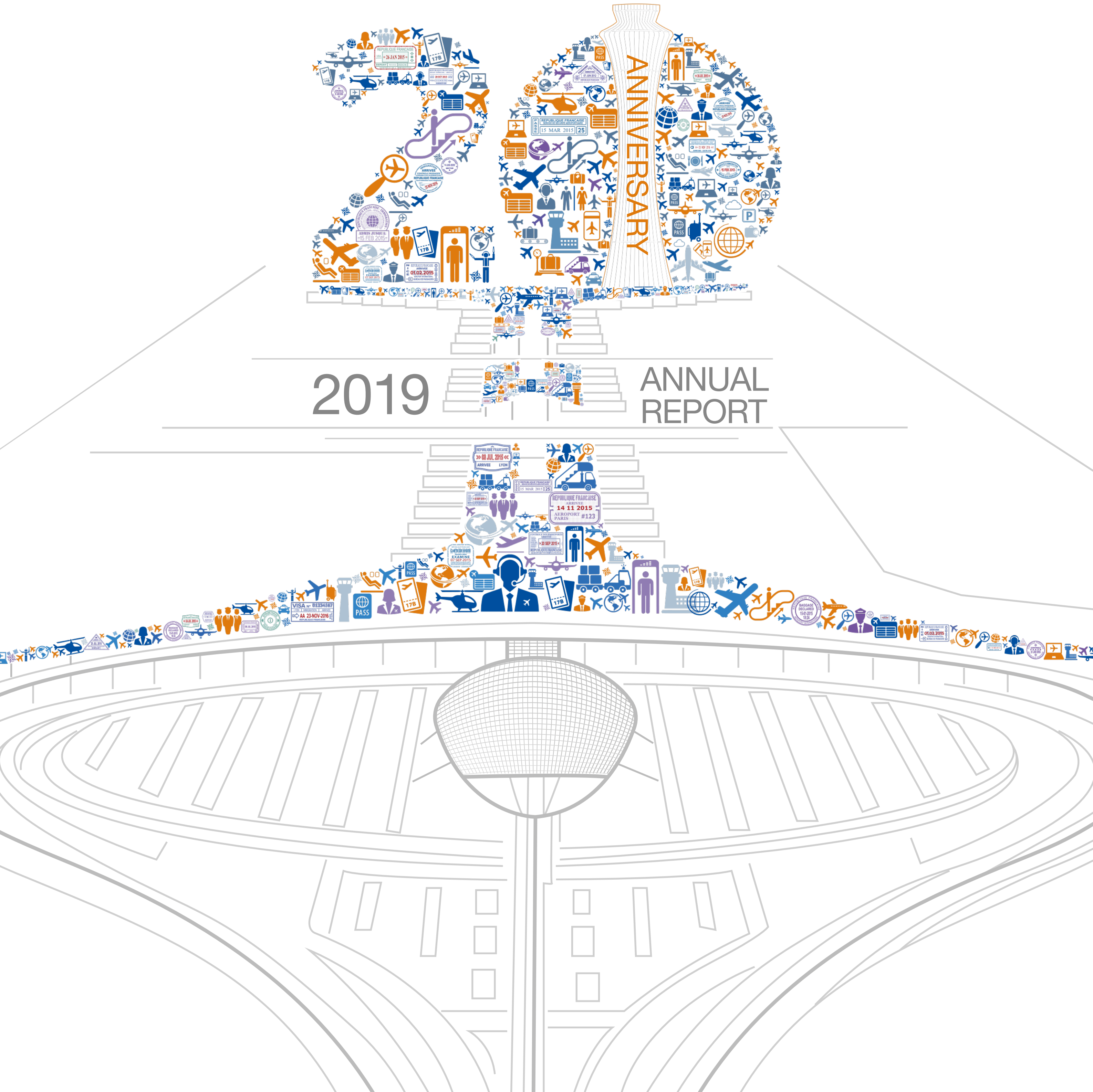
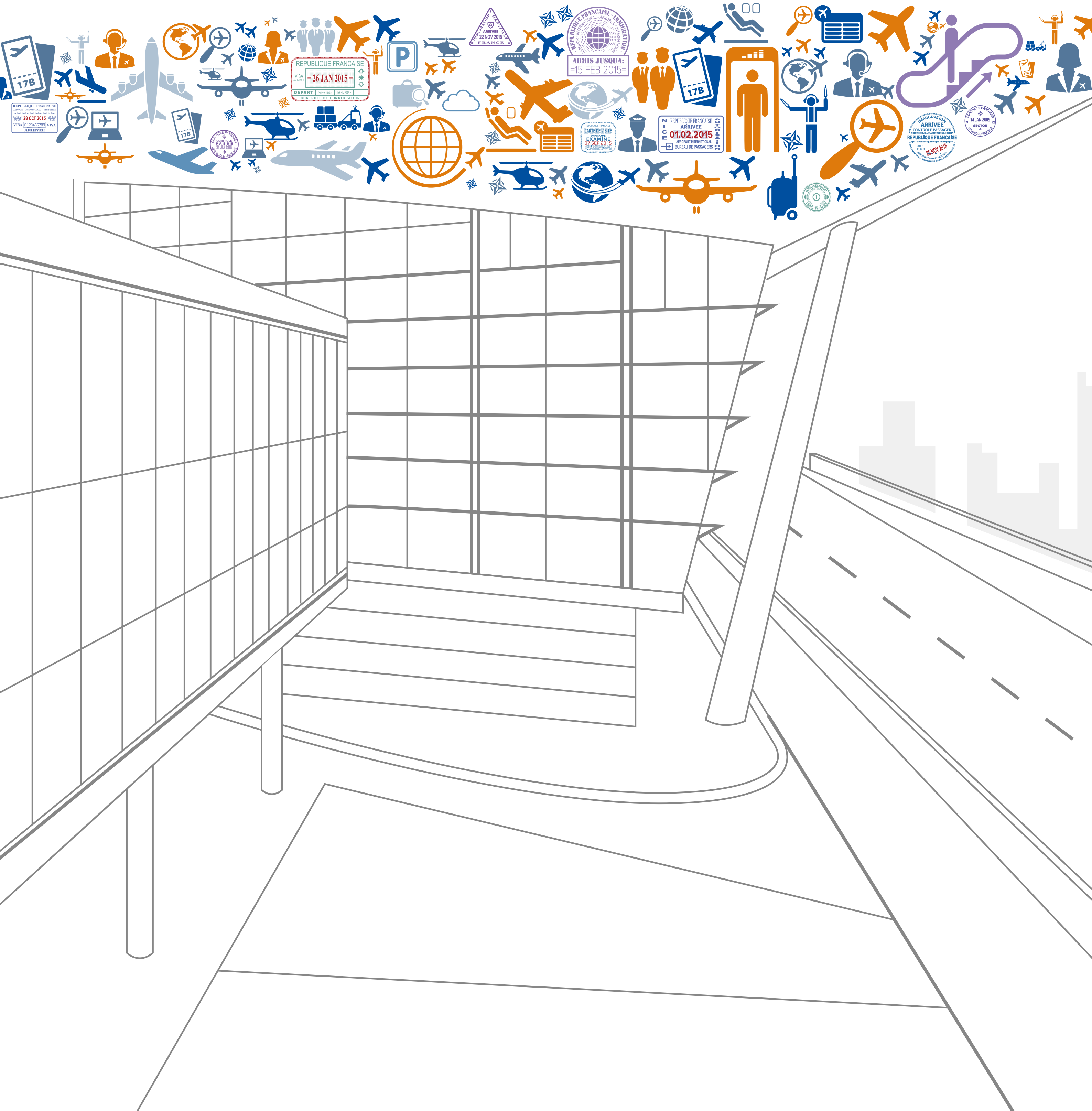
Beijing Capital International Airport Company Limited

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

Stock Code: 00694

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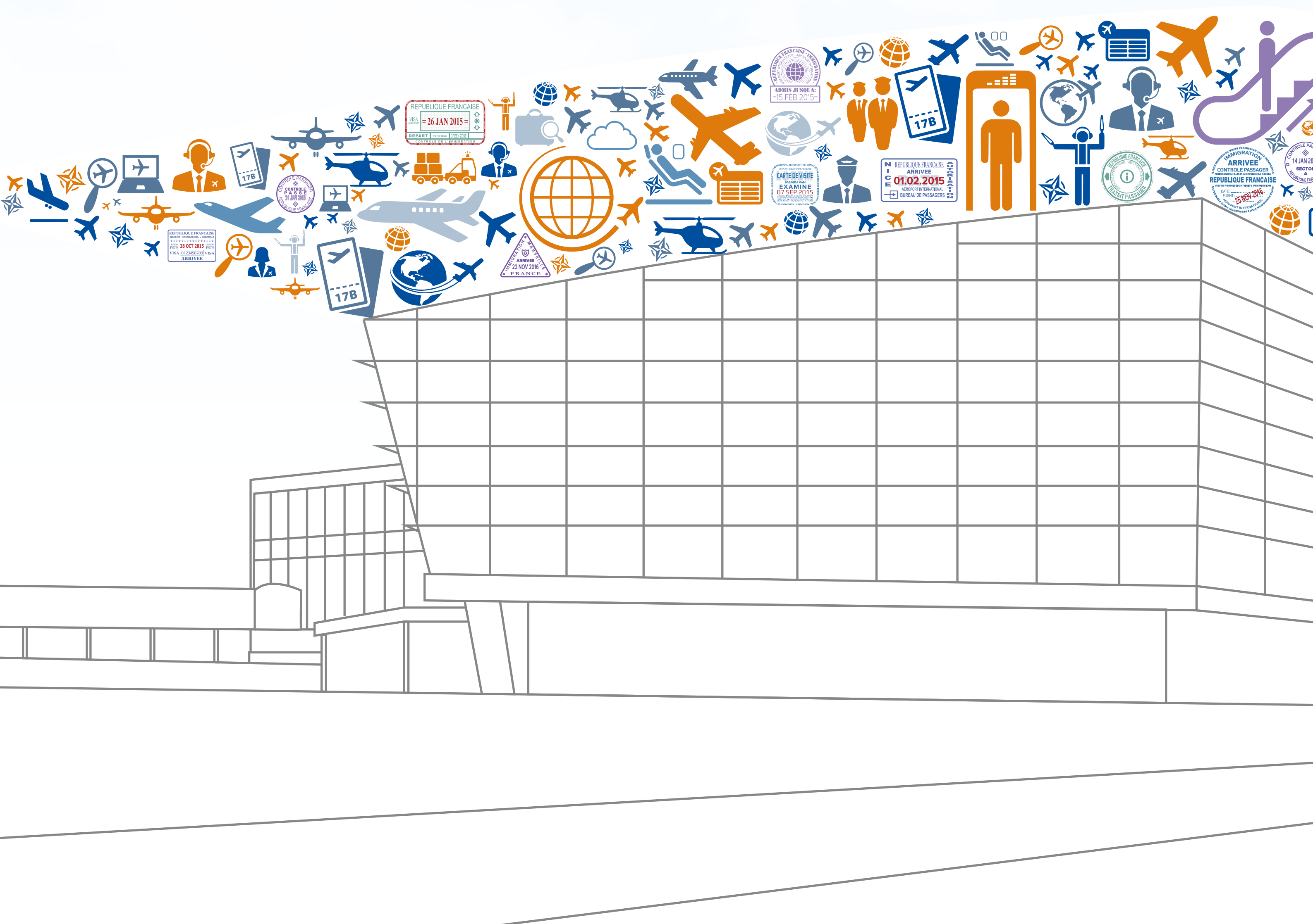
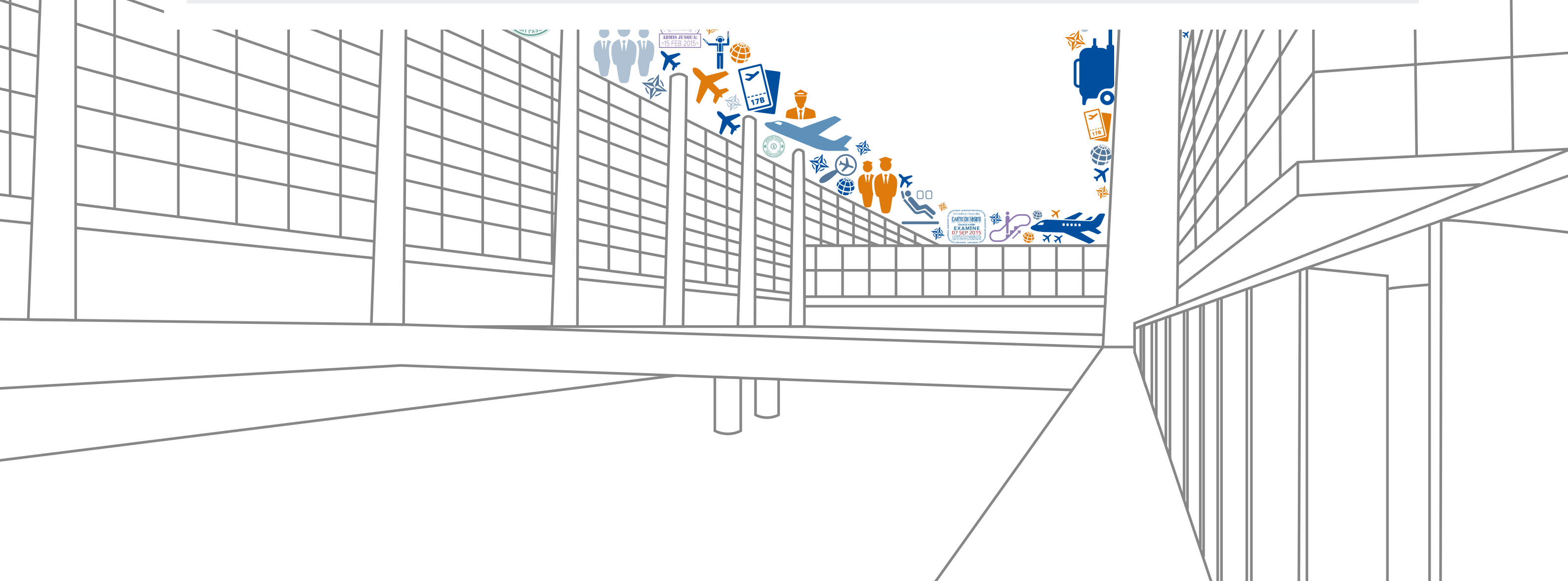
FINANCIAL SUMMARY



FINANCIAL SUMMARY (CONTINUED)

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

	2019	2018	2017	2016	2015
Operating Results					
Revenues	**10,810,484**	11,262,512	9,574,516	8,729,090	8,509,962
EBITDA	**4,789,354**	5,375,970	5,118,797	4,320,423	4,292,798
Profit before tax	**3,229,333**	3,828,591	3,470,294	2,376,711	2,192,956
Tax	**(809,960)**	(956,536)	(869,833)	(595,710)	(551,041)
Profit after tax	**2,419,373**	2,872,055	2,600,461	1,781,001	1,641,915
Attributable to:					
Equity holders of the Company	**2,419,373**	2,872,055	2,600,461	1,781,001	1,641,915
Non-controlling interests	**–**	–	–	–	–
Earnings per share					
– basic and diluted *(RMB)*	**0.55**	0.66	0.60	0.41	0.38
Return on Equity	**9.69%**	12.27%	12.13%	9.19%	9.00%
Financial Position					
Assets					
Non-current assets	**31,361,320**	30,565,679	27,478,651	28,084,854	29,186,899
Current assets	**3,383,099**	4,132,430	3,158,607	5,819,336	3,504,327
Total	**34,744,419**	34,698,109	30,637,258	33,904,190	32,691,226
Equity and liabilities					
Shareholders' equity	**24,960,898**	23,413,191	21,429,815	19,378,317	18,268,990
Non-controlling interests	**–**	–	–	–	–
Non-current liabilities	**2,733,264**	1,950,858	4,994,277	5,319,857	7,169,964
Current liabilities	**7,050,257**	9,334,060	4,213,166	9,206,016	7,252,272
Total	**34,744,419**	34,698,109	30,637,258	33,904,190	32,691,226

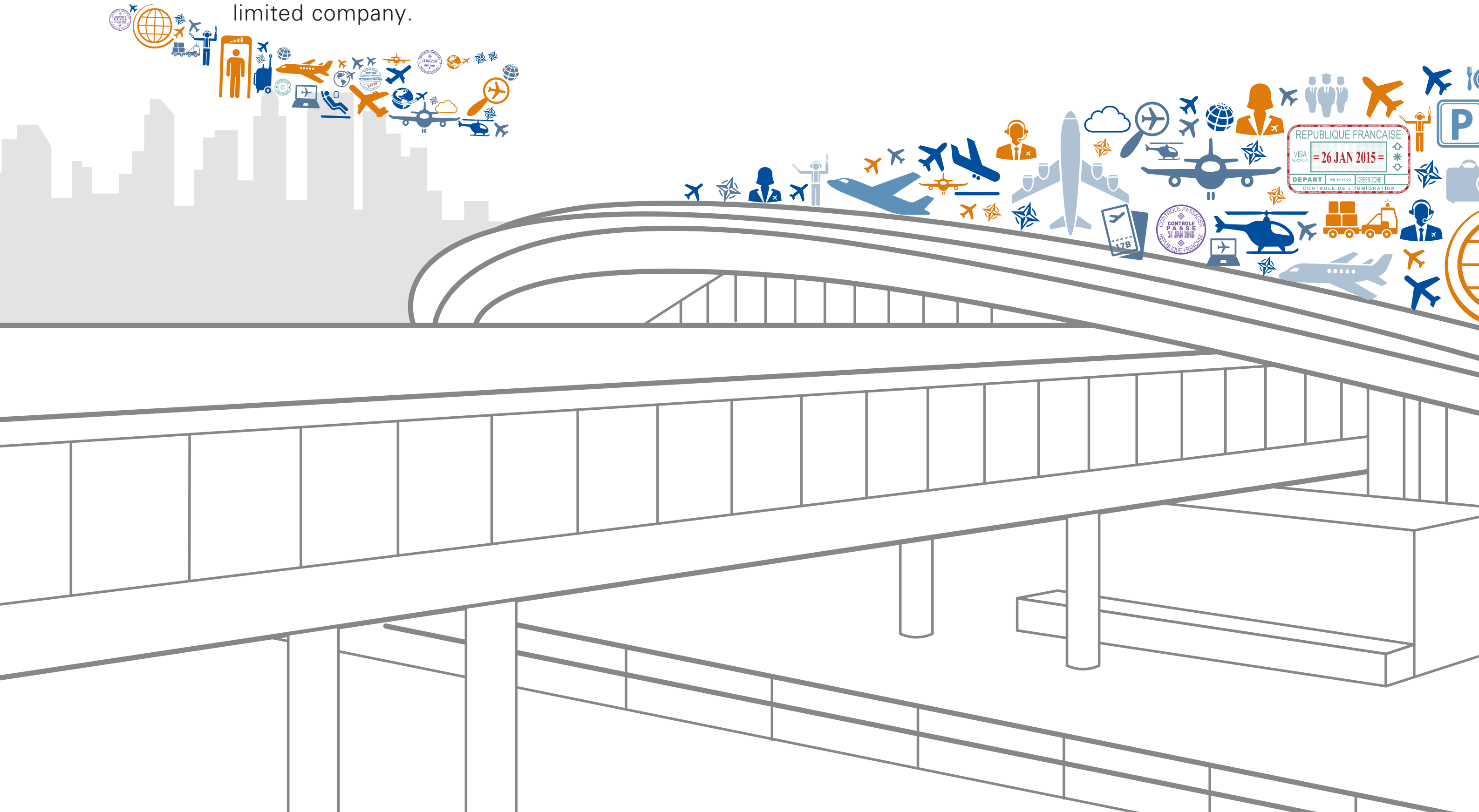


COMPANY PROFILE

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 Airports Holding Company (the "Parent Company" or "CAHC") holds 2,500,000,000 domestic shares, representing 65% of the total share capital; the public investors hold 1,346,150,000 H shares, representing 35% of the total share capital. On 18 May 2001, as approved by the Ministry of Foreign Trade and Economic Cooperation of the PRC (the former entity of the Ministry of Commerce of the 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.

