amount of the Company's long-term borrowings was RMB2,980,000,000, and its interest rates were referenced to the benchmark rate announced by the People's Bank of China. As such, any change in LIBOR and interest rates of People's Bank of China will affect the interest expenses and financial results of the Company.

### CONTINGENT LIABILITIES

As at 31 December 2018, the Company had no significant contingent liabilities.

### LIQUIDITY AND FINANCIAL RESOURCES

In 2018, the Company's net cash generated from operating activities amounted to RMB4,690,248,000, representing an increase of RMB419,015,000 as compared with RMB4,271,233,000 for the year of 2017. In 2018, the Company's net cash outflow from investing activities amounted to RMB3,251,417,000. In 2018, the Company's net cash outflow from financing activities amounted to RMB1,234,161,000.

As at 31 December 2018, the Company had cash and cash equivalents amounting to the total sum of RMB1,806,125,000; while the cash and cash equivalents of the Company amounted to RMB1,614,649,000 as at 31 December 2017.

As at 31 December 2018, the Company's current portion of long-term borrowings were RMB2,980,000,000 and the loans from the Parent Company were RMB1,926,055,000.

As at 31 December 2018, the current ratio of the Company was 0.44, and as at 31 December 2017, the current ratio of the Company was 0.75. 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 2018, the liability-to-asset ratio of the Company was 32.52%, and as at 31 December 2017, the liability-to-asset ratio of the Company was 30.05%. 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 2018, the capital and reserves of the Company were RMB23,413,191,000 and as at 31 December 2017, the capital and reserves of the Company were RMB21,429,815,000.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### EMPLOYEES AND EMPLOYEE WELFARE

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

	2018	2017
Total number of employees	1,613	1,606

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

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

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

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

- Staff retirement scheme**

In 2011, the Company implemented the corporate pension scheme according to the relevant policies of the state. Pursuant to the corporate pension scheme, the Company and the staff who participates in the scheme shall make monthly contributions to the corporate pension funds according to a certain proportion.

### CAPITAL EXPENDITURES

Details of the capital commitment of the Company are set out in Note 32 to the Financial Statements.

### CHARGE ON ASSETS

During the year ended 31 December 2018, there was no charge or pledge on the assets of the Company.



# CORPORATE GOVERNANCE REPORT

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

The Board of the Company confirmed that the Company complied with all the provisions of the Corporate Governance Code (the "Code") under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2018 to 31 December 2018.

In respect of Code provision A.6.7 of the Code, the Company held its 2017 annual general meeting ("AGM") on 28 June 2018. Save as Mr. Yao Yabo, a non-executive director, and Mr. Liu Guibin, an independent non-executive director, who were absent from the meeting due to other business commitment, all other members of the Board attended the meeting. Matters considered at the meeting included five regular matters and all resolutions on such matters were smoothly passed at the meeting. After the AGM, the Company dispatched the meeting minutes to all members of the Board to keep the absent directors informed about the proposals resolved at the meeting.

## CORPORATE GOVERNANCE PRACTICES

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

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

## SECURITIES TRANSACTION BY DIRECTORS

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

Having made specific enquiry on all directors, the Company has confirmed that each of its directors has complied with the Model Code and the required standard set out in "the Code for Securities Transaction by Directors and Staff" formulated by the Company throughout the year ended 31 December 2018.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### BOARD OF DIRECTORS

#### Composition and Term of Office

During the reporting period, the seventh session of the Board of the Company consists of ten directors, including three executive directors, three non-executive directors and four independent non-executive directors. In line with the requirements under the Listing Rules, the Company has no less than three independent non-executive directors, representing at least one-third of the members of the Board, at least one of whom has the appropriate professional qualifications or appropriate expertise in accounting or related financial management. The seventh session of the Board of the Company was established on 28 June 2017, and was elected by the shareholders of the Company at the 2016 AGM; except for the expiration of term of office of a director upon his resignation on 2 February 2018, the term of office of all other directors (including non-executive directors) will end on the date of convening the 2019 AGM. The composition and changes of directors, the list of directors and their respective biographies are set out in the section headed "Report of the Board" in the annual report.

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

#### Duties and Operation

According to the Articles of Association, the Board shall be elected by and accountable to the general meeting, and has made decisions on the business development plans and investment policies, while the general manager of the Company shall be responsible for the daily operation and internal management.

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

In accordance with the Articles of Association, the general manager shall be accountable to the Board, and shall exercise the following powers and duties: to be responsible for the production and management of the Company and to organize the implementation of the resolutions of the Board; to organize the implementation of the annual business plans and investment proposals of the Company; to prepare proposals for the internal management structure of the Company; to prepare the basic management systems of the Company; to draft the basic rules and regulations of the Company; to propose for the employment or dismissal of deputy managers and financial officers of the Company; to employ or dismiss management staff other than those who shall be employed or dismissed by the Board; other powers and duties conferred by the Articles of Association and the Board.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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

### Board Meetings

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

In 2018, the Board of the Company held 13 meetings (of which nine were held by way of circulating written resolutions) in total to discuss and determine the Company's strategic development, major operations, financial affairs and other matters set out in the Articles of Association.

The table below sets out the rate of the directors' attendance (referring to attendance in person or by teleconference) at general meetings and Board meetings in 2018:

		<b>General meetings attendance rate Number of meetings attended/number of meetings held</b>	<b>Board meetings attendance rate Number of meetings attended/number of meetings held</b>
Liu Xuesong	Chairman, executive director	2/2	12/13
Han Zhiliang	General manager, executive director	1/2	13/13
Gao Lijia	Executive director	2/2	11/13
Gao Shiqing	Non-executive director	1/2	12/13
Yao Yabo	Non-executive director	0/2	9/13
Ma Zheng	Non-executive director	2/2	13/13
Cheng Chi Ming, Brian ( <i>Note 1</i> )	Non-executive director (resigned on 2 February 2018)	0/2	0/13
Japhet Sebastian Law	Independent non-executive director	2/2	13/13
Jiang Ruiming	Independent non-executive director	2/2	13/13
Liu Guibin	Independent non-executive director	1/2	12/13
Zhang Jiali	Independent non-executive director	2/2	13/13

*Note 1:* Mr. Cheng Chi Ming, Brian did not attend the meetings held after his resignation as a non-executive director of the Company with effect from 2 February 2018.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Chairman and General Manager

For the year ended 31 December 2018 and during the period up to the date of publication of the annual report, Mr. Liu Xuesong and Mr. Han Zhiliang, each being an executive director of the Company, holds the position of chairman and general manager of the Company, respectively. The chairman's responsibilities are to convene the Board meetings and promote the corporate governance of the Company, while the general manager is responsible for taking part in the critical decision-making as part of the Board and taking charge of the daily operation of the Company. Their duties and responsibilities are clearly separated. The governance structure of the Company features the clearly defined rights and responsibilities and expresses division of work, with each one performing his own duties.

### Insurance Arrangement

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

### Training

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

The Company also encouraged its directors to participate in the ongoing professional development programs to improve and upgrade their knowledge and skills. The Company also organized relevant training to ensure that directors had comprehensive information and proper expertise to make contribution to the Board. The Company kept training records to assist directors in recording the training courses they had attended, and required its directors to submit relevant training records to the Company each year.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2018, 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. Liu Xuesong	✓	✓	✓	✓
Mr. Han Zhiliang	✓	✓	✓	✓
Ms. Gao Lijia	✓	✓	✓	✓
<b>Non-executive directors</b>				
Mr. Gao Shiqing	✓	✓	✓	✓
Mr. Yao Yabo	✓	✓	✓	✓
Mr. Ma Zheng	✓	✓	✓	✓
Mr. Cheng Chi Ming, Brian ( <i>Note 1</i> )				
<b>Independent non-executive directors</b>				
Mr. Japhet Sebastian Law	✓	✓	✓	✓
Mr. Jiang Ruiming	✓	✓	✓	✓
Mr. Liu Guibin	✓	✓	✓	✓
Mr. Zhang Jiali	✓	✓	✓	✓

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

*Note1:* Mr. Cheng Chi Ming, Brian resigned as a non-executive director of the Company with effect from 2 February 2018.

## COMMITTEES TO THE BOARD

### Remuneration and Evaluation Committee

#### Composition and Term of Office

The remuneration and evaluation committee of the Company (the "Remuneration and Evaluation Committee") was established on 2 June 2005. On 28 June 2017, the seventh session of the Board re-appointed the members of the Remuneration and Evaluation Committee with their term of office to end on the day of convening of the 2019 AGM. At present, the Remuneration and Evaluation Committee is comprised of six members including four independent non-executive directors, one non-executive director and one executive director, namely, Mr. Japhet Sebastian Law (chairman of the Remuneration and Examination Committee), Mr. Jiang Ruiming, Mr. Liu Guibin, Mr. Zhang Jiali, Mr. Gao Shiqing and Ms. Gao Lijia.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Duties

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

- (i) to formulate a remuneration plan or scheme, which shall include benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, for directors and senior management, based on and considering the main scope of the management post of directors and senior management, duties, time commitment, importance, salaries paid by comparable companies to comparable posts and employment terms of other posts in the Company and make recommendations to the Board;
- (ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (iii) to review the performance of duties by the directors (including independent non-executive directors) and senior management and to make annual performance evaluations on them;
- (iv) to monitor the implementation of the remuneration system by the Company;
- (v) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that such compensation is consistent with the relevant contractual terms and that such compensation is otherwise fair and reasonable and not excessive for the Company;
- (vi) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are consistent with the relevant contractual terms and are otherwise reasonable and appropriate;
- (vii) to make recommendations to the Board on the Company's policy and structure for all remunerations for directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (viii) to make recommendations to the Board on the remuneration for non-executive directors;
- (ix) to ensure that no director or any of his associates (as defined under the Listing Rules) is involved in deciding his own remuneration; and
- (x) to be responsible for other matters as delegated by the Board.

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Directors' Remuneration Policy

The Company determines the remuneration for each of the directors with reference to their duties, responsibilities and the prevailing market condition.

### Meetings

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

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

<b>Members</b>	<b>Attendance rate Number of meetings attended/number of meetings held</b>
Japhet Sebastian Law ( <i>Chairman</i> )	1/1
Jiang Ruiming	1/1
Liu Guibin	1/1
Zhang Jiali	1/1
Gao Shiqing	0/1
Gao Lijia	0/1

### Nomination Committee

#### Composition and Term of Office

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Duties

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

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

The Company has adopted a diversity policy for Board members, summary of which is set out as follows:

### Vision

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

### Policy Statement

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



## 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.

During the year ended 31 December 2018, the following table illustrates the composition and diversity of the Board in terms of five objective criteria, namely (i) gender, (ii) age group, (iii) educational background, (iv) professional experience, skills and knowledge and (v) length of service.

#### 1. Gender

	Male	Female
	90%	10%

#### 2. Age group

	51 to 55	56 to 60	61 to 65	66 to 70
	50%	30%	10%	10%

#### 3. Education background

	Bachelor's degree holder	Master's degree holder	Doctoral degree holder
	20%	70%	10%

#### 4. Professional experience, skills, knowledge

	Engineering	Economics and Business Administration	Accounting	Law	Language and Humanities
	40%	50%	10%	20%	10%

#### 5. Length of Service

	1-5 years	6-10 years	More than 10 years
	60%	30%	10%

## CORPORATE GOVERNANCE REPORT (CONTINUED)

The Nomination Committee considers that the existing composition of the Board is diversified, taking into comprehensive account (i) the nature, scope and model of the Company's business; (ii) the specific needs of the Company; and (iii) the different background of the Directors.

