

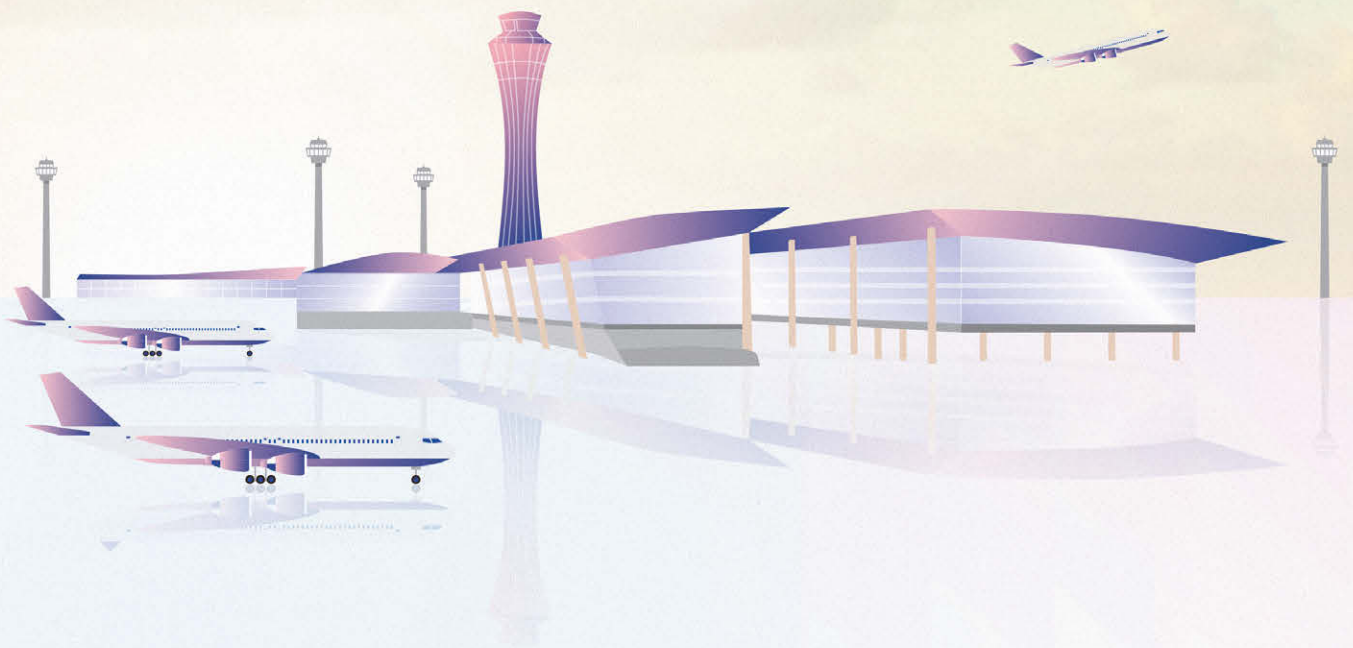


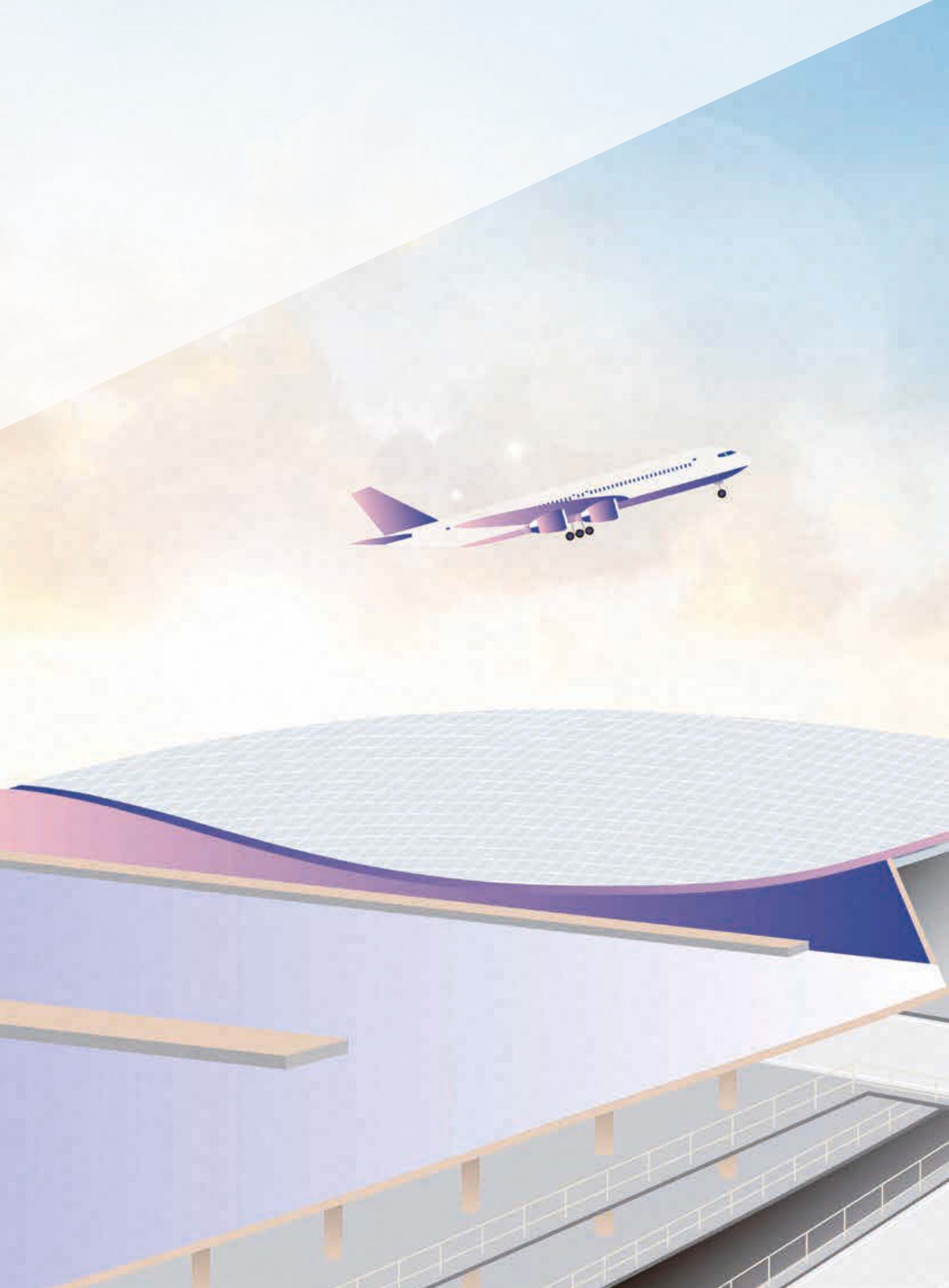
Beijing Capital International Airport Company Limited

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

Stock Code: 00694

ANNUAL REPORT 2020





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FINANCIAL SUMMARY



FINANCIAL SUMMARY (CONTINUED)

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

	2020	2019	2018	2017	2016
Operating Results					
Revenues	3,587,136	10,810,484	11,262,512	9,574,516	8,729,090
(LBITDA)/EBITDA	(1,107,898)	4,789,354	5,375,970	5,118,797	4,320,423
(Loss)/Profit before tax	(2,710,120)	3,229,333	3,828,591	3,470,294	2,376,711
Tax	675,469	(809,960)	(956,536)	(869,833)	(595,710)
(Loss)/Profit after tax	(2,034,651)	2,419,373	2,872,055	2,600,461	1,781,001
Attributable to:					
Equity holders of the Company	(2,034,651)	2,419,373	2,872,055	2,600,461	1,781,001
Non-controlling interests	-	-	-	-	-
(Losses)/Earnings per share					
- basic and diluted (RMB)	(0.44)	0.55	0.66	0.60	0.41
Return on Equity	-9.15%	9.69%	12.27%	12.13%	9.19%
Financial Position					
Assets					
Non-current assets	31,727,442	31,361,320	30,565,679	27,478,651	28,084,854
Current assets	3,695,474	3,383,099	4,132,430	3,158,607	5,819,336
Total	35,422,916	34,744,419	34,698,109	30,637,258	33,904,190
Equity and liabilities					
Shareholders' equity					
Non-controlling interests	-	-	-	-	-
Non-current liabilities	3,587,927	2,733,264	1,950,858	4,994,277	5,319,857
Current liabilities	9,596,755	7,050,257	9,334,060	4,213,166	9,206,016
Total	35,422,916	34,744,419	34,698,109	30,637,258	33,904,190

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 2020, there were 88 airliners operating fixed commercial flights at Beijing Capital Airport, including 28 domestic airliners (including Hong Kong, Macau and Taiwan) and 60 airliners from foreign countries.

As at the end of 2020, there were 147 flight points from 26 countries and regions linking with Beijing Capital Airport, including 121 domestic flight points (including Hong Kong, Macau and Taiwan) and 26 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



In the face of new trends and challenges, the Company will adhere to the general working principle of achieving progress amidst stability. Entering the next stage of development, it will implement the new development concept, establish the new development pattern and pursue reform and innovation, thereby promoting the high-quality growth of Beijing Capital Airport.

Liu Xuesong
Chairman

TO SHAREHOLDERS:

2020 is a very exceptional year. The COVID-19 outbreak has resulted in global economic recession, contraction of international economic activities and the hard-hit aviation market. Besides, the escalated trade disputes and uncertain China-US relationship have also made a huge impact on the global economy at the same time. Amidst the various impacts of the COVID-19 outbreak, global economic recession and the challenging and severe international conditions, China coordinated the pandemic fight and economic and social development in a scientific manner, becoming the first nation globally with positive economic growth and enabling its civil aviation industry to be the leader with performance rebound among peers.

Faced with the sudden COVID-19 outbreak, Beijing Capital Airport prevented the importation of COVID-19 cases under immense pressure by taking active responses and relying on the concerted

efforts of all employees who assumed duties actively and cohesively. Beijing Capital Airport fulfilled its responsibility in pandemic prevention and control as "China's First Gateway" with the most stringent measures, the highest standards and the greatest efforts. Meanwhile, together with the other battle fronts in the civil aviation system, Beijing Capital Airport strived to fight against the pandemic with best endeavors to secure stability and promote development. With strong and effective prevention and control of the pandemic, we have maintained flight safety in a stable and orderly manner, resulting in effective cost control and continuous improvement of infrastructures. We also pushed forward the construction of the "safe, green, intelligent and humanistic airport" steadily, laying the solid foundation for high-quality development.

I hereby present the report on the operations and financial status for 2020 and the prospects for 2021 of the Company to all shareholders.