On 7 November 2019, the Company completed the non-public issuance by way of capitalisation of capital reserve (exclusively state-owned). Upon completion, the number of ordinary shares of the Company increased from 4,330,890,000 prior to such issuance to 4,579,178,977. The number of domestic shares held by the Parent Company increased from 2,451,526,000 (representing approximately 56.61% of the total issued share capital of the Company) to 2,699,814,977 (representing approximately 58.96% of the total issued share capital of the Company following such issuance).



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 2019, there were 93 airliners operating fixed commercial flights at Beijing Capital Airport, including 31 domestic airliners (including Hong Kong, Macau and Taiwan) and 62 airliners from foreign countries.

As at the end of 2019, there were 294 flight points from 65 countries and regions linking with Beijing Capital Airport, including 161 domestic flight points (including Hong Kong, Macau and Taiwan) and 133 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

Under the new trend and based on its own actual situation, the Company will regard enhancing quality and efficiency as its focus for hub development, and improve comprehensive hub capability by making up for weaknesses in facilities and service functions as well as promoting the development of rail transit. Meanwhile, on the basis of the development of "four centers" for Beijing and by optimizing airline network structures, building a global freight network and expanding airborne businesses derived from international traffic flows, the Company will build Beijing Capital Airport into a large-scale international hub airport with distinctive features.

Liu Xuesong
Chairman

TO SHAREHOLDERS:

In 2019, the global economy continued its downturn amid mixed political and economic conditions globally, along with a sequence of adverse events such as trade disputes, geopolitical conflicts and financial market turbulence. Against the backdrop of escalated US-China economic and trade disputes and remarkable increase in internal and external risks and challenges, the national economy has made steady progress and the civil aviation industry in China has continued to maintain high-quality development.

At Beijing Capital Airport, 2019 marked the 20th anniversary since the Company's inception. Over the past two decades, the Company's business has continued to develop. Beijing Capital Airport has achieved significant progress in expansion of route network, optimization of business structure, replenishment of airspace resources, development of the international hub as well as air-ground coordinated operation, and has exemplified high-speed and high-quality growth for large airports across the world. On this basis, Beijing Capital Airport has seized the strategic opportunity of Beijing's "dual-hub" construction. Driven by the promotion of high-quality development and the aspiration of being a strong power in civil aviation, it transcended the pure pursuit of quantity but focused more on improving quality and efficiency in bid to fulfill the mission and responsibility of China's first gateway.

CHAIRMAN'S STATEMENT (CONTINUED)

In 2019, the Company continued to push forward the development of world's top class large international hub airport by expanding the international market, vigorously enhancing commercial operations and optimizing quality of operation and service, and achieved remarkable results in terms of safety, operations and services. I am pleased to report to our shareholders the operating and financial results of the Company in 2019, as well as our prospects for 2020.

INITIAL RESULTS OF "ONE CITY, TWO AIRPORTS" DIVERSION WITH CONTINUED OPTIMIZATION OF BUSINESS STRUCTURE

In 2019, Beijing Capital Airport faced the pressure on overall air traffic volumes due to the combined effect of changes in the external situation and the significant protective efforts such as maintenance of runways and surrounding environment at the Beijing Capital Airport as well as the 70th anniversary celebration. Meanwhile, with the completion and commencement of operations of Daxing Airport on 25 September 2019, Beijing Capital Airport's production capacity began to decline under the new landscape of "one city, two airports" owing to the successive transfer of operations of certain flights, but the passenger throughput for the whole year exceeded 100 million person-times for the second consecutive year.

Annual aircraft movements reached 594,329 sorties, representing a decrease of 3.2% from the previous year; the passenger throughput reached 100,011,438 person-times, representing a decrease of 1.0% from the previous year; the cargo and mail throughput was 1,955,326 tonnes, representing a decrease of 5.7% from the previous year.

Notwithstanding the distressed air traffic volumes as a whole, Beijing Capital Airport continued to optimize its business structure and strive to increase the proportion of international passengers. In 2019, Beijing Capital Airport achieved an increase of 2.7% in international passenger throughput.

POLICY ADJUSTMENT BROUGHT PRESSURE TO AERONAUTICAL REVENUES AND COMMERCIAL DEVELOPMENT CONTRIBUTED TO REMARKABLE RESULTS IN NON-AERONAUTICAL BUSINESS

In 2019, as affected by the abolition of the refund policy of the Civil Aviation Development Fund and the decrease in air traffic volumes, the Company recorded its aeronautical revenues of RMB4,088,745,000 in total, representing a decrease of 23.0% from the previous year.

As for the non-aeronautical revenues, as driven by the performance of new duty-free business contracts and the increased average purchasing power of passengers, the Company recorded notable increase in revenues from the duty free business. In the meantime, the Company continued to focus on exploring the potential of business operations by developing a precise marketing system, introducing international brands and improving business quality, and conducted several commercial events of various types. During the year, the Company achieved its non-aeronautical revenues of RMB6,721,739,000, representing an increase of 12.9% from the previous year, with its proportion to total revenue exceeding 60% for the first time.

In 2019, the Company's operating revenues exceeded RMB10 billion for the second consecutive year, reaching RMB10,810,484,000, representing a decrease of 4.0% from the previous year.

HUB DEVELOPMENT IS STRONGLY PROMOTED AND COST CONTROL HAS SEEN INITIAL RESULTS

In 2019, the Company continued to optimize the structure of international route network and actively expand the international market by opening multiple new international destinations and increasing the movements. In addition, the Company released air transit products to promote the expansion of flight routes coverage with a view to cover the main route network of Chinese international airlines. Meanwhile, in response to the State's "Belt and Road" initiative, the sister airports network was expanded to further enhance the global influence of Beijing Capital Airport.

CHAIRMAN'S STATEMENT (CONTINUED)

In 2019, the Company continued to strengthen cost management and control by fully implementing effective cost-saving measures as required by the management through broadening revenue stream and reducing expenditures, lowering costs and enhancing efficiency. Through strictly controlling and refining cost management, it successfully achieved scientific management and control over various expenditures. Under the pressure of higher operating costs, the year-on-year growth rate of operating expenses was maintained at 1.7%. The total operating expenses for the year was RMB7,349,647,000.

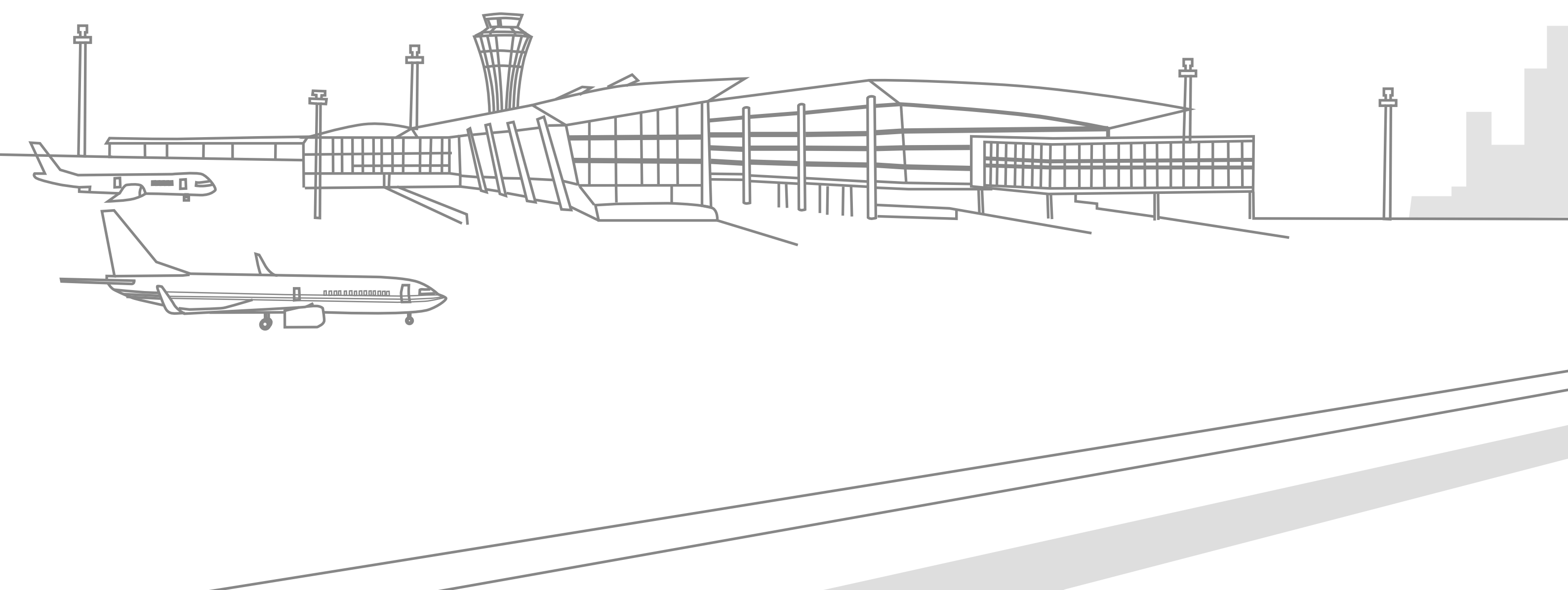
SAFETY AND SECURITY SITUATION REMAINS GOOD IN STABILITY WITH INCREASING OPERATIONAL EFFICIENCY

In 2019, the Company further fulfilled safety responsibilities, promoted the rectification of potential safety hazards and optimized the safety system whilst promoting smart management and innovating safety culture and other measures to ensure that the safety and security situation of Beijing Capital Airport remained good in stability. While ensuring operational safety, the Company continued to focus on sincere service to improve service weakness and upgrade passenger experience with management innovation.

In 2019, the Company focused on strengthening resource allocation, enhancing air-ground coordination, conducting flight control and effectively improving operational quality to secure continuous improvement in the overall operating efficiency of Beijing Capital Airport for the year despite huge operating pressure. The flight on-time ratio attained a record high in the decade.

FUTURE PROSPECTS

Due to the continuous disruptions from trade frictions and geopolitical tensions, the growth rate of the global economy has slowed down in 2019. Currently, in 2020, the outbreak of COVID-19 has brought further impacts to and increased the uncertainties in the currently weak global economy. With the international spread of the outbreak of COVID-19, a new round of significant adjustment has commenced in the global financial market. Meanwhile, although the Chinese economy is suppressed by the outbreak of COVID-19 in the short term, with the outbreak of COVID-19 under effective control in the PRC, the resumption of operation and production of various industries is underway in an orderly manner with an aim to minimize, in their best endeavors, the impact of the outbreak of COVID-19 on the domestic economy.



CHAIRMAN'S STATEMENT (CONTINUED)

With the completion and commencement of operations of Daxing Airport on 25 September 2019, the entire aviation market in Beijing has entered into a new landscape of "one city, two airports", and both Beijing Capital Airport and the Company embarked on a new stage of development. In 2020, as the CAAC further implements the plan for the transfer of flights and operations to Daxing Airport, more flight capacity will be allocated to Daxing Airport gradually, and the production capacity of Beijing Capital Airport will decrease due to the diversion effect of Daxing Airport. As such, the revenue of the Company will be put under greater pressure than before. In light of this, the Company will fully focus on enhancing quality and efficiency and continue to optimize its business structure by adhering to the concepts and methods of high-quality development so as to further enhance the quality of the development of Beijing Capital Airport.

As shown by preliminary statistics, for the first two months of 2020, under the impact of the outbreak of COVID-19, coupled with the effect of transfer of certain flights, Beijing Capital Airport's aircraft movements have decreased by 39.0% as compared with the same period of the previous year, of which domestic routes (including Hong Kong, Macau and Taiwan) decreased by 40.5% and international routes decreased by 33.0% as compared with the same period of the previous year. Its passenger throughput has decreased by 50.0% as compared with the same period of the previous year, of which domestic passenger throughput (including Hong Kong, Macau and Taiwan) decreased by 53.1% and international passenger throughput decreased by 37.7% as compared with the same period of the previous year. The sharp decline of passenger traffic volume of civil aviation due to the outbreak of COVID-19 has brought about demanding challenges to both Beijing Capital Airport and the global civil aviation industry. The Company is confident that, as and when the outbreak of COVID-19 is further controlled, Beijing Capital Airport and the civil aviation industry will be on the track to recovery.

CHAIRMAN'S STATEMENT (CONTINUED)

In 2020, the Company will continue to strengthen the communication and cooperation with the main base airline to continuously optimize the structure of route network. It will also further improve the air transit products under the theme of "Transit abroad via Beijing (經首都轉世界)" to promote the expansion of flight routes coverage with a view to increasing its competitiveness as an international hub. The Company will actively develop routes and destinations along the "Belt and Road", and continuously expand the network with its sister airports to foster a larger international cooperation platform. The Company will continue to improve the core aviation resources to further consolidate its competitive advantages as a hub, and achieve sustainable growth of efficiency through structure optimization.

The year of 2020 marks not only the conclusion of the "13th Five-Year Plan", but also the launch of the "Rebuilding the National Gateway" (再造國門) initiative of Beijing Capital Airport. The diversion of traffic volumes to Daxing Airport has, on the one hand, put Beijing Capital Airport under pressure of declining passenger throughput and fluctuating operation efficiency, but, on the other hand, has brought a valuable opportunity for resource replenishment and structure optimization.The Company will capitalize on the strategic opportunity of speeding up the development of "dual-hub" model in Beijing and stick to the core mission of "Enhancing Quality and Efficiency, Rebuilding the National Gateway" (提質增效、再造國門) to expedite the implementation of a series of capital investment projects, upgrade obsolete facilities, strengthen technology application and enhance its efficiency as a hub. Meanwhile, the Company will further push forward the restructuring of commercial layout, optimize the commercial environment, boost commercial vitality and unleash revenue potential, so as to lay a solid foundation for the high-quality development of Beijing Capital Airport in subsequent periods.

In 2020, the Company will continue to improve its management and governance to actively align with the world's leading airports, and promote the construction of a safe, green, smart, and humanistic airport. The security at Beijing Capital Airport will be safeguarded on a continuous basis by strengthening latent risk management and further fulfilment of safety responsibilities. With a steadfast commitment to winning the blue sky defense battle, the Company will enhance environmental management and improve its energy management policies. The Company will also drive the advancement of technology and innovation by building a personalized and refined intelligent service platform, while at the same time endeavoring to satisfy the travel demand of passengers through the innovation of quality services and the continuous enhancement of service efficiency.

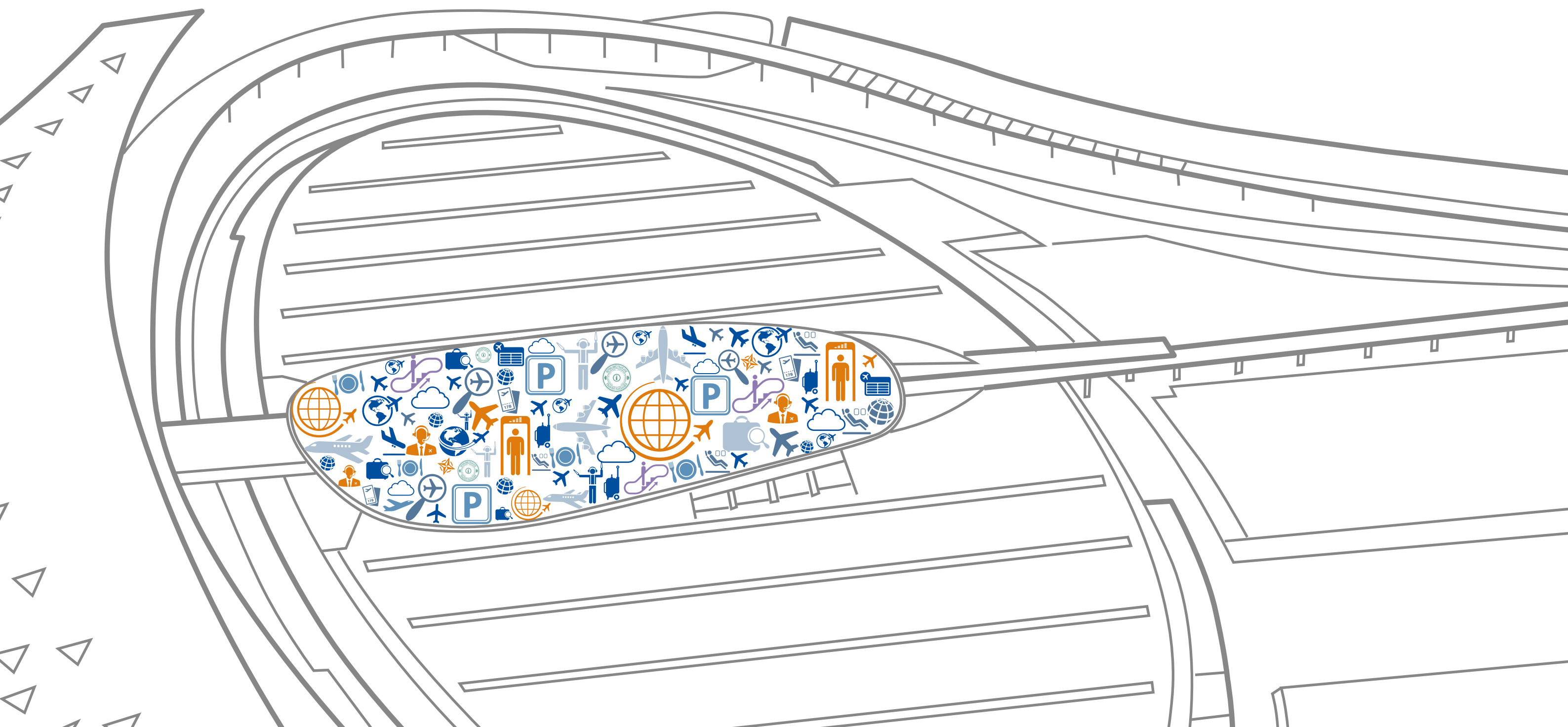
CHAIRMAN'S STATEMENT (CONTINUED)

Looking back at 2019, despite the challenges brought by the abolition of the refund policy of the Civil Aviation Development Fund and the diversion of traffic volumes to Daxing Airport, the Company achieved, in concerted efforts, an annual passenger throughput of over 100 million person-times and an annual revenue of over RMB10 billion. The Company would like to express its sincere gratitude to all shareholders for their understanding and trust, as well as to all government departments, airlines and partners at Beijing Capital Airport that have given great support to us. The Company would also like to thank all employees of the Company for their diligent contribution throughout the year.