### Review of This Policy

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

### Meetings

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

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

<b>Members</b>	<b>Attendance rate Number of meetings attended/number of meetings held</b>
Jiang Ruiming ( <i>Chairman</i> )	4/4
Japhet Sebastian Law	4/4
Liu Guibin	4/4
Zhang Jiali	4/4
Liu Xuesong	4/4
Han Zhiliang	4/4
Gao Lijia	4/4

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Audit and Risk Management Committee

#### Composition and Term of Office

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

#### Duties

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

- (i) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and handle any questions of its resignation or dismissal;
- (ii) to review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The committee shall discuss with the auditor the nature and scope of the audit and relevant reporting obligations before the audit commences;
- (iii) to develop and implement policy on engaging an external auditor to supply non-audit services. For such purpose, “external auditor” includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The committee shall report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- (iv) to monitor the completeness of the Company’s financial statements and annual report and accounts, half-year reports and, if prepared for publication, quarterly reports, and to review significant judgments on financial reporting contained therein. In reviewing these reports before submission to the Board, the committee should focus particularly on:
  - 1. any changes in accounting policies and practices;
  - 2. major judgmental areas;
  - 3. significant adjustments resulting from audit;
  - 4. the going concern assumptions and any qualifications;
  - 5. compliance with accounting standards; and
  - 6. compliance with the Listing Rules and legal requirements in relation to financial reporting;

## CORPORATE GOVERNANCE REPORT (CONTINUED)

- (v) Regarding (iv) above:
  - 1. members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditors; and
  - 2. the committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- (vi) to review the Company's financial controls, and to review the Company's risk management and internal control systems;
- (vii) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems in place. This discussion shall include the adequacy of resources, staff qualifications and experience, and adequacy of training programmes for staff and relevant budgets in the Company's accounting and financial reporting function;
- (viii) to consider major investigation findings on risk management and internal control matters and management's response to these findings on its own initiative or as delegated by the Board;
- (ix) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (x) to review the Company's financial and accounting policies and practices;
- (xi) to review the external auditor's management letter, any material queries raised by the auditor to management on accounting records, financial accounts or control system and management's response;
- (xii) to ensure that the Board provides a timely response to the issues raised in the external auditor's management letter;
- (xiii) to report to the Board on the matters in this provision; and
- (xiv) to consider other topics, as defined by the Board.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Meetings

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

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

<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
Jiang Ruiming	3/3
Zhang Jiali	3/3

The work performed by the Audit and Risk Management Committee for 2018 is summarized as follows:

During 2018, the Audit and Risk Management Committee reviewed the annual results report of the Company for the year 2017 and the interim results report of the Company for the year 2018, as well as the financial audit report for the year 2017 and the interim financial review report for the year 2018; reviewed the report on compliance of continuing connected transactions of the Company for the year, and issued an opinion on the report on compliance of continuing connected transactions of the Company for the year; reviewed the effectiveness of the internal audit function of the Company and the internal audit report of the Company; reviewed the report on risk management and internal control of the Company; and reviewed the proposal for re-appointment of external auditor, and defined its remuneration and term.

The Audit and Risk Management Committee has reported the aforesaid work and review results to the Board.

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

### Strategy Committee

#### Composition and Term of Office

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Duties

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

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

### RESPONSIBILITIES OF DIRECTORS AND AUDITOR FOR ACCOUNTS

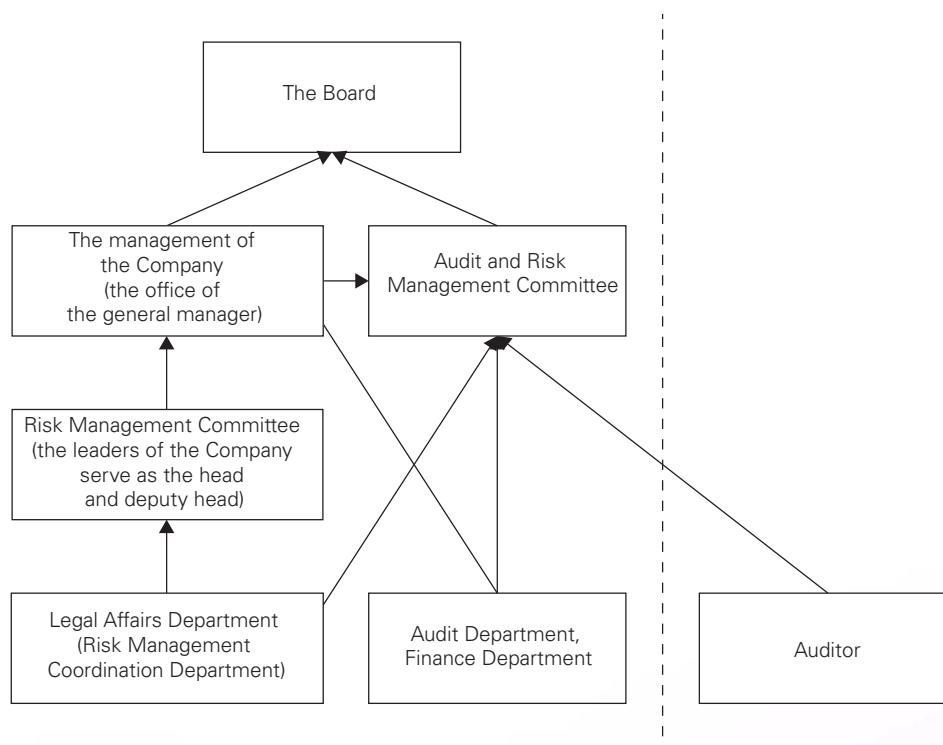
The directors hereby confirm their responsibilities for preparation of the Company's financial statements. The directors confirm that the financial statements of the Company for the year were prepared in accordance with the relevant rules and regulations as well as applicable accounting policies. The directors ensure that the financial statements of the Company will be published in due course. The responsibilities of the external auditor for the shareholders are described on pages 84 to 88.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### RISK MANAGEMENT AND INTERNAL CONTROL

#### Risk Management Framework

The objectives of the risk management and internal control system of the Company are to insure the efficiency of the business activities, the safety of the assets, as well as the reliability of the business information and financial report. By means of risk management, the system is complete and covers every aspect of the operation and management of the Company. The risk management and internal control system of the Company consists of the Board and the Audit and Risk Management Committee to the Board, management as well as the legal affairs department, audit department, finance department and the external auditor of the Company. The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. While the Board oversees the design, implementation and monitoring of the risk management and internal control systems, the management of the Company and other departments provide a confirmation to the Board on the effectiveness of such system. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives of the Company and can provide reasonable, but no absolute assurance against material misstatement or loss. The management framework is as follows:



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### System Features, Major Procedures and Scope

System features: The Company has constructed a comprehensive risk management system under the guidance of its internal control manual, and conducts multi-dimensional and full-spectrum risk management through the following measures on an on-going basis: assessing various material business risks exposed to the Company on a regular basis each year, updating and amending internal control manual, updating legal risk prevention manual, issuing internal control examination report, issuing risk management report, updating risk control and management list as well as supplementing and improving risk control and management measures, etc.

Procedure for identifying, assessing and managing material risks: The Company identifies material special risks, collects risk information, assesses risk degree and facilitates the implementation of risk management system through the control activities including comprehensive risk management reporting system, legal risk prevention and internal control guidance each year.

Procedure for reviewing the effectiveness of risk management and internal control system and the procedure for resolving serious internal control deficiency: The Company conducts walk-through test and examination assessment on its internal control business procedures and re-examines the effectiveness of the control system on a regular basis each year, and makes adjustment to the internal control targets based on the amendment plan for the Company's system and by combining internal and external audit reports while improving supervisory procedures.

Procedure for handling and publishing insider information: The Company determines major and frequent insider information types and key position contact persons based on its business conditions, and therefore has formulated a vigorous confidentiality system. Upon discovery of any suspected insider information, such information will be conveyed to insider information management department in a timely manner, and corresponding confidential or disclosure measures will be adopted under the overall management of such department so as to conform to relevant requirements of insider information regulation.

### Risk Management Functions

The legal affairs department of the Company is responsible for establishing a risk management and internal control system for the Company, preparing a risk management manual and an internal manual, and preventing and avoiding risks by adopting proper risk control methods and internal control measures.

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



## CORPORATE GOVERNANCE REPORT (CONTINUED)

The finance department of the Company is mainly responsible for monitoring financial risks, establishing a financial control mechanism and adopting risk control and prevention measures to avoid financial risks exposed to the Company.

As an external firewall against the risks of the Company, the external auditor engaged by the Company conducts an independent external audit on the financial statements of the Company, and reports to the Audit and Risk Management Committee. The Company also continuously improves its risk prevention and control as well as internal control according to the reports.

The work performed with respect to risk management and internal control by the relevant departments of the Company for 2018 is summarized as follows:

During 2018, the legal affairs department updated the risk management manual, and optimized the risk management and control system by identifying new risk exposures based on the changes in the operational environment of the Company; the audit department conducted proactive internal audit in the business-critical fields and high risk areas of the Company; the finance department continued to maintain a normalized control measure for the financial risks. During 2018, the legal affairs department, the finance department and the audit department each reported to the Audit and Risk Management Committee twice; auditor reported to the Audit and Risk Management Committee three times, and the Audit and Risk Management Committee reported to the Board accordingly.

During the annual review, the Audit and Risk Management Committee has also considered resources, staff qualifications and experience, training programmes and the adequacy of budget of the Company's internal audit, accounting and financial reporting function. The Board has reviewed the effectiveness of the risk management and internal control system of the Company (including financial, operational and compliance controls and the Company's processes for financial reporting and compliance with the Listing Rules) and considers that, during the year ended 31 December 2018, the existing internal control system is prudent and sufficient to assure the interests of the Company and all shareholders.

### AUDITORS' REMUNERATION

The Company has appointed PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the foreign and domestic auditor of the Company for 2018, respectively. During the year ended 31 December 2018, the above auditors charged the Company RMB6.174 million as service fees in respect of the audit and non-audit services.

During the year ended 31 December 2018, the above auditors provided non-audit services including Hong Kong audit service in respect of tax with service fee of RMB19,000 and BPC system maintenance service with service fee of RMB1.755 million.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### COMPANY SECRETARY

Mr. Meng Xianwei and Mr. Mok Chung Kwan, Stephen have been the joint company secretary of the Company since 28 June 2018. Mr. Meng Xianwei and Mr. Mok Chung Kwan, Stephen are all familiar with the Company's day-to-day business operation. The joint company secretary provide opinions on corporate governance issues to the Board by reporting to the chairman of the Board or the chief executive, and make arrangement for directors' induction training and professional development. Both of Mr. Meng Xianwei and Mr. Mok Chung Kwan, Stephen confirmed that they had received 17 hours relevant professional training during the reporting period.

### SHAREHOLDERS' RIGHTS

#### Convening an Extraordinary General Meeting

According to the provisions under the Articles of Association, an extraordinary general meeting may be convened upon the written request by the shareholders holding 10% or more of the issued shares of the Company with voting rights. Meanwhile, at an AGM convened by the Company, shareholders holding 5% or more of the shares of the Company with voting rights are entitled to raise new proposals in writing to the Company, and the Company shall incorporate the proposals which fall within the scope of the general meeting's terms of reference into the agenda of the meeting.

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

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

The Company will check with its share registrar on the relevant condition. If the principal matters proposed by the requisitionists fall within the scope of the general meeting's terms of reference, the company secretary will request the Board to convene an extraordinary general meeting and dispatch a notice to all registered shareholders in accordance with the provisions under the Listing Rules and the Articles of Association;

An extraordinary general meeting will not be convened if the relevant condition or the principal matters proposed by the requisitionists are deemed inappropriate after investigation, and the Company will inform relevant shareholders of the relevant results;

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### ENQUIRIES TO THE BOARD

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

### INVESTOR RELATIONS

During the reporting period, there were no material amendments to the Articles of Association of the Company.

### COMMUNICATION WITH SHAREHOLDERS

The Company is committed to a policy of open and regular communication with its shareholders, and makes reasonable disclosure of information to them. Information of the Company is disseminated to the shareholders in the following manner:

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

Establishing specialised agencies and personnel for receiving investors and analysts and answering the relevant questions raised by them;

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

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

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

# REPORT OF THE SUPERVISORY COMMITTEE

## **To all shareholders,**

During 2018, in accordance with the Company Law of the People's Republic of China, the Listing Rules and the Company's Articles of Association, the Supervisory Committee of the Company actively conducted supervision and inspection in the best interests of the shareholders and the Company and pursuant to the regulatory 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, etc. Acting on the principle of honesty and diligence, the Supervisory Committee successfully completed its work plan for 2018 and continuously improved the Company's governance practices.

The seventh session of the Supervisory Committee of the Company was established on 28 June 2017, upon election and confirmation by the Company's shareholders at the annual general meeting ("AGM"). The term of office for all the supervisors is three years, and will expire on the date when the 2019 AGM is convened.