CHAIRMAN'S STATEMENT (CONTINUED)

DETERMINATION TO WIN THE BATTLE OF CONTAINING THE PANDEMIC BY SECURING THE FRONTLINE TO PREVENT IMPORTED CASES

During the battle against the pandemic for more than a year, the Company strictly implemented the national policy of pandemic containment, adhered to the disease prevention and control in a scientific manner, and achieved the "triple zero" goal of "zero failure in pandemic fight for passenger and cargo services, zero infection of employees, and zero complaint on emergency transportation" in a relatively effective manner.

The Company promptly optimized the flight protection procedures and set up the T3-D special disposal area and put it into use in only 72 hours, so as to strictly prevent the importation of overseas coronavirus cases. Applying the technological means such as "Internet + temperature check", body temperature-check was fulfilled for all the inbound and outbound personnel. With measures such as the touchless infra-red buttons and ultra-violet

(UV) germicidal lamp air sterilizer, the Company has curbed the infection risks of passengers in public areas effectively. Furthermore, it enhanced the pandemic containment measures for staff and ensured the health and safety of employees. In addition to securing charter flights for overseas material relief and for medical aid to Hubei, it completed various major air-freight missions and accomplished the missions designated by the nation with high quality.

Over the past year, with high recognition from the National Health Commission and the Beijing Organising Committee for the Winter Olympic Games on its performance in pandemic prevention and control, Beijing Capital Airport has become the first airport granted with the health accreditation of ACI in Mainland China. It has effectively strengthened the response to public health emergencies and created a reassuring environment for domestic and international air travellers, which paved the way for business development in the post-pandemic recovery.



CHAIRMAN'S STATEMENT (CONTINUED)

SIGNIFICANT DECLINE IN AIR TRAFFIC VOLUMES UNDER THE IMPACT OF THE PANDEMIC COUPLED WITH TRANSFER AND DIVERSION OF FLIGHTS

In 2020, as the global aviation industry was faced with massive challenges arising from the COVID-19 outbreak, the air traffic volumes of Beijing Capital Airport declined drastically. Following the gradual containment of domestic pandemic, the business volumes of the domestic routes have seen a turnaround starting from the second half of 2020. Nonetheless, under the impacts of the global pandemic and policies such as reduction of international passenger flights and the "first points of entry" policy, the international business volumes of Beijing Capital Airport continued to remain low. Meanwhile, the Civil Aviation Administration of China advanced the plan for flight transfer and the operation of Daxing Airport. As more flight capacity was allocated to Daxing Airport gradually, Beijing has entered the "dual-hub" era. As affected by the COVID-19 outbreak and the "one city, two airports" diversion, the business volume of Beijing Capital Airport decreased drastically. The cumulative aircraft movements in Beijing Capital Airport for the year were 291,498 sorties, representing a decrease of

51.0% as compared with the previous year. The cumulative passenger throughput amounted to 34,513,827 person-times, representing a decrease of 65.5% as compared with the previous year. The cumulative cargo and mail throughput amounted to 1,210,441 tonnes, representing a decrease of 38.1% as compared with the previous year.

CONSTRUCTION OF "SAFE, GREEN, INTELLIGENT AND HUMANISTIC AIRPORT" TO BOOST OPERATION QUALITY

Apart from the unrelenting efforts in pandemic prevention and control, the Company has been advancing the construction of a safe airport by implementing the long-lasting mechanism with "zero-tolerance to safety hazards", so as to ensure the safe operation of Beijing Capital Airport in the long run. In recognition of its work in green airport construction and optimisation of the energy structure, the Company was honoured as the "Advanced Civil Aviation Unit in the Blue Sky Defense Battle". Besides, it promoted the establishment of an intelligent airport to give play to the supporting role of technology, while pushing forward the development of humanistic airport that provide sincere services. In the ongoing pursuit of "safe, green, intelligent and humanistic airport", the



CHAIRMAN'S STATEMENT (CONTINUED)

Company enhanced operating quality in all aspects to offer safe, comfortable, convenient and joyful travel experience, as well as to lead and create new demand with the provision of high-quality services.

CONTINUOUS PROMOTION OF THE HUB CONSTRUCTION AND DEVELOPMENT OF POTENTIAL FOR FUTURE DEVELOPMENT

The Company has seized the opportunity arising from the window period of the pandemic, coordinated and maintained a balance between pandemic control and resumption of operation and production. Meanwhile, it curbed the size of investment actively based on its own actual conditions. The Company commenced the construction of major projects, replenished resources for security in an orderly manner, enhanced the application of new technologies, and improved infrastructure and facilities. At the same time, it improved the slot structure, enhanced resources allocation, strengthened service protection and accelerated the development of the international hub, so as to increase the attractiveness of Beijing Capital Airport to travellers under the "one city, two airports" operating model and lay the sound foundation for long-term growth.

IMPLEMENTATION OF STRICT COST CONTROL TO HALT THE DECLINE OF OPERATING EFFICIENCY

As affected by the COVID-19 outbreak and related policies, the aeronautical revenues of the Company in 2020 plunged to RMB1,296,203,000, representing a decrease of 68.3% as compared with the previous year. As for the non-aeronautical revenues, air traffic volumes have been hard hit, in particular, the international air traffic volumes remained in the doldrums, imposing great pressure on the operations of non-aeronautical businesses such as retail, restaurants and food shops. Coupled with the grant of rental waivers by the Company to certain affected tenants considering the impact of pandemic, the total non-aeronautical revenues of the Company significantly decreased to RMB2,290,933,000, representing a decrease of 65.9% as compared with the previous year.



CHAIRMAN'S STATEMENT (CONTINUED)

In response to the pressure of the sharp decline of revenue from the principal business, the rigid nature of operating costs which were difficult to be reduced and the additional cost of pandemic control, the Company continued to amplify its efforts in cost management and control to fully implement the "austerity policy" throughout the year so as to cease the downward trend of the operating effectiveness and curb various operating costs and management fees, which minimized the impact of the pandemic on the operating efficiency of the Company. The total operating expenses of the Company for the year was RMB5,968,746,000, representing a decrease of 18.8% from the previous year.

Looking back to 2020, Beijing Capital Airport faced unprecedented operational challenges as it recorded a significant decline in passenger throughput and incurred a loss in financial results due to the COVID-19 outbreak and the transfer of airline flights. Under these difficult conditions, the Company focused on the pandemic containment and at the same time, strived to pursue safe production and operational management, ensuring operational safety and stable operation of the Company. Meanwhile, it sought ways to perform the "austerity policy" to increase revenue and save expenses and costs so as to minimize the impact of the pandemic as far as possible. In order to better facilitate the recovery and development of the Company as soon as possible, the Board of the Company did not propose to distribute any cash dividend for the year of 2020.

Facing these unprecedented hard times since the incorporation of the Company, we would like to express our sincere gratitude to all shareholders for their long-term support, understanding and trust, as well as to various government departments, airlines and partners at Beijing Capital Airport for their tremendous support to us. We would also like to thank all of our employees for their diligent contribution throughout the year!

FUTURE PROSPECTS

The year of 2021 is not only the 100th anniversary of the founding of the Communist Party of China and the first year of the "14th Five-Year Plan", but also the launch of "transformation and advancement phase by phase" and the comprehensive implementation of the "12334" general working concept for the period of the "14th Five-Year Plan" in the civil aviation industry of China. Currently, the global pandemic situation remains severe and the pressure on prevention of importation of COVID-19 cases remains enormous. COVID-19 outbreak is still the most significant uncertainty affecting the recovery of the industry. Nevertheless, we firmly believe that the civil aviation industry remains in a period filled with strategic opportunities and vast room for market expansion. Beijing Capital Airport will always gear up its fight against the pandemic and spare no effort to normalize the pandemic prevention and control; and at the same time, it will seize every opportunity for the development of the civil aviation and coordinate safety and development.

CHAIRMAN'S STATEMENT (CONTINUED)

As shown by preliminary statistics, for the first two months of 2021, Beijing Capital Airport's aircraft movements have decreased by 39.5% as compared with the previous year, of which domestic routes (including Hong Kong, Macau and Taiwan) decreased by 30.8% and international routes decreased by 70.2% as compared with the previous year. Its passenger throughput has decreased by 63.4% as compared with the previous year, of which domestic passenger throughput (including Hong Kong, Macau and Taiwan) decreased by 50.3% and international passenger throughput decreased by 99.0% as compared with the previous year. As China consolidates its efforts in pandemic control, it is expected that the domestic aviation business volume of Beijing Capital Airport will improve steadily. However, as uncertainty lingers for the prospects of the resumption of international travel, the pace of recovery for the international business volume of Beijing Capital Airport remains uncertain for some time in the future. Thus, the operational efficiency of the Company will continue to be under great pressure in 2021. We will adhere to the general working principle of achieving progress amidst stability and take into account the internal and external environment and the industrial trend to continue to put great emphasis on containing the pandemic. In addition, we will accelerate the progress of promoting the aviation business volume, remain committed to the development of the "safe, green, intelligent and humanistic airport", seize the opportunities arising from the window period for hub construction and enhance the corporate operation and management capabilities.

In 2021, the Company will continue to put great emphasis on containing the pandemic and creating a reassuring travel environment for domestic and international passengers. The Company will take into account the overall business plan of Beijing Capital Airport to explore and optimize the response mechanism against the COVID-19 outbreak in different operational scenarios. With the support of technology, it will design a public health protection system for the airport that safeguards the national gateway and serves the world, so as to enhance its ability to respond to sudden public health emergencies. Through improving our technological innovation mechanism and developing technological innovation business, the Company will enhance the effect of our technology-oriented containment of pandemic, establish regular pandemic prevention and control mechanism, and boost passengers' needs and desires for travel.

In 2021, to accelerate the progress of promoting the aviation business volume and integrate more intensively with the new development pattern that "takes the domestic market as the mainstay while enabling the domestic and foreign markets to boost each other", the Company will enhance its study and review of the development trend and the production organization to push forward the recovery of aviation business. The Company will actively support the flight schedule allocation policy of the Civil Aviation Administration of China. It will tap into the potential of the domestic market, strive to gear up the domestic business and seize the opportunities as China eases its flight restrictions, with the aim of increasing the frequency of flights for core domestic routes at Beijing Capital Airport and promoting the recovery of the aviation industry. Meanwhile, the Company will closely monitor the policies on resumption of direct passenger flights to overseas destinations and keep track of the development of international industry.

CHAIRMAN'S STATEMENT (CONTINUED)

Driving the construction of the “safe, green, intelligent and humanistic airport” continuously to increase attractiveness to travellers in 2021: The Company will aim at meeting travellers’ needs, actively benchmark with world-leading airports and focus on enhancing travellers’ experience. It will lay the solid foundation of a safe airport through enhancing the ability of safety governance, putting in place the responsibilities of the entities responsible for safety, and coordinating on intelligent and safe construction. The Company will demonstrate the concept of green airport through focusing on pollution prevention and control, special research on carbon emissions, and increase in rate of energy utilization in a continuous manner. It will share the results arising from the intelligent airport through technological innovation and upgrade of intelligent functions. Furthermore, the Company will demonstrate the cultural essence of the humanistic airport through R&D in services and products and constant pursuit of sincere service.