In early 2020, the unexpected outbreak of COVID-19 has brought unprecedented challenges to the economy and society. The global civil aviation industry has been the first to bear the brunt of it and has suffered greatly. At the same time, it also represented a comprehensive pressure test on Beijing Capital Airport, prompting us to take a comprehensive review on the operation and management of Beijing Capital Airport. We firmly believe that the demand in the civil aviation market may be delayed but not be lost. By actively taking up challenges and pressure, overcoming difficult times and forging ahead through structural adjustment, functional improvement, network strengthening, and enhancement of quality and efficiency, the Company will consolidate the foundation of its own development, promote the development of Beijing Capital Airport with high quality, high efficiency and a high degree of satisfaction in full swing, and strive to create better returns for its shareholders.

Liu Xuesong
Chairman

Beijing, the PRC, 26 March 2020



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 2019.

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 2019 and the financial position of the Company as at 31 December 2019 prepared basing on International Financial Reporting Standards ("IFRS") are set out on pages 81 to 158 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

A fair review of the business of the Company for the year ended 31 December 2019 is provided in the "Management Discussion and Analysis" on pages 49 to 56 of this annual report.

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 54 to 55 of this annual report.

The likely future business development of the Company is discussed in the paragraph headed "Future Prospects" on pages 8 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 stringent 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 is resolutely committed to take 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 2019, 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 and China Eastern 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 2019 and their movements for the fiscal year ended 31 December 2019 are set out in Note 6 to the Financial Statements.

RESERVES

Changes in reserves of the Company for the fiscal year ended 31 December 2019 are set out in Note 17 to Financial Statements.

ISSUED SHARE CAPITAL

On 30 April 2019 (after trading hours), the Company entered into a share subscription agreement (the "Subscription Agreement") with the Parent Company pursuant to which the Company shall issue, and the Parent Company shall subscribe for, through non-public issuance (the "Non-Public Issuance") by way of capitalisation of capital reserve (exclusively state-owned), 241,766,690 subscription shares (subject to adjustments) at the issue price of RMB6.1784 per subscription share (subject to adjustments). The Subscription Agreement and the transactions contemplated thereunder and the Non-Public Issuance, among others, were approved at an extraordinary general meeting and an H-Share class meeting of the Company convened on 30 July 2019 and approved by CAAC in September 2019.

REPORT OF THE BOARD (CONTINUED)

In view of the payment of the dividend by the Company on 30 August 2019, the issue price for each subscription share has been adjusted from RMB6.1784 to RMB6.0161 and the number of subscription shares has been adjusted from 241,766,690 subscription shares to 248,288,977 subscription shares. The Non-Public Issuance was completed on 7 November 2019. Following the completion, the number of the ordinary shares of the Company increased from 4,330,890,000 prior to the issuance to 4,579,178,977. The number of domestic shares held by the Parent Company increased from 2,451,526,000 (representing approximately 56.61% of the total issued share capital of the Company) immediately before completion of the Non-Public Issuance to 2,699,814,977 (representing approximately 58.96% of the enlarged total issued share capital of the Company) immediately after completion of the Non-Public Issuance.

Note: For details, please refer to the announcements of the Company dated 30 April 2019, 11 June 2019, 14 June 2019, 30 July 2019, 30 August 2019, 27 September 2019 and 7 November 2019 and the circular of the Company dated 20 June 2019.

Save as disclosed above, no share capital was issued by the Company during the year ended 31 December 2019. The disclosure of equity interests of the Company as at 31 December 2019 is set out on page 33 of this annual report.

TAXATION

The details of taxation of the Company for the year ended 31 December 2019 are set out in Note 27 to the Financial Statements.

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company during the year ended 31 December 2019.

ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2019, 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 2019 are set out on page 54 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 23.75% and 59.45%, respectively, of the total revenues of the Company for the year ended 31 December 2019.

The largest supplier, Capital Airports Power and Energy Co., Ltd. and the five largest suppliers of the Company represented 11.02% and 41.58%, respectively, of the total operating expenses of the Company for the year ended 31 December 2019.

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 2019. 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; and held 100% equity interest of Beijing Capital Airport Advertising Co., Ltd.

REPORT OF THE BOARD (CONTINUED)

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The Company had no subsidiary, joint venture or associate as at 31 December 2019.

ACQUISITION AND DISPOSAL

During the year ended 31 December 2019, the Company did not conduct any significant merger, acquisition or disposal.

MATERIAL ACQUISITION AND MATERIAL SUBSEQUENT EVENT

During the year ended 31 December 2019, the Company had no material acquisition.

At the start of 2020, the outbreak of novel coronavirus epidemic (the "COVID-19 Outbreak") spread across the globe, which may in turn negatively affect the Company's aeronautical revenues, non-aeronautical revenues and trade receivables to a certain extent, depending on factors such as the duration, prevention and control of the COVID-19 Outbreak and the implementation of various regulatory measures. Currently, the Company has decided to lower the benchmark price of the charging standards for aircraft movement fees by 10%, and exempt the parking fees commencing from 23 January 2020 until the end of the COVID-19 Outbreak according to the requirements of the relevant supporting policies of the relevant authorities. Meanwhile, the Company has begun studying the proposal on exemption and reduction of charges of its non-aeronautical businesses pursuant to the relevant requirements. The Company will continue to closely monitor the development of the COVID-19 Outbreak, make further assessment and estimate the negative impact of the COVID-19 Outbreak on the Company accordingly, and actively adopt relevant responsive measures.

Save as disclosed above, during the period from 1 January 2020 to 26 March 2020 (i.e. the date of this Report of the Board), the Company had no material subsequent event.

TRADE RECEIVABLES

As at 31 December 2019, the Company's trade receivables were RMB1,389,094,000, representing an increase of 0.2% 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 10 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2019, 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 2019 are set out as follows:

Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
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 this 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 announcements dated 28 December 2017 and 6 November 2019.	The Parent Company holds 100% equity interest of BACT.	217,114	240,000

REPORT OF THE BOARD (CONTINUED)

	Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
2	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 at Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcement dated 28 December 2017.	The Parent Company holds 100% equity interest of CAVIP.	81,061	125,000
3	The Company entered into the Terminal Premises Leasing Framework Agreement with Beijing Aviation Ground Services Co., Ltd. ("BGS") dated 31 December 2018, with effect from 1 January 2019 to 31 December 2021, pursuant to which the Company agreed to lease certain premises of the terminals of the Beijing Capital Airport to BGS for daily office work or operations. The execution of this agreement is conducive to increasing both the non-aviation and aviation revenues of the Company. For details of the relevant transactions, please refer to the Company's announcement dated 31 December 2018.	The Parent Company holds 51% equity interest of BGS.	60,422	100,000

REPORT OF THE BOARD (CONTINUED)

	Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
4	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 this 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.	The Parent Company holds 100% equity interest of BAFM.	39,716	59,000
5	The Company and Capital Jet Co., Ltd. ("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.	The Parent Company holds 60.00% equity interest of CACL.	20,251	24,000

REPORT OF THE BOARD (CONTINUED)

	Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
6	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 deicing 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.	The Parent Company holds 51% equity interest of BGS.	12,305	40,600
7	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.	The Parent Company holds 100% equity interest of BACT.	782,734	820,000

REPORT OF THE BOARD (CONTINUED)

	Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
8	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.	The Parent Company directly and indirectly holds 100% equity interest of CAAS.	714,143	806,042
9	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 water, electricity, steam power, natural gas, air conditioning and heating for the Company at the terminals and other areas at Beijing Capital Airport. The execution of this 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 such services for the Company. For details of the relevant transactions, please refer to the Company's announcement dated 25 October 2017 and circular dated 15 November 2017.	The Parent Company holds 100% equity interest of CAPE.	610,929	859,029

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
10 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. from time to time. 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.	The Parent Company holds 100% equity interest of BAA.	321,078	360,000
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 announcements dated 22 December 2017 and 28 December 2018.	The Parent Company holds 100% equity interest of BCPM.	272,552	365,000

REPORT OF THE BOARD (CONTINUED)

	Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
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.	The Parent Company holds 100% equity interest of CAPE.	198,763	222,400

REPORT OF THE BOARD (CONTINUED)

	Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
13	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, as well as capability of operation and management, the execution of this agreement is expected to enhance the quality of restaurants and food & 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.	The Parent Company holds 100% equity interest of BAFM.	132,404	159,000
14	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; and the Company and the Parent Company entered into the new Trademark License Agreement on 29 November 2019, with effect from 1 December 2019 to 30 November 2022, 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 announcements dated 30 November 2016, 31 October 2019 and 29 November 2019.	The Parent Company holds 58.96% of the shares of the Company.	107,322	120,000 *(Note1)*

REPORT OF THE BOARD (CONTINUED)

	Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
15	The Company and Beijing Bowei Airport Support Limited ("Bowei") entered into the T3 Supplemental Agreement in relation to the operations and maintenance of passenger boarding bridges and bridge-carrying power supply system on 30 April 2019, with effect from 1 January 2019 to 31 December 2019, pursuant to which the service fees for the year of 2019 and the scope of services under the T3 Operations and Maintenance Service Agreement were revised and increased, respectively. The execution of this agreement is conducive to ensuring the stability of daily operations of Beijing Capital Airport and ensuring the professionalism and efficiency in meeting its operational requirements. For details of the relevant transaction, please refer to the Company's announcements dated 23 June 2017 and 30 April 2019.	The Parent Company holds 60% equity interest of Bowei.	62,812	65,912
16	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.	The Parent Company holds 100% equity interest of CAVIP.	47,612	52,000

REPORT OF THE BOARD (CONTINUED)

	Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
17	The Company and Bowei entered into the T1/T2 Supplemental Agreement in relation to the Operations and Maintenance of Passenger Boarding Bridges and Bridge-Carrying Power Supply System on 30 April 2019, with effect from 1 January 2019 to 31 December 2019, pursuant to which the service fees for the year of 2019 and the scope of services under the T1/T2 Operations and Maintenance of Passenger Boarding Bridges and Bridge-Carrying Power Supply System Agreement were revised and increased, respectively. The execution of this agreement is conducive to ensuring the stability of daily operations of Beijing Capital Airport and ensuring the professionalism and efficiency in meeting its operational requirements. For details of the relevant transaction, please refer to the Company's announcements dated 23 June 2017 and 30 April 2019.	The Parent Company holds 60% equity interest of Bowei.	36,294	38,201
18	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 announcements dated 31 January 2018 and 29 August 2018.	The Parent Company indirectly holds 100% equity interest of Aviation Services Company.	31,966	36,000

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
19 The Company and China Civil Airport Equipment Co., Ltd. ("CCAE 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 CCAE Company agreed to provide Maintenance Services for the information front end at the terminals of the Beijing Capital Airport. The execution of this agreement aims to ensure the stable and smooth operations of the information front-end of the Beijing Capital 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.	The Parent Company indirectly holds 30.6% equity interest of CCAE Company.	12,339	16,000
20 The Company and Bowei entered into the Bridge-borne Equipment Operation Services Agreement on 28 December 2018, with effect from 1 January 2019 to 31 December 2021, pursuant to which Bowei agreed to position and remove bridge-borne equipment, including the power supply equipment for aircrafts and the ground air conditioning equipment for aircrafts, in accordance with the existing procedures of the Company for flights of airlines included in the Bridge-borne Equipment Operation Services Agreement. The execution of this agreement is conducive to ensuring the smooth day-to-day operation and stable service quality and catering the operational needs in professionalism and efficiency of the Beijing Capital Airport. For details of the relevant transaction, please refer to the Company's announcements dated 28 December 2018.	The Parent Company holds 60% equity interest of Bowei.	11,504	22,500

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
21 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 subsidies to the tenants through providing 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.	The Parent Company holds 100% equity interest of each of the Specialised Companies.	2,293	23,000
22 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.	The Parent Company holds 58.96% of the shares of the Company.	28,000	28,000 *(Note2)*

REPORT OF THE BOARD (CONTINUED)

	Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
23	The Company and Beijing Capital Airport Property Management Center ("BAPMC") entered into the Leasing Framework Agreement on 28 December 2018 for the lease of certain premises, including but not limited to office area and car-parking spaces, from BAPMC, with effect from 1 January 2019 to 31 December 2021. The execution of this agreement is expected to facilitate the administration and daily operation of Beijing Capital Airport and its overall steady operation. For details of the relevant transaction, please refer to the Company's announcement dated 28 December 2018.	The Parent Company holds 100% equity interest of BAPMC.	28,197	60,000
24	The Company, BAPMC and BAPM entered into the Supplemental Agreement in relation to the Leasing Framework Agreement on 27 September 2019, pursuant to which (i) BAPM shall be substituted for BAPMC as the lessor of the Leasing Framework Agreement; and (ii) all the rights and obligations of BAPMC under the Leasing Framework Agreement shall be transferred to BAPM, with effect from 27 September 2019 to 31 December 2021. The execution of this agreement is expected to facilitate the administration and daily operation of Beijing Capital Airport and its overall steady operation. For details of the relevant transactions, please refer to the announcement of the Company dated 27 September 2019.	The Parent Company holds 100% equity interests of BAPMC and BAPM.	26,380	30,000

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements and/or circulars	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2019 *RMB'000*	Annual Cap *RMB'000*
25 The Company and Parent Company entered into the Property Leasing Framework Agreement dated 9 January 2018 for the lease of 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. The execution of this agreement is expected to facilitate the administration and daily operation of Beijing Capital Airport and its overall operation. For details of the relevant transactions, please refer to the announcement of the Company dated 9 January 2018.	The Parent Company holds 58.96% of the shares of the Company.	12,943	17,000
26 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.	The Parent Company holds 58.96% of the shares of the Company.	9,915	9,921 *(Note3)*
27 The Company and Beijing Capital Airport Finance Group Co., Ltd. ("BAFG") entered into the Financial Services Agreement dated 25 October 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which BAFG 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.	The Parent Company directly and indirectly holds 100% equity interest of BAFG.	903,730	For deposit services (maximum daily balance of the deposit): 1,000,000; For other financial services: 10,000 *(Note4)*

REPORT OF THE BOARD (CONTINUED)

Notes:

1 According to the original Trademark License Agreement entered into in 2016, it was estimated that the annual cap for the license fee payable by the Company to the Parent Company will be RMB110 million for the eleven months ended 30 November 2019. It was estimated that the maximum monthly license fee payable by the Company to the Parent Company under the new Trademark License Agreement entered into in 2019 will be RMB10 million for the one month ended 31 December 2019.

2 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.

3 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 2019 may increase by no more than 77.16% over the year 1999, to RMB9,920,742.

4 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 BAFG 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 BAFG 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 BAFG 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 RMB12,875,743 as at 31 December 2019.

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 2019.

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 (Revised) "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 2019 are set out as follows:

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions *RMB'000*
1	The Company and the Parent Company entered into the APM Assets Transfer Framework Agreement dated 29 July 2019, pursuant to which the Parent Company conditionally agreed to sell, and the Company conditionally agreed to acquire the automated people mover ("APM") 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 board of directors in accordance with the Listing Rules; and (2) the filing of the asset valuation of the APM Assets with the competent governmental authorities. The execution of this agreement aims to enhance the operation quality of the APM system as well as the satisfaction of passengers at Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 29 July 2019.	The Parent Company holds 58.96% of the shares of the Company.	135,680 (with the maximum consideration not exceeding 256,000) *(Note)*
2	The Company and the Parent Company entered into the 92 Mu Land Lease Agreement and the 47 Mu Land Lease Agreement dated 30 August 2019 for terms from 1 September 2019 to 31 August 2037. Pursuant to International Financial Reporting Standard 16, the leased lands were recognised by the Company as right-of-use assets. The execution of the agreements aims to ensure the long-term use of such lands for the airport aprons, thereby alleviating the pressure on the safeguard of ground operations of the Beijing Capital Airport effectively, enhancing the operating efficiency and quality, as well as generating the income of parking charges for the Company to a certain extent. For details of the relevant transactions, please refer to the Company's announcement dated 30 August 2019.	The Parent Company holds 58.96% of the shares of the Company.	39,071 (with the maximum consideration not exceeding 39,071)

REPORT OF THE BOARD (CONTINUED)

	Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions *RMB'000*
3	The Company and Civil Aviation Airport Planning and Design Research Institute Co., Ltd. (the "Research Institute") entered into the Overall Planning Agreement dated 18 October 2019, pursuant to which the Research Institute was engaged by the Company to provide services for the revision of overall planning in relation to the future development of the Beijing Capital Airport. The execution of this agreement aims to upgrade the airport facilities for accommodating the development needs in the Beijing regional aviation transportation market according to the needs of actual operations and management of the Beijing Capital Airport, as well as explore the potential of Beijing Capital Airport and optimise its resources layout, thereby ensuring the continuous safe and normal operation of the airport. For details of the relevant transactions, please refer to the Company's announcement dated 18 October 2019.	The Parent Company indirectly holds 31.48% equity interest of the Research Institute	13,116 (with the maximum consideration not exceeding 19,862)

Note:

The payment of RMB135,680,000 made by the Company in 2019 under the APM Assets Transfer Framework Agreement was a prepayment (tax inclusive). This transaction has not been completed.