As at 31 December 2018, the seventh session of the Supervisory Committee of the Company comprises five members, including Mr. Song Shengli as a representative of shareholders, Mr. Liu Shaocheng and Mr. Chang Jun as representatives of employees, and Mr. Dong Ansheng and Mr. Wang Xiaolong as external supervisors. Among them, Mr. Chang Jun was elected as a supervisor representing employees at the staff representative congress held on 6 June 2012 and Mr. Liu Shaocheng was elected as a supervisor representing employees at the staff representative congress held on 9 November 2018.

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

During the reporting period, the Supervisory Committee of the Company convened one meeting in total.

On 28 March 2018, the Supervisory Committee convened the first meeting of the year by way of written resolution, at which the 2017 work of the Supervisory Committee was summarized, and the Report of the Supervisory Committee of the Company for the year of 2017 was considered and approved, and the secretary to the Board of the Company was authorized to incorporate the report into the 2017 annual report for review by the Company's shareholders.

During the reporting period, the Company held four on-site Board meetings and three meetings for the Audit and Risk Management Committee. All supervisors of the Company attended such meetings, and monitored the decision-making process of the Board, the completeness of the minutes of the Board meetings and implementation of the resolutions passed at the Board meetings. They also involved themselves in major operational events including general manager's work meeting, and audited the Company's financial, daily management and operational status as well as the operating results and financial conditions of the Company in 2018.

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 2018 AGM, and considered that the shareholders' equity continued to grow, the Company's profitability was enhanced, the gearing ratio was reasonable, dividend distribution policy was stable and the overall financial position was sound in 2018.

## REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

### INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS

#### Legality of the Company's Operation

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

#### Truthfulness of the Company's Financial Information

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

#### Acquisition and Disposal of Assets

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

#### Connected Transactions

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

In 2018, Beijing Capital Airport, as the world's second biggest airport, saw its passenger throughput reaching 100 million person-times, with security, operation, services and management quality continuously improving. It is expected that in 2019, as Daxing Airport commences its operation, the overall aviation market in Beijing will present a new landscape of "one city, two airports". Faced with a phase of adjustment and decline, Beijing Capital Airport will rely on the ideas and methods of new high-quality development and create and seize opportunities to foster new development momentums. With structure adjustment, improved functions, sound network and improving quality and efficiency, Beijing Capital Airport will achieve development featuring high quality, high efficiency and high satisfaction.

By order of the Supervisory Committee  
**Song Shengli**  
*Chairman of the Supervisory Committee*

Beijing, the PRC, 27 March 2019

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**To the Shareholders of Beijing Capital International Airport Company Limited**  
*(Incorporated in People's Republic of China with limited liability)*

## OPINION

### What we have audited

The financial statements of Beijing Capital International Airport Company Limited (the "Company") set out on pages 89 to 164, which comprise :

- the balance sheet as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

---

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is summarised as follows:

#### Key Audit Matter

#### How our audit addressed the Key Audit Matter

##### Expected credit losses of trade receivables

Refer to Note 4 – Critical accounting estimates and judgements and Note 10 – Trade and bill receivables.

As at 31 December 2018, the Company had trade receivables amounting to RMB16.3 billion, among which, a provision of RMB241.6 million has been made.

The Company calculates the expected credit losses by the expected loss rates. The expected loss rates are based on the historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified economic policies, macroeconomic conditions, industry risks, probabilities of default and expected operating performance of the debtors in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Management needs to exercise significant judgement in assessing the expected credit losses of the trade receivables. We have therefore identified expected credit losses assessment as an area of focus for the audit.

We performed the following procedures in relation to management's assessment on expected credit losses of trade receivables:

- We understood and assessed the design and operating effectiveness of the Company's controls over assessing the expected credit losses of trade receivables.
- We obtained an understanding of the rationale for recognising individual impaired and grouped impaired trade receivables. We assessed the reasonableness based on the credit risk drivers.
- For individual impaired trade receivables, on a sample basis, we evaluated appropriateness of the assumptions and judgements used by management based on the examination of the historical payment documentation and post-year end settlements, and the evaluation of explanations provided by management in respect of recoverability of trade receivables including check the financial position and condition of the debtors.
- For grouped impaired trade receivables, on a sample basis, we checked the accuracy of the ageing profile of trade receivables to sales invoices and the past due analysis to credit terms in contracts; we recalculated the historical credit losses and evaluated the appropriateness of adjustments for forward-looking information based on the analysis of macroeconomic factors.
- We verified the mathematical accuracy of the calculation.

Based on the above, we found that the judgements exercised by management to be supportive with the evidence we obtained as mentioned above.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF DIRECTORS AND THE AUDIT AND RISK MANAGEMENT COMMITTEE FOR THE FINANCIAL STATEMENTS**

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and risk management committee is responsible for overseeing the Company's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit and risk management committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We also provide the audit and risk management committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and risk management committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsun NG.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 27 March 2019

# BALANCE SHEET

As at 31 December 2018

	Note	As at 31 December	
		2018 RMB'000	2017 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	26,972,627	26,050,982
Land use rights	7	3,271,974	1,106,964
Intangible assets	8	78,276	83,163
Deferred income tax assets	22	190,187	183,524
Other non-current assets	11	52,615	54,018
		<b>30,565,679</b>	27,478,651
<b>Current assets</b>			
Inventories	9	153,589	118,427
Trade and bill receivables	10	1,386,376	1,279,857
Prepayment	11	12,545	18,815
Other financial assets at amortised cost	12	515,880	–
Other receivables	12	–	16,235
Cash and cash equivalents	13	1,806,125	1,614,649
Other current assets	14	257,915	72,504
		<b>4,132,430</b>	3,120,487
Assets held-for-sale	16	–	38,120
		<b>4,132,430</b>	3,158,607
<b>Total assets</b>		<b>34,698,109</b>	30,637,258
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	17	4,330,890	4,330,890
Share premium		5,055,425	5,055,425
Capital reserve	18(a)	1,493,731	1,254,344
Other reserve	18(b)	(33,155)	(32,098)
Statutory and discretionary reserves	18(c)	5,627,158	4,992,579
Retained earnings		6,939,142	5,828,675
<b>Total equity</b>		<b>23,413,191</b>	21,429,815

## BALANCE SHEET (CONTINUED)

As at 31 December 2018

	Note	As at 31 December	
		2018 RMB'000	2017 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	20	–	2,990,000
Loans from the Parent Company	21	<b>1,758,572</b>	1,848,177
Retirement benefit obligations	23	<b>158,541</b>	128,542
Deferred income	24	<b>33,745</b>	27,558
		<b>1,950,858</b>	4,994,277
<b>Current liabilities</b>			
Trade and other payables	19	<b>6,083,138</b>	3,651,699
Current income tax liabilities		<b>95,374</b>	393,005
Current portion of long-term borrowings	20	<b>2,980,000</b>	–
Current portion of loans from the Parent Company	21	<b>167,483</b>	160,711
Current portion of retirement benefit obligations	23	<b>8,065</b>	7,751
		<b>9,334,060</b>	4,213,166
<b>Total liabilities</b>		<b>11,284,918</b>	9,207,443
<b>Total equity and liabilities</b>		<b>34,698,109</b>	30,637,258

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

The financial statements on pages 89 to 164 were approved by the Board of Directors on 27 March 2019 and were signed on its behalf.

**Liu Xuesong**  
Chairman

**Han Zhiliang**  
Director

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
<b>Revenues</b>			
Aeronautical	5	5,309,408	5,100,686
Non-aeronautical	5	5,953,104	4,473,830
		<b>11,262,512</b>	9,574,516
<b>Operating expenses</b>			
Depreciation and amortisation	6, 7 and 8	(1,369,200)	(1,403,946)
Concession management fees		(1,079,873)	(661,752)
Repairs and maintenance		(1,036,451)	(774,775)
Aviation safety and security guard costs		(735,066)	(640,874)
Staff costs	25	(701,468)	(600,364)
Utilities and power		(657,959)	(606,778)
Operating contracted services		(470,058)	(385,950)
Rental expenses		(308,640)	(123,085)
Real estate and other taxes		(256,756)	(250,064)
Greening and environmental maintenance		(246,103)	(210,213)
Other costs		(361,818)	(312,270)
	26	<b>(7,223,392)</b>	(5,970,071)
Impairment losses on financial assets		(679)	(55,667)
Other income		4,184	3,841
<b>Operating profit</b>		<b>4,042,625</b>	3,552,619
Finance income	27	37,392	160,954
Finance costs	27	(288,212)	(246,530)
		<b>(250,820)</b>	(85,576)

## STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018

	<i>Note</i>	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Gain on disposal of a joint venture		<b>36,786</b>	–
Share of post-tax profit of a joint venture		–	3,251
<b>Profit before income tax</b>		<b>3,828,591</b>	3,470,294
Income tax expense	28(a)	<b>(956,536)</b>	(869,833)
<b>Profit for the year</b>		<b>2,872,055</b>	2,600,461
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		<b>(21,090)</b>	29,806
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(21,090)</b>	29,806
<b>Total comprehensive income for the year</b>		<b>2,850,965</b>	2,630,267
Earnings per share, basic and diluted ( <i>RMB</i> )	29	<b>0.66</b>	0.60

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		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 2017</b>		4,330,890	5,055,425	1,012,842	(61,904)	4,376,333	4,664,731	19,378,317
Profit for the year		-	-	-	-	-	2,600,461	2,600,461
Other comprehensive income for the year		-	-	-	29,806	-	-	29,806
Total comprehensive income for the year		-	-	-	29,806	-	2,600,461	2,630,267
Contribution from the Parent Company	18(a)	-	-	241,502	-	-	-	241,502
2016 final dividend		-	-	-	-	-	(440,885)	(440,885)
2017 interim dividend	30	-	-	-	-	-	(379,386)	(379,386)
Transfer to statutory and discretionary reserves	18(c)	-	-	-	-	616,246	(616,246)	-
<b>Balance at 31 December 2017</b>		4,330,890	5,055,425	1,254,344	(32,098)	4,992,579	5,828,675	21,429,815
<b>Balance at 1 January 2018</b>		<b>4,330,890</b>	<b>5,055,425</b>	<b>1,254,344</b>	<b>(32,098)</b>	<b>4,992,579</b>	<b>5,828,675</b>	<b>21,429,815</b>
Profit for the year		-	-	-	-	-	2,872,055	2,872,055
Other comprehensive loss for the year		-	-	-	(21,090)	-	-	(21,090)
Total comprehensive income for the year		-	-	-	(21,090)	-	2,872,055	2,850,965
Contribution from the Parent Company	18(a)	-	-	239,387	-	-	-	239,387
Disposal of a joint venture		-	-	-	20,033	-	(20,033)	-
2017 final dividend	30	-	-	-	-	-	(660,894)	(660,894)
2018 interim dividend	30	-	-	-	-	-	(446,082)	(446,082)
Transfer to statutory and discretionary reserves	18(c)	-	-	-	-	634,579	(634,579)	-
<b>Balance at 31 December 2018</b>		<b>4,330,890</b>	<b>5,055,425</b>	<b>1,493,731</b>	<b>(33,155)</b>	<b>5,627,158</b>	<b>6,939,142</b>	<b>23,413,191</b>

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

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	5,944,048	5,010,209
Income tax paid		(1,253,800)	(738,976)
Net cash generated from operating activities		4,690,248	4,271,233
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,128,700)	(637,543)
Purchase of land use rights		(634,252)	-
Investment in wealth management products		(500,000)	-
Purchase of intangible assets		(28,156)	(29,512)
Interest received		28,934	45,940
Dividends received		10,715	-
Net proceeds from fixed assets disposal		42	-
Proceeds from disposal of a joint venture		-	74,906
Government subsidies received for assets		-	1,500
Net cash used in investing activities		(3,251,417)	(544,709)
<b>Cash flows from financing activities</b>			
Dividends paid		(1,106,976)	(820,271)
Interest paid		(178,836)	(385,992)
Repayment of loans from the Parent Company		(177,736)	(167,010)
Repayment of long-term borrowings		(10,000)	(10,000)
Contribution from the Parent Company	18(a)	239,387	241,502
Repayment of bonds		-	(3,000,000)
Repayment of short-term debenture		-	(2,500,000)
Net cash used in financing activities		(1,234,161)	(6,641,771)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		204,670	(2,915,247)
Cash and cash equivalents at beginning of year		1,614,649	4,530,369
Exchange effect on cash and cash equivalents		(13,194)	(473)
<b>Cash and cash equivalents at end of year</b>	13	<b>1,806,125</b>	1,614,649

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 1 GENERAL INFORMATION

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

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

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated, and were approved for issue by the Board of Directors on 27 March 2019.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of preparation

#### (i) Compliance with IFRS and HKCO

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

#### (ii) Historical cost convention

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

#### (iii) Going concern

As at 31 December 2018, the current liabilities of the Company exceeded the current assets by RMB5,201,630,000 (2017: RMB1,054,559,000). Given the debt obligations and working capital requirements, management has thoroughly considered the Company’s available sources of funds as follows:

- The Company’s continuous net cash inflow from operating activities;
- Unutilised long-term banking facilities of RMB3 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 2018 have been prepared on a going concern basis.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

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

##### (iv) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments,
- IFRS 15 Revenue from Contracts with Customers,
- Annual improvements 2014–2016 cycle.