Focusing on hub construction and promoting the balance between the East and West Zones by seizing the opportunities of the window period in 2021: The Company will fully take into account the changes of market environment, the window period of flight transfer to Daxing Airport and the period of recovery from the pandemic situation, so as to accelerate the optimization, upgrade and renovation of key regions and critical operation procedures, strengthen the communication and collaboration with airline partners at Beijing Capital Airport, and proactively enhance the resources utilization and security capacity at East and West Zones at the same pace. Meanwhile, we will strive to enhance quality and efficiency and continue to put great efforts in areas such as the quality of operations and services, normal flight schedule and convenience in flight transits. With the aim of building a world-class and large-scale international hub, we will be upgrading operation management capability to provide better and more convenient services to passengers and lay a solid foundation for the high-quality development of Beijing Capital Airport in the post-paramedic era.

Enhancing the corporate operation and management capability to facilitate the recovery of performance in 2021: Following the entry into the “dual-hub” era in Beijing, coupled with the changes in consumption behaviour and habits of passengers as a result of the pandemic, the landscape of the industry where Beijing Capital Airport operates is changing profoundly. Under the current situation, we are not only concerned about ourselves or fellow peers, but also concerned about customers and the market. We will closely track the policy changes, create new business models and enhance marketing efforts in order to boost commercial vibrancy and unleash revenue potential, thereby maximizing the value of resources, creating new sources of revenue growth for the airport business, driving balanced commercial development in all aspects, and promoting the confidence of all parties including passengers and business partners. Besides, the Company will further raise the awareness of the “austerity policy”, strengthen the refined management of costs, increase revenue and efficiency, reduce expenses and costs, enhance the operation standard and accelerate the resumption and development of operating efficiency.

Entering the first year in the new journey of the “14th Five-Year Plan”, Beijing Capital Airport will endeavour to explore ways to recover and develop in the complicated and fluid environment despite the uncertainties of the volatile pandemic situation and the external environment. It is anticipated that all shareholders and all of our employees will continue to share concerted efforts with the Company to overcome the hardship. With your understanding, trust and support, the Company will actively cope with the challenges and pressure and forge ahead while pursuing innovation, breakthroughs and changes. It will strive to achieve sustainable development with higher quality in the new stage.



Liu Xuesong
Chairman

Beijing, the PRC, 24 March 2021

REPORT OF THE BOARD

The board of directors of the Company (the “Board”) present to all shareholders the annual report and the audited financial statements of the Company for the fiscal year ended 31 December 2020.

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 as 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 2020 and the financial position of the Company as at 31 December 2020 prepared based on International Financial Reporting Standards (“IFRS”) are set out on pages 89 to 170 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 2 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Company for the year ended 31 December 2020 is provided in the “Management Discussion and Analysis” on pages 54 to 61 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”, “Exposure to Fluctuations in Interest Rates” and “Risks Arising from the COVID-19 Outbreak” on page 59 to 60 of this annual report.

The likely future business development of the Company is discussed in the paragraph headed “Future Prospects” on pages 10 to 12 of this annual report.

Environmental Protection

The Company strictly complies with the 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 2020, 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. 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 2020 and their changes for the year ended 31 December 2020 are set out in Note 7 to the Financial Statements.

INVESTMENT PROPERTIES

The following table sets out the properties of the Company held for investment purposes:

Location	Lot number	Existing use	Category of lease
No.2 car parking building and No.3 car parking building, Beijing Capital International Airport	– (Note 1)	Commercial and office	Long-term lease (Note 1, Note 2)

Note 1: As at the date of this Report of the Board, the Parent Company is in the process of applying and obtaining the corresponding land use rights certificates of the No.3 car parking building from the Beijing Municipal Bureau of Land and Resources in order to transfer such land use rights certificates to the Company.

Note 2: As at the date of this Report of the Board, the Company has acquired the No.3 car parking building from the Parent Company, but the procedures for change of title are not yet completed.

REPORT OF THE BOARD (CONTINUED)

RESERVES

Changes in reserves of the Company for the year ended 31 December 2020 are set out in Note 18 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the reserves of the Company that were available for distribution as dividends were RMB4,349,361,000, which were determined in accordance with the Company Law of the People's Republic of China.

ISSUED SHARE CAPITAL

The Company did not issue any share capital during the year ended 31 December 2020. The disclosure of issued share capital of the Company as at 31 December 2020 is set out on page 35 of this annual report.

TAXATION

The details of taxation of the Company for the year ended 31 December 2020 are set out in Note 30 to the Financial Statements.

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company during the year ended 31 December 2020.

ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2020, the Company has no entrusted loans or any fixed deposits matured but not yet withdrawn placed in financial institutions or other entities.

DIVIDEND

As disclosed on page 59 of this annual report, the Board did not propose to distribute final dividend for the year ended 31 December 2020.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer, Air China Limited, and the five largest customers of the Company represented 27.58% and 47.56%, respectively, of the total revenues of the Company for the year ended 31 December 2020.

The largest supplier, Capital Airports Power and Energy Co., Ltd. and the five largest suppliers of the Company represented 13.23% and 39.05%, respectively, of the total operating expenses of the Company for the year ended 31 December 2020.

To the knowledge of the Board, none of the Company's directors or 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 2020. 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 Property Management 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 2020.

MERGER, ACQUISITION AND DISPOSAL

During the year ended 31 December 2020, the Company did not conduct any significant merger, acquisition or disposal.

MATERIAL ACQUISITION AND MATERIAL SUBSEQUENT EVENT

During the year ended 31 December 2020, the Company had no material acquisition.

During the period from 1 January 2021 to 24 March 2021 (i.e. the date of this Report of the Board), the Company did not have any material subsequent event.

TRADE RECEIVABLES

As at 31 December 2020, the Company's trade receivables were RMB871,558,000, representing a decrease of 37.3% as compared with the same period of the previous year. The details of the Company's trade receivables are set out in Note 11 to the Financial Statements.

The policies relating to the trade receivables and the impairment are set out in Note 11 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, 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 2020 are set out as follows:

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>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. On 29 September 2020, in view of the Rental Waiver Policy as disclosed in the inside information announcements of the Company dated 31 March 2020 and 19 May 2020, the Company and BACT entered into the Supplemental Domestic Retail Leasing Agreement, pursuant to which the monthly guaranteed rental payable by BACT to the Company for the period from 1 February 2020 to 30 April 2020 shall be reduced. In view of the Fees Waiver Policy for Businesses as disclosed in the inside information announcement of the Company dated 28 January 2021, the Company and BACT further entered into the Supplemental Domestic Retail Leasing Agreement, pursuant to which the guaranteed rental payable by BACT to the Company for the year ended 31 December 2020 shall be further reduced. For details of the relevant transactions, please refer to the Company's announcements dated 28 December 2017, 6 November 2019, 29 September 2020 and 24 February 2021.</p>	<p>The Parent Company holds 100% equity interest of BACT.</p>	<p>106,456</p>	<p>230,000</p>

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>2 The Company entered into the Terminal Premises Leasing Framework Agreement with Beijing Aviation Ground Services Co., Ltd. ("BGS") on 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.</p>	<p>The Parent Company holds 51% equity interest of BGS.</p>	52,722	110,000
<p>3 The Company and Capital Airport VIP Services Management Co., Ltd. ("CAVIP") entered into the Traveller Services Franchise Agreement on 28 December 2017 with effect from 1 January 2018 to 31 December 2020, pursuant to which the Company agreed to permit CAVIP to use certain areas and resources at the terminals of Beijing Capital Airport for the provision of the businesses related to VIP travellers' services in Beijing Capital Airport. The execution of the Traveller Services Franchise Agreement with CAVIP can enhance the efficiency of the traveller service resources usage in the terminals and improve the quality of traveller services at Beijing Capital Airport. In view of the Fees Waiver Policy for Businesses as disclosed in the inside information announcement of the Company dated 28 January 2021, the Company and CAVIP entered into the Supplemental Traveller Services Franchise Agreement, pursuant to which the franchise fees payable by CAVIP to the Company for the year ended 31 December 2020 shall be reduced. For details of the relevant transactions, please refer to the Company's announcements dated 28 December 2017 and 24 February 2021.</p>	<p>The Parent Company holds 100% equity interest of CAVIP.</p>	51,768	125,000

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>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. On 3 July 2020, in view of the Rental Waiver Policy as disclosed in the inside information announcements of the Company dated 31 March 2020 and 19 May 2020, the Company and BAFM entered into the Supplemental Food and Beverage Leasing Agreement, pursuant to which the monthly guaranteed rental payable by BAFM to the Company for the period from 1 February 2020 to 30 April 2020 shall be reduced. Pursuant to the relevant terms of the Food and Beverage Leasing Agreement and in view of the Fees Waiver Policy for Businesses as disclosed in the inside information announcement of the Company dated 28 January 2021, the Company and BAFM entered into the Supplemental Food and Beverage Leasing Agreement, pursuant to which the guaranteed rental payable by BAFM to the Company for the year ended 31 December 2020 shall be further reduced. For details of the relevant transactions, please refer to the Company's announcements dated 28 December 2017, 3 July 2020 and 9 March 2021.</p>	<p>The Parent Company holds 100% equity interest of BAFM.</p>	20,977	62,000

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>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.</p>	<p>The Parent Company holds 60% equity interest of CACL.</p>	19,513	25,000
<p>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.</p>	<p>The Parent Company holds 51% equity interest of BGS.</p>	–	45,000

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>7 The Company and Capital Airports Aviation Security Co., Ltd. ("CAAS") entered into the Supply of Aviation Safety and Security Guard Services Agreement on 30 October 2019 with effect from 1 January 2020 to 31 December 2022, 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 30 October 2019 and circular dated 3 December 2019.</p>	<p>The Parent Company holds 100% equity interest of CAAS.</p>	667,082	703,490
<p>8 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.</p>	<p>The Parent Company holds 100% equity interest of CAPE.</p>	605,697	859,029

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 <i>RMB'000</i>	Annual Cap <i>RMB'000</i>
<p>9 The Company and Beijing Bowei Airport Support Limited ("Boweï") entered into the Operation and Maintenance Services Framework Agreement on 23 December 2019, with effect from 1 January 2020 to 31 December 2022, pursuant to which Bowei agreed to provide the Company with operation and maintenance services at terminals, airfield, public area and other designated areas of Beijing Capital Airport. The execution of this agreement is conducive to ensuring the stability of the daily operation and service quality of Beijing Capital Airport, while ensuring the rapid responsiveness and the specialty and high efficiency required for the operation of the isolated area of Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 23 December 2019.</p>	<p>The Parent Company holds 60% equity interest of Bowei.</p>	410,366	459,000
<p>10 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.</p>	<p>The Parent Company holds 100% equity interest of BCPM.</p>	244,855	390,000