The continuing connected transactions and connected transactions of the Company disclosed above (except the Beijing Airport General Marketing Fund Framework Agreement and the APM Assets Transfer Framework Agreement) also constitute transactions with related parties ("Related Party Transactions") as set out in Note 32 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/or circulars mentioned above.

REPORT OF THE BOARD (CONTINUED)

DISCLOSURE OF INTERESTS

As at 31 December 2019, the total issued share capital of the Company is 4,579,178,977 shares, comprising 1,879,364,000 H shares and 2,699,814,977 domestic shares.

As at 31 December 2019, 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 of shareholding to the total issued shares
Capital Airports Holding Company *(Note1)*	Domestic shares	2,699,814,977	Beneficial owner	100%	58.96%
BlackRock, Inc.	H shares	131,940,947(L) 436,000(S)	Interest of corporation controlled by substantial shareholder	7.02% 0.02%	2.88% 0.01%
Citigroup Inc.	H shares	225,936,773(L) 1,489,093(S) 219,496,746(P)	Interest of corporation controlled by substantial shareholder	12.02% 0.08% 11.68%	4.93% 0.03% 4.79%
Aberdeen Asset Management plc and its associates *(Note 2)*	H shares	114,868,000(L)	Interest of corporation controlled by substantial shareholder	6.11%	2.51%
Matthews International Capital Management, LLC *(Note 2)*	H shares	113,114,000(L)	Interest of corporation controlled by substantial shareholder	6.02%	2.47%
GIC Private Limited *(Note 2)*	H shares	95,072,914(L)	Investment manager	5.06%	2.08%
Hermes Investment Funds PLC	H shares	94,613,662(L)	Beneficial owner	5.03%	2.07%
Brown Brothers Harriman & Co.	H shares	94,393,357(L) 94,393,357(P)	Agent	5.03% 5.03%	2.06% 2.06%

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

Notes:

1. Capital Airports Holding Company was incorporated in the PRC, and is the controlling shareholder of the Company. Mr. Liu Xuesong, an executive director and the chairman of the Board, is the general manager and 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.

2. 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 2019, 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 2019, 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 2019, 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 2019, 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.

REPORT OF THE BOARD (CONTINUED)

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed in Note 1 under the section headed "Disclosure of Interests" in this Report of the Board, four of the directors of the Company hold the position of general manager or deputy general manager concurrently in the Parent Company, the controlling shareholder of the Company. As such, they shall be deemed to have interests in the Parent Company pursuant to the relevant requirements under Rule 8.10 of the Listing Rules.

In view of the huge capital investment in the construction of Beijing Daxing International Airport ("Daxing Airport") by the Parent Company and the relatively large operating pressure and financial pressure that will be subsequently faced by Daxing Airport continually, and pursuant to the relevant requirements under the deed of non-competition dated 26 October 1999 entered into between the Company and the Parent Company (the "Deed of Non-competition"), on 28 June 2018, the Board considered and passed the followings after careful consideration: (i) approved in writing for the Parent Company to engage in aeronautical and non-aeronautical businesses of Daxing Airport; (ii) the Company retained the option to purchase the assets of the Daxing Airport. For details, please refer to the inside information announcement of the Company dated 28 June 2018.

In 2019, following the official commencement of operations of Daxing Airport on 25 September, the general landscape of "one city, two airports" in Beijing's aviation market and the "dual-hub" model, which allows the strengths of both Beijing Capital Airport and Daxing Airport to complement each other, were formed initially. The Parent Company also started engaging in the aeronautical and non-aeronautical businesses of Daxing Airport. As the Company is engaged in the operation of aeronautical and non-aeronautical businesses of Beijing Capital Airport, certain businesses of the Parent Company are competing with the business of the Company.

As disclosed in the inside information announcement of the Company dated 28 June 2018, the Parent Company has obtained prior written consent from the Company, and such consent was approved by the Board, with the directors of the Company (other than the independent non-executive directors) having abstained from voting, in accordance with the requirement under the Deed of Non-competition before engaging in the above-mentioned competing businesses. The Company has also retained the option to purchase the assets of the Daxing Airport. In addition, the directors of the Company are fully aware of, and have been discharging, their fiduciary duty to the Company. Based on the above, it is expected that the interests of the Company in the relevant businesses are adequately protected and the Company is capable of carrying on its aeronautical and non-aeronautical businesses independently of the Parent Company. Therefore, the Company is of the view that the Company is capable of carrying on the above businesses independently of, and at arm's length from, the businesses of the Parent Company.

Save as disclosed above, during the year ended 31 December 2019 and up to the date of this annual report, none of the directors of the Company or their respective associate(s) (as defined under the Listing Rules) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Company.

REPORT OF THE BOARD (CONTINUED)

MATERIAL CONTRACTS

Save for those transactions described in the note headed "Related Party Transactions" in the Note 32 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 during the year ended 31 December 2019:

(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 2019, 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.

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 for the year ended 31 December 2019 are set out in Notes 24 and 33 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 2019.

PUBLIC FLOAT

As at 26 March 2020 (i.e. the date of this Report of the Board), the Board confirmed that 1,879,364,000 H shares, representing 41.04% of the entire issued shares 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.

REPORT OF THE BOARD (CONTINUED)

COMPLIANCE WITH "MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS"

The Company has adopted "the Code for Securities Transactions by Directors and Staff" to regulate the securities transactions 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 Transactions by Directors and Staff" of the Company.

AUDITORS

For the three years ended 31 December 2016, 2017 and 2018, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were the Company's domestic and overseas auditors, respectively.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers were approved by way of a resolution passed at the 2018 Annual General Meeting ("AGM") of the Company held on 27 June 2019, to act as the Company's domestic and overseas auditors, respectively, for the year 2019.

The Board will present a resolution for the re-appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the Company's domestic and overseas auditors, respectively, for the year 2020 at the forthcoming 2019 AGM.

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.

REPORT OF THE BOARD (CONTINUED)

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.

On 17 June 2019, Ms. Gao Lijia retired as the deputy general manager of the Company because she has reached the retirement age. On the same day, Mr. Zhang Guoliang was appointed as the deputy general manager of the Company.

On 5 March 2020, Mr. Shen Lancheng resigned as the chief financial officer of the Company due to adjustment of work arrangements.

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).

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:

REPORT OF THE BOARD (CONTINUED)

Executive Directors

Mr. Liu Xuesong, aged 55, 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 55, 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 55, 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). From August 2016 to June 2019, Ms. Gao has been the party secretary of the Company; from September 2016 to June 2019, 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 59, 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.

REPORT OF THE BOARD (CONTINUED)

Mr. Yao Yabo, aged 58, 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 Daxing International Airport.

Mr. Ma Zheng, aged 61, 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 from March 2014 to February 2020.

REPORT OF THE BOARD (CONTINUED)

Independent Non-executive Directors

Mr. Japhet Sebastian Law, aged 68, 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 54, 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 54, 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 non-executive director of China Resources and Environment Co., Ltd. (listed on the Shanghai Stock Exchange).

Mr. Zhang Jiali, aged 65, 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 58, was appointed as a supervisor of the Company on 30 June 2014 and was reappointed 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 54, 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 68, 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.(上海新黃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.

REPORT OF THE BOARD (CONTINUED)

Mr. Wang Xiaolong, aged 64, 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.

Mr. Chang Jun, aged 43, 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 from May 2011 to October 2018. He served as a deputy general manager of Service Promotion Department of the Company from October 2018 to January 2020, and a general manager of Service Promotion Department of the Company since January 2020.

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 Guoliang, aged 56, was appointed as the deputy general manager of the Company on 17 June 2019. Mr. Zhang graduated from Air Force Engineering University, majoring in management science and engineering, and obtained a master's degree in management. Mr. Zhang joined the People's Liberation Army of China in December 1979 and he successively served as a military academy cadet, an officer of the political department in a division of the Air Force, as well as a staff officer and a deputy director of the operations directorate at the command of a military base; an office secretary and a deputy head (at regiment commander level) of the military affairs department of the Air Force command in the Lanzhou Military Region from October 1996 to April 1999; a secretary of the office (at regiment commander level) of the Air Force command from April 1999 to March 2000; a director of the military communications and transportation directorate of the Air Force logistics department from March 2000 to April 2005; a tactical researcher (with the title of a senior colonel in the Air Force) at deputy division commander level of the Air Force from April 2005 to October 2008; a Party committee member of the public security bureau of the Civil Aviation Administration of China and then the general captain (at deputy department director level and police commissioner class II) of the Aircop Corps of the Civil Aviation Administration of China from October 2008 to April 2014; and the director and a deputy Party committee secretary of the government service bureau under the Civil Aviation Administration of China from April 2014 to May 2019. Mr. Zhang was elected as a Party committee member of the Civil

REPORT OF THE BOARD (CONTINUED)

Aviation Administration of China in January 2017. Mr. Zhang has been a Party committee member of CAHC and the Party committee secretary of the Company since May 2019, as well as the deputy general manager of the Company since June 2019.

Mr. Zhang Wei, aged 54, 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 54, 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.

Mr. Wang Weiyu, aged 56, 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.

REPORT OF THE BOARD (CONTINUED)

Mr. Du Qiang, aged 50, 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 49, was re-appointed as the chief financial officer of the Company on 28 June 2017, and resigned as the chief financial officer of the Company on 5 March 2020. 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. From July 2016 to February 2020, he served as a member of the Party Committee of the Company. From July 2016 to March 2020, he served as the chief financial officer of the Company.

Ms. Zhao Ying, aged 45, 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.

REPORT OF THE BOARD (CONTINUED)

Mr. Meng Xianwei, aged 44, 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.

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 55, was appointed as the joint company secretary of the Company on 28 June 2018. Mr. Mok is a solicitor as defined in the Legal Practitioners Ordinance and currently a senior 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 Hong Kong, and is admitted to the roll of solicitors in (i) England and Wales and (ii) New South Wales, Australia. Mr. Mok has extensive experience in general business practices and corporate financial transactions, such as assisting corporations to list on the Hong Kong Stock Exchange, mergers and acquisitions, corporate restructuring, joint ventures, and compliance with the Listing Rules and securities-related laws and regulations 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 33 to the Financial Statements.

During the year ended 31 December 2019, the annual emoluments of the senior management (including those who also serve as directors) paid by the Company for 5 members were not more than HKD1,000,000 (equivalent to approximately RMB895,780) and for 5 members were between HKD1,000,000 and HKD1,500,000 (equivalent to approximately RMB1,343,670).

By order of the Board
Liu Xuesong
Chairman

Beijing, the PRC, 26 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2019, the Company's business performance was under pressure in general. As for the revenues, the income from principal operations was RMB10,810,484,000, representing a decrease of 4.0% from the previous year. In particular, as affected by the abolition of the refund policy of the Civil Aviation Development Fund and the decrease in air traffic volumes, there was a relatively substantial decrease in aeronautical revenues, which amounted to RMB4,088,745,000, representing a decrease of 23.0% from the previous year. As for the non-aeronautical revenues, as driven by the performance of new duty-free business contracts and the increased average purchasing power of passengers, the overall non-aeronautical revenue showed a steady performance, which amounted to RMB6,721,739,000, representing an increase of 12.9% as compared with the previous year. As for the costs, the operating expenses of the Company in 2019 were RMB7,349,647,000, representing an increase of 1.7% over the previous year, due to the effect of the factors including the corresponding increase in management fees driven by the increased non-aeronautical concession revenue and the increased investment in operational services and greening and environmental maintenance, etc.

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

OVERVIEW OF AERONAUTICAL BUSINESS

In 2019, the air traffic volumes of Beijing Capital Airport were put under pressure in general, due to the combined effect of the factors of changes in external conditions, the diversion of Beijing Daxing International Airport ("Daxing Airport") and the maintenance of runways and the surrounding environment of Beijing Capital Airport and the support for important events. In 2019, the cumulative aircraft movements in Beijing Capital Airport reached 594,329 sorties, representing a decrease of 3.2% as compared with the previous year. The cumulative passenger throughput reached 100,011,438 person-times, representing a decrease of 1.0% as compared with the previous year. The cumulative cargo and mail throughput reached 1,955,326 tonnes, representing a decrease of 5.7% as compared with the previous year. Detailed information is set out in the table below:

	2019	2018	Change
Aircraft Movements *(unit: sorties)*	**594,329**	614,022	-3.2%
Domestic	**467,130**	485,395	-3.8%
Including: Hong Kong, Macau & Taiwan	**21,396**	22,140	-3.4%
International	**127,199**	128,627	-1.1%
Passenger Throughput *(unit: person-times)*	**100,011,438**	100,983,290	-1.0%
Domestic	**76,101,911**	77,692,591	-2.0%
Including: Hong Kong, Macau & Taiwan	**3,664,815**	4,077,715	-10.1%
International	**23,909,527**	23,290,699	2.7%
Cargo and mail Throughput *(unit: tonnes)*	**1,955,326**	2,074,005	-5.7%
Domestic	**1,050,270**	1,115,538	-5.9%
Including: Hong Kong, Macau & Taiwan	**90,774**	104,429	-13.1%
International	**905,056**	958,467	-5.6%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AERONAUTICAL REVENUES

	2019 RMB'000	2018 RMB'000	Change
Aircraft movement fees and related charges	**2,083,754**	2,109,536	-1.2%
Passenger charges	**2,004,991**	2,027,707	-1.1%
Airport fee	**–**	1,172,165	-100.0%
Total aeronautical revenues	**4,088,745**	5,309,408	-23.0%

In 2019, the total aeronautical revenues of the Company were RMB4,088,745,000, representing a decrease of 23.0% as compared with the previous year. In particular, revenues from aircraft movement fees and related charges were RMB2,083,754,000, representing a decrease of 1.2% as compared with the previous year, which was mainly affected by the decrease in air traffic volumes. Revenues from passenger charges were RMB2,004,991,000, representing a decrease of 1.1% as compared with the previous year, which basically remained consistent with the decline in passenger throughput. No airport fee revenues were recorded for the year, which is due to the abolition of the refund policy of 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》)").

NON-AERONAUTICAL REVENUES

	2019 RMB'000	2018 RMB'000	Change
Concessions	**5,207,212**	4,455,856	16.9%
Including: Retailing	**3,585,577**	2,774,187	29.2%
Advertising	**1,154,701**	1,148,177	0.6%
Restaurants and food shops	**278,812**	271,263	2.8%
VIP services	**81,061**	104,623	-22.5%
Ground handling	**56,674**	102,001	-44.4%
Other concessions	**50,387**	55,605	-9.4%
Rentals	**1,330,556**	1,300,476	2.3%
Car parking fees	**160,533**	169,896	-5.5%
Others	**23,438**	26,876	-12.8%
Total non-aeronautical revenues	**6,721,739**	5,953,104	12.9%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2019, the total non-aeronautical revenues of the Company were RMB6,721,739,000, representing an increase of 12.9% as compared with the previous year. In 2019, the concession revenues of the Company were RMB5,207,212,000, representing an increase of 16.9% as compared with the previous year. In particular, the revenues from retailing were RMB3,585,577,000, representing an increase of 29.2% as compared with the previous year, which was mainly attributable to the execution of new duty-free business operation contracts since 11 February 2018, resulting in a notable increase in the proportion of revenues from the duty free business of the Company in the first quarter, as well as the growth in international passenger throughput with high consumption abilities and the impetus of promotion in duty-free business for the retailing sales. The revenues from advertising were RMB1,154,701,000, representing an increase of 0.6% as compared with the previous year. The revenues from restaurants and food shops were RMB278,812,000, representing an increase of 2.8% as compared with the previous year, which was mainly due to the combined impetus of improving passengers' consumption power and various comprehensive marketing activities carried out by Beijing Capital Airport. The concession revenues from VIP services were RMB81,061,000, representing a decrease of 22.5% as compared with the previous year, which was mainly due to the decrease of related premise resources allocated for VIP services as affected by factors such as market environment and demands as well as the combined effect of the renovation and upgrade of certain premises resources, leading to a decrease in revenues. The revenues from ground handling service were RMB56,674,000, representing a decrease of 44.4% as compared with the previous year, which was mainly due to the final recognition of the corresponding revenues generated from certain ground handling service concession contracts that were not entered into in previous years but had been agreed upon negotiations in 2018, resulting in a greater base in the same period of the previous year. Other concession revenues were RMB50,387,000, representing a decrease of 9.4% as compared with the previous year.

In 2019, the rental revenues of the Company were RMB1,330,556,000, representing an increase of 2.3% as compared with the previous year, which was mainly due to the impetus of certain additional commercial areas and resources in the terminals.

In 2019, the car-parking fees of the Company were RMB160,533,000, representing a decrease of 5.5% as compared with the previous year, which was mainly due to the adjustment to the charging policy and the decrease in the number of passengers.

In 2019, the other revenues of the Company were RMB23,438,000, representing a decrease of 12.8% as compared with the previous year, which was mainly due to the adjustments to the scope of business of certain contracts upon renewal.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OPERATING EXPENSES

	2019 **RMB'000**	2018 RMB'000	Change
Depreciation and amortisation	**1,404,509**	1,369,200	2.6%
Concession management fees	**1,236,216**	1,079,873	14.5%
Repair and maintenance	**1,067,769**	1,036,451	3.0%
Aviation safety and security guard costs	**760,332**	735,066	3.4%
Staff costs	**703,180**	701,468	0.2%
Utilities and power	**613,936**	657,959	-6.7%
Operating contracted services	**563,601**	470,058	19.9%
Greening and environmental maintenance	**304,664**	246,103	23.8%
Real estate and other taxes	**259,010**	256,756	0.9%
Rental expenses	**19,815**	308,640	-93.6%
General, administrative and other costs	**416,615**	361,818	15.1%
Operating expenses	**7,349,647**	7,223,392	1.7%

In 2019, the operating expenses of the Company were RMB7,349,647,000, representing an increase of 1.7% as compared with the previous year.

In 2019, the depreciation and amortisation expenses of the Company were RMB1,404,509,000, representing an increase of 2.6% as compared with the previous year, which is mainly due to the adoption of new standards for leases in 2019, as a result of which certain operating lease assets were accounted for as right-of-use assets and the corresponding depreciation expenses were accrued.