The new and amended standards listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards and amendments have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and amendments is set out below.

##### **IFRS 16 Leases**

###### *Nature of change*

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

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

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

##### *IFRS 16 Leases (Continued)*

##### *Impact*

The Company has set up a project team which has reviewed all of the Company's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases.

As at the reporting date, the Company has non-cancellable operating lease commitments of RMB1,051,972,000 (including VAT), see Note 32. Of these commitments, approximately RMB24,132,000 (including VAT) relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Company expects to recognise right-of-use assets of approximately RMB624,792,000 on 1 January 2019, lease liabilities of RMB663,709,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Current liability is expected to increase by approximately RMB98,443,000.

The Company does not expect any significant impact on the financial statements as a lessor. However, some additional disclosures will be required from next year.

##### *Date of adoption by the Company*

The Company will apply the standard from its mandatory adoption date of 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Company's financial statements.

#### (i) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

##### *Classification and measurement*

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models and contractual terms apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories.

##### *Impairment of financial assets*

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

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The adoption of the new standard does not have any significant impact on the amounts of impairment provisions recognised on the opening balance.

#### (ii) IFRS 15, Revenue from contracts with customers

IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts and the related literature.

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

The Company applies the modified retrospective approach for the adoption of IFRS 15.

The adoption of the new standard does not have any significant impact on the amounts of revenue recognised in prior or current periods.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

#### (c) Segment reporting

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

#### (d) Foreign currency translation

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

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

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'.

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

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

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

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

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

#### (f) Land use rights

Leased land use rights are shown at historical cost. Land use rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of land use rights over the lease period of 40 years to 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, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

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

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

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

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

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

#### (j) Investments and other financial assets

##### (i) Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Investments and other financial assets (Continued)

#### (ii) Recognition and derecognition

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

#### (iii) Measurement

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

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

#### (j) Investments and other financial assets (Continued)

##### (iv) Impairment

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk compared with the initial recognition.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 10 for further details.

##### (v) Accounting policies applied until 31 December 2017

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Until 31 December 2017, the Company classifies its financial assets in the following categories:

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

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

##### (i) Subsequent measurement

The measurement at initial recognition did not change an adoption of IFRS 9, see description above.

Subsequent to the initial, recognition loans and receivables were subsequently carried at amortised cost using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

#### (j) Investments and other financial assets (Continued)

##### (v) Accounting policies applied until 31 December 2017 (Continued)

##### (ii) Impairment

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

##### *Assets carried at amortised cost*

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

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

#### (k) Offsetting financial instruments

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

#### (l) 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 2018

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

#### (m) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 3 months and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 10 for further information about the Company's accounting for trade receivables and Note 10 for a description of the Company's impairment policies.

#### (n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with financial institution and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (o) 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.

#### (p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities unless payment is not due within 12 months after reporting period (or in the normal operating cycle of the business if longer). They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### (q) 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 profit or loss 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 reporting period.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

#### (r) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

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

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

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### *Deferred income tax*

Deferred income tax is provided in full, 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, 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 end of the reporting period 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 if it is probable that future taxable profit will be available to utilise those temporary differences.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

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

##### *Deferred income tax (Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, 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.

#### (t) 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 19% of the employees' basic salaries for the year.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

#### (t) Employee benefits (Continued)

##### (1) Pension obligations (Continued)

###### *Defined contribution scheme*

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

###### *Defined benefit scheme*

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

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

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

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

Past-service costs are recognised immediately in profit or loss.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2018*

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

#### (t) 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 profit or loss in the period in which they are incurred.

##### (4) Bonus entitlements

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

#### (u) 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.

#### (v) Revenues 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.

When the Company recognises revenue according to the completion stage of the service, the part with unconditional collection right obtained is recognised as accounts receivable, and loss provision for accounts receivable shall be recognised on the basis of expected credit losses; if the contract price received or receivable exceeds the completed service, the excess will be recognised as the contract liability. Contract assets and contract liabilities under the same contract are presented on a net basis.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

#### (v) Revenues recognition (Continued)

Contract costs include contract performance costs and contract acquisition costs. The costs incurred by the Company in the rendering of services are recognised as contract performance costs, and are carried forward to the cost of the main operations based on the completion stage in recognising the revenue. The incremental costs incurred by the Company for the acquisition of service contract are recognised as the contract acquisition costs. For the contract acquisition costs with the amortisation period of less than one year, they are included in the profit or loss for the current period when it occurs; for the contract acquisition costs with the amortization period of more than one year, the Company includes them in profit or loss at amortisation on the same basis of recognising service income under relevant contract. If the carrying amount of the contract costs is higher than the remaining consideration expected to be obtained in rendering of the service net of the estimated cost to be incurred, the Company makes provision for impairment on the excess and recognises it as asset impairment losses.

- (i) The Airport fee represents Civil Aviation Development Fund (the "Airport Fee") which is recognised when the related services are rendered to the outbound passengers departing from the Beijing Capital Airport. The charge rates of the Airport Fee are regulated by relevant authorities. Revenues are recognised according to the authorised charge rates attributable to the Company collected by the CAAC from outbound passengers (Note 5(a)).
- (ii) Aeronautical revenues other than the Airport Fee such as passenger charges and aircraft movement fees are recognised when the related airport services are rendered.
- (iii) Concession revenues comprise sales-related revenue from retailing, restaurants and food shops, advertising, VIP service, ground handling service, and other services in the Beijing Capital Airport.

Concession revenues from retailing, restaurants and food shops, advertising and VIP services and other services are recognised based on a percentage of sales or specified minimum guarantees or agreements with negotiations.

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

- (iv) Rental income is recognised on a straight-line basis over the lease term.
- (v) Car parking fees are recognised when the parking services are rendered.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

#### (w) Earnings per share

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- (i) the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- (ii) by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- (i) the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- (ii) the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### (x) Leases

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

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

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss 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.

#### (y) Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2018*

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

#### (z) Government grants

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

Government grants relating to expenses are deferred and recognised in the profit or loss or deducted against related expenses over the period necessary to match them with the expenses that they are intended to compensate.

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

#### (aa) Interest income

Interest income on financial assets at amortised cost (2017 – loans and receivables) calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 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 foreign exchange risk and interest rate risk), credit risk and liquidity risk.

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

#### (i) Market risk

##### (1) Foreign exchange risk

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

As at 31 December 2018, all of the Company's assets and liabilities were denominated in RMB except that cash and cash equivalents of approximately RMB96,728,000 (2017: RMB78,052,000), trade and bill receivables and other financial assets at amortised cost of approximately RMB224,000 (2017: RMB426,000), trade and other payables of approximately RMB10,661,000 (2017: RMB11,006,000) and loans from the Parent Company of approximately RMB1,926,055,000 (2017: RMB2,008,888,000) were denominated in US dollar.

As at 31 December 2018, 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 RMB68,991,000 (2017: decreased/increased by RMB72,803,000), mainly as a result of foreign exchange losses/gains in translation of US dollar denominated cash and cash equivalents, trade and bill receivables and other financial assets at amortised cost, 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 exchange risk for the years ended 31 December 2018 and 2017.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 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.

Long-term borrowings and loans from the Parent Company are at floating interest rates and expose the Company to cash flow interest rate risk. Long-term borrowings are denominated in RMB. Loans from the Parent Company are denominated in US dollar.

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

As at 31 December 2018, if the interest rate on those long-term loans with floating interest rates had increased/decreased by 50 basis points with all other variables held constant, post-tax profit and equity would have been lower/higher by RMB18,398,000 (2017: RMB18,746,000).

##### (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 deposits are all deposited in state-owned banks/financial institution and other reputable listed banks 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 2018

### 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 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 2018 and 2017, the amounts disclosed below are the contractual undiscounted cash flows of the Company's financial liabilities, which are primarily trade and other payables (excluding accrued liabilities for the title change of the GTC Assets, payroll and welfare payable, advance from customers and tax payable), long-term borrowings and loans from the Parent Company.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
<b>As at 31 December 2018</b>						
Trade and other payables	3,500,815	-	-	-	3,500,815	3,500,815
Long-term borrowings	3,027,058	-	-	-	3,027,058	2,980,000
Loans from the Parent Company	226,055	223,585	637,914	1,213,842	2,301,396	1,926,055
	<b>6,753,928</b>	<b>223,585</b>	<b>637,914</b>	<b>1,213,842</b>	<b>8,829,269</b>	<b>8,406,870</b>
<b>As at 31 December 2017</b>						
Trade and other payables	2,602,172	-	-	-	2,602,172	2,602,172
Long-term borrowings	122,899	3,041,034	-	-	3,163,933	2,990,000
Loans from the Parent Company	199,959	198,101	574,360	1,305,454	2,277,874	2,008,888
	2,925,030	3,239,135	574,360	1,305,454	8,043,979	7,601,060

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 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 2018 and 2017 are as follows:

	2018 RMB'000	2017 RMB'000
Total liabilities	11,284,918	9,207,443
Total assets	34,698,109	30,637,258
Liability-to-asset ratio	33%	30%

#### (c) Fair values estimation

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

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

##### *Financial instruments in level 1*

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

##### *Financial instruments in level 2*

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

##### *Financial instruments in level 3*

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

The carrying amounts of the Company's financial assets, including cash and cash equivalents, trade and bill receivables, other financial assets at amortised costs and financial liabilities, including trade and other payables(excluded accrued liabilities for the title change of the GTC Assets, payroll and welfare payable, advance from customers and other tax payable), long-term borrowings and loans from the Parent Company approximate their fair values, as the impact of discounting is not significant.

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

#### (a) Impairment of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 10.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

#### (b) The cost of the Phase III Assets and T3D Assets

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

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

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 2018. The total cost is therefore subject to future adjustment according to the final account of construction by the surveyors. Management does not expect the final account of construction by the surveyors to have an adjustment of more than 10% of the cost of the Phase III Assets. Any adjustment will be accounted for prospectively as a change in accounting estimate.

In January 2015, the Company completed the acquisition of the airport-related assets under the Building D of Terminal Three and Ancillary Assets (the "T3D Assets") pursuant to the relevant agreement of the assets transfer agreement (the "Agreement") entered into by the Company and the Parent Company on 31 October 2014. The Agreement has been approved by the independent shareholders of the Company in the Extraordinary General Meeting on 18 December 2014. According to the Agreement, both parties confirmed that the total consideration amounted to RMB2,177,290,000, and the Company has paid the total consideration by cash to the Parent Company by 31 December 2015.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

#### (c) The accrued liabilities for the title change of the GTC Assets

In October 2018, the Company completed the acquisition of the Ground Traffic Centre and its relevant facilities, land and the relevant land use rights at the Beijing Capital Airport (the "GTC Assets") pursuant to the relevant agreement of the assets transfer agreement (the "GTC Assets Transfer Agreement") entered into by the Company and the Parent Company on 3 July 2018. The Agreement has been approved by the independent shareholders of the Company in the Extraordinary General Meeting on 23 August 2018 and the CAAC on 23 October 2018.