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>11 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 purification stations and garbage incineration, etc. and other relevant services as requested by the Company. For details of the relevant transactions, please refer to the Company's announcement dated 22 December 2017.</p>	<p>The Parent Company holds 100% equity interest of CAPE.</p>	<p>183,924</p>	<p>242,400</p>

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>12 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.</p>	<p>The Parent Company holds 100% equity interest of BAA.</p>	161,265	360,000

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>13 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. Prior to the end of the COVID-19 pandemic, the Aviation Services Company deploys on-site travellers' guidance staff to the international arrival area at T3D for services such as the handling of enquiries, maintenance of order, guidance and temperature check, as well as the provision of other related services. 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, 29 August 2018 and 8 April 2020.</p>	<p>The Parent Company indirectly holds 100% equity interest of Aviation Services Company.</p>	92,930	120,000

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>14 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 from BAPMC. Subsequently, 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 to solve the needs in relation to the administration and daily operation of Beijing Capital Airport and its overall steady operation by the Company. For details of the relevant transactions, please refer to the announcements of the Company dated 28 December 2018 and 27 September 2019.</p>	<p>The Parent Company holds 100% equity interests of BAPMC and BAPM.</p>	53,799	61,800

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>15 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 commercial and retail resources of Beijing Capital Airport, thus promoting the image and management efficiency of Beijing Capital Airport and helping the cost control of the Company as a whole. For details of the relevant transactions, please refer to the Company's announcement dated 15 November 2017 and circular dated 5 December 2017.</p>	<p>The Parent Company holds 100% equity interest of BACT.</p>	46,767	700,000
<p>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.</p>	<p>The Parent Company holds 100% equity interest of CAVIP.</p>	45,407	52,000

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>17 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 then 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 then applicable PRC laws. The execution of this agreement is expected to ensure the long-term use of the aforesaid airfield land and to save a substantial amount of capital expenditure in acquiring the land use rights to the Airfield Land. On 31 January 2008, the Company and the Parent Company entered into a supplemental agreement for adjustment of rental. For details of these transactions, please refer to the Company's announcements dated 26 October 2006 and 31 January 2008.</p>	<p>The Parent Company holds 58.96% of the shares of the Company.</p>	28,000	28,000 (Note 1)

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>18 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 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 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 28 December 2017.</p>	<p>The Parent Company holds 100% equity interest of BAFM.</p>	24,981	165,000
<p>19 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 to solve the needs in relation to the administration and daily operation of Beijing Capital Airport and its overall steady operation by the Company. For details of the relevant transactions, please refer to the announcement of the Company dated 9 January 2018.</p>	<p>The Parent Company holds 58.96% of the shares of the Company.</p>	12,493	18,000

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
20 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 (Note 2)
21 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.	5,676	27,000

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
<p>22 The Company and China Civil Airport Equipment Co., Ltd. ("CCAEC Company") entered into the Agreement on Front End Operation and Maintenance of Production Operations and Operations Management System dated 28 September 2018, for a term from 1 October 2018 to 30 September 2021, pursuant to which CCAEC Company agreed to provide Maintenance Services for the information front end at the terminals of the Beijing 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.</p>	<p>The Parent Company indirectly holds 30.6% equity interest of CCAEC Company.</p>	<p>3,992 (Note 3)</p>	<p>18,000</p>
<p>23 The Company and BAA, BACT, BAFM, BAPM, Beijing Capital Airport Tourism Business Co., Ltd. ("Beijing Airport Tourism Business") and CAVIP (collectively referred to as "Specialised Companies") entered into the Beijing Airport General Marketing Fund Framework Agreement dated 31 October 2018 with effect from 31 October 2018 to 31 December 2020, pursuant to which the Company would provide funds to the Specialised Companies for the purpose of jointly carrying out marketing campaign(s) to allow tenants in the shopping zone of the Beijing Capital Airport to provide cash coupons, discounts or promotional subsidies to the travellers. For details of the relevant transactions, please refer to the Company's announcement dated 31 October 2018.</p>	<p>The Parent Company holds 100% equity interest of the Specialised Companies.</p>	<p>2,527</p>	<p>25,000</p>

REPORT OF THE BOARD (CONTINUED)

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Total transaction amounts for the year ended 31 December 2020 RMB'000	Annual Cap RMB'000
24 The Company and the Parent Company entered into the 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 non-exclusive 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 better recognised by the market. For details of the relevant transaction, please refer to the Company's announcement dated 29 November 2019.	The Parent Company holds 58.96% of the shares of the Company.	–	105,000
25 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.	806,027 (Note 4)	For deposit services (maximum daily balance of the deposit: 1,000,000; For other financial services: 10,000)

REPORT OF THE BOARD (CONTINUED)

Notes:

1. The Airfield Land Lease Agreement and the related supplemental agreement, including the rented areas and rental, is in the process of obtaining approval from the related land governmental authorities.
2. The cap for the year of 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 of 2020 may increase by no more than 77.16% over the year 1999, to RMB9,920,742.
3. In April 2020, CCAE Company ceased to be a subsidiary of Bowei, i.e. CCAE Company also ceased to be a connected person of the Company and the relevant transaction no longer constituted a connected transaction. Therefore, the amount disclosed here is the amount incurred during the period from 1 January 2020 to April 2020.
4. The pricing policies for the Financial Services 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 RMB7,051,730 as at 31 December 2020.

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 2020.

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 terms no less favourable to the Company than the terms available to or from independent third parties (if applicable); and
3. according to 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 its 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 2020 are set out as follows:

Description of the transactions and date of the relevant announcements	Relationship between contracting parties	Consideration of connected transactions <i>RMB'000</i>
<p>1 The Company and Airport Construction Engineering Co., Ltd. ("ACEC") entered into the Construction Agreement on 21 January 2020, pursuant to which the Company agreed to engage ACEC to provide construction services for the Construction Project of Phase I of the Safety Protection Facility for Passengers Using Remote Stands. The execution of this agreement is expected to ensure successful implementation of the Construction Project of Phase I of the Safety Protection Facility for Passengers Using Remote Stands, improve the travel experience of passengers who use remote stands and to extend the accessibility system of the Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 21 January 2020.</p>	<p>The Parent Company indirectly holds 21.09% equity interest of ACEC.</p>	<p>13,295 (with the maximum consideration not exceeding 30,000)</p>
<p>2 The Company and Civil Aviation Airport Planning and Design Research Institute Co., Ltd. (the "Research Institute") entered into the Design Agreement for Electricity Modification Project on 31 March 2020, pursuant to which the Research Institute was engaged by the Company to undertake the design work in relation to the electricity modification project for the remote stands in the airfield on the western side of T3D at the Beijing Capital Airport. The execution of this agreement aims to promote the construction of green airport and duly fulfill the responsibility of the Beijing Capital Airport in ecological and environmental protection by fully leveraging the advantages of the Research Institute in terms of its professionalism and understanding of the relevant project. For details of the relevant transactions, please refer to the Company's announcement dated 31 March 2020.</p>	<p>The Parent Company indirectly holds 31.48% equity interest of the Research Institute.</p>	<p>627 (with the maximum consideration not exceeding 663.6)</p>

REPORT OF THE BOARD (CONTINUED)

The continuing connected transactions and connected transactions of the Company disclosed above (except the Beijing Airport General Marketing Fund Framework Agreement) also constitute transactions with related parties ("Related Party Transactions") as set out in Note 35 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.

DISCLOSURE OF INTERESTS

As at 31 December 2020, 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 2020, 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	Capacity/nature of interest	Approximate percentage of shareholding to the relevant class of shares	Approximate percentage of shareholding to the total issued shares
Capital Airports Holding Company (Note 1)	Domestic shares	2,699,814,977	Beneficial owner	100%	58.96%
BlackRock, Inc.	H shares	131,413,304(L)	Interest of corporation	6.99%	2.87%
		13,716,000(S)	controlled by substantial shareholder	0.73%	0.30%
Citigroup Inc.	H shares	186,704,710(L)	Interest of corporation	9.93%	4.08%
		4,276,000(S)	controlled by substantial shareholder	0.22%	0.09%
		177,678,987(P)	shareholder	9.45%	3.88%
Aberdeen Asset Management plc and its associates (Note 2)	H shares	114,868,000(L)	Investment manager	6.11%	2.51%
Causeway Capital Management LLC (Note 2)	H shares	94,794,000(L)	Interest of corporation controlled by substantial shareholder	5.04%	2.07%
Mr. Jiang Jinzhi (Note 3)	H shares	94,776,000(L)	Interest of corporation controlled by substantial shareholder	5.04%	2.07%
GIC Private Limited (Note 2)	H shares	94,563,402(L)	Investment manager	5.03%	2.07%
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)	Agent	5.02%	2.06%
		94,393,357(P)		5.02%	2.06%

(L) = Long Position

(S) = Short Position

(P) = Lending Pool

REPORT OF THE BOARD (CONTINUED)

Notes:

- Capital Airports Holding Company was incorporated in the PRC, and is the controlling shareholder of the Company. Mr. Liu Xuesong, an executive director and the chairman of the Board, is the general manager and deputy party secretary of Capital Airports Holding Company. Mr. Han Zhiliang, an executive director and the general manager, is the deputy general manager of Capital Airports Holding Company. Mr. Gao Shiqing, a non-executive director of the Company, is the deputy general manager of Capital Airports Holding Company. Mr. Jia Jianqing, a non-executive director of the Company, is the deputy general manager of Capital Airports Holding Company. Mr. Song Kun, a non-executive director of the Company, is the deputy general manager of Capital Airports Holding Company.
- These shares are held in the capacity of investment manager.
- Based on the disclosure form dated 11 December 2020 of Mr. Jiang Jinzhi (being the latest disclosure form filed up to 31 December 2020), as at 9 December 2020, among his interests in the shares of the Company, (i) 65,740,000 shares in total were held by Greenwoods China Alpha Master Fund and Golden China Master Fund; and (ii) 29,036,000 shares were held by Shanghai Greenwoods Asset Management Company Limited. Each of Greenwoods China Alpha Master Fund and Golden China Master Fund was indirectly held as to 84.5% by Unique Element Corp., which was in turn wholly-owned by Mr. Jiang Jinzhi. Shanghai Greenwoods Asset Management Company Limited was indirectly held as to 84.5% by Xizang Jingning Corporate Management Company Limited, which was in turn wholly-owned by Mr. Jiang Jinzhi.

INTERESTS OF DIRECTORS, SUPERVISORS AND THE GENERAL MANAGER IN SECURITIES

As at 31 December 2020, 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 2020, none of the directors, supervisors, or the general manager of the Company or their associates had been granted the right to subscribe for any shares 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 OF SIGNIFICANCE

During the year ended 31 December 2020, 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 2020, the Company, its holding company or any of its subsidiaries or fellow subsidiaries was not a party to any arrangement to enable the directors or supervisors of the Company, or their respective spouses or children under 18 years of age, to acquire benefits by means of acquisition of any shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As disclosed in Note 1 under the section headed "Disclosure of Interests" in this Report of the Board, five 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.