In 2019, the concession management fees of the Company were RMB1,236,216,000, representing an increase of 14.5% as compared with the previous year, which was mainly due to the growth of the concession revenues from retailing, restaurants and food shops and advertising businesses, resulting in the corresponding increase in the concession management fees, which were charged in proportion to the concession revenues.

In 2019, the repair and maintenance expenses of the Company were RMB1,067,769,000, representing an increase of 3.0% as compared with the previous year, which was mainly due to the additional expenses relating to the maintenance of certain equipment and systems.

In 2019, the aviation safety and security guard costs of the Company were RMB760,332,000, representing an increase of 3.4% 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 overall national requirements on safety and security.

In 2019, the staff costs of the Company were RMB703,180,000, representing an increase of 0.2% as compared with the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2019, the utilities and power expenses of the Company were RMB613,936,000, representing a decrease of 6.7% as compared with the previous year, which was mainly due to the one-off adjustment to electricity tariffs after negotiation thereof.

In 2019, the operational services costs of the Company were RMB563,601,000, representing an increase of 19.9% as compared with the previous year, which was mainly due to the addition of certain operational services projects and the additional costs resulting from the rectification work and treatment in relation to the runways and surrounding environment.

In 2019, the greening and environmental maintenance expenses of the Company were RMB304,664,000, representing an increase of 23.8% as compared with the previous year. The corresponding increase in greening and environmental maintenance expenses was mainly due to the increase in the price of certain service contracts as a result of the increase in costs and the expanded scope of services, as well as the enhanced environmental protection measures, the improvement of the service quality and the addition of certain service projects.

In 2019, the real estate and other taxes of the Company were RMB259,010,000, representing an increase of 0.9% as compared with the previous year.

In 2019, the rental expenses of the Company were RMB19,815,000, representing a decrease of 93.6% as compared with the previous year, which, on one hand, was due to the completion of the Company's acquisition of the Ground Traffic Centre (the GTC Assets), resulting in the absence of rental expenses for the GTC Assets during the year; and on the other hand, under the new standards for leases, the Company has recognised the corresponding right-of-use assets during the year, resulting in a decrease in rental expenses.

In 2019, the general, administrative and other costs of the Company were RMB416,615,000, representing an increase of 15.1% as compared with the previous year, which was mainly due to the increased management expenses applied to further improve the Company's brand value, operational benefits and management capability.

OTHER ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

In 2019, the other income of the Company was RMB36,614,000, representing an increase of 775.1% as compared with the previous year, which was mainly due to the increase in government grants in 2019.

In 2019, the exchange rate of US dollar against RMB has increased but the increment was less than that of the previous year, resulting in a decrease in the exchange loss from the Company's liabilities denominated in US dollar. In addition, the average balance of the borrowings in 2019 was lower than that in the previous year. As such, the net finance costs of the Company after the deduction of finance income were RMB170,238,000, representing a decrease of 32.1% as compared with the previous year.

In 2019, the income tax expense of the Company was RMB809,960,000, representing a decrease of 15.3% as compared with the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROFIT FOR THE YEAR

For the financial year ended 31 December 2019, the net profit of the Company amounted to RMB2,419,373,000, representing a decrease of 15.8% as compared with the previous year.

DIVIDEND

The Board proposed to distribute the final dividend of RMB0.1533 per share for 2019, totally amounting to approximately RMB701,988,000 (2018: RMB702,903,000). Such proposal shall be subject to the approval by the shareholders at the 2019 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 2020. 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(s) to be issued by the Company.

The Company has distributed an interim dividend of RMB0.0894 per share for 2019, amounting to approximately RMB387,182,000 in total. The total amount of the final dividend for 2019 proposed to be distributed and the interim dividend for 2019 that has been distributed amounts to approximately 45% of the after-tax profit of the Company for 2019.

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 2019.

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*(Note)*, the Company assumed the US dollar denominated loans from the European Investment Bank in respect of the Phase III Assets and the interest thereof as at 31 December 2019. Therefore, the fluctuation of RMB exchange rate against the US dollar will affect the financial results of the Company.

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

As at 31 December 2019, the assets and liabilities of the Company denominated in USD included cash and cash equivalents of approximately RMB126,088,000 (2018: RMB96,728,000), trade and other receivables of approximately RMB40,000 (2018: RMB224,000), trade and other payables of approximately RMB10,837,000 (2018: RMB10,661,000), and loans from the Parent Company of approximately RMB1,787,526,000 (2018: RMB1,926,055,000). During 2019, the Company recorded a net exchange loss of RMB40,272,000.

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 RMB1,787,526,000, 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 short-term borrowings was RMB500,000,000, and its interest rates were referenced to the benchmark interest rates of the National Interbank Funding Centre. As such, any change in LIBOR and interest rates of the National Interbank Funding Centre will affect the interest expenses and financial results of the Company.

CONTINGENT LIABILITIES

As at 31 December 2019, the Company had no significant contingent liabilities.

LIQUIDITY AND FINANCIAL RESOURCES

In 2019, the Company's net cash generated from operating activities amounted to RMB3,911,443,000, representing a decrease of RMB778,805,000 as compared with RMB4,690,248,000 for the year of 2018. In 2019, the Company's net cash outflow from investing activities amounted to RMB265,590,000. In 2019, the Company's net cash outflow from financing activities amounted to RMB3,779,004,000.

As at 31 December 2019, the Company had cash and cash equivalents amounting to the total sum of RMB1,664,626,000; while the cash and cash equivalents of the Company amounted to RMB1,806,125,000 as at 31 December 2018.

As at 31 December 2019, the Company's short-term borrowings were RMB500,000,000 and the loans from the Parent Company were RMB1,787,526,000.

As at 31 December 2019, the current ratio of the Company was 0.48, and as at 31 December 2018, the current ratio of the Company was 0.44. 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 2019, the liability-to-asset ratio of the Company was 28.16%, and as at 31 December 2018, the liability-to-asset ratio of the Company was 32.52%. 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 2019, the capital and reserves of the Company were RMB24,960,898,000 and as at 31 December 2018, the capital and reserves of the Company were RMB23,413,191,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND EMPLOYEE WELFARE

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

	2019	2018
Total number of employees	**1,583**	1,613

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.

2. Employees' basic medical insurance and commercial medical insurance

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

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

3. 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.

CHARGE ON ASSETS

During the year ended 31 December 2019, there was no charge or pledge on the assets of the Company.

MERGER, ACQUISITION AND DISPOSAL

During the year ended 31 December 2019, the Company did not conduct any merger, acquisition or disposal.

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 2019 to 31 December 2019.

In respect of Code provision A.6.7 of the Code, the Company held its 2018 annual general meeting ("AGM") on 27 June 2019. Save for Mr. Liu Xuesong and Ms. Gao Lijia, both being executive directors, Mr. Yao Yabo and Mr. Ma Zheng, both being non-executive directors, and Mr. Zhang Jiali, an independent non-executive director, who were absent from the meeting due to other business commitments, all other members of the Board attended the meeting. Matters considered at the meeting included five regular matters and one special matter and all resolutions on such matters were successfully 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 matters that were 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 TRANSACTIONS BY DIRECTORS

The Company has adopted "the Code for Securities Transactions by Directors and Staff" to regulate the securities transactions 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 Transactions by Directors and Staff" formulated by the Company throughout the year ended 31 December 2019.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 this 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.

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 2019, the Board of the Company held 10 meetings (of which five 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2019:

		General meetings attendance rate (Number of meetings attended/number of meetings held)	Board meetings attendance rate (Number of meetings attended/number of meetings held)
Liu Xuesong	Chairman, executive director	1/3	9/10
Han Zhiliang	General manager, executive director	3/3	10/10
Gao Lijia	Executive director	0/3	6/10
Gao Shiqing	Non-executive director	3/3	9/10
Yao Yabo	Non-executive director	0/3	6/10
Ma Zheng	Non-executive director	1/3	8/10
Japhet Sebastian Law	Independent non-executive director	3/3	10/10
Jiang Ruiming	Independent non-executive director	3/3	10/10
Liu Guibin	Independent non-executive director	2/3	7/10
Zhang Jiali	Independent non-executive director	1/3	10/10

Chairman and General Manager

For the year ended 31 December 2019 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 2019, the records of training received by directors of the Company are summarized as follows:

	Corporate governance	Regulatory rules	Operation and management	Other relevant trainings
Executive directors				
Mr. Liu Xuesong	✓	✓	✓	✓
Mr. Han Zhiliang	✓	✓	✓	✓
Ms. Gao Lijia	✓	✓	✓	✓
Non-executive directors				
Mr. Gao Shiqing	✓	✓	✓	✓
Mr. Yao Yabo	✓	✓	✓	✓
Mr. Ma Zheng	✓	✓	✓	✓
Independent non-executive directors				
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.

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 Evaluation Committee), Mr. Jiang Ruiming, Mr. Liu Guibin, Mr. Zhang Jiali, Mr. Gao Shiqing and Ms. Gao Lijia.

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;

CORPORATE GOVERNANCE REPORT (CONTINUED)

(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.

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:

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

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.

Nomination Policy

The nomination policy of the Nomination Committee is set out as follows:

(i) The Nomination Committee may ask the proposed candidates to provide the necessary personal information in the form specified;

CORPORATE GOVERNANCE REPORT (CONTINUED)

(ii) The chairman of the Nomination Committee may, upon his/her own motion or receipt of a nomination from a Board member (as the case may be), convene a meeting of the Nomination Committee or circulate a resolution in writing to the members of the Nomination Committee to consider the same in accordance with the terms of reference;

(iii) For the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations to the Board for its consideration and approval;

(iv) For the re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidate(s) to stand for re-election at a general meeting;

(v) If a shareholder wants to propose a candidate for prospective appointment to the Board to be considered by the shareholders, he/she shall refer to the "Procedures for Shareholder's Nomination of a Director", which is available on the Company's website;

(vi) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

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 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.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

During the year ended 31 December 2019, 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 to 5 years	6 to 10 years	More than 10 years
60%	30%	10%

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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:

Members	Attendance rate (Number of meetings attended/number of meetings held)
Jiang Ruiming *(Chairman)*	1/1
Japhet Sebastian Law	1/1
Liu Guibin	1/1
Zhang Jiali	1/1
Liu Xuesong	1/1
Han Zhiliang	1/1
Gao Lijia	1/1

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;

CORPORATE GOVERNANCE REPORT (CONTINUED)

(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;

(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;

CORPORATE GOVERNANCE REPORT (CONTINUED)

(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.

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:

Members	Attendance rate Number of meetings attended/number of meetings held
Liu Guibin *(Chairman)*	2/3
Japhet Sebastian Law	3/3
Jiang Ruiming	2/3
Zhang Jiali	3/3

The work performed by the Audit and Risk Management Committee for 2019 is summarized as follows:

During 2019, the Audit and Risk Management Committee reviewed the annual results report of the Company for the year 2018 and the interim results report of the Company for the year 2019, as well as the financial audit report for the year 2018 and the interim financial review report for the year 2019; 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

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

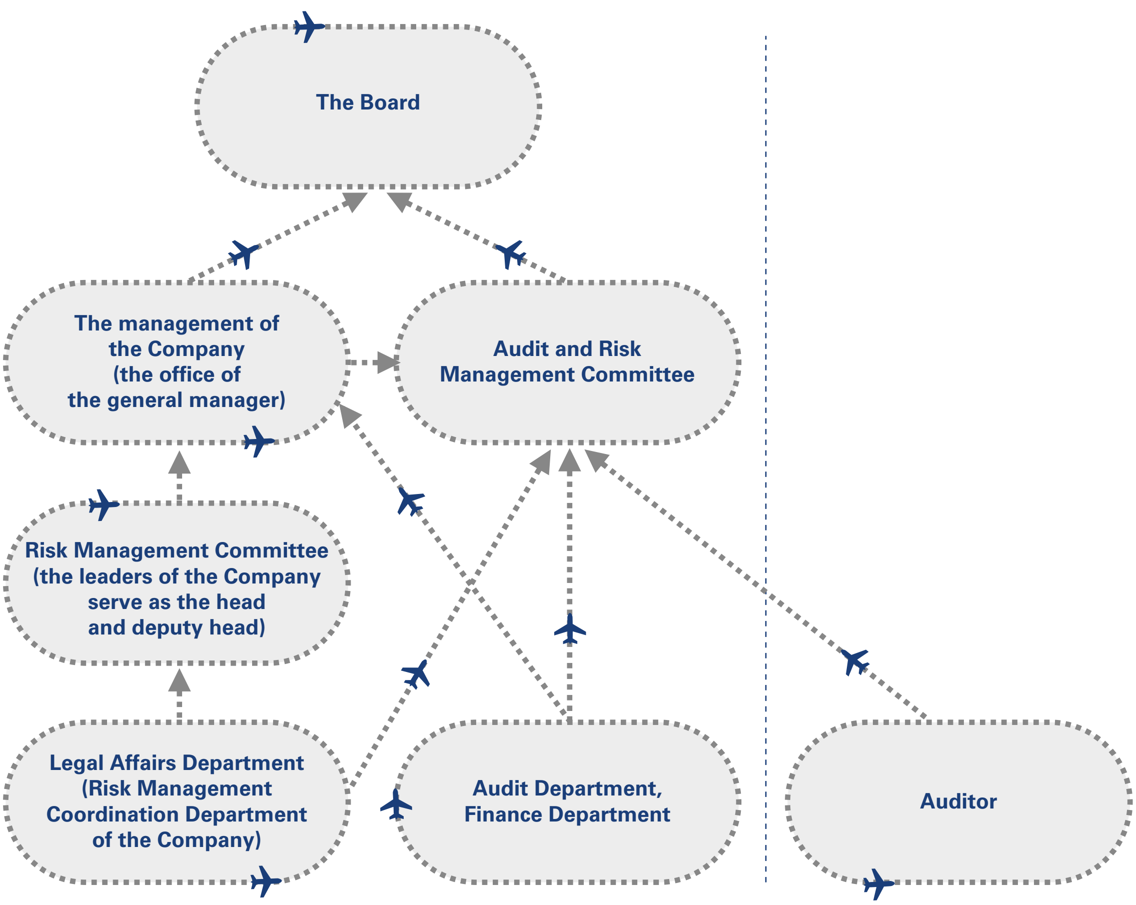
The directors hereby confirm their responsibilities for preparation of the Company's financial statements. The directors confirm that the financial statements of the Company for the year were prepared in accordance with the relevant rules and regulations as well as applicable accounting policies. The 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 76 to 80.

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 or 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.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2019 is summarized as follows:

During 2019, 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 2019, the legal affairs department reported to the Audit and Risk Management Committee once; the audit department reported to the Audit and Risk Management Committee twice; the finance department and auditor each 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 2019, 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 2019, respectively. During the year ended 31 December 2019, the above auditors charged the Company RMB4.424 million as service fees in respect of the audit and non-audit services.

During the year ended 31 December 2019, the above auditors provided non-audit services including Hong Kong audit service in respect of tax with service fee of RMB19,000 and capital verification service with service fee of RMB5,000.

COMPANY SECRETARY

Mr. Meng Xianwei and Mr. Mok Chung Kwan, Stephen have been the joint company secretaries 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 secretaries 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 not less than 15 hours of relevant professional training during the reporting period.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

DIVIDEND POLICY

The Board approved and adopted the adjustment proposal to the profit distribution policy in November 2019, which has been approved by the shareholders of the Company at the extraordinary general meeting of the Company convened on 19 December 2019. Pursuant to the profit distribution policy, the annual cash dividend ratio of the Company will be not less than 45% of the net profit of that year for the four financial years from 2019 to 2022. The amount of annual dividend of the Company will be not less than RMB700 million for each of the financial years from 2020 to 2022. Subsequent to 2022, the Company may re-assess and adjust the profit distribution plan based on the actual circumstances at an appropriate time.

ENQUIRIES TO THE BOARD

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

INVESTOR RELATIONS

A special resolution in relation to, among other things, inclusion of the general provisions of Party building into the Articles of Association of central state-owned enterprises was passed by the shareholders of the Company at the AGM convened on 27 June 2019. Details of the amendments to the Articles of Association were set out in (i) the announcement of the Company dated 27 March 2019, (ii) the circular of the Company dated 3 May 2019; and (iii) the AGM results announcement of the Company dated 27 June 2019.

CORPORATE GOVERNANCE REPORT (CONTINUED)

An amendment to the Articles of Association was passed by the directors of the Company at the board meeting convened on 19 November 2019 based on the results of the Non-Public Issuance with the authorisation granted by the shareholders of the Company at the extraordinary general meeting held on 30 July 2019 to reflect the changes of the shareholding structure and registered capital of the Company following the Non-Public Issuance.

An up-to-date version of the Articles of Association of the Company is available on the websites of the Hong Kong Stock Exchange and the Company.

Save as disclosed above, during the year ended 31 December 2019, 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 Hong Kong 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 2019, 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 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 2019 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 2019, 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 27 March 2019, the Supervisory Committee convened the first meeting of the year by way of written resolution, at which the 2018 work of the Supervisory Committee was summarized, and the Report of the Supervisory Committee of the Company for the year of 2018 was considered and approved, and the secretary to the Board of the Company was authorized to incorporate the report into the 2018 annual report for review by the Company's shareholders.

During the reporting period, the Company held five 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 2019.

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 2019 AGM, and considered that the gearing ratio was reasonable, dividend distribution policy was stable and the overall financial position was sound in 2019.

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 2019, 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. With the completion and commencement of operations of Daxing Airport on 25 September 2019, the entire aviation market in Beijing has entered into a new landscape of "one city, two airports", and both Beijing Capital Airport and the Company embarked on a new stage of development. In 2020, as the CAAC further implements the plan for the transfer of flights and operations to Daxing Airport, more flight capacity will be allocated to Daxing Airport gradually, and the production capacity and total traffic volume of Beijing Capital Airport will decrease due to the diversion effect of Daxing Airport. As such, the revenue of the Company will be put under greater pressure than before. In light of this, the Company will fully focus on quality improvement and efficiency enhancement and continue to optimize its business structure by adhering to the concepts and methods of high-quality development, so as to further enhance the quality of the development of Beijing Capital Airport.

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

Beijing, the PRC, 26 March 2020

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The financial statements of Beijing Capital International Airport Company Limited (the "Company") set out on pages 81 to 158, which comprise:

- the balance sheet as at 31 December 2019;
- 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 2019, 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.