According to the GTC Assets Transfer Agreement, considering the procedures for change of title have not been completed and the actual amount of payment for the title change will be determined based on the actual situation in the future, the consideration of the GTC Assets consists of current payment and subsequent payment. The current payment amounted to RMB2,435,153,000 (including VAT) which was determined based on the valuation performed by independent valuer and deducted by the estimated charges for the title change in the future, and the Company has paid the total current payment by cash to the Parent Company by 31 December 2018. The subsequent payment was determined by the actual charges for the title change in the future. The Management estimated the subsequent payment amount mainly based on the expected level of land prices pursuant to Beijing Guodi Property and Land Valuation Co., Ltd. estimate based on the trends of fluctuations in market prices of land (average prices of land in Beijing is expected to increase by approximately 10% every year) and the expected completion date.

#### (d) 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 RMB260,531,000/RMB238,679,000 for the year ended 31 December 2018.

#### (e) Employee benefits

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

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

The discount rate is calculated based on long-term government bonds. The pension cost inflation rate and salary inflation rate are based on the general local economic conditions. The employees' withdrawal rate is based on historical trends of the Company. Mortality rates for male and female are made reference to the China Life Incurrence Mortality Table (2010–2013) published by the China Insurance Regulatory Commission.

Additional information is disclosed in Note 23.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 5 REVENUES AND SEGMENT INFORMATION

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

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

<b>Analysis of revenues by category</b>	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Aeronautical:		
Aircraft movement fees and related charges	<b>2,109,536</b>	1,951,845
Passenger charges	<b>2,027,707</b>	1,927,420
Airport Fee ( <i>note a</i> )	<b>1,172,165</b>	1,221,421
	<b>5,309,408</b>	5,100,686
Non-aeronautical:		
Concessions ( <i>note b</i> )	<b>4,455,856</b>	3,102,092
Rentals	<b>1,300,476</b>	1,197,729
Car parking fees	<b>169,896</b>	162,446
Others	<b>26,876</b>	11,563
	<b>5,953,104</b>	4,473,830
<b>Total revenues</b>	<b>11,262,512</b>	9,574,516

- (a) Pursuant to the "Notice of the Ministry of Finance regarding the Abolition of the Policy of Recognition of Refunds from the Civil Aviation Development Fund to Three Listed Airports Including the Capital Airport as Revenues\*(財政部關於取消民航發展基金用於首都機場等三家上市機場返還作企業收入處理政策的通知)", the policy of recognising the refunds from the Civil Aviation Development Fund as revenues was abolished. The abolition had a half-year policy transitional period commencing from 29 May 2018. During the policy transitional period, refunds from the Civil Aviation Development Fund continue to be recognised by the Company as revenues.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

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

	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Retailing	<b>2,774,187</b>	1,514,129
Advertising	<b>1,148,177</b>	1,098,255
Restaurants and food shops	<b>271,263</b>	251,256
VIP service	<b>104,623</b>	98,778
Ground handling	<b>102,001</b>	55,557
Other	<b>55,605</b>	84,117
	<b>4,455,856</b>	3,102,092

As the Company is domiciled in the PRC from where all of its revenues from external customers for the years ended 31 December 2018 and 2017 are derived and in where all of its assets are located, no geographical segment information is shown.

For the year ended 31 December 2018, approximately 19% and 16% (2017: 18% and 15% of the total revenues of the Company were derived from two (2017: two) single external customers.

All the above revenues are recognised over time by reference to the progress towards complete satisfaction of the performance obligation at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 6 PROPERTY, PLANT AND EQUIPMENT

	2018					
	Buildings and improvements <i>RMB'000</i>	Runways <i>RMB'000</i>	Plant, furniture, fixtures and equipment <i>RMB'000</i>	Motor Vehicles <i>RMB'000</i>	Assets under construction <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>						
At beginning of year	23,430,498	10,152,901	8,399,349	747,914	725,993	43,456,655
Additions	1,570,918	–	90,421	43,615	534,843	2,239,797
Transfers	2,283	206,508	117,137	18,362	(344,290)	–
Disposals and other decreases	(393)	–	(4,001)	(1,650)	–	(6,044)
Adjustments according to finalisation of construction account by the surveyors	(12,668)	(11,024)	2,343	–	–	(21,349)
At end of year	24,990,638	10,348,385	8,605,249	808,241	916,546	45,669,059
<b>Accumulated depreciation and impairment</b>						
At beginning of year	(6,810,905)	(3,015,721)	(7,085,557)	(484,554)	(8,936)	(17,405,673)
Charge for the year	(612,428)	(236,377)	(397,700)	(49,841)	–	(1,296,346)
Disposals and other decreases	222	–	3,797	1,568	–	5,587
At end of year	(7,423,111)	(3,252,098)	(7,479,460)	(532,827)	(8,936)	(18,696,432)
<b>Net book amount</b>						
At end of year	17,567,527	7,096,287	1,125,789	275,414	907,610	26,972,627

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 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>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Cost	<b>1,426,114</b>	1,263,625
Accumulated depreciation	<b>(573,515)</b>	(516,189)
Net book amount	<b>852,599</b>	747,436

As at 31 December 2018, buildings with net book value of RMB116,131,000 (2017: RMB120,326,000) were situated on parcels of allocated land owned by the Parent Company. Parts of these parcels of land were occupied by the Company at nil consideration. As at 31 December 2018, buildings and terminal with a net book value of RMB7,724,677,000 (2017: RMB7,967,170,000) were situated on parcels of land which had been acquired from the Parent Company as part of the acquisition of the Phase III Assets (Note 7). As at 31 December 2018, buildings and terminal with a net book value of RMB916,621,000 (2017: RMB945,696,000) were situated on parcels of land which had been acquired from the Parent Company as part of the acquisition of the T3D Assets (Note 7). As at 31 December 2018, buildings with net book value of RMB1,509,748,000 (2017: nil) were situated on parcels of land which had been acquired from the Parent Company as part of the acquisition of the GTC 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 2018, taxiways, aprons and structures with net book value of RMB623,989,000 (2017: RMB644,537,000) were situated on parcels of allocated land owned by the Parent Company and another party. These parcels of land are occupied by the Company at nil consideration.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 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:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Outside Hong Kong, held on: Leases of between 10 to 50 years		
<b>Cost</b>		
At beginning of year	<b>1,340,565</b>	1,340,565
Additions	<b>2,207,234</b>	–
At end of year	<b>3,547,799</b>	1,340,565
<b>Accumulated amortisation</b>		
At beginning of year	<b>(233,601)</b>	(205,173)
Amortisation	<b>(42,224)</b>	(28,428)
At end of year	<b>(275,825)</b>	(233,601)
<b>Net book amount</b>		
At end of year	<b>3,271,974</b>	1,106,964

As at 31 December 2018, the land use rights for parcels of land with net book value of RMB437,467,000 (2017: RMB448,472,000) were acquired from the Parent Company as part of the acquisition of the Phase III Assets. As at the date of approval of the financial statements, the Parent Company is in the process of applying and obtaining the land use rights certificates from the Beijing Municipal Bureau of Land and Resource.

As at 31 December 2018, the land use rights for parcels of land with net book value of RMB459,557,000 (2017: RMB471,119,000) were acquired from the Parent Company as part of the acquisition of the T3D Assets. As at the date of approval of the financial statements, the Parent Company is in the process of applying and obtaining the land use rights certificates from the Beijing Municipal Bureau of Land and Resource.

As at 31 December 2018, the land use rights for parcels of land with net book value of RMB2,193,439,000 (2017: nil) were acquired from the Parent Company as part of the acquisition of the GTC 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 2018

### 8 INTANGIBLE ASSETS

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Cost</b>		
At beginning of year	<b>351,204</b>	309,274
Additions	<b>25,743</b>	41,930
At end of year	<b>376,947</b>	351,204
<b>Accumulated amortisation</b>		
At beginning of year	<b>(268,041)</b>	(244,538)
Amortisation	<b>(30,630)</b>	(23,503)
At end of year	<b>(298,671)</b>	(268,041)
<b>Net book amount</b>		
At end of year	<b>78,276</b>	83,163

### 9 INVENTORIES

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Current assets		
Spare parts and consumable items	<b>153,589</b>	118,427

#### (a) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs.

#### (b) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 December 2018 amounted to RMB135,204,000 (2017: RMB83,663,000). These were included in cost of providing services.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 10 TRADE AND BILL RECEIVABLES

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Trade receivables		
– CAHC's subsidiaries ( <i>Note 34(a)</i> )	416,280	20,697
– a joint venture of the Company ( <i>Note 34(a)</i> )	–	508
– third parties	1,211,745	1,483,614
	<b>1,628,025</b>	1,504,819
Less: provision for impairment	<b>(241,649)</b>	(240,970)
	<b>1,386,376</b>	1,263,849
Bill receivable	–	16,008
Total trade and bill receivables	<b>1,386,376</b>	1,279,857

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

<b>Currency</b>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
RMB	1,386,166	1,279,794
US dollar	210	63
	<b>1,386,376</b>	1,279,857

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Less than 3 months	1,103,106	895,046
4–6 months	65,206	146,524
7–12 months	116,067	100,550
1–2 years	136,191	120,525
2–3 years	72,901	107,158
Over 3 years	134,554	135,016
	<b>1,628,025</b>	1,504,819

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 10 TRADE AND BILL RECEIVABLES (CONTINUED)

#### (a) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

#### (b) Impairment and risk exposure

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified economic policies, macroeconomic conditions, industry risks, probabilities of default and expected operating performance of the debtors in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 was determined as follows for trade receivables:

31 December 2018	Current	No more 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 1 year past due	Total
<b>Aeronautical</b>							
<b>Domestic Airlines</b>							
Expected loss rate	0.10%	5.00%	10.00%	15.00%	20.00%	–	
Gross carrying amount- trade and bill receivables	619,044	941	974	13	596	–	621,568
<b>Loss allowance</b>	619	47	97	2	119	–	884
<b>International, Hong Kong, Macau and Taiwan Airlines</b>							
Expected loss rate	0.40%	10.00%	12.00%	15.00%	20.00%	–	
Gross carrying amount- trade and bill receivables	79,163	476	44	43	1,703	–	81,429
<b>Loss allowance</b>	317	48	5	6	341	–	717

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 10 TRADE AND BILL RECEIVABLES (CONTINUED)

#### (b) Impairment and risk exposure (Continued)

31 December 2018	Current	No more 30 days past due	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 1 year past due	Total
<b>Non-aeronautical</b>							
<b>State-owned enterprises</b>							
Expected loss rate	0.10%	0.50%	1.00%	1.50%	2.00%	10.00%	
Gross carrying amount- trade and bill receivables	354,070	4,709	571	1,282	4,929	2,237	367,798
<b>Loss allowance</b>	354	23	6	19	99	224	725
<b>Non state-owned enterprises</b>							
Expected loss rate	0.50%	1.00%	2.00%	3.00%	5.00%	10.00%	
Gross carrying amount- trade and bill receivables	37,712	477	102	408	433	1,095	40,227
<b>Loss allowance</b>	189	5	2	12	22	109	339

As at 31 December 2018, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected loss rate	Loss allowance	Reason
Trade receivables 1	390,851	46.00%	179,616	The likelihood of recovery
Trade receivables 2	77,093	13.40%	10,308	The likelihood of recovery
Others	49,060	100.00%	49,060	The likelihood of recovery
	517,004		238,984	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 11 PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Prepayments		
– CAHC (Note 34(a))	49,810	49,810
– a joint venture of the Company (Note 34(a))	–	2,930
– third parties	15,350	20,093
	<b>65,160</b>	72,833
Less: non-current portion	<b>(52,615)</b>	(54,018)
Total	<b>12,545</b>	18,815

### 12 OTHER FINANCIAL ASSETS AT AMORTISED COST (2017: OTHER RECEIVABLES)

	2018 RMB'000	2017 RMB'000
Debt investments	500,000	-
Interest receivable		
– CAHC's subsidiaries (Note 34(a))	8,259	253
– third parties	914	462
Dividends receivable (Note 34(a))	-	10,715
Others		
– CAHC's subsidiaries (Note 34(a))	584	-
– third parties	6,123	4,805
	<b>515,880</b>	16,235

#### (a) Fair values of other financial assets at amortised cost

Due to the short-term nature of the other current receivables, their carrying amount is considered to be the same as their fair value.

#### (b) Impairment and risk exposure

The identified impairment is immaterial.