REPORT OF THE BOARD (CONTINUED)

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 following 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 2020 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.

MATERIAL CONTRACTS

Save for those transactions described in the note headed “Related Party Transactions” in the Note 35 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 2020:

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

REPORT OF THE BOARD (CONTINUED)

MANAGEMENT CONTRACTS

During the year ended 31 December 2020, 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 2020 are set out in Notes 26 and 36 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 2020.

PUBLIC FLOAT

As at 24 March 2021 (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.

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 2017, 2018 and 2019, 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 2019 Annual General Meeting (“AGM”) of the Company held on 23 June 2020, to act as the Company’s domestic and overseas auditors, respectively, for the year ended 31 December 2020.

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 ending 31 December 2021 at the forthcoming 2020 AGM.

REPORT OF THE BOARD (CONTINUED)

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

At the 2019 AGM convened on 23 June 2020, the election of Mr. Liu Xuesong, Mr. Han Zhiliang, Mr. Zhang Guoliang, Mr. Gao Shiqing, Mr. Jia Jianqing, Mr. Song Kun, Mr. Jiang Ruiming, Mr. Liu Guibin, Mr. Zhang Jiali and Mr. Stanley Hui Hon-chung as members of the eighth session of the Board of the Company was considered and approved. The term of office of the eighth session of the Board commences from the conclusion of the 2019 AGM and ends on the date of the 2022 AGM.

At the 2019 AGM convened on 23 June 2020, the election of Mr. Song Shengli, Mr. Wang Xiaolong, and Mr. Japhet Sebastian Law as members of the eighth session of the supervisory committee of the Company was considered and approved. The other members of the eighth session of the supervisory committee of the Company comprise Mr. Liu Shaocheng and Mr. Chang Jun, who are supervisors representing employees of the Company. The term of office of the eighth session of the supervisory committee commences from the conclusion of 2019 AGM and ends on the date of the 2022 AGM.

On 23 June 2020, the eighth session of the Board of the Company appointed Mr. Han Zhiliang as the general manager of the Company, Mr. Zhang Guoliang, Mr. Zhang Wei, Mr. Deng Xianshan, Mr. Wang Weiyu, Mr. Du Qiang and Ms. Zhao Ying as the deputy general managers of the Company, Mr. Li Zhiyong as the chief financial officer of the Company, and Mr. Meng Xianwei as the secretary to the Board of the Company.

On 21 September 2020, Mr. Zhang Wei and Mr. Deng Xianshan resigned as the deputy general managers of the Company due to adjustment of work arrangements.

On 12 November 2020, Mr. Du Qiang resigned as the deputy general manager 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 2022 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 56, 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 23 June 2020. Mr. Liu graduated from Chengdu Science and Technology University (成都科技大學) 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 56, a senior economist, was re-appointed as an executive director of the Company on 23 June 2020. He obtained a Bachelor's degree in History from Inner Mongolia University (內蒙古大學), and a Master's degree in Management Science and Engineering from Chinese Academy of Agricultural Sciences (中國農業科學院) and an Executive Master of Business Administration (majoring in Aviation Management) from Tsinghua University (清華大學). 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 56, a professor level senior engineer, was re-appointed as an executive director of the Company on 28 June 2017 and retired from the position of an executive director of the Company on 23 June 2020. Ms. Gao graduated from the Computer Science Department, Beijing University of Aeronautics and Astronautics (BUAA) (北京航空航天大学) 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 worked 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 was the party secretary of the Company; from September 2016 to June 2019, she concurrently served as the deputy general manager of the Company.

Mr. Zhang Guoliang, aged 58, was appointed as an executive director of the Company on 23 June 2020. Mr. Zhang graduated from Air Force Engineering University (中國人民解放軍空軍工程大學), 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 CAAC and then the general captain (at deputy department director level and police commissioner class II) of the Aircop Corps of CAAC from October 2008 to April 2014; and the director and a deputy Party committee secretary of the government service bureau under CAAC from April 2014 to May 2019. Mr. Zhang was elected as a Party committee member of CAAC in January 2017. Mr. Zhang has been a Party committee member of the Parent Company and the Party committee secretary of the Company since May 2019, as well as the deputy general manager of the Company since June 2019.

REPORT OF THE BOARD (CONTINUED)

Non-executive Directors

Mr. Gao Shiqing, aged 59, was appointed as a non-executive director of the Company on 28 June 2017 and re-appointed as a non-executive director of the Company on 23 June 2020. 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 was 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 was a non-executive director of the Company from June 2005 to June 2014.

Mr. Yao Yabo, aged 59, was appointed as a non-executive director of the Company on 30 June 2014 and retired as a non-executive director of the Company on 23 June 2020. He graduated from the Civil Engineering and Architecture Department of Hebei Polytechnic College (河北工程技術學院) majoring in civilian construction, and was awarded a Bachelor's degree. Mr. Yao obtained MBA degree from China Europe International Business School (中歐國際工商學院). 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.

REPORT OF THE BOARD (CONTINUED)

Mr. Ma Zheng, aged 62, a senior economist, was appointed as a non-executive director of the Company on 18 December 2014 and retired as a non-executive director of the Company on 23 June 2020. Mr. Ma graduated from China University of Political Science and Law (中國政法大學) 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. (中共中央黨校). 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 was the general legal counsel and chairman of the Labor Union of the Parent Company from March 2014 to February 2020.

Mr. Jia Jianqing, aged 55, is a senior accountant and was appointed as a non-executive director of the Company on 23 June 2020. Mr. Jia graduated from Inner Mongolia School of Finance majoring in supply finance. He holds a Master's degree in Management Science and Agricultural Marketing in Professional Engineering from Chinese Academy of Agricultural Sciences (中國農業科學院). From October 1992 to January 1998, Mr. Jia served as the head of finance department of the Inner Mongolia Branch of CAAC; from January 1998 to January 2001, he served as the head of planning department and finance department of the Inner Mongolia Branch of CAAC; from January 2001 to December 2003, he served as the deputy director of the Inner Mongolia Branch of CAAC; from December 2003 to April 2004, he served as the deputy general manager and a member of Standing Committee of the Communist Party Committee of Inner Mongolia Autonomous Region Civil Airports Group Co., Ltd.; from April 2004 to October 2004, he served as the executive deputy general manager and a member of Standing

Committee of the Communist Party Committee of Inner Mongolia Autonomous Region Civil Airports Group Co., Ltd.; from October 2004 to January 2005, he served as the deputy general manager of Jinfei Civil Aviation Economic Development Company; from January 2005 to October 2005, he served as the deputy general manager and a member of the Communist Party Committee of Jinfei Civil Aviation Economic Development Company; from October 2005 to January 2006, he served as the deputy general manager and a member of the Communist Party Committee of Capital Airport Guarantee Co., Ltd.; from January 2006 to January 2009, he served as the director, chief financial officer and a member of the Communist Party Committee of China Airport Construction Corporation; from January 2009 to March 2010, he served as the general manager and deputy secretary of the Communist Party Committee of Zhong Hang Xin Gang Guarantee Co., Ltd.; from March 2010 to May 2015, he served as the chairman, general manager and deputy secretary of the Communist Party Committee of Zhong Hang Xin Gang Guarantee Co., Ltd.; from May 2015 to January 2019, he served as the chief accountant of the Parent Company; since January 2019, he has served as the deputy general manager and a member of the Communist Party Committee of the Parent Company. From March 2016 to April 2020, Mr. Jia concurrently served as the chairman of Beijing Capital Airport Group Finance Co., Ltd.

REPORT OF THE BOARD (CONTINUED)

Mr. Song Kun, aged 49, a senior engineer, was appointed as a non-executive director of the Company on 23 June 2020. Mr. Song graduated from Department of Road and Traffic Engineering of Tongji University (同濟大學), majoring in highway and urban road and obtained a Bachelor's degree of Engineering, and he holds a Master's degree of Engineering in transportation engineering from Civil Aviation University of China (中國民航大學). From July 1996 to March 2005, Mr. Song successively served as an assistant engineer, engineer and secretary of the Youth League Committee of China Airport Construction Corporation; from March 2005 to April 2006, he served as the head of engineering department of airfield at the chief quality supervision station for professional engineering of civil aviation; from April 2006 to March 2009, he served as the general manager at the general manager office of China Airport Construction Corporation; from March 2009 to December 2010, he served as the director of the office of the Parent Company; from December 2010 to July 2011, he served as assistant to chief commander and a member of the Communist Party Committee of Beijing New Airport Construction Headquarters and the director of office of the Parent Company; from July 2011 to May 2012, he served as assistant to chief commander and a member of the Communist Party Committee of Beijing New Airport Construction Headquarters; from May 2012 to June 2016, he served as the general manager of the airport construction department of the Parent Company; from June 2016 to September 2018, he served as the secretary of the Communist Party Committee and deputy general manager of Jilin Civil Airports Group Company; from September 2018 to January 2020, he served as the general manager and deputy secretary of the Communist Party Committee of Jilin Civil Airports Group Company; since January 2020, he has served as the deputy general manager and a member of the Communist Party Committee of the Parent Company. In January 2018, Mr. Song was elected a deputy to the thirteenth People's Congress of Jilin Province and served as a member of Personnel Election Committee; in January 2019, he was appointed as an invited supervisor of the first session of Supervision Committee of Jilin Province.

Independent Non-executive Directors

Mr. Japhet Sebastian Law, aged 69, was appointed as an independent non-executive director of the Company on 12 June 2008 and retired as an independent non-executive director of the Company on 23 June 2020. Mr. Law graduated from the University of Texas at Austin (德克薩斯大學奧斯汀分校) 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 consultant with various corporations in Hong Kong and overseas. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government and various other committees, and is also active on the boards of profit, non-profit, and charitable organizations in Hong Kong and overseas. 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 was an independent non-executive director of Shanghai La

REPORT OF THE BOARD (CONTINUED)

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 55, 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 23 June 2020. He graduated from Department of Law of Peking University (北京大學) with a Bachelor's degree. He obtained a MBA degree from Tsinghua University School of Economics and Management. 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.

Mr. Liu Guibin, aged 55, 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 23 June 2020. He graduated from Zhongnan University of Economics and Law (中南財經政法大學) in 1989, is a Certified Public Accountant and one of the first group of senior members (practicing) of CICPA. Mr. Liu is a senior partner at 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 66, a senior economist, was appointed as an independent non-executive director of the Company on 28 June 2017 and was re-appointed as an independent non-executive director of the Company on 23 June 2020. Mr. Zhang graduated from Heilongjiang University (黑龍江大學) majoring in English and also participated in 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.