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Tel: +852 2289 8888, Fax: +852 2810 9888, 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 related to expected credit losses of trade receivables:

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 receivables. As at 31 December 2019, the Company had trade receivables amounting to RMB1,726 million, among which, a provision of RMB337 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 to 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 included checking 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 Peter Man Kam Tsang.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2020

BALANCE SHEET

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**26,644,577**	26,972,627
Right-of-use assets	7	**4,277,275**	—
Land use rights	7	**—**	3,271,974
Intangible assets	8	**71,905**	78,276
Deferred income tax assets	21	**194,993**	190,187
Other non-current assets	11	**172,570**	52,615
		31,361,320	30,565,679
Current assets			
Inventories	9	**157,374**	153,589
Trade receivables	10	**1,389,094**	1,386,376
Prepayment	11	**26,487**	12,545
Other financial assets at amortised cost	12	**50,750**	515,880
Cash and cash equivalents	13	**1,664,626**	1,806,125
Other current assets	14	**94,768**	257,915
		3,383,099	4,132,430
Total assets		**34,744,419**	34,698,109
EQUITY			
Capital and reserves			
Share capital	1,16	**4,579,179**	4,330,890
Share premium	1	**6,300,867**	5,055,425
Capital reserve	1,17(a)	**204,913**	1,493,731
Other reserve	17(b)	**(19,649)**	(33,155)
Statutory and discretionary reserves	17(c)	**6,325,714**	5,627,158
Retained earnings		**7,569,874**	6,939,142
Total equity		**24,960,898**	23,413,191

BALANCE SHEET (CONTINUED)

As at 31 December 2019

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Loans from the Parent Company	20	**1,617,285**	1,758,572
Lease liabilities	7	**934,103**	—
Retirement benefit obligations	22	**140,566**	158,541
Deferred income	23	**41,310**	33,745
		2,733,264	1,950,858
Current liabilities			
Short-term borrowings	19	**500,000**	–
Trade and other payables	18	**6,104,456**	6,083,138
Current income tax liabilities		**75,343**	95,374
Current portion of long-term borrowings	19	**–**	2,980,000
Current portion of loans from the Parent Company	20	**170,241**	167,483
Current portion of lease liabilities	7	**191,998**	—
Current portion of retirement benefit obligations	22	**8,219**	8,065
		7,050,257	9,334,060
Total liabilities		**9,783,521**	11,284,918
Total equity and liabilities		**34,744,419**	34,698,109

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

The financial statements on pages 81 to 158 were approved by the Board of Directors on 26 March 2020 and were signed on its behalf.

Liu Xuesong
Chairman

Han Zhiliang
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019** **RMB'000**	2018 RMB'000
Revenues			
Aeronautical	5	**4,088,745**	5,309,408
Non-aeronautical	5	**6,721,739**	5,953,104
		10,810,484	11,262,512
Operating expenses			
Depreciation and amortisation	6, 7 and 8	**(1,404,509)**	(1,369,200)
Concession management fees		**(1,236,216)**	(1,079,873)
Repairs and maintenance		**(1,067,769)**	(1,036,451)
Aviation safety and security guard costs		**(760,332)**	(735,066)
Staff costs	24	**(703,180)**	(701,468)
Utilities and power		**(613,936)**	(657,959)
Operating contracted services		**(563,601)**	(470,058)
Greening and environmental maintenance		**(304,664)**	(246,103)
Real estate and other taxes		**(259,010)**	(256,756)
Rental expenses		**(19,815)**	(308,640)
Other costs		**(416,615)**	(361,818)
	25	**(7,349,647)**	(7,223,392)
Impairment losses on financial assets		**(97,880)**	(679)
Other income		**36,614**	4,184
Operating profit		**3,399,571**	4,042,625
Finance income	26	**27,133**	37,392
Finance costs	26	**(197,371)**	(288,212)
		(170,238)	(250,820)

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2019

	Note	**2019** ***RMB'000***	2018 *RMB'000*
Gain on disposal of a joint venture		**–**	36,786
Profit before income tax		**3,229,333**	3,828,591
Income tax expense	27(a)	**(809,960)**	(956,536)
Profit for the year		**2,419,373**	2,872,055
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		**13,506**	(21,090)
Other comprehensive income/(loss) for the year, net of tax		**13,506**	(21,090)
Total comprehensive income for the year		**2,432,879**	2,850,965
Earnings per share, basic and diluted *(RMB)*	28	**0.55**	0.66

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 2019

	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Other reserve *RMB'000*	Statutory and discretionary reserves *RMB'000*	Retained earnings *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2018		4,330,890	5,055,425	1,254,344	(32,098)	4,992,579	5,828,675	21,429,815
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	17(a)	–	–	239,387	–	–	–	239,387
Disposal of a joint venture		–	–	–	20,033	–	(20,033)	–
2017 final dividend	29	–	–	–	–	–	(660,894)	(660,894)
2018 interim dividend	29	–	–	–	–	–	(446,082)	(446,082)
Transfer to statutory and discretionary reserves	17(c)	–	–	–	–	634,579	(634,579)	–
Balance at 31 December 2018		4,330,890	5,055,425	1,493,731	(33,155)	5,627,158	6,939,142	23,413,191
Balance at 1 January 2019		**4,330,890**	**5,055,425**	**1,493,731**	**(33,155)**	**5,627,158**	**6,939,142**	**23,413,191**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**2,419,373**	**2,419,373**
Other comprehensive income for the year		**–**	**–**	**–**	**13,506**	**–**	**–**	**13,506**
Total comprehensive income for the year		**–**	**–**	**–**	**13,506**	**–**	**2,419,373**	**2,432,879**
Contribution from the Parent Company	17(a)	**–**	**–**	**204,913**	**–**	**–**	**–**	**204,913**
New share issuance to Parent Company	1	**248,289**	**1,245,442**	**(1,493,731)**	**–**	**–**	**–**	**–**
2018 final dividend	29	**–**	**–**	**–**	**–**	**–**	**(702,903)**	**(702,903)**
2019 interim dividend	29	**–**	**–**	**–**	**–**	**–**	**(387,182)**	**(387,182)**
Transfer to statutory and discretionary reserves	17(c)	**–**	**–**	**–**	**–**	**698,556**	**(698,556)**	**–**
Balance at 31 December 2019		**4,579,179**	**6,300,867**	**204,913**	**(19,649)**	**6,325,714**	**7,569,874**	**24,960,898**

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 2019

	Note	**2019** **RMB'000**	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	31	**4,750,742**	5,944,048
Income tax paid		**(839,299)**	(1,253,800)
Net cash generated from operating activities		**3,911,443**	4,690,248
Cash flows from investing activities			
Proceeds from investment in wealth management products		**501,763**	–
Interest received		**16,215**	28,934
Purchase of property, plant and equipment		**(759,780)**	(2,128,700)
Purchase of intangible assets		**(23,788)**	(28,156)
Purchase of land use rights		**—**	(634,252)
Investment in wealth management products		**–**	(500,000)
Dividends received		**–**	10,715
Net proceeds from fixed assets disposal		**–**	42
Net cash used in investing activities		**(265,590)**	(3,251,417)
Cash flows from financing activities			
Repayment of borrowings		**(4,460,000)**	(10,000)
Dividends paid		**(1,090,085)**	(1,106,976)
Repayment of loans from the Parent Company		**(170,150)**	(177,736)
Principal and interest elements of lease payments		**(123,331)**	—
Interest paid		**(120,351)**	(178,836)
Proceeds from borrowings		**1,980,000**	–
Contribution from the Parent Company	17(a)	**204,913**	239,387
Net cash used in financing activities		**(3,779,004)**	(1,234,161)
Net (decrease)/increase in cash and cash equivalents		**(133,151)**	204,670
Cash and cash equivalents at beginning of year		**1,806,125**	1,614,649
Exchange effect on cash and cash equivalents		**(8,348)**	(13,194)
Cash and cash equivalents at end of year	13	**1,664,626**	1,806,125

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 2019

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 capital 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.

On 30 April 2019 (after trading hours), the Company entered into a share subscription agreement (the "Subscription Agreement") with the Parent Company pursuant to which the Company shall allot and issue, and the Parent Company shall subscribe for, through the non-public issuance ("Non-Public Issuance") by way of capitalisation of capital reserve (exclusively state-owned), 241,766,690 subscription shares (subject to adjustments) at the issue price of RMB6.1784 per subscription share (subject to adjustments). The Subscription Agreement and the transactions contemplated thereunder and the Non-Public Issuance, among others, were approved at an extraordinary general meeting and a H-Share class meeting of the Company convened on 30 July 2019 and approved by the CAAC in September 2019.

In view of the payment of the final dividend by the Company on 30 August 2019, the issue price for each subscription share has been adjusted from RMB6.1784 to RMB6.0161 and the number of subscription shares has been adjusted from 241,766,690 subscription shares to 248,288,977 subscription shares.

The Non-Public Issuance was completed on 7 November 2019. Follow the completion, the number of the ordinary share increased from 4,330,890,000 to 4,579,178,977. The number of Domestic Shares held by the Parent Company increased from 2,451,526,000 (representing approximately 56.61% of the total issued share capital of the Company immediately before completion of the Non-Public Issuance) to 2,699,814,977 (representing approximately 58.96% of the enlarged total issued share capital of the Company immediately after completion of the Non-Public Issuance).

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and were approved for issue by the Board of Directors on 26 March 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 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 2019, the current liabilities of the Company exceeded the current assets by RMB3,667,158,000 (2018: RMB5,201,630,000). 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 2019 have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Company had to change its accounting policies as a result of adopting IFRS 16 Leases. The Company elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2(b). Most of the other amendments listed above did not have any material 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 by the Company

Certain new accounting standards and amendments have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. These standards and amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements.

The Company has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2(v).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

On adoption of IFRS 16 Leases, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%-5.69% per annum.

(i) Practical expedients applied

In applying IFRS 16 Leases for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 Lease and IFRIC 4 Determining whether an Arrangement contains a Lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

(ii) Measurement of lease liabilities

	2019 ***RMB'000***
Operating lease commitments disclosed as at 31 December 2018	**1,051,972**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**738,937**
(Less): short-term leases recognised on a straight-line basis as expense	**(24,132)**
(Less): low-value leases recognised on a straight-line basis as expense	**(14)**
Lease liability recognised as at 1 January 2019	**714,791**
Of which are:	
Current lease liabilities	**157,901**
Non-current lease liabilities	**556,890**
	714,791

(iii) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 ***RMB'000***	1 January 2019 *RMB'000*
Properties	**167,927**	212,449
Equipment	**153,775**	5,058
Vehicles	**31,747**	–
Land use rights		
– Land use rights from the government	**3,188,364**	3,271,974
– Land use rights from the Parent Company	**735,462**	407,285
Total right-of-use assets	**4,277,275**	3,896,766

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB3,896,766,000
- Land use rights – decrease by RMB3,271,974,000
- Trade and other payables – decrease by RMB89,999,000
- Lease liabilities – increase by RMB714,791,000

(v) Lessor accounting

The Company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16 Leases.

(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'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of 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.

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(g)).

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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.

(g) 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.

(h) Investments and other financial assets

(i) Classification

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 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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 or other 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

- 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.

(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(b) for further details.

(i) 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.

(j) 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 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) 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.

(m) 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.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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.

(q) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax (Continued)

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.

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.

(r) Employee benefits

(i) 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 certain percentages of the employees' basic salaries for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (Continued)

(i) Pension obligations (Continued)

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:

(1) 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.

(2) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (Continued)

(i) Pension obligations (Continued)

Defined benefit scheme (Continued)

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.

(ii) 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 Hewiit, the independent qualified actuaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (Continued)

(iii) 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.

(iv) 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.

(s) Provisions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

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 operating expenses 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenues recognition (Continued)

(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.

(u) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(w) 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.

(x) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Interest income

Interest income on financial assets at amortised cost 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).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk

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 2019, all of the Company's assets and liabilities were denominated in RMB except that cash and cash equivalents of approximately RMB126,088,000 (2018: RMB96,728,000), trade receivables and other financial assets at amortised cost of approximately RMB40,000 (2018: RMB224,000), trade and other payables of approximately RMB10,837,000 (2018: RMB10,661,000) and loans from the Parent Company of approximately RMB1,787,526,000 (2018: RMB1,926,055,000) were denominated in US dollar.

As at 31 December 2019, 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 RMB62,709,000 (2018: decreased/increased by RMB68,991,000), mainly as a result of foreign exchange losses/gains in translation of US dollar denominated cash and cash equivalents, trade 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 2019 and 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

Interest rate risk (Continued)

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 2019, if the interest rate on those long-term borrowings and loans from the Parent Company 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 RMB6,703,000 (2018: RMB18,398,000).

(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 measures and determines the expected credit loss of trade receivables at the end of each reporting period. See Note 10(b) for further details.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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 2019 and 2018, 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), borrowings, loans from the Parent Company and lease liabilities.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019						
Trade and other payables	**3,438,286**	**–**	**–**	**–**	**3,438,286**	**3,438,286**
Short-term borrowings	**507,412**	**–**	**–**	**–**	**507,412**	**500,000**
Loans from the Parent Company	**209,648**	**207,625**	**598,625**	**1,003,513**	**2,019,411**	**1,787,526**
Lease liabilities	**207,231**	**187,704**	**376,561**	**705,426**	**1,476,922**	**1,126,101**
	4,362,577	**395,329**	**975,186**	**1,708,939**	**7,442,031**	**6,851,913**
As at 31 December 2018						
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
	6,753,928	223,585	637,914	1,213,842	8,829,269	8,406,870

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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 2019 and 2018 are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Total liabilities	**9,783,521**	11,284,918
Total assets	**34,744,419**	34,698,109
Liability-to-asset ratio	**28%**	33%

The liability-to-asset ratio decreased from 33% to 28%, which is mainly due to the repayment of borrowing.

(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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair values estimation (Continued)

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.

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 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), borrowings, loans from the Parent Company and lease liabilities, 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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(b).

(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 2019. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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.

(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 RMB 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 RMB178,175,000/RMB231,673,000 for the year ended 31 December 2019.

(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 22.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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.

Analysis of revenues by category	**2019** ***RMB'000***	2018 *RMB'000*
Aeronautical:		
Aircraft movement fees and related charges	**2,083,754**	2,109,536
Passenger charges	**2,004,991**	2,027,707
Airport Fee *(note a)*	**–**	1,172,165
	4,088,745	5,309,408
Non-aeronautical:		
Concessions *(note b)*	**5,207,212**	4,455,856
Rentals	**1,330,556**	1,300,476
Car parking fees	**160,533**	169,896
Others	**23,438**	26,876
	6,721,739	5,953,104
Total revenues	**10,810,484**	11,262,512

(a) Airport fee represents Civil Aviation Development Fund (the "Airport Fee"). 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 refunds from the Civil Aviation Development Fund was abolished in November 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5 REVENUES AND SEGMENT INFORMATION (CONTINUED)

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

	2019 *RMB'000*	2018 *RMB'000*
Retailing	**3,585,577**	2,774,187
Advertising	**1,154,701**	1,148,177
Restaurants and food shops	**278,812**	271,263
VIP service	**81,061**	104,623
Ground handling	**56,674**	102,001
Other	**50,387**	55,605
	5,207,212	4,455,856

As the Company is domiciled in the PRC from where all of its revenues from external customers for the years ended 31 December 2019 and 2018 are derived and in where all of its assets are located, no geographical segment information is shown.

For the year ended 31 December 2019, approximately 24% and 17% (2018: 19% and 16% of the total revenues of the Company were derived from two (2018: 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.

6 PROPERTY, PLANT AND EQUIPMENT

	2019 *RMB'000*	2018 *RMB'000*
Property, plant and equipment in used	**26,639,400**	26,972,627
Property, plant and equipment to be disposed	**5,177**	–
	26,644,577	26,972,627

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2019					
	Buildings and improvements *RMB'000*	Runways *RMB'000*	Plant, furniture, fixtures and equipment *RMB'000*	Motor Vehicles *RMB'000*	Assets under construction *RMB'000*	Total *RMB'000*
Cost						
At beginning of year	24,990,638	10,348,385	8,605,249	808,241	916,546	45,669,059
Additions	647	–	62,664	19,726	744,777	827,814
Transfers	7,745	118,660	174,918	118,636	(419,959)	–
Other decreases	(30)	–	(58,904)	(28,907)	–	(87,841)
Adjustments according to finalisation of construction account by the surveyors	1,404	(1,331)	15,240	–	–	15,313
At end of year	25,000,404	10,465,714	8,799,167	917,696	1,241,364	46,424,345
Accumulated depreciation and impairment						
At beginning of year	(7,423,111)	(3,252,098)	(7,479,460)	(532,827)	(8,936)	(18,696,432)
Charge for the year	(647,942)	(240,001)	(224,487)	(58,747)	–	(1,171,177)
Other decreases	–	–	54,934	27,730	–	82,664
At end of year	(8,071,053)	(3,492,099)	(7,649,013)	(563,844)	(8,936)	(19,784,945)
Net book amount						
At end of year	16,929,351	6,973,615	1,150,154	353,852	1,232,428	26,639,400

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2018					
	Buildings and improvements *RMB'000*	Runways *RMB'000*	Plant, furniture, fixtures and equipment *RMB'000*	Motor Vehicles *RMB'000*	Assets under construction *RMB'000*	Total *RMB'000*
Cost						
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	(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
Accumulated depreciation and impairment						
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	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)
Net book amount						
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 2019

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:

	2019	2018
	RMB'000	*RMB'000*
Cost	**1,376,993**	1,426,114
Accumulated depreciation	**(536,540)**	(573,515)
Net book amount	**840,453**	852,599

Assets used for concession business with cost and accumulated depreciation as follows:

	2019	2018
	RMB'000	*RMB'000*
Cost	**587,591**	587,863
Accumulated depreciation	**(205,578)**	(195,780)
Net book amount	**382,013**	392,083

As at 31 December 2019, buildings with net book value of RMB111,936,000 (2018: RMB116,131,000) 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 2019, buildings and terminal with a net book value of RMB7,482,183,000 (2018: RMB7,724,677,000) 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 2019, buildings and terminal with a net book value of RMB887,546,000 (2018: RMB916,621,000) 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 2019, buildings with net book value of RMB1,461,557,000 (2018: RMB1,509,748,000) 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 2019, taxiways, aprons and structures with net book value of RMB603,441,000 (2018: RMB623,989,000) 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 2019

7 LEASES

(a) Right-of-use assets

	2019					
	Leasehold lands *RMB'000*	Land use rights – from the government *RMB'000*	Buildings *RMB'000*	Equipment *RMB'000*	Vehicles *RMB'000*	Total *RMB'000*
Cost						
At beginning of year	–	–	–	–	–	–
Applying new accounting policy	407,285	3,547,799	212,449	5,058	–	4,172,591
Additions	382,152	–	14,614	154,673	32,243	583,682
At end of year	789,437	3,547,799	227,063	159,731	32,243	4,756,273
Accumulated depreciation						
At beginning of year	–	–	–	–	–	–
Applying new accounting policy	–	(275,825)	–	–	–	(275,825)
Charge for the year	(53,975)	(83,610)	(59,136)	(5,956)	(496)	(203,173)
At end of year	(53,975)	(359,435)	(59,136)	(5,956)	(496)	(478,998)
Net book amount						
At end of year	735,462	3,188,364	167,927	153,775	31,747	4,277,275

As at 31 December 2019, the land use rights for parcels of land with net book value of RMB426,461,000 (2018: RMB437,467,000) 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 2019, the land use rights for parcels of land with net book value of RMB447,996,000 (2018: RMB459,557,000) 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 2019, the land use rights for parcels of land with net book value of RMB2,138,258,000 (2018: 2,193,439,000)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 2019

7 LEASES (CONTINUED)

(b) Lease liabilities

	2019 *RMB'000*	2018 *RMB'000*
Current	**191,998**	—
Non-current	**934,103**	—
	1,126,101	—

	2019 *RMB'000*	2018 *RMB'000*
Interest expense (included in finance cost)	**40,958**	—
Expense relating to short-term leases (included in operating expenses)	**19,735**	—
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses)	**80**	—

The total cash outflow for leases in 2019 was RMB306,061,000.