Most of the financial assets at amortised cost are denominated in RMB. As a result, there is no significant exposure to foreign exchange risk.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 13 CASH AND CASH EQUIVALENTS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cash on hand	1	1
Deposits placed with a subsidiary of CAHC <i>(Note 34(a) and note a)</i>	812,536	309,237
Bank deposits	993,588	1,305,411
	<b>1,806,125</b>	1,614,649

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

### 14 OTHER CURRENT ASSETS

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Input VAT to be deducted	218,688	47,262
Input VAT to be verified	39,227	23,778
Others	–	1,464
	<b>257,915</b>	72,504

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 15 FINANCIAL INSTRUMENTS BY CATEGORY

The Company holds the following financial instruments:

	<b>2018</b>	2017
<b>Financial assets</b>	<b>RMB'000</b>	<i>RMB'000</i>
Financial assets at amortised cost		
Trade and bill receivables	<b>1,386,376</b>	1,279,857
Other financial assets at amortised cost	<b>515,880</b>	–
Other receivables	–	16,235
Cash and cash equivalents	<b>1,806,125</b>	1,614,649
<b>Total</b>	<b>3,708,381</b>	2,910,741
<b>Financial liabilities</b>	<b>2018</b>	2017
	<b>RMB'000</b>	<i>RMB'000</i>
Liabilities at amortised cost		
Trade and other payables(excluded accrued liabilities for the title change of the GTC Assets, payroll and welfare payable, advance from customers and other tax payable)	<b>3,500,815</b>	2,602,172
Long-term borrowings	<b>2,980,000</b>	2,990,000
Loans from the Parent Company	<b>1,926,055</b>	2,008,888
<b>Total</b>	<b>8,406,870</b>	7,601,060

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 16 ASSETS HELD FOR SALE

	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Asset held-for-sale	–	38,120

The transaction with the Parent Company to transfer 60% of the entire registered capital of Beijing Bowei Airport Support Limited (“Bowei”) from the Company to the Parent Company was completed in August 2018 and the related gain was recorded as “Gain on disposal of a joint venture” in profit or loss.

### 17 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 2018 and 2017	4,330,890	1,879,364	2,451,526	4,330,890

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 18 RESERVES

#### (a) Capital reserve

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

#### (b) Other reserve

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

#### (c) Statutory and discretionary reserves

In accordance with the relevant laws and regulations of the PRC and the Articles of Association of the Company, when distributing the net profit of each year, the Company shall set aside 10% of its profit after taxation (based on the Company's local statutory financial statements) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's registered capital), and, at the discretion of the Board of Directors and the approval by the Annual General Meeting, to the discretionary surplus reserve fund. These reserves cannot be used for purposes other than those for which they are created and are not distributable as cash dividends. The appropriation to the statutory surplus reserve fund of RMB114,487,000 for the year ended 31 December 2018 (2017: RMB260,046,000) was recorded in the financial statements, as the reserve balance had reached 50% of the Company's registered capital.

The proposed profit appropriation of RMB520,092,000 to the discretionary surplus reserve fund for the year ended 31 December 2017 has been approved by the Annual General Meeting on 28 June 2018, which was recorded in the financial statements for the year ended 31 December 2018.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 19 TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables		
Amounts due to related parties		
– CAHC (Note 34(a))	264,885	194,984
– CAHC's subsidiaries (Note 34(a))	1,148,910	519,903
– a joint venture of the Company (Note 34(a))	–	193,651
	<b>1,413,795</b>	908,538
Repairs and maintenance charges payable	454,328	371,340
Accounts payable for purchases	101,221	63,744
Sub-contracting charges payable	94,552	43,663
Greening and environmental maintenance charges payable	51,799	33,474
Other	220,725	200,409
	<b>2,336,420</b>	1,621,168
Advance and other payables		
Amounts due to related parties		
– CAHC (Note 34(a))	81,498	91,830
– CAHC's subsidiaries (Note 34(a))	57,998	47,724
– a joint venture of the Company (Note 34(a))	–	13,364
	<b>139,496</b>	152,918
Accrued liabilities for the title change of the GTC Assets (Note 4(c))	1,508,693	–
Construction payable	682,090	655,668
Deed taxes in respect of the acquisition of the Phase III Assets, the T3D Assets and the GTC Assets	465,948	357,335
Payroll and welfare payable	404,791	262,180
Advance from customers	187,588	340,151
Deposits received	183,585	153,520
Receipts on behalf of concession operators	138,804	69,175
Other tax payable	13,549	14,398
Other	22,174	25,186
	<b>3,746,718</b>	2,030,531
	<b>6,083,138</b>	3,651,699

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 19 TRADE AND OTHER PAYABLES (CONTINUED)

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Less than 3 months	<b>1,620,881</b>	857,048
4–6 months	<b>289,192</b>	200,952
7–12 months	<b>96,222</b>	219,212
Over 12 months	<b>330,125</b>	343,956
	<b>2,336,420</b>	1,621,168

### 20 BORROWINGS

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Long-term		
– current portion	<b>2,980,000</b>	–
– non-current portion	–	2,990,000
	<b>2,980,000</b>	2,990,000

The movement in borrowings is analysed as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Opening amount as at 1 January 2,990,000	<b>3,000,000</b>	5,870,000
Repayments of borrowings	<b>(10,000)</b>	(10,000)
Closing amount as at 31 December	<b>2,980,000</b>	2,990,000

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 20 BORROWINGS (CONTINUED)

As at 31 December 2018, the Company's borrowings are repayable as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Less than 1 year	<b>2,980,000</b>	–
Between 1 and 2 years	–	2,990,000
	<b>2,980,000</b>	2,990,000

The loan with the remaining amount of RMB2,980,000,000 is denominated in RMB and unsecured. The interest rate is referenced to published loan interest rate issued by People's Bank of China. According to the repayment schedule of the principal amount, the balance will be paid in May 2019. Thus the balance of RMB2,980,000,000 as at 31 December 2018 is classified as current liabilities.

### 21 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 long-term borrowings which were previously obtained by the Parent Company with same terms from European Investment Bank. The borrowings were not reassigned into the name of the Company.

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Loans from the Parent Company	<b>1,926,055</b>	2,008,888
Less: current portion	<b>(167,483)</b>	(160,711)
	<b>1,758,572</b>	1,848,177

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Opening amount as at 1 January	<b>2,008,888</b>	2,303,344
Repayments of borrowings	<b>(177,736)</b>	(167,010)
Currency translation differences	<b>94,903</b>	(127,446)
Closing amount as at 31 December	<b>1,926,055</b>	2,008,888

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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

As at 31 December 2018, the Company's loans from the Parent Company are repayable as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Within 1 year	<b>167,483</b>	160,711
Between 1 and 2 years	<b>167,483</b>	160,711
Between 2 and 5 years	<b>502,449</b>	482,133
Over 5 years	<b>1,088,640</b>	1,205,333
	<b>1,926,055</b>	2,008,888

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

### 22 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2017: 25%).

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
At beginning of year	<b>183,524</b>	167,675
(Charged)/credited to income tax expenses	<b>(367)</b>	25,785
Charged/(credited) to other comprehensive income	<b>7,030</b>	(9,936)
At end of year	<b>190,187</b>	183,524

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 22 DEFERRED INCOME TAXES (CONTINUED)

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

Deferred income tax assets	Retirement benefit obligations <i>RMB'000</i>	Accelerated accounting depreciation <i>RMB'000</i>	Provision <i>RMB'000</i>	Accruals and others <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2017	63,717	28,081	48,560	34,594	174,952
Credited/(charged) to income tax expense	1,800	(3,403)	13,917	13,469	25,783
Credited to other comprehensive income	(9,936)	–	–	–	(9,936)
As at 31 December 2017	55,581	24,678	62,477	48,063	190,799
As at 1 January 2018	<b>55,581</b>	<b>24,678</b>	<b>62,477</b>	<b>48,063</b>	<b>190,799</b>
Credited/(charged) to income tax expense	<b>1,534</b>	<b>(5,146)</b>	<b>169</b>	<b>37,117</b>	<b>33,674</b>
Charged to other comprehensive income	<b>7,030</b>	–	–	–	<b>7,030</b>
As at 31 December 2018	<b>64,145</b>	<b>19,532</b>	<b>62,646</b>	<b>85,180</b>	<b>231,503</b>

Deferred income tax liabilities	Accelerated tax depreciation <i>RMB'000</i>	Other temporary differences <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2017	1,989	5,288	7,277
Charged/(credited) to income tax expense	240	(242)	(2)
As at 31 December 2017	2,229	5,046	7,275
As at 1 January 2018	<b>2,229</b>	<b>5,046</b>	<b>7,275</b>
Charged/(credited) to income tax expense	<b>34,284</b>	<b>(243)</b>	<b>34,041</b>
As at 31 December 2018	<b>36,513</b>	<b>4,803</b>	<b>41,316</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 22 DEFERRED INCOME TAXES (CONTINUED)

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Deferred income tax assets	<b>231,503</b>	190,799
Deferred income tax liabilities	<b>(41,316)</b>	(7,275)
	<b>190,187</b>	183,524

The amounts shown in the balance sheet include the following:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Deferred income tax assets to be recovered after more than 12 months	<b>151,489</b>	147,047
Deferred income tax liability to be settled after more than 12 months	<b>41,073</b>	7,032

### 23 RETIREMENT BENEFIT OBLIGATIONS

As at 31 December 2018, the retirement benefit obligations recognised in the balance sheet are as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Pension subsidies ( <i>note a</i> )	<b>91,986</b>	76,188
Post-retirement medical benefits ( <i>note b</i> )	<b>74,620</b>	60,105
	<b>166,606</b>	136,293
Less: amounts due within one year included in current liabilities	<b>(8,065)</b>	(7,751)
	<b>158,541</b>	128,542

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 23 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Pension subsidies (note a)	<b>6,470</b>	7,118
Post-retirement medical benefits (note b)	<b>5,678</b>	5,952
<b>Total, charged to staff costs (Note 25)</b>	<b>12,148</b>	13,070
Pension subsidies (note a)	<b>18,539</b>	(24,132)
Post-retirement medical benefits (note b)	<b>9,581</b>	(15,610)
<b>Total charged to other comprehensive income</b>	<b>28,120</b>	(39,742)

#### (a) Pension subsidies

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

	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Present value of the Annuity Plan	<b>102,414</b>	90,694
Present value of unfunded obligations	<b>99,717</b>	91,382
Present value of plan assets	<b>(110,145)</b>	(105,888)
<b>Liability in the balance sheet</b>	<b>91,986</b>	76,188

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

	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
At beginning of year	<b>76,188</b>	98,436
Total cost	<b>6,470</b>	7,118
Other comprehensive income – actuary gain and loss	<b>18,539</b>	(24,132)
Contribution to fund the plan assets	<b>(3,941)</b>	–
Payment made in the year	<b>(5,270)</b>	(5,234)
<b>At end of year</b>	<b>91,986</b>	76,188



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 23 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

#### (a) Pension subsidies (Continued)

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Service cost	<b>3,345</b>	3,584
Net interest cost	<b>3,125</b>	3,534
	<b>6,470</b>	7,118

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

	<b>2018</b>	2017
Discount rate	<b>3.50%</b>	4.25%
Pension cost inflation rate for the participating employees under the Annuity Plan	<b>3.00%</b>	3.00%
Salary inflation rate for the participating employees under the Annuity Plan	<b>5.00%*</b>	5.00%
Employee withdrawal rate	<b>2.85%</b>	2.85%
Mortality rate	<b>note</b>	note

\* The salary inflation rate is 5.00% for 2018 and thereafter.

*note:* Mortality rates for male and female were made reference to the China Life Incurrence Mortality Table (2010–2013) published by the China Insurance Regulatory commission in 2016.