REPORT OF THE BOARD (CONTINUED)

Mr. Stanley Hui Hon-chung, aged 70, holds a Bachelor's degree of Science from the Chinese University of Hong Kong (香港中文大學). He was appointed as an independent non-executive director of the Company on 23 June 2020. Mr. Hui joined Cathay Pacific in 1975 and held a range of management positions in Hong Kong and overseas. From 1990 to 1992, he served as the general manager for Planning and International Affairs of Cathay Dragon. He was appointed as the chief representative of Swire (China) in Beijing in 1992. From 1994 to 1997, he assumed the position of chief operating officer of AHK Air Hong Kong Limited. From 1997 to 2006, he joined Hong Kong Dragon Airlines Limited as its chief executive officer. From February 2007 to July 2014, he served as the chief executive officer of Hong Kong Airport Authority. Mr. Hui was appointed as a member of the Greater Pearl River Delta Business Council twice by the Chief Executive of the HKSAR, and held civic duties including member of the Commission on Strategic Development of the HKSAR Government, member of the HKSAR Government's Aviation Development Advisory Committee and member of the Hong Kong Tourism Board. In July 2006, Mr. Hui was appointed as a Justice of the Peace by the Chief Executive of the HKSAR. Mr. Hui is currently a member of the 13th session of Chinese People's Political Consultative Conference and the General Committee of the Hong Kong General Chamber of Commerce. Mr. Hui has been serving as an independent non-executive director of Air China Limited (listed on the Hong Kong Stock Exchange) and Guangzhou Baiyun International Airport Co., Ltd. (listed on the Shanghai Stock Exchange) since May 2015 and December 2016, respectively. From September 2015 to October 2017, Mr. Hui was an executive director and the deputy chief executive officer of NWS Holdings Limited (listed on the Hong Kong Stock Exchange).

Members of the Supervisory Committee

Mr. Song Shengli, aged 59, was appointed as a supervisor of the Company on 30 June 2014 and was re-appointed as a supervisor of the Company and elected as the chairman of the supervisory committee of the Company on 23 June 2020. Mr. Song graduated from Southwest University of Political Science and Law (西南政法大學) 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 55, was appointed as a supervisor of the Company on 9 November 2018 and was re-appointed as a supervisor of the Company on 23 June 2020. Mr. Liu graduated from Peking University (北京大學) 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 69, was appointed as a supervisor of the Company on 30 June 2014 and retired as a supervisor of the Company on 23 June 2020. Mr. Dong was an independent non-executive director from December 2007 to June 2011. Mr. Dong graduated from the School of Laws of Renmin University of China (中國人民大學) with a J.D. degree. Mr. Dong is a professor and PhD Supervisor of the School of Laws of Renmin University of China (中國人民大學), and serves as the deputy director of Research Center of Civil and Commercial Law of the Renmin University of China (中國人民大學). 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 has 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 was also 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 65, was appointed as a supervisor of the Company on 28 June 2017 and was re-appointed as a supervisor of the Company on 23 June 2020. He graduated from School of Economics of Peking University (北京大學) 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. Japhet Sebastian Law, aged 69, was appointed as a supervisor of the Company on 23 June 2020. Mr. Law graduated from the University of Texas at Austin (德克薩斯大學奧斯汀分校) 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 consultant with various corporations in Hong Kong and overseas. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government and various other committees, and is

also active on the boards of profit, non-profit, and charitable organizations in Hong Kong and overseas. 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 was 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).

REPORT OF THE BOARD (CONTINUED)

Mr. Chang Jun, aged 44, was appointed as supervisor of the Company on 30 June 2014 and was re-appointed as a supervisor of the Company on 23 June 2020. Mr. Chang graduated from the Civil Aviation University of China (中國民航大學), majoring in air traffic control, and also has an MBA degree with the School of Economics and Management, BUAA. 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 Wei, aged 55, was re-appointed as the deputy general manager of the Company on 23 June 2020 and resigned as the deputy general manager of the Company on 21 September 2020. Mr. Zhang is an engineer, holds a Bachelor's degree in environmental monitoring with the Environment & Chemistry Department of Beijing University of Technology (北京工業大學), and a master's degree in agriculture extension from Beijing Forestry University (北京林業大學). 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.

REPORT OF THE BOARD (CONTINUED)

Mr. Deng Xianshan, aged 55, was re-appointed as the deputy general manager of the Company on 23 June 2020 and resigned as the deputy general manager of the Company on 21 September 2020. 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 57, was re-appointed as the deputy general manager of the Company on 23 June 2020. Mr. Wang obtained a bachelor's degree in political education from Beijing Normal University (北京師範大學) and an EMBA degree from the City University of Hong Kong. Mr. Wang taught at the high school affiliated to Beijing Normal University (北京師範大學) 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 51, was re-appointed as the deputy general manager of the Company on 23 June 2020 and resigned as the deputy general manager of the Company on 12 November 2020. Mr. Du is a senior economist. He graduated from the School of Economics and Management of Inner Mongolia University (內蒙古大學) majoring in economics, and holds the master's degree from the University of International Business and Economics (對外經濟貿易大學). 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 50, 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 Civil Aviation University of China (中國民航大學), majoring in financial plans. He also holds a master's degree in accounting from Deakin University in Australia (迪肯大學), a master's degree of Business Administration from Tsinghua University (清華大學) and a doctorate degree in management from Northeastern University (東北大學). 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 the 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.

REPORT OF THE BOARD (CONTINUED)

Mr. Li Zhiyong, aged 47, a senior accountant, was appointed as the Chief Financial Officer of the Company on 20 May 2020 and was re-appointed as the Chief Financial Officer of the Company on 23 June 2020. Mr. Li graduated from the Management School of Wuhan University of Science and Technology (武漢科技大學), majoring in project management, and holds a master's degree in engineering. From December 1997 to February 2004, Mr. Li served as the head of the financial office of Wuhan Tianhe Airport Co., Ltd. From February 2004 to February 2006, he served as the head of the finance department of Hubei Airports Holding Company. From March 2006 to May 2009, he served as the chief financial officer of Inner Mongolia Autonomous Region Civil Airports Group Co., Ltd. From May 2009 to December 2010, he served as the vice general manager of the financial management department of Capital Airports Holding Company. From December 2010 to February 2013, he served as the chief financial officer and a member of the Communist Party Committee of the Beijing New Airport Construction Headquarters, and concurrently served as the deputy general manager of the financial management department of Capital Airports Holding Company. From February 2013 to May 2020, he served as the chief financial officer and a member of the Communist Party Committee of the Beijing New Airport Construction Headquarters. From July 2018 to May 2020, he served as the chief financial officer and a member of the Communist Party Committee of Beijing Daxing International Airport.

Ms. Zhao Ying, aged 46, was appointed as the deputy general manager of the Company on 23 June 2020. Ms. Zhao is an engineer and political work specialist. She graduated from Beijing Union University (北京聯合大學) 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 45, was re-appointed as the secretary to the Board of the Company on 23 June 2020 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 (中國人民大學) 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 56, 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 (新南威爾士大學) 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 2020, 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 RMB841,640), for 5 members were between HKD1,000,000 and HKD1,500,000 (equivalent to approximately RMB1,262,460).

By order of the Board

Liu Xuesong

Chairman

Beijing, the PRC, 24 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2020, the Company's business performance faced great challenges. As for the revenues, the revenues from principal operations were RMB3,587,136,000, representing a decrease of 66.8% from the previous year. In particular, as affected by the outbreak of the novel coronavirus pandemic (the "COVID-19 outbreak") and related policies, the aeronautical revenues declined significantly to RMB1,296,203,000, representing a decrease of 68.3% as compared with the previous year. Given the COVID-19 outbreak and the drastic decline in passenger throughput, the non-aeronautical revenues amounted to RMB2,290,933,000, representing a decrease of 65.9% as compared with the previous year. As for the costs, the non-aeronautical concession revenues were reduced due to the COVID-19 outbreak, which resulted in the decrease in the corresponding management fees. Coupled with the decline in staff costs and operating contracted services costs, the operating expenses of the Company in 2020 were RMB5,968,746,000, representing a decrease of 18.8% from the previous year.

OVERVIEW OF AERONAUTICAL BUSINESS

In 2020, as affected by the COVID-19 outbreak and transfer of certain flights, the air traffic volumes of Beijing Capital Airport have been hit hard. During the year, the cumulative aircraft movements in Beijing Capital Airport reached 291,498 sorties, representing a decrease of 51.0% as compared with the previous year. The cumulative passenger throughput reached 34,513,827 person-times, representing a decrease of 65.5% as compared with the previous year. The cumulative cargo and mail throughput reached 1,210,441 tonnes, representing a decrease of 38.1% as compared with the previous year. Detailed information is set out in the table below:

	2020	2019	Change
Aircraft Movements (unit: sorties)	291,498	594,329	-51.0%
Domestic	254,463	466,245 ^(Note)	-45.4%
Including: Hong Kong, Macau & Taiwan	5,660	21,396	-73.6%
International	37,035	128,084 ^(Note)	-71.1%
Passenger Throughput (unit: person-times)	34,513,827	100,013,642 ^(Note)	-65.5%
Domestic	31,979,863	76,103,087 ^(Note)	-58.0%
Including: Hong Kong, Macau & Taiwan	358,124	3,664,815	-90.2%
International	2,533,964	23,910,555 ^(Note)	-89.4%
Cargo and mail Throughput (unit: tonnes)	1,210,441	1,955,286 ^(Note)	-38.1%
Domestic	664,835	1,050,230 ^(Note)	-36.7%
Including: Hong Kong, Macau & Taiwan	65,649	90,774	-27.7%
International	545,606	905,056	-39.7%

Note: The above figures of aircraft movements, passenger throughput and cargo and mail throughput were arrived at after adjustment at the end of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

AERONAUTICAL REVENUES

	2020 RMB'000	2019 RMB'000	Change
Aircraft movement fees and related charges	710,771	2,083,754	-65.9%
Passenger charges	585,432	2,004,991	-70.8%
Total aeronautical revenues	1,296,203	4,088,745	-68.3%

In 2020, the total aeronautical revenues of the Company were RMB1,296,203,000, representing a decrease of 68.3% as compared with the previous year. In particular, the revenues from aircraft movement fees and related charges were RMB710,771,000, representing a decrease of 65.9% as compared with the previous year, which was primarily due to the impact of the decrease in business volume and the fact that pursuant to the relevant requirements of the Notice of CAAC on Policies Supporting Active Response to COVID-19

Outbreak (《民航局關於積極應對新冠肺炎疫情有關支持政策的通知》), the Company lowered the benchmark price of the charging standards for aircraft movement fees by 10% and waived the parking fees with effect from 23 January 2020 until the end of the COVID-19 outbreak. The revenues from passenger charges were RMB585,432,000, representing a decrease of 70.8% as compared with the previous year, which basically remained consistent with the decline in passenger throughput.