The Company leases various lands, offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 2 to 39 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Except the land use rights from the government, other leased assets may not be used as security for borrowing purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

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:

	2019	2018
	RMB'000	*RMB'000*
Cost		
At beginning of year	**376,947**	351,204
Additions	**23,788**	25,743
At end of year	**400,735**	376,947
Accumulated amortisation		
At beginning of year	**(298,671)**	(268,041)
Amortisation	**(30,159)**	(30,630)
At end of year	**(328,830)**	(298,671)
Net book amount		
At end of year	**71,905**	78,276

9 INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Current assets		
Spare parts and consumable items	**157,374**	153,589

(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 2019 amounted to RMB141,519,000 (2018: RMB135,204,000). These were included in cost of providing services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

10 TRADE RECEIVABLES

	2019 **RMB'000**	2018 RMB'000
Trade receivables		
– CAHC's subsidiaries *(Note 32(a))*	**389,299**	416,280
– third parties	**1,336,465**	1,211,745
	1,725,764	1,628,025
Less: provision for impairment	**(336,670)**	(241,649)
	1,389,094	1,386,376

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

Currency	**2019** **RMB'000**	2018 RMB'000
RMB	**1,389,058**	1,386,166
US dollar	**36**	210
	1,389,094	1,386,376

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

	2019 **RMB'000**	2018 RMB'000
Less than 3 months	**1,066,000**	1,103,106
4 – 6 months	**78,253**	65,206
7 – 12 months	**161,084**	116,067
1 – 2 years	**179,353**	136,191
2 – 3 years	**60,628**	72,901
Over 3 years	**180,446**	134,554
	1,725,764	1,628,025

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

10 TRADE RECEIVABLES (CONTINUED)

(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 2019 was determined as follows for trade receivables:

31 December 2019	Current	Less than 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
Aeronautical							
Domestic Airlines							
Expected loss rate	0.10%	5.00%	10.00%	15.00%	20.00%	–	
Gross carrying amount- trade receivables	679,095	106	105	146	520	–	679,972
Loss allowance	679	5	11	22	104	–	821
International, Hong Kong, Macau and Taiwan Airlines							
Expected loss rate	0.40%	10.00%	12.00%	15.00%	20.00%	–	
Gross carrying amount- trade receivables	28,823	423	465	524	715	–	30,950
Loss allowance	115	42	56	79	143	–	435
Non-aeronautical							
State-owned enterprises							
Expected loss rate	0.10%	0.50%	1.00%	1.50%	2.00%	10.00%	
Gross carrying amount- trade receivables	337,357	10,700	6,798	7,735	45,584	6,000	414,174
Loss allowance	337	54	68	116	912	600	2,087
Non state-owned enterprises							
Expected loss rate	0.50%	1.00%	2.00%	3.00%	5.00%	10.00%	
Gross carrying amount- trade receivables	1,967	331	60	1,752	964	756	5,830
Loss allowance	10	3	1	53	48	76	191

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

10 TRADE RECEIVABLES (CONTINUED)

(b) Impairment and risk exposure (Continued)

As at 31 December 2019, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected loss rate	Loss allowance	Reason
Trade receivables 1	378,527	52.2%	197,415	The likelihood of recovery
Trade receivables 2	141,131	46.6%	65,737	The likelihood of recovery
Others	75,180	93.1%	69,984	The likelihood of recovery
	594,838		333,136	

11 PREPAYMENTS

	2019	2018
	RMB'000	*RMB'000*
Prepayments		
– CAHC *(Note 32(a))*	**169,881**	49,810
– CAHC's subsidiaries *(Note 32(a))*	**24,575**	–
– third parties	**4,601**	15,350
	199,057	65,160
Less: non-current portion	**(172,570)**	(52,615)
Total	**26,487**	12,545

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

12 OTHER FINANCIAL ASSETS AT AMORTISED COST

	2019	2018
	RMB'000	*RMB'000*
Interest receivable		
– CAHC's subsidiaries *(Note 32(a))*	**18,054**	8,259
– third parties	**2,037**	914
Debt investments	**–**	500,000
Others		
– CAHC's subsidiaries *(Note 32(a))*	**4,293**	584
– third parties	**29,225**	6,123
	53,609	515,880
Less: provision for impairment	**(2,859)**	–
	50,750	515,880

(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) Risk exposure

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

13 CASH AND CASH EQUIVALENTS

	2019	2018
	RMB'000	*RMB'000*
Cash on hand	**1**	1
Deposits placed with a subsidiary of CAHC *(Note 32(a) and note a)*	**806,027**	812,536
Bank deposits	**858,598**	993,588
	1,664,626	1,806,125

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

14 OTHER CURRENT ASSETS

	2019	2018
	RMB'000	*RMB'000*
Input VAT to be deducted	**70,759**	218,688
Input VAT to be verified	**24,009**	39,227
	94,768	257,915

15 FINANCIAL INSTRUMENTS BY CATEGORY

The Company holds the following financial instruments:

	2019	2018
Financial assets	***RMB'000***	*RMB'000*
Financial assets at amortised cost		
Trade receivables	**1,389,094**	1,386,376
Other financial assets at amortised cost	**50,750**	515,880
Cash and cash equivalents	**1,664,626**	1,806,125
	3,104,470	3,708,381

	2019	2018
Financial liabilities	***RMB'000***	*RMB'000*
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)	**3,438,286**	3,500,815
Borrowings	**500,000**	2,980,000
Loans from the Parent Company	**1,787,526**	1,926,055
Lease liabilities	**1,126,101**	–
	6,851,913	8,406,870

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

16 SHARE CAPITAL

	Number of ordinary shares *(thousands)*	H-Shares of RMB1.00 each *RMB'000*	Domestic Shares of RMB1.00 each *RMB'000*	Total *RMB'000*
Registered, issued and fully paid				
As at 31 December 2018	4,330,890	1,879,364	2,451,526	4,330,890
New share issuance to Parent Company *(Note 1)*	248,289	–	248,289	248,289
As at 31 December 2019	4,579,179	1,879,364	2,699,815	4,579,179

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.

17 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' regulations, 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 ordinary 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 RMB124,145,000 for the year ended 31 December 2019 (2018: RMB114,487,000) was recorded in the financial statements, as the reserve balance had reached 50% of the Company's registered capital.

The proposed profit appropriation of RMB574,411,000 to the discretionary surplus reserve fund for the year ended 31 December 2018 has been approved by the Annual General Meeting on 27 June 2019, which was recorded in the financial statements for the year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

18 TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables		
Amounts due to related parties		
– CAHC *(Note 32(a))*	**114,836**	264,885
– CAHC's subsidiaries and associates *(Note 32(a))*	**881,655**	1,148,910
	996,491	1,413,795
Repairs and maintenance charges payable	**526,807**	454,328
Sub-contracting charges payable	**145,834**	94,552
Greening and environmental maintenance charges payable	**96,281**	51,799
Accounts payable for purchases	**61,754**	101,221
Other	**250,111**	220,725
	2,077,278	2,336,420
Advance and other payables		
Amounts due to related parties		
– CAHC *(Note 32(a))*	**48,784**	81,498
– CAHC's subsidiaries and associates *(Note 32(a))*	**61,222**	57,998
	110,006	139,496
Accrued liabilities for the title change of the GTC Assets *(Note 4(c))*	**1,508,693**	1,508,693
Construction payable	**873,933**	682,090
Payroll and welfare payable	**485,374**	404,791
Deed taxes in respect of the acquisition of the Phase III Assets, the T3D Assets and the GTC Assets	**465,948**	465,948
Deposits received	**296,149**	183,585
Advance from customers	**183,153**	187,588
Receipts on behalf of concession operators	**60,183**	138,804
Other tax payable	**22,468**	13,549
Other	**21,271**	22,174
	4,027,178	3,746,718
	6,104,456	6,083,138

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

18 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2019 *RMB'000*	2018 *RMB'000*
Less than 3 months	**913,425**	1,620,881
4 – 6 months	**203,373**	289,192
7 – 12 months	**491,490**	96,222
Over 12 months	**468,990**	330,125
	2,077,278	2,336,420

19 BORROWINGS

	2019 *RMB'000*	2018 *RMB'000*
Short-term	**500,000**	–
Long-term		
– current portion	**–**	2,980,000
	500,000	2,980,000

The movement in borrowings is analysed as follows:

	2019 *RMB'000*	2018 *RMB'000*
Opening amount as at 1 January	**2,980,000**	2,990,000
Proceeds of new borrowings	**1,980,000**	–
Repayments of borrowings	**(4,460,000)**	(10,000)
Closing amount as at 31 December	**500,000**	2,980,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

20 LOANS FROM THE PARENT COMPANY

As part of the acquisition of the Phase III Assets, the Company entered into agreements with the Parent Company to assume the following 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.

	2019 *RMB'000*	2018 *RMB'000*
Loans from the Parent Company	**1,787,526**	1,926,055
Less: current portion	**(170,241)**	(167,483)
	1,617,285	1,758,572

	2019 *RMB'000*	2018 *RMB'000*
Opening amount as at 1 January	**1,926,055**	2,008,888
Repayments of borrowings	**(170,150)**	(177,736)
Currency translation differences	**31,621**	94,903
Closing amount as at 31 December	**1,787,526**	1,926,055

As at 31 December 2019, the Company's loans from the Parent Company are repayable as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within 1 year	**170,241**	167,483
Between 1 and 2 years	**170,241**	167,483
Between 2 and 5 years	**510,723**	502,449
Over 5 years	**936,321**	1,088,640
	1,787,526	1,926,055

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

21 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2018: 25%).

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

	2019 *RMB'000*	2018 *RMB'000*
At beginning of year	**190,187**	183,524
Credited/(charged) to income tax expenses	**9,308**	(367)
(Credited)/charged to other comprehensive income	**(4,502)**	7,030
At end of year	**194,993**	190,187

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

Deferred income tax assets	**Retirement benefit obligations** *RMB'000*	**Accelerated accounting depreciation** *RMB'000*	**Provision** *RMB'000*	**Recognised on adoption of IFRS 16** *RMB'000*	**Accruals and others** *RMB'000*	**Total** *RMB'000*
As at 1 January 2018	55,581	24,678	62,477	—	48,063	190,799
Credited/(charged) to income tax expense	1,534	(5,146)	169	—	37,117	33,674
Charged to other comprehensive income	7,030	–	–	—	–	7,030
As at 31 December 2018	64,145	19,532	62,646	—	85,180	231,503
As at 1 January 2019	**64,145**	**19,532**	**62,646**	**–**	**85,180**	**231,503**
Credited/(charged) to income tax expense	**1,727**	**(253)**	**24,470**	**5,364**	**32,055**	**63,363**
Credited to other comprehensive income	**(4,502)**	**–**	**–**	**–**	**–**	**(4,502)**
As at 31 December 2019	**61,370**	**19,279**	**87,116**	**5,364**	**117,235**	**290,364**

Deferred income tax liabilities	**Accelerated tax depreciation** *RMB'000*	**Other temporary differences** *RMB'000*	**Total** *RMB'000*
As at 1 January 2018	2,229	5,046	7,275
Charged/(credited) to income tax expense	34,284	(243)	34,041
As at 31 December 2018	36,513	4,803	41,316
As at 1 January 2019	**36,513**	**4,803**	**41,316**
Charged/(credited) to income tax expense	**54,298**	**(243)**	**54,055**
As at 31 December 2019	**90,811**	**4,560**	**95,371**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

21 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:

	2019 ***RMB'000***	2018 *RMB'000*
Deferred income tax assets	**290,364**	231,503
Deferred income tax liabilities	**(95,371)**	(41,316)
	194,993	190,187

The amounts shown in the balance sheet include the following:

	2019 ***RMB'000***	2018 *RMB'000*
Deferred income tax assets to be recovered after more than 12 months	**189,924**	151,489
Deferred income tax liability to be settled after more than 12 months	**95,128**	41,073

22 RETIREMENT BENEFIT OBLIGATIONS

As at 31 December 2019, the retirement benefit obligations recognised in the balance sheet are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Pension subsidies *(note a)*	**71,910**	91,986
Post-retirement medical benefits *(note b)*	**76,875**	74,620
	148,785	166,606
Less: amounts due within one year included in current liabilities	**(8,219)**	(8,065)
	140,566	158,541

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

22 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2019 **RMB'000**	2018 RMB'000
Pension subsidies *(note a)*	**6,443**	6,470
Post-retirement medical benefits *(note b)*	**6,509**	5,678
Total, charged to staff costs *(Note 24)*	**12,952**	12,148
Pension subsidies *(note a)*	**(14,502)**	18,539
Post-retirement medical benefits *(note b)*	**(3,506)**	9,581
Total charged to other comprehensive income	**(18,008)**	28,120

(a) Pension subsidies

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

	2019 **RMB'000**	2018 RMB'000
Present value of the Annuity Plan	**97,939**	102,414
Present value of unfunded obligations	**98,071**	99,717
Present value of plan assets	**(124,100)**	(110,145)
Liability in the balance sheet	**71,910**	91,986

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

	2019 **RMB'000**	2018 RMB'000
At beginning of year	**91,986**	76,188
Total cost	**6,443**	6,470
Other comprehensive income – actuary gain and loss	**(14,502)**	18,539
Contribution to fund the plan assets	**(6,720)**	(3,941)
Payment made in the year	**(5,297)**	(5,270)
At end of year	**71,910**	91,986

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

22 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Pension subsidies (Continued)

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

	2019	2018
	RMB'000	*RMB'000*
Service cost	**3,318**	3,345
Net interest cost	**3,125**	3,125
	6,443	6,470

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

	2019	2018
Discount rate	**3.50%**	3.50%
Pension cost inflation rate for the participating employees under the Annuity Plan	**3.00%**	3.00%
Salary inflation rate for the participating employees under the Annuity Plan	**5.00%***	5.00%
Employee withdrawal rate	**2.85%**	2.85%
Mortality rate	**note**	note

* The salary inflation rate is 5.00% for 2019 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:

	2019	2018
	RMB'000	*RMB'000*
Pension Product	**123,312**	97,993
Cash and cash equivalents	**729**	4,664
Corporate bonds	**15**	958
Others	**44**	6,530
Total	**124,100**	110,145

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

22 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Post-retirement medical benefits

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

	2019 **RMB'000**	2018 RMB'000
At beginning of year	**74,620**	60,105
Total cost	**6,509**	5,678
Other comprehensive income – actuary gain and loss	**(3,506)**	9,581
Payment made in the year	**(748)**	(744)
At end of year	**76,875**	74,620

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

	2019 **RMB'000**	2018 RMB'000
Service cost	**3,911**	3,139
Net Interest cost	**2,598**	2,539
	6,509	5,678

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

	2019	2018
Discount rate	**3.50%**	3.50%
Inflation rate of average medical benefit	**7.00%**	7.00%
Employee withdrawal rate	**2.85%**	2.85%
Mortality rate	**note**	note

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

22 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 2020 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 2019

22 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

At 31 December 2019	Less than a year *RMB'000*	Between 1-5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Pension subsidies	**7,385**	**29,936**	**158,689**	**196,010**
Post-retirement medical benefits	**834**	**3,942**	**72,099**	**76,875**
Total	**8,219**	**33,878**	**230,788**	**272,885**

23 DEFERRED INCOME

The Company received grants from government in respect of certain construction projects or related to income that compensate the future expenses. Such grants 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.

24 STAFF COSTS

	2019 *RMB'000*	2018 *RMB'000*
Salaries and welfare	**497,993**	499,739
Pension costs – defined contribution scheme under statutory pension plan *(note a)*	**46,618**	51,393
Housing fund	**34,026**	32,351
Pension costs – defined contribution scheme under the Annuity Plan	**24,023**	23,034
Pension costs – defined benefit scheme under the Annuity Plan and others *(Note 22)*	**12,952**	12,148
Other allowances and benefits	**87,568**	82,803
	703,180	701,468

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

24 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 certain percentages of 19% before May 2019 and 16% thereafter (2018: 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 33.

(c) Five highest paid individuals

The five individuals whose emoluments are the highest in the Company for the year include five senior executives (2018: two directors and three senior executives). The emoluments of the director and supervisor are reflected in the analysis presented in Note 33. The emoluments payables to the five (2018: three) individuals during the year are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Salary	**4,240**	2,345
Social security costs excluding pension costs	**194**	105
Housing allowance	**514**	116
Employer's contribution to retirement benefit schemes	**522**	332
	5,470	2,898

During the year ended 31 December 2019, 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 (2018: nil).