Plan assets are comprised as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Pension Product	<b>97,993</b>	83,704
Cash and cash equivalents	<b>4,664</b>	18,524
Corporate bonds	<b>958</b>	2,818
Others	<b>6,530</b>	842
Total	<b>110,145</b>	105,888

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 23 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
At beginning of year	<b>60,105</b>	70,401
Total cost	<b>5,678</b>	5,952
Other comprehensive income – actuary gain and loss	<b>9,581</b>	(15,610)
Payment made in the year	<b>(744)</b>	(638)
At end of year	<b>74,620</b>	60,105

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Service cost	<b>3,139</b>	3,325
Net Interest cost	<b>2,539</b>	2,627
	<b>5,678</b>	5,952

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

	<b>2018</b>	2017
Discount rate	<b>3.50%</b>	4.25%
Inflation rate of average medical benefit	<b>7.00%</b>	7.00%
Employee withdrawal rate	<b>2.85%</b>	2.85%
Mortality rate	<b>note</b>	note

*note:* Mortality rates for male and female were made reference to the China Life Incurrence Mortality Table (2010–2013) published by the China Insurance Regulatory commission in 2016.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 23 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	Impact on defined benefit obligation		
	Change in assumption	Impact on change in obligation if increase in assumption	Impact on change in obligation if decrease in assumption
Discount rate	1%	Decrease by 16%	Increase by 21%

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

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

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

Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	The retirement benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities.

- (e) **Expected contributions to the pension subsidies for the year ending 31 December 2019 are RMB5,000,000.**
- (f) **The weighted average duration of the retirement benefit obligations is 23 years.**

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 23 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

At 31 December 2018	Less than a year RMB'000	Between 1–5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Pension subsidies	7,293	30,129	164,709	202,131
Post-retirement medical benefits	771	3,744	70,105	74,620
<b>Total</b>	<b>8,064</b>	<b>33,873</b>	<b>234,814</b>	<b>276,751</b>

### 24 DEFERRED INCOME

The Company received subsidies from government in respect of certain construction projects or related to income that compensate the future expenses. Such subsidies are deferred and recognised in the statement of comprehensive income over the estimated useful lives of the related fixed assets, recognised in profit or loss, or deducted against related expenses in reporting the related expenses.

### 25 STAFF COSTS

	2018 RMB'000	2017 RMB'000
Salaries and welfare	499,739	404,654
Pension costs – defined contribution scheme under statutory pension plan ( <i>note a</i> )	51,393	48,370
Housing fund	32,351	31,435
Pension costs – defined contribution scheme under the Annuity Plan	23,034	22,724
Pension costs – defined benefit scheme under the Annuity Plan and others ( <i>Note 23</i> )	12,148	13,070
Other allowances and benefits	82,803	80,111
	<b>701,468</b>	600,364

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 25 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 flat rate of 19% (2017: 19%) of the employees' basic salaries subject to a cap determined by the state on an annual basis.
- (b) Staff costs include emoluments payable to the Company's directors and supervisors as set out in Note 35.
- (c) Five highest paid individuals

The five individuals whose emoluments are the highest in the Company for the year include two directors and three senior executives (2017: one director, one supervisors and three senior executives). The emoluments of the director and supervisor are reflected in the analysis presented in Note 35. The emoluments payables to the remaining three (2017: three) individuals during the year are as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Salary	<b>2,345</b>	3,166
Social security costs excluding pension costs	<b>105</b>	98
Housing allowance	<b>116</b>	105
Employer's contribution to retirement benefit schemes	<b>332</b>	291
	<b>2,898</b>	3,660

During the year ended 31 December 2018, 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 (2017: nil).

The emoluments fell within the following bands:

<b>Emolument bands (in HK dollar)</b>	<b>Number of individuals</b>	
	<b>2018</b>	2017
Below HK\$1,000,000	–	–
HK\$1,000,001 – HK\$1,500,000	<b>3</b>	1
HK\$1,500,001 – HK\$2,000,000	–	2

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 26 EXPENSES BY NATURE

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

	<b>2018</b> <b>RMB'000</b>	2017 RMB'000
Depreciation on property, plant and equipment ( <i>Note 6</i> )		
– owned assets	<b>1,262,376</b>	1,322,376
– owned assets leased out under operating leases	<b>33,970</b>	29,639
Amortisation of land use rights ( <i>Note 7</i> )	<b>42,224</b>	28,428
Amortisation of intangible assets ( <i>Note 8</i> )	<b>30,630</b>	23,503
Operating lease rentals		
– Ground traffic center	<b>168,086</b>	–
– Land use rights	<b>54,082</b>	45,772
– Office building	<b>51,751</b>	46,244
– Information technology center	<b>5,173</b>	7,760
– Other rentals	<b>29,548</b>	23,309
Loss on disposal of property, plant and equipment	<b>415</b>	8,138
Auditor's remuneration	<b>6,174</b>	6,426
– Audit services	<b>4,400</b>	4,475
– Non-audit services	<b>1,774</b>	1,951

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 27 FINANCE INCOME/(COSTS)

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Finance income		
Interest income on bank deposits	<b>37,392</b>	33,489
Exchange gains, net	–	127,465
	<b>37,392</b>	160,954
Finance costs		
Interest for borrowings	<b>(126,573)</b>	(126,976)
Exchange losses, net	<b>(108,364)</b>	–
Interest for loans from the Parent Company	<b>(51,606)</b>	(35,358)
Bank charges	<b>(1,669)</b>	(1,973)
Interest for short-term debentures	–	(70,000)
Interest for bonds payable	–	(12,223)
	<b>(288,212)</b>	(246,530)
Net finance costs	<b>(250,820)</b>	(85,576)

### 28 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% (2017: 25%) on its taxable income as determined in accordance with the relevant PRC income tax laws and regulations.

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Current income tax	<b>956,169</b>	895,618
Deferred income tax ( <i>Note 22</i> )	<b>367</b>	(25,785)
	<b>956,536</b>	869,833

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 28 TAXATION (CONTINUED)

#### (a) Corporate income tax (Continued)

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

	2018 RMB'000	2017 RMB'000
Profit before income tax	3,828,591	3,470,294
Less: share of post-tax profit of a joint venture	–	(3,251)
	<b>3,828,591</b>	3,467,043
Tax calculated at a tax rate of 25% (2017: 25%)	957,148	866,761
Income not subject to tax	(3,520)	–
Expenses not deductible for tax purpose	2,908	3,072
Tax charge	<b>956,536</b>	869,833

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

Since 1 May 2016, pursuant to the 'Circular on the Overall Promotion of Pilot Program of Levying Value Added Tax in place of Business Tax' (Cai Shui [2016] No.36) jointly issued by the Ministry of Finance and the State Administration of Taxation, aeronautical revenues and revenues of 400Hz power fees and air condition fees from domestic airliners, concession revenues and other non-aeronautical revenues of the Company are subject to value added tax, and the applicable tax rate is 6%; rental revenues (excluding rental revenue of tangible movable assets under operating lease) from immovable assets which are obtained before 30 April 2016 and revenues of car parking fees which are generated from the assets obtained before 30 April 2016 could be chosen to be subject to value added tax of 5% based on the simplified method for tax calculation; rental revenues of tangible movable assets under operating lease, which the assets are obtained before 30 April 2016, could be chosen to be subject to value added tax of 3% based on the simplified method for tax calculation; the revenues of Airport Fee, aeronautical revenues and revenues of 400Hz power fees and air condition fees from international, Hong Kong, Macau and Taiwan airliners are exempt from paying any value added tax. Since 1 May 2018, pursuant to the 'Circular on the adjustment of Value Added Tax rate' (Cai Shui [2018] No.32) jointly issued by the Ministry of Finance and the State Administration of Taxation, the applicable tax rate of rental revenues (excluding rental revenue of tangible movable assets under operating lease) and revenues of car parking fees of the Company is adjusted from 11% to 10%; the applicable tax rate of rental revenues of tangible movable assets under operating lease is adjusted from 17% to 16%.

#### (c) Real estate tax

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 29 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 2018 and 2017.

	2018	2017
Profit for the year (RMB'000)	<b>2,872,055</b>	2,600,461
Basic earnings per share (RMB per share)	<b>0.66</b>	0.60

### 30 DIVIDENDS

	2018	2017
Dividend proposed		
Final dividend (RMB'000)	<b>702,903</b>	660,894
Final dividend per share (RMB)	<b>0.1623</b>	0.1526
Interim dividend (RMB'000)	<b>446,082</b>	379,386
Interim dividend per share (RMB)	<b>0.1030</b>	0.0876

The final dividend for the year ended 31 December 2018 was proposed at the Board of Directors meeting held on 27 March 2019. This proposed dividend is not reflected as a dividends payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019.

### 31 CONTINGENCIES

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

As at 31 December 2018, 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 2018

### 32 COMMITMENTS

#### Capital commitments

Capital commitments primarily relate to the construction of and the equipment to be installed at the airport terminal and other airport facilities upgrading projects. Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Property, plant and equipment	<b>115,831</b>	571,649
Intangible assets	<b>52,446</b>	22,735
	<b>168,277</b>	594,384

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

As at 31 December 2018, the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
No later than 1 year	<b>129,164</b>	119,257
Later than 1 year and no later than 5 years	<b>351,969</b>	353,406
Later than 5 years	<b>570,839</b>	611,160
	<b>1,051,972</b>	1,083,823

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

As at 31 December 2018, the future minimum lease payment receivables under non-cancellable operating leases for areas around terminals and equipment were as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
No later than 1 year	<b>785,322</b>	476,355
Later than 1 year and no later than 5 years	<b>580,818</b>	312,734
Later than 5 years	<b>32,898</b>	55,095
	<b>1,399,038</b>	844,184

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2018*

### 33 NOTES TO STATEMENT OF CASH FLOWS

#### (a) Cash generated from operations

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit for the year	<b>2,872,055</b>	2,600,461
Adjustments for:		
Taxation	<b>956,536</b>	869,833
Depreciation	<b>1,296,346</b>	1,352,015
Amortisation of land use rights	<b>42,224</b>	28,428
Amortisation of intangible assets	<b>30,630</b>	23,503
Provision for impairment of trade receivables	<b>679</b>	55,667
Losses on disposal of property, plant and equipment	<b>415</b>	8,138
Gain on disposal of a joint venture	<b>(36,786)</b>	–
Share of post-tax profits of a joint venture	–	(3,251)
Interest income	<b>(37,392)</b>	(33,489)
Finance costs	<b>179,848</b>	246,530
Foreign exchange losses/(gains), net	<b>108,364</b>	(127,465)
Retirement benefit obligations	<b>2,193</b>	7,198
Deferred income	<b>6,187</b>	62
Changes in working capital:		
Inventories	<b>(35,162)</b>	5,047
Trade and bill receivables, prepayments and other financial assets at amortised cost (2017: Trade and other receivables)	<b>(102,823)</b>	(244,451)
Other current assets	<b>(185,411)</b>	(45,595)
Trade and other payables	<b>846,145</b>	267,578
Cash generated from operations	<b>5,944,048</b>	5,010,209

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 33 NOTES TO STATEMENT OF CASH FLOWS (CONTINUED)

#### (b) Net debt reconciliation

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

<b>Net debt</b>	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Cash and cash equivalents	<b>1,806,125</b>	1,614,649
Borrowings – repayable within one year	<b>(3,147,483)</b>	(160,711)
Borrowings – repayable after one year	<b>(1,758,572)</b>	(4,838,177)
<b>Net debt</b>	<b>(3,099,930)</b>	(3,384,239)
Cash and cash equivalents	<b>1,806,125</b>	1,614,649
Gross debt – variable interest rates	<b>(4,906,055)</b>	(4,998,888)
<b>Net debt</b>	<b>(3,099,930)</b>	(3,384,239)

	<b>Other assets</b>	<b>Liabilities from financing activities</b>		<b>Total</b>
		<b>Cash and cash equivalents</b>	<b>Borrow due within 1 year</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net debt as at 1 January 2017	4,530,369	(5,670,475)	(5,132,726)	(6,272,832)
Cash flows	(2,915,247)	5,667,010	10,000	2,761,763
Foreign exchange adjustments	(473)	3,608	123,838	126,973
Non-cash movements	–	(160,854)	160,711	(143)
<b>Net debt as at 31 December 2017</b>	<b>1,614,649</b>	<b>(160,711)</b>	<b>(4,838,177)</b>	<b>(3,384,239)</b>
Cash flows	<b>204,670</b>	<b>177,736</b>	<b>10,000</b>	<b>392,406</b>
Foreign exchange adjustments	<b>(13,194)</b>	<b>(17,025)</b>	<b>(77,878)</b>	<b>(108,097)</b>
Non-cash movements	<b>–</b>	<b>(3,147,483)</b>	<b>3,147,483</b>	<b>–</b>
<b>Net debt as at 31 December 2018</b>	<b>1,806,125</b>	<b>(3,147,483)</b>	<b>(1,758,572)</b>	<b>(3,099,930)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2018*