NON-AERONAUTICAL REVENUES

	2020 RMB'000	2019 RMB'000	Change
Concessions	1,352,444	5,207,212	-74.0%
Including: Advertising	853,494	1,154,701	-26.1%
Retailing	194,944	3,585,577	-94.6%
Restaurants and food shops	165,012	278,812	-40.8%
VIP services	51,768	81,061	-36.1%
Car Parking	39,903	-	100.0%
Ground handling	-	56,674	-100.0%
Other concessions	47,323	50,387	-6.1%
Rentals	914,707	1,330,556	-31.3%
Car parking fees	5,524	160,533	-96.6%
Others	18,258	23,438	-22.1%
Total non-aeronautical revenues	2,290,933	6,721,739	-65.9%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2020, the total non-aeronautical revenues of the Company were RMB2,290,933,000, representing a decrease of 65.9% as compared with the previous year. In 2020, the concession revenues of the Company were RMB1,352,444,000, representing a decrease of 74.0% as compared with the previous year. Among these, the revenues from advertising were RMB853,494,000, representing a decrease of 26.1% as compared with the previous year. This was mainly attributable to the fact that the Company waived the operating costs from certain advertisers after taking into account the impact of the COVID-19 outbreak and the adjustment of passengers processing procedures at terminals due to the pandemic, which resulted in the decline in the related revenue. The revenues from retailing were RMB194,944,000, representing a decrease of 94.6% as compared with the previous year, which was mainly attributable to a sharp decline in the related revenues as a result of the significant decrease in international passenger throughput as affected by the COVID-19 outbreak. The revenues from restaurants and food shops were RMB165,012,000, representing a decrease of 40.8% as compared with the previous year, which was mainly due to the rental waiver granted to certain tenants considering the impact of the COVID-19 outbreak and the fact that certain vacant restaurant resources had not yet attracted investment as affected by the COVID-19 outbreak. The revenues from VIP services were RMB51,768,000, representing a decrease of 36.1% as compared with the previous year. This was attributable to, on the one hand, the adjustment and reduction of operating areas due to the closure of certain premises resources for renovation and upgrade, which led to a corresponding decrease in revenue, and on the other hand, the waiver for related fees granted by the Company in proportion to the decline in business volume as affected by the COVID-19 outbreak. The revenues from car parking services were RMB39,903,000, representing an increase of 100.0% as compared with the previous

year, which was mainly due to the fact that since 1 January 2020, the Company has transferred the operation rights of most car parking areas including the Ground Traffic Centre (the GTC) pursuant to the Agreement for Transferring Operation Rights of Car Parking Buildings (Spaces) of Beijing Capital Airport (《北京首都機場停車樓(場)經營權轉讓合同》), resulting in an increase in revenues from car parking services. No revenue from ground handling services was recorded during the year, which was mainly due to the fact that new contracts had not yet been executed as a result of the changes in the external environment. The revenues from other concessions were RMB47,323,000, representing a decrease of 6.1% as compared with the previous year.

In 2020, the rental revenues of the Company were RMB914,707,000, representing a decrease of 31.3% as compared with the previous year, which was mainly due to the grant of rental waivers by the Company to certain tenants as affected by the COVID-19 outbreak and the transfer and diversion of flights to Beijing Daxing International Airport ("**Daxing Airport**"), as well as a significant decline in aircraft movements and passenger throughput, leading to a decrease in the rentals of relevant equipment, system and commercial premises.

In 2020, the car-parking fees of the Company were RMB5,524,000, representing a decrease of 96.6% as compared with the previous year, which was mainly due to the fact that the Company has transferred the operation rights of car parking areas and only retained a small portion of areas for self-operation, hence leading to a significant decrease in car-parking fees.

In 2020, other revenues of the Company were RMB18,258,000, representing a decrease of 22.1% as compared with the previous year, which was mainly due to the adjustment to the scopes of business of certain contracts as a result of the COVID-19 outbreak.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OPERATING EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	Change
Depreciation and amortisation	1,482,872	1,404,509	5.6%
Repair and maintenance	1,059,083	1,067,769	-0.8%
Aviation safety and security guard costs	716,508	760,332	-5.8%
Utilities and power	587,871	613,936	-4.2%
Staff costs	538,686	703,180	-23.4%
Operating contracted services	441,981	563,601	-21.6%
Greening and environmental maintenance	294,129	304,664	-3.5%
Real estate and other taxes	250,153	259,010	-3.4%
Concession management fees	233,014	1,236,216	-81.2%
Rental expenses	6,504	19,815	-67.2%
General, administrative and other costs	357,945	416,615	-14.1%
Operating expenses	5,968,746	7,349,647	-18.8%

In 2020, the operating expenses of the Company were RMB5,968,746,000, representing a decrease of 18.8% as compared with the previous year.

In 2020, the depreciation and amortisation expenses of the Company were RMB1,482,872,000, representing an increase of 5.6% as compared with the previous year, which is mainly due to the addition of certain assets, as a result of which corresponding depreciation expenses were accrued.

In 2020, the repair and maintenance expenses of the Company were RMB1,059,083,000, representing a decrease of 0.8% as compared with the previous year.

In 2020, the aviation safety and security guard costs of the Company were RMB716,508,000, representing a decrease of 5.8% as compared with the previous year, which was mainly due to the decrease in safety and security guard costs related to the passenger throughput as affected by the COVID-19 outbreak.

In 2020, the utilities and power expenses of the Company were RMB587,871,000, representing a decrease of 4.2% as compared with the previous year, which was mainly due to the decline in the unit price of certain types of energy and the decrease in the frequency of related energy utilization as a result of the partial closure of terminals and the decrease in passenger throughput.

In 2020, staff costs of the Company were RMB538,686,000, representing a decrease of 23.4% as compared with the previous year, which was mainly due to the corresponding decrease in the staff costs of the Company as affected by the COVID-19 outbreak, and the decline in social security contribution by certain business units under the relevant policies.

In 2020, the operating contracted services costs of the Company were RMB441,981,000, representing a decrease of 21.6% as compared with the previous year, which was mainly due to the fact that the related costs were no longer incurred as a result of the termination of certain operating contracted service projects.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2020, the greening and environmental maintenance expenses of the Company were RMB294,129,000, representing a decrease of 3.5% as compared with the previous year.

In 2020, the real estate and other taxes of the Company were RMB250,153,000, representing a decrease of 3.4% as compared with the previous year.

In 2020, the concession management fees of the Company were RMB233,014,000, representing a decrease of 81.2% as compared with the previous year. This was mainly attributable to the significant decrease in passenger throughput due to the COVID-19 outbreak, which led to the significant decrease in concession revenues from retailing and restaurants and food shops and hence the corresponding decline in the management fees that were charged proportionally.

In 2020, the rental expenses of the Company were RMB6,504,000, representing a decrease of 67.2% as compared with the previous year, which was mainly due to the decrease in utilization rate of certain low-value and short-term leases as affected by the COVID-19 outbreak, which led to a corresponding decrease in rental expenses.

In 2020, the general, administrative and other costs of the Company were RMB357,945,000, representing a decrease of 14.1% as compared with the previous year, which was mainly due to the waiver of trademark licence fees pursuant to the relevant agreement as the Company incurred a loss from operation during the year.

OTHER ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

In 2020, the other income of the Company was RMB27,076,000, representing a decrease of 26.1% as compared with the previous year, which was mainly due to the decrease in government grants.

In 2020, the Company granted waivers of fee receivables amounted to RMB265,921,000, representing an increase of 100% as compared with the previous year, which was mainly due to the waivers for certain receivables from advertising and restaurant tenants considering the impact of the COVID-19 outbreak.

In 2020, the net financial income of the Company after netting off the financial costs was RMB15,364,000 as compared with the net financial costs of RMB170,238,000 in 2019, which was mainly due to the fact that the exchange rate of US dollar against RMB decreased in 2020 and increased in 2019, thus generating exchange gains for the liabilities denominated in US dollar in 2020. In addition, the average balance of the borrowings in 2020 was lower than that in the previous year.

In 2020, the income tax credit of the Company was RMB675,469,000 as compared with the income tax expense of the Company of RMB809,960,000 in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROFIT/LOSS FOR THE YEAR

For the financial year ended 31 December 2020, the net loss after tax of the Company amounted to RMB2,034,651,000, representing a decrease of 184.1% as compared with net profit after tax of RMB2,419,373,000 for the previous year.

DIVIDEND

In 2020, the Company recorded a loss from operations as affected by the COVID-19 outbreak. The Board did not propose to distribute the final dividend for the year ended 31 December 2020.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Company's businesses are principally denominated in RMB, except for payment of part of the intermediaries fees, repayment of the loans from the Parent Company and distribution of dividends to 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 2020. 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 referred as the Phase III Assets.

As at 31 December 2020, the assets and liabilities of the Company denominated in US dollars included cash and cash equivalents of approximately RMB23,776,000 (2019: RMB126,088,000), no trade and other receivables (2019: RMB40,000), trade and other payables of approximately RMB8,379,000 (2019: RMB10,837,000), and loans from the Parent Company of approximately RMB1,512,660,000 (2019: RMB1,787,526,000). During 2020, the Company recorded a net exchange gain of RMB109,043,000.

EXPOSURE TO FLUCTUATIONS IN INTEREST RATES

The total amount of the non-current portion and current portion of the Company's loans from the Parent Company was RMB1,512,660,000, 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 RMB2,868,909,000, and its interest rates were determined with reference to the benchmark interest rates announced by the People's Bank of China. As such, any change in LIBOR and interest rates of the People's Bank of China will affect the interest expenses and financial results of the Company.

RISKS ARISING FROM THE COVID-19 OUTBREAK

In early 2020, the unexpected outbreak of the COVID-19 pandemic has brought unprecedented challenges to the global economy and society, with the civil aviation industry being severely stricken. Under the impact of the pandemic, the business volume of Beijing Capital Airport was hard hit, which led to a significant decrease in revenues and hence a loss was recorded. During the year, the Company deeply explored its internal strengths and actively responded to the adverse impacts of the COVID-19 pandemic through various means, including striving to control its costs, curbing

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

unnecessary expenses, optimizing the settlement process of aviation charges and enhancing the management of recovery of receivables, increasing the efficiency of capital turnover to ensure the collection of all revenues receivable, securing support from national preferential financial policies, putting efforts in minimizing financing costs; and securing support from government subsidy policies. Currently, the Company's operation and funding remain relatively stable. In view of the ongoing COVID-19 pandemic, the rebound of the number of international passengers at Beijing Capital Airport is not optimistic. The Company expects to encounter certain difficulties and challenges for its future operation, while its capital conditions will continue to be under pressure. However, the Company believes that Beijing Capital Airport will be able to overcome these challenges and continue to grow by implementing the above measures on a continuous basis.

CONTINGENT LIABILITIES

As at 31 December 2020, the Company had no significant contingent liabilities.

LIQUIDITY AND FINANCIAL RESOURCES

In 2020, the Company's net cash used in operating activities amounted to RMB986,883,000, representing a decrease of RMB4,898,326,000 as compared with RMB3,911,443,000 generated from operating activities for the year of 2019. In 2020, the Company's net cash outflow from investing activities amounted to RMB909,687,000. In 2020, the Company's net cash generated from financing activities amounted to RMB2,525,580,000.