The emoluments fell within the following bands:

	Number of individuals	
Emolument bands (in HK dollar)	**2019**	2018
HK$1,000,001 – HK$1,500,000	**5**	3

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

25 EXPENSES BY NATURE

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

	2019 **RMB'000**	2018 RMB'000
Depreciation on property, plant and equipment *(Note 6)*	**1,171,177**	1,296,346
Depreciation of rights-of-use assets *(Note 7)*	**203,173**	—
Amortisation of land use rights	**—**	42,224
Amortisation of intangible assets *(Note 8)*	**30,159**	30,630
Loss on disposal of property, plant and equipment	**–**	415
Auditor's remuneration	**4,424**	6,174
– Audit services	**4,400**	4,400
– Non-audit services	**24**	1,774

26 FINANCE INCOME/(COSTS)

	2019 **RMB'000**	2018 RMB'000
Finance income		
Interest income on bank deposits	**27,133**	37,392
Finance costs		
Interest for borrowings	**(59,580)**	(126,573)
Interest for loans from the Parent Company	**(54,974)**	(51,606)
Interest for lease liabilities	**(40,958)**	—
Exchange losses, net	**(40,272)**	(108,364)
Bank charges	**(1,587)**	(1,669)
	(197,371)	(288,212)
Net finance costs	**(170,238)**	(250,820)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

27 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% (2018: 25%) on its taxable income as determined in accordance with the relevant PRC income tax laws and regulations.

	2019	2018
	RMB'000	*RMB'000*
Current income tax	**819,268**	956,169
Deferred income tax *(Note 21)*	**(9,308)**	367
	809,960	956,536

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:

	2019	2018
	RMB'000	*RMB'000*
Profit before income tax	**3,229,333**	3,828,591
Tax calculated at a tax rate of 25% (2018: 25%)	**807,333**	957,148
Income not subject to tax	**–**	(3,520)
Expenses not deductible for tax purpose	**2,627**	2,908
Tax charge	**809,960**	956,536

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

27 TAXATION (CONTINUED)

(b) Value added tax

Since 1 May 2016, 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, 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 lease is adjusted from 17% to 16%. Since 1 April 2019, the above applicable tax rates are adjusted from 10% to 9% and 16% to 13% respectively.

(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.

28 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 4,368,303,407 (2018: 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 2019 and 2018.

	2019	2018
Profit for the year *(RMB'000)*	**2,419,373**	2,872,055
Basic earnings per share *(RMB per share)*	**0.55**	0.66

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

29 DIVIDENDS

	2019	2018
Dividend proposed		
Final dividend *(RMB'000)*	**701,988**	702,903
Final dividend per share *(RMB)*	**0.1533**	0.1623
Interim dividend *(RMB'000)*	**387,182**	446,082
Interim dividend per share *(RMB)*	**0.0894**	0.1030

The final dividend for the year ended 31 December 2019 was proposed at the Board of Directors meeting held on 26 March 2020. Such proposal is subject to the approval of the general meeting of the Company. 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 2020 after the approval of the general meeting.

30 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:

	2019 ***RMB'000***	2018 *RMB'000*
Property, plant and equipment	**642,792**	115,831
Intangible assets	**106,305**	52,446
	749,097	168,277

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

30 COMMITMENTS (CONTINUED)

Operating lease arrangements – where the Company is the lessee

From 1 January 2019, the Company has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 2(b) and Note 7(a) for further information.

	2019	2018
	RMB'000	*RMB'000*
Minimum lease payments under non-cancellable operating leases of properties not recognised in the financial statements are receivable as follows:		
No later than 1 year	**6,303**	129,164
Later than 1 year and no later than 5 years	**215**	351,969
Later than 5 years	**–**	570,839
	6,518	1,051,972

Operating lease arrangements – where the Company is the lessor

As at 31 December 2019, the future minimum lease payment receivables under non-cancellable operating leases for areas around terminals and equipment were as follows:

	2019	2018
	RMB'000	*RMB'000*
No later than 1 year	**1,000,075**	785,322
Later than 1 year and no later than 5 years	**500,273**	580,818
Later than 5 years	**635,250**	32,898
	2,135,598	1,399,038

Concession income arrangements

As at 31 December 2019, the future minimum concession income receivable under non-cancellable agreements were as follows:

	2019	2018
	RMB'000	*RMB'000*
No later than 1 year	**1,723,833**	746,585
Later than 1 year and no later than 5 years	**1,191,972**	157,442
Later than 5 years	**173,250**	–
	3,089,055	904,027

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

31 NOTES TO STATEMENT OF CASH FLOWS

(a) Cash generated from operations

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

	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**2,419,373**	2,872,055
Adjustments for:		
Taxation	**809,960**	956,536
Depreciation	**1,171,177**	1,296,346
Depreciation of rights-of-use assets	**203,173**	–
Amortisation of land use rights	**–**	42,224
Amortisation of intangible assets	**30,159**	30,630
Provision for impairment of trade receivables	**97,880**	679
Losses on disposal of property, plant and equipment	**–**	415
Gain on disposal of a joint venture	**–**	(36,786)
Investment income from investment in wealth management products	**(1,763)**	–
Interest income	**(27,133)**	(37,392)
Finance costs	**157,099**	179,848
Foreign exchange losses, net	**40,272**	108,364
Retirement benefit obligations	**187**	2,193
Deferred income	**7,565**	6,187
Changes in working capital:		
Inventories	**(3,785)**	(35,162)
Trade receivables, prepayments and other financial assets at amortised cost	**(138,492)**	(102,823)
Other current assets	**163,147**	(185,411)
Trade and other payables	**(178,077)**	846,145
Cash generated from operations	**4,750,742**	5,944,048

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

31 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.

Net debt	**2019** *RMB'000*	2018 *RMB'000*
Cash and cash equivalents	**1,664,626**	1,806,125
Borrowings – repayable within one year	**(862,239)**	(3,147,483)
Borrowings – repayable after one year	**(2,551,388)**	(1,758,572)
Net debt	**(1,749,001)**	(3,099,930)
Cash and cash equivalents	**1,664,626**	1,806,125
Gross debt – fixed interest rates	**(1,126,101)**	–
Gross debt – variable interest rates	**(2,287,526)**	(4,906,055)
Net debt	**(1,749,001)**	(3,099,930)

	Other assets	**Liabilities from financing activities**		
	Cash and cash equivalents *RMB'000*	**Borrowings** *RMB'000*	**Lease** *RMB'000*	**Total** *RMB'000*
Net debt as at 1 January 2018	1,614,649	(4,998,888)	–	(3,384,239)
Cash flows	204,670	187,736	–	392,406
Foreign exchange adjustments	(13,194)	(94,903)	–	(108,097)
Net debt as at 31 December 2018	1,806,125	(4,906,055)	–	(3,099,930)
Recognised on adoption of IFRS 16	–	–	(714,791)	(714,791)
Net debt as at 1 January 2019	1,806,125	(4,906,055)	(714,791)	(3,814,721)
Cash flows	**(133,151)**	**2,650,150**	**213,330**	**2,730,329**
Acquisition – lease	**–**	**–**	**(583,682)**	**(583,682)**
Foreign exchange adjustments	**(8,348)**	**(31,621)**	**–**	**(39,969)**
Other changes	**–**	**–**	**(40,958)**	**(40,958)**
Net debt as at 31 December 2019	**1,664,626**	**(2,287,526)**	**(1,126,101)**	**(1,749,001)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32 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 2019

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances with related parties

As at 31 December 2019, balances with related parties comprised:

	2019 RMB'000	2018 RMB'000
Trade receivables from CAHC's subsidiaries *(Note 10 and note i)*	**389,299**	416,280
Prepayment to CAHC *(Note 11)*	**169,881**	49,810
Prepayment to a CAHC's subsidiary *(Note 11)*	**24,575**	–
Other financial assets at amortised costs from CAHC's subsidiaries *(Note 12 and note i)*	**22,347**	8,843
Deposit placed with a subsidiary of CAHC *(Note 13 and note ii)*	**806,027**	812,536
Trade and other payables to CAHC *(Note 18 and note i)*	**163,620**	346,383
Trade and other payables to CAHC's subsidiaries and associates *(Note 18 and note i)*	**942,877**	1,206,908
Loans from the Parent Company *(Note 20)*	**1,787,526**	1,926,055
Lease liabilities to CAHC and its subsidiaries	**660,687**	—

(i) The amounts due from and to CAHC and its subsidiaries 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 2019

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

	2019	2018
	RMB'000	*RMB'000*
Transactions with CAHC, CAHC's subsidiaries and associates		
Revenues: *(note i)*		
Rentals	**394,113**	293,690
Concessions	**128,897**	136,675
Waste water treatment	**11,321**	15,570
Training services	**–**	1,063
Finance income:		
Interest income	**12,876**	12,815
Expenses: *(note i)*		
Provision of concession management services	**1,236,216**	1,079,873
Provision of aviation safety and security guard services and maintenance of security equipments	**714,143**	713,985
Provision of utilities and power	**610,929**	655,494
Provision of maintenance services	**430,748**	172,197
Provision of certain sanitary services, baggage cart, car park operation management services, management services, greening and environmental maintenance services, customs on-site services	**248,492**	222,916
Provision of accessorial power and energy services	**198,763**	193,707
Use of trademark license	**107,322**	90,326
Provision of airport guidance services	**49,852**	47,914
Provision of on-site joint inspection services	**31,966**	16,757
Provision of canteen management services	**14,730**	8,040
Provision of the overall planning revision	**13,116**	–
Provision of baggage storage, lost and found services	**9,919**	7,833
Provision of beverage services	**5,189**	3,899
Rental expenses	**4,990**	278,328
Provision of contingency shuttle bus services	**801**	925
Provision of advertisement services	**651**	782
Provision of agency services	**258**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties (Continued)

	2019	2018
	RMB'000	*RMB'000*
Other:		
Recognition of right-of-use assets on leased assets owned by CAHC and its subsidiaries	**675,029**	—
Interest charges on loans from the Parent Company *(Note 26)*	**54,974**	51,606
Provision of construction services	**37,271**	28,574
Interest charges on lease liabilities to CAHC and its subsidiaries	**32,695**	—
Payment for acquisition of the GTC Assets from CAHC	**–**	2,210,961
Transactions with a joint venture of the Company		
Revenue from concessions	**–**	585
Provision of terminal maintenance and operating services	**–**	261,742

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Commitment with related parties

Operating lease arrangements – where the Company is the lessee

As at 31 December 2019, the future aggregate minimum lease payments under non-cancellable operating leases payable to CAHC and its subsidiaries were as follows:

	2019	2018
	RMB'000	*RMB'000*
No later than 1 year	**4,654**	114,278
Later than 1 year and no later than 5 years	**–**	348,441
Later than 5 years	**–**	570,839
Total	**4,654**	1,033,558

Operating lease arrangements – where the Company is the lessor

As at 31 December 2019, the future minimum lease payment receivables under non-cancellable operating leases for buildings and equipment from CAHC's subsidiaries were as follows:

	2019	2018
	RMB'000	*RMB'000*
No later than 1 year	**350,577**	222,820
Later than 1 year and no later than 5 years	**164,588**	219,128
Total	**515,165**	441,948

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Commitment with related parties (Continued)

Concession income arrangements

As at 31 December 2019, the future minimum concession income receivable under non-cancellable agreements from CAHC's subsidiaries were as follows:

	2019 ***RMB'000***	2018 *RMB'000*
No later than 1 year	**94,261**	217,551
Later than 1 year and no later than 5 years	**150**	–
Total	**94,411**	217,551

Purchase of services arrangements

As at 31 December 2019, the future minimum expense payables under non-cancellable agreements to CAHC's subsidiaries were as follows:

	2019 ***RMB'000***	2018 *RMB'000*
No later than 1 year	**1,088,931**	399,363
Later than 1 year and no later than 5 years	**444,264**	127,698
Total	**1,533,195**	527,061

Purchase of assets arrangements

As at 31 December 2019, the future minimum payables for purchase of assets under non-cancellable agreements to CAHC were as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Purchase of assets	**120,320**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

32 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

	2019 *RMB'000*	2018 *RMB'000*
Salaries, allowances and other benefits	**9,569**	7,861

33 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:

	2019 *RMB'000*	2018 *RMB'000*
Fees	**800**	800
Salary	**2,713**	3,897
Social security costs excluding pension costs	**132**	146
Housing allowance	**140**	149
Employer's contribution to retirement benefit schemes	**316**	425
Total	**4,101**	5,417

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

33 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 2019 are set out below:

	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*
Name of director					
Chairman					
Liu Xuesong *(note i)*	–	–	–	–	–
Executive directors					
Han Zhiliang *(note vi)*	–	371	39	38	84
Gao Lijia *(note vi)*	–	216	15	15	51
Non-executive directors					
Gao Shiqing *(note i)*	–	–	–	–	–
Yao Yabo *(note i)*	–	–	–	–	–
Ma Zheng *(note i)*	–	–	–	–	–
Independent Non-executive directors					
Liu Guibin	150	–	–	–	–
Jiang Ruiming	150	–	–	–	–
Japhet Sebastian Law	150	–	–	–	–
Zhang Jiali	150	–	–	–	–
Name of supervisor					
Song Shengli *(note i)*	–	–	–	–	–
Dong Ansheng	100	–	–	–	–
Wang Xiaolong	100	–	–	–	–
Liu Shaocheng *(note v and vi)*	–	491	39	38	86
Chang Jun	–	588	39	49	95
	800	1,666	132	140	316
Total					3,054

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

33 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:

	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*
Name of director					
Chairman					
Liu Xuesong *(note i)*	–	–	–	–	–
Executive directors					
Han Zhiliang *(note vii)*	–	352	35	35	90
Gao Lijia *(note vii)*	–	530	35	35	123
Non-executive directors					
Gao Shiqing *(note i)*	–	–	–	–	–
Yao Yabo *(note i)*	–	–	–	–	–
Ma Zheng *(note i)*	–	–	–	–	–
Cheng Chi Ming, Brian *(note ii and iii)*	–	–	–	–	–
Independent Non-executive directors					
Liu Guibin	150	–	–	–	–
Jiang Ruiming	150	–	–	–	–
Japhet Sebastian Law	150	–	–	–	–
Zhang Jiali	150	–	–	–	–
Name of supervisor					
Song Shengli *(note i)*	–	–	–	–	–
Dong Ansheng	100	–	–	–	–
Wang Xiaolong	100	–	–	–	–
Deng Xianshan *(note iv and vii)*	–	397	35	29	94
Liu Shaocheng *(note v and vii)*		281	6	6	17
Chang Jun	–	570	35	44	101
	800	2,130	146	149	425
Total					3,650

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

33 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

Note:

(i) 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) According to the results of the performance appraisal of the previous years in 2019, the performance compensation of Mr. Han Zhiliang, Ms. Gao Lijia and Mr. Liu Shaocheng in the previous years was confirmed, with the amounts of RMB335,000, RMB386,000 and RMB326,000, respectively.

(vii) According to the results of the performance appraisal of the previous years in 2018, the performance compensation of Mr. Han Zhiliang, Ms. Gao Lijia, Mr. Liu Shaocheng and Mr. Deng Xianshan in the previous years was confirmed, with the amounts of RMB877,000, RMB299,000, RMB268,000 and RMB323,000 respectively.

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

During the year ended 31 December 2019, 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 (2018: nil).

(b) Directors' and supervisors' retirement benefits

During the year ended 31 December 2019, 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 (2018: nil).

(c) Directors' and supervisors' termination benefits

During the year ended 31 December 2019, no termination benefits were paid or receivable by any director or supervisor as compensation for their early termination of the appointment (2018: nil).

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

During the year ended 31 December 2019, 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 (2018: 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 2019, 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 (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

33 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

During the year ended 31 December 2019, 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 (2018: nil).

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company undertaking		**Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company undertaking**		**Total**	Total
2019	2018	**2019**	2018	**2019**	2018
RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
600	600	**1,550**	2,411	**2,150**	3,011

34 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Following the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented, including postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing. The aeronautical industry is also impacted significantly by the COVID-19 outbreak.

Impacted by the COVID-19 outbreak, there was a significant decline in the aeronautical volumes of Beijing Capital Airport in the short term. In addition, according to the requirements of the supporting policies of the relevant authorities, the Company announced that the aircraft movement fees would be decreased by 10% and the aircraft parking fees would be waived from 23 January 2020 until the end of the COVID-19 outbreak. The decline in aeronautical volumes and the discount as well as waiver of charges would resulted in the decrease of the aeronautical business revenue of the Company.

In light of the negative impact on the aeronautical volumes brought upon by the COVID-19 outbreak in the short term, it may affect the signing and renewal of new concession and lease contracts, and thus affecting the non-aeronautical revenue in the coming periods. According to the requirement from the relevant authorities, the Company is also conducting study on the fee deduction plan for the non-aeronautical business. The Company will pay close attention to the development of the COVID-19 outbreak and its impact on the non-aeronautical market, and will continue to perform relevant assessments with proactive measures.

Up to the date on which this set of financial statements were authorised for issue, the impacts of the COVID-19 outbreak on the Company's customers' financial positions and the macro-economic conditions as a whole are still uncertain, and the Company is unable to quantify the related financial effects. The Company will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and take relevant measures.

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:	37/F, One Taikoo Place, Taikoo Place, 979 King's Road, Quarry Bay, 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

Note: Ms. Gao Lijia retired as a deputy general manager of the Company with effect from 17 June 2019

Non-executive Directors

Gao Shiqing
Yao Yabo
Ma Zheng

Independent Non-executive Directors

Japhet Sebastian Law
Jiang Ruiming
Liu Guibin
Zhang Jiali

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
Zhang Jiali

SHAREHOLDER INFORMATION:

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

FINANCE CALENDAR OF 2019

Announcement of interim results:	29 August 2019
Announcement of final results:	26 March 2020

SHARE INFORMATION

Name of H shares:	Beijing Airport
Stock code:	00694

PRICE AND TURNOVER HISTORY

Year 2019	Price per share High *(HK$)*	Low *(HK$)*	Turnover of share *(in millions)*
January	**8.36**	**6.13**	**300.3**
February	**7.89**	**7.23**	**156.7**
March	**8.02**	**7.26**	**143.6**
April	**7.54**	**6.82**	**133.5**
May	**7.17**	**6.38**	**141.6**
June	**6.99**	**6.47**	**105.9**
July	**7.03**	**6.06**	**123.3**
August	**6.93**	**5.72**	**215.1**
September	**7.22**	**6.40**	**274.6**
October	**8.23**	**6.64**	**249.9**
November	**8.08**	**7.29**	**108.6**
December	**7.91**	**7.10**	**113.0**

BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED

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