### 34 RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 34 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Balances with related parties

As at 31 December 2018, balances with related parties comprised:

	2018 RMB'000	2017 RMB'000
Trade receivables from CAHC's subsidiaries (Note 10 and note i)	416,280	20,697
Trade receivables from a joint venture of the Company (Note 10 and note i)	–	508
Prepayment to CAHC (Note 11)	49,810	49,810
Prepayment to a joint venture of the Company (Note 11)	–	2,930
Other financial assets at amortised costs from CAHC's subsidiaries (Note 12 and note i)	8,843	253
Other financial assets at amortised costs from a joint venture of the Company (Note 12 and note i)	–	10,715
Deposit placed with a subsidiary of CAHC (Note 13 and note ii)	812,536	309,237
Trade and other payables to CAHC (Note 19 and note i)	346,383	286,814
Trade and other payables to CAHC's subsidiaries (Note 19 and note i)	1,206,908	567,627
Trade and other payables to a joint venture of the Company (Note 19 and note i)	–	207,015
Loans from the Parent Company (Note 21)	1,926,055	2,008,888

- (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.
- (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 34 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (b) Transactions with related parties

	2018 RMB'000	2017 RMB'000
Transactions with CAHC and its subsidiaries ( <i>note i</i> )		
Revenues:		
Concessions	136,675	117,308
Rentals	293,690	229,634
Waste water treatment	15,570	–
Training services	1,063	–
Finance income:		
Interest income	12,815	10,794
Expenses:		
Provision of concession management services	1,079,873	661,752
Provision of aviation safety and security guard services and maintenance of security equipments	713,985	605,746
Provision of utilities and power	655,494	604,197
Rental expenses	278,328	97,504
Provision of certain sanitary services, baggage cart, car park operation management services, management services, greening and environmental maintenance services, customs on-site services	222,916	214,033
Provision of accessorial power and energy services	193,707	158,049
Provision of maintenance services	172,197	4,745
Use of trademark license	90,326	83,601
Provision of airport guidance services	47,914	42,913
Provision of on-site joint inspection services	16,757	–
Provision of canteen management services	8,040	2,311
Provision of baggage storage, lost and found services	7,833	–
Provision of beverage services	3,899	3,823
Provision of contingency shuttle bus service during Automated People Mover (“APM”) failure	925	–
Provision of advertisement services	782	911
Demolition Compensation for the properties and other attachments erected within the Project Land	–	25,683
Use of ground traffic centre	–	15,658
Interest charges on loans from the Parent Company ( <i>Note 27</i> )	51,606	35,358

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 34 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Other:		
Payment for acquisition of the GTC Assets from CAHC	<b>2,210,961</b>	–
Acquisition of the No.1 Road and the Yingbin Bridge from CAHC	–	183,882
Provision of construction services	<b>28,574</b>	47,987
Transactions with a joint venture of the Company		
Revenue from concessions	<b>585</b>	763
Provision of terminal maintenance and operating services	<b>261,742</b>	400,545
Provision of construction services	–	5,762

- (i) These transactions constitute connected transactions or continuing connected transactions under the Listing Rules.

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

#### (c) Commitment with related parties

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

As at 31 December 2018, the future aggregate minimum lease payments under non-cancellable operating leases payable to CAHC and its subsidiaries were as follows :

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
No later than 1 year	<b>114,278</b>	93,460
Later than 1 year and no later than 5 years	<b>348,441</b>	339,797
Later than 5 years	<b>570,839</b>	611,160
Total	<b>1,033,558</b>	1,044,417



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 34 RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

As at 31 December 2018, the future minimum lease payment receivables under non-cancellable operating leases for buildings and equipment from CAHC's subsidiaries were as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
No later than 1 year	<b>222,820</b>	38,895
Later than 1 year and no later than 5 years	<b>219,128</b>	33,175
<b>Total</b>	<b>441,948</b>	72,070

##### Concession income arrangements

As at 31 December 2018, the future minimum concession income receivable under non-cancellable agreements from CAHC's subsidiaries were as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
No later than 1 year	<b>217,551</b>	–

##### Purchase of services

As at 31 December 2018, the future minimum expense payables under non-cancellable agreements to CAHC's subsidiaries were as follows:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
No later than 1 year	<b>399,363</b>	573,147
Later than 1 year and no later than 5 years	<b>127,698</b>	46,109
<b>Total</b>	<b>527,061</b>	619,256

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 34 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (d) Key management compensation

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Salaries, allowances and other benefits	<b>7,861</b>	7,895

### 35 BENEFITS AND INTERESTS OF DIRECTORS

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

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

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Fees	<b>800</b>	800
Salary	<b>3,897</b>	3,392
Social security costs excluding pension costs	<b>146</b>	132
Housing allowance	<b>149</b>	136
Employer's contribution to retirement benefit schemes	<b>425</b>	385
Total	<b>5,417</b>	4,845

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

The emoluments of each director and supervisor of the Company for the year ended 31 December 2018 are set out below:

Name of director	Fees RMB'000	Salary RMB'000	Social security costs excluding pension costs RMB'000	Housing allowance RMB'000	Employer's contribution to retirement benefit schemes RMB'000	Total RMB'000
<i>Chairman</i>						
Liu Xuesong (note i)	-	-	-	-	-	-
<i>Executive directors</i>						
Han Zhiliang (note xi)	-	1,229	35	35	90	1,389
Gao Lijia (note xi)	-	829	35	35	123	1,022
<i>Non-executive directors</i>						
Gao Shiqing (note i and vii)	-	-	-	-	-	-
Yao Yabo (note i)	-	-	-	-	-	-
Ma Zheng (note i)	-	-	-	-	-	-
Cheng Chi Ming, Brian (note ii and iii)	-	-	-	-	-	-
<i>Independent Non-executive directors</i>						
Liu Guibin	150	-	-	-	-	150
Jiang Ruiming	150	-	-	-	-	150
Japhet Sebastian Law	150	-	-	-	-	150
Zhang Jiali (note vi)	150	-	-	-	-	150
<b>Name of supervisor</b>						
Song Shengli (note i)	-	-	-	-	-	-
Dong Ansheng	100	-	-	-	-	100
Wang Xiaolong (note viii)	100	-	-	-	-	100
Deng Xianshan (note iv)	-	720	35	29	94	878
Liu Shaocheng (note v and xi)	-	549	6	6	17	578
Chang Jun	-	570	35	44	101	750
	800	3,897	146	149	425	5,417

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

The emoluments of each director and supervisor of the Company for the year ended 31 December 2017 are set out below:

Name of director	Fees RMB'000	Salary RMB'000	Social security costs excluding pension costs RMB'000	Housing allowance RMB'000	Employer's contribution to retirement benefit schemes RMB'000	Total RMB'000
<i>Chairman</i>						
Liu Xuesong (note i)	-	-	-	-	-	-
<i>Executive directors</i>						
Han Zhiliang	-	774	33	32	66	905
Gao Lijia	-	1,091	33	32	117	1,273
<i>Non-executive directors</i>						
Gao Shiqing (note i and vii)	-	-	-	-	-	-
Yao Yabo (note i)	-	-	-	-	-	-
Zhang Musheng (note i and ix)	-	-	-	-	-	-
Ma Zheng (note i)	-	-	-	-	-	-
Cheng Chi Ming, Brian (note ii and iii)	-	-	-	-	-	-
<i>Independent Non-executive directors</i>						
Liu Guibin	150	-	-	-	-	150
Jiang Ruiming	150	-	-	-	-	150
Japhet Sebastian Law	150	-	-	-	-	150
Zhang Jiali (note vi)	150	-	-	-	-	150
Wang Xiaolong (note viii)	-	-	-	-	-	-
<i>Name of supervisor</i>						
Song Shengli (note i)	-	-	-	-	-	-
Dong Ansheng	100	-	-	-	-	100
Wang Xiaolong (note viii)	100	-	-	-	-	100
Lau Siu Ki (note x)	-	-	-	-	-	-
Deng Xianshan (note iv)	-	981	33	32	107	1,153
Chang Jun	-	546	33	40	95	714
	800	3,392	132	136	385	4,845

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

Notes:

- (i) Except for payment of additional performance salary determined by the result of performance review, the emoluments of these directors and supervisors which were not included in directors' and supervisors' emoluments, were paid by the Parent Company.
- (ii) The emoluments of these directors were paid by a shareholder of the Company.
- (iii) Mr. Cheng Chi Ming was resigned from director with effect from 2 February 2018.
- (iv) Mr. Deng Xianshan was resigned from supervisor with effect from 9 November 2018.
- (v) Mr. Liu Shaocheng was appointed as supervisor with effect from 9 November 2018.
- (vi) Mr. Zhang Jiali was appointed as director with effect from 28 June 2017.
- (vii) Mr. Gao Shiqing was appointed as director with effect from 28 June 2017.
- (viii) Mr. Wang Xiaolong was resigned from director and appointed as supervisor with effect from 28 June 2017.
- (ix) Mr. Zhang Musheng was resigned from director with effect from 28 June 2017.
- (x) Mr. Lau Siu Ki was resigned from supervisor with effect from 28 June 2017.
- (xi) Mr. Han Zhiliang's, Ms. Gao Lijia's and Mr. Liu Shaocheng's emoluments for the year ended 31 December 2018 included the performance bonus of prior year according to the prior year performance evaluation made in 2018. The amounts were RMB877,000, RMB299,000 and RMB268,000 respectively.

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

During the year ended 31 December 2018, 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 (2017: nil).

#### (b) Directors' and supervisors' retirement benefits

During the year ended 31 December 2018, no retirement benefits were paid or receivable by any director or supervisor in respect of their services as a director or supervisor of the Company (2017: nil).

#### (c) Directors' and supervisors' termination benefits

During the year ended 31 December 2018, no termination benefits were paid or receivable by any director or supervisor as compensation for their early termination of the appointment (2017: nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

### 35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

During the year ended 31 December 2018, no payment was made to the former employer of directors or supervisors for making available the service as a director or supervisor of the Company (2017: nil).

**(e) Information about loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors**

During the year ended 31 December 2018, there was no loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors (2017: nil).

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

During the year ended 31 December 2018, no significant transaction, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director and a supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: nil).

# 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
Joint company secretaries:	Mr. Mok Chung Kwan, Stephen and Mr. Meng Xianwei
Contact for the Company's Investor relations:	Secretariat to the Board
Major banks:	Bank of China Industrial and Commercial Bank of China
Auditor:	PricewaterhouseCoopers

## BOARD OF DIRECTORS

### Executive Directors

Liu Xuesong (*Chairman*)  
Han Zhiliang (*General Manager*)  
Gao Lijia (*Vice General Manager*)

### Non-executive Directors

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

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

### Independent Non-executive Directors

Japhet Sebastian Law  
Jiang Ruiming  
Liu Guibin  
Zhang Jiali

## COMPANY INFORMATION (CONTINUED)

### COMMITTEES

#### Audit and Risk Management Committee

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

#### Remuneration and Evaluation Committee

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

#### Nomination Committee

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

#### Strategy Committee

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

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



## COMPANY INFORMATION (CONTINUED)

### 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 100621
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 2018

Announcement of interim results:	30 August 2018
Announcement of final results:	27 March 2019

### SHARE INFORMATION

Name of H shares:	Beijing Airport
Stock code:	00694

## PRICE AND TURNOVER HISTORY

Year 2018	Price per share		Turnover of share <i>(in millions)</i>
	High <i>(HK\$)</i>	Low <i>(HK\$)</i>	
January	13.40	11.50	459.8
February	12.06	10.54	147.1
March	11.80	10.02	131.7
April	11.78	10.56	99.2
May	11.86	10.60	109.0
June	12.06	7.60	396.2
July	9.25	7.39	273.9
August	9.58	8.25	263.2
September	9.52	8.02	147.7
October	9.60	7.92	110.4
November	8.99	8.41	94.3
December	9.32	7.96	105.0



**BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED**

Capital Airport, Beijing, the People's Republic of China (100621)

Tel: 8610 6450 7789

E-mail: [ir@bcia.com.cn](mailto:ir@bcia.com.cn)