As at 31 December 2020, the Company had cash and cash equivalents amounting to the total sum of RMB2,296,801,000, while the cash and cash equivalents of the Company amounted to RMB1,664,626,000 as at 31 December 2019.

As at 31 December 2020, the Company's short-term borrowings were RMB2,868,909,000 and the loans from the Parent Company were RMB1,512,660,000.

As at 31 December 2020, the current ratio of the Company was 0.39, while the current ratio of the Company was 0.48 as at 31 December 2019. 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 2020, the gearing ratio of the Company was 37.22%, while the gearing ratio of the Company was 28.16% as at 31 December 2019. 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 2020, the capital and reserves of the Company were RMB22,238,234,000, while the capital and reserves of the Company were RMB24,960,898,000 as at 31 December 2019.

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:

	2020	2019
Total number of employees	1,556	1,583

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 economic development and the increase of labor remuneration could be in line with the increase of labour productivity.

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.

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.

Pursuant to the Notice on the Phased Reduction of Employees' Payment on Basic Medical Insurance (Jing Yi Bao Fa [2020] No. 11), the payment on medical insurance was halved during the period from February 2020 to June 2020.

3. Staff retirement scheme

The Company has implemented various corporate pension schemes according to the relevant policies of the state. Pursuant to the corporate pension schemes, the Company and/or the staff (as applicable) who participates in the schemes shall make monthly contributions to the corporate pension funds according to a certain proportion. Details are set out in Notes 2(r), 24 and 26 to the Financial Statements.

CHARGE ON ASSETS

During the year ended 31 December 2020, there was no charge or pledge on the assets of the Company.

MERGER, ACQUISITION AND DISPOSAL

During the year ended 31 December 2020, 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"), during the period from 1 January 2020 to 31 December 2020.

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 2020.

BOARD OF DIRECTORS

Composition and Term of Office

During the reporting period, the eighth session of the Board of the Company consists of ten directors, including three executive directors, three non-executive directors and four independent non-executive directors. In line with the requirements under the Listing Rules, the Company has no less than three independent non-executive directors, representing at least one-third of the members of the Board, at least one of whom has the appropriate professional qualifications or appropriate expertise in accounting or related financial management.

The eighth session of the Board of the Company was established on 23 June 2020, and was elected by the shareholders of the Company at the 2019 AGM; the term of office of all directors (including non-executive directors) will end on the date of convening the 2022 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2020, the Board of the Company held 19 meetings (of which 15 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 2020:

		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	2/2	18/19
Han Zhiliang	General manager, executive director	2/2	19/19
Gao Lijia (<i>Note 1</i>)	Executive director (retired on 23 June 2020)	0/0	5/6
Zhang Guoliang (<i>Note 2</i>)	Executive director (appointed on 23 June 2020)	1/1	13/13
Gao Shiqing	Non-executive director	2/2	19/19
Yao Yabo(<i>Note 3</i>)	Non-executive director (retired on 23 June 2020)	0/0	5/6
Ma Zheng (<i>Note 4</i>)	Non-executive director (retired on 23 June 2020)	0/0	6/6
Jia Jianqing (<i>Note 5</i>)	Non-executive director (appointed on 23 June 2020)	1/1	11/13
Song Kun (<i>Note 6</i>)	Non-executive director (appointed on 23 June 2020)	1/1	12/13
Japhet Sebastian Law (<i>Note 7</i>)	Independent non-executive director	0/0	13/13
Jiang Ruiming	Independent non-executive director	2/2	19/19
Liu Guibin	Independent non-executive director	2/2	19/19
Zhang Jiali	Independent non-executive director	2/2	18/19
Stanley Hui Hon-chung (<i>Note 8</i>)	Independent non-executive director	1/1	13/13

Note 1: Ms. Gao Lijia ceased to be an executive director of the Company with effect from 23 June 2020, thus did not attend the meeting on that day and all subsequent meetings.

Note 2: Mr. Zhang Guoliang was appointed as an executive director of the Company with effect from 23 June 2020, thus did not attend all previous meetings.

Note 3: Mr. Yao Yabo ceased to be a non-executive director of the Company with effect from 23 June 2020, thus did not attend the meeting on that day and all subsequent meetings.

Note 4: Mr. Ma Zheng ceased to be a non-executive director of the Company with effect from 23 June 2020, thus did not attend the meeting on that day and all subsequent meetings.

Note 5: Mr. Jia Jianqing was appointed as a non-executive director of the Company with effect from 23 June 2020, thus did not attend all previous meetings.

Note 6: Mr. Song Kun was appointed as a non-executive director of the Company with effect from 23 June 2020, thus did not attend all previous meetings.

Note 7: Mr. Japhet Sebastian Law ceased to be an independent non-executive director of the Company with effect from 23 June 2020, thus did not attend the meeting on that day and all subsequent meetings.

Note 8: Mr. Stanley Hui Hon-chung was appointed as an independent non-executive director of the Company with effect from 23 June 2020, thus did not attend all previous meetings.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Chairman and General Manager

For the year ended 31 December 2020 and during the period up to the date of publication of this 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 2020, 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 (<i>Note 1</i>)	✓	✓	✓	✓
Mr. Zhang Guoliang	✓	✓	✓	✓
Non-executive directors				
Mr. Gao Shiqing	✓	✓	✓	✓
Mr. Yao Yabo (<i>Note 2</i>)	✓	✓	✓	✓
Mr. Ma Zheng (<i>Note 3</i>)	✓	✓	✓	✓
Mr. Jia Jianqing	✓	✓	✓	✓
Mr. Song Kun	✓	✓	✓	✓
Independent non-executive directors				
Mr. Japhet Sebastian Law (<i>Note 4</i>)	✓	✓	✓	✓
Mr. Jiang Ruiming	✓	✓	✓	✓
Mr. Liu Guibin	✓	✓	✓	✓
Mr. Zhang Jiali	✓	✓	✓	✓
Mr. Stanley Hui Hon-chung	✓	✓	✓	✓

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

Note 1: Ms. Gao Lijia ceased to be an executive director of the Company with effect from 23 June 2020.

Note 2: Mr. Yao Yabo ceased to be a non-executive director of the Company with effect from 23 June 2020.

Note 3: Mr. Ma Zheng ceased to be a non-executive director of the Company with effect from 23 June 2020.

Note 4: Mr. Japhet Sebastian Law ceased to be an independent non-executive director of the Company with effect from 23 June 2020.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 23 June 2020, the eighth 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 2022 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. Stanley Hui Hon-chung (chairman of the Remuneration and Evaluation Committee), Mr. Jiang Ruiming, Mr. Liu Guibin, Mr. Zhang Jiali, Mr. Gao Shiqing and Mr. Zhang Guoliang.

Duties

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Directors' Remuneration Policy

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

Meetings

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

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

Members	Attendance rate (Number of meetings attended/number of meetings held)
Japhet Sebastian Law (<i>Note 1</i>)	0/0
Stanley Hui Hon-chung (<i>Chairman</i>) (<i>Note 2</i>)	1/1
Jiang Ruiming	1/1
Liu Guibin	1/1
Zhang Jiali	1/1
Gao Shiqing	1/1
Gao Lijia (<i>Note 3</i>)	0/0
Zhang Guoliang (<i>Note 4</i>)	1/1

Note 1: Mr. Japhet Sebastian Law ceased to be chairman of the Remuneration and Evaluation Committee with effect from 23 June 2020, thus did not attend all subsequent meetings.

Note 2: Mr. Stanley Hui Hon-chung was appointed as a member of the Remuneration and Evaluation Committee with effect from 23 June 2020, thus did not attend all previous meetings.

Note 3: Ms. Gao Lijia ceased to be a member of the Remuneration and Evaluation Committee with effect from 23 June 2020, thus did not attend all subsequent meetings.

Note 4: Mr. Zhang Guoliang was appointed as a member of the Remuneration and Evaluation Committee with effect from 23 June 2020, thus did not attend all previous meetings.

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 23 June 2020, the eighth session of the Board appointed the members of the Nomination Committee with their term of office to end on the day of convening of the 2022 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. Liu Guibin, Mr. Zhang Jiali, Mr. Stanley Hui Hon-chung, Mr. Liu Xuesong, Mr. Han Zhiliang and Mr. Zhang Guoliang.

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;
- (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;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- (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.

During the year ended 31 December 2020, 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

1. Gender

	Male	Female
	100%	–

2. Age group

	51 to 55	56 to 60	61 to 65	66 to 70
	40%	40%	–	20%

3. Education background

	Bachelor's degree holder	Master's degree holder	Doctoral degree holder
	30%	70%	–

4. Professional experience, skills, knowledge

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

5. Length of Service

	1 to 5 years	6 to 10 years	More than 10 years
	70%	30%	–

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 backgrounds of the directors.

Review of Nomination Policy

The Nomination Committee will review the nomination 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 five 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 nomination of candidates for the directors, the appointment of senior management and the assessment of the independence of the independent non-executive directors of the Company.

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 (<i>Chairman</i>)	5/5
Japhet Sebastian Law (<i>Note 1</i>)	3/3
Liu Guibin	5/5
Zhang Jiali	5/5
Stanley Hui Hon-chung (<i>Note 2</i>)	2/2
Liu Xuesong	5/5
Han Zhiliang	5/5
Gao Lijia (<i>Note 3</i>)	3/3
Zhang Guoliang (<i>Note 4</i>)	2/2

Note 1: Mr. Japhet Sebastian Law ceased to be a member of the Nomination Committee with effect from 23 June 2020, thus did not attend all subsequent meetings.

Note 2: Mr. Stanley Hui Hon-chung was appointed as a member of the Nomination Committee with effect from 23 June 2020, thus did not attend all previous meetings.

Note 3: Ms. Gao Lijia ceased to be a member of the Nomination Committee with effect from 23 June 2020, thus did not attend all subsequent meetings.

Note 4: Mr. Zhang Guoliang was appointed as a member of the Nomination Committee with effect from 23 June 2020, thus did not attend all previous meetings.

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 23 June 2020, the eighth session

of the Board appointed the members of the Audit and Risk Management Committee with their term of office to end on the day of convening of the 2022 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. Jiang Ruiming, Mr. Zhang Jiali and Mr. Stanley Hui Hon-chung.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Duties

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

- (vii) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems in place. This discussion shall include the adequacy of resources, staff qualifications and experience, and adequacy of training programmes for staff and relevant budgets in the Company's accounting and financial reporting function;
- (viii) to consider major investigation findings on risk management and internal control matters and management's response to these findings on its own initiative or as delegated by the Board;
- (ix) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (x) to review the Company's financial and accounting policies and practices;
- (xi) to review the external auditor's management letter, any material queries raised by the auditor to management on accounting records, financial accounts or control system and management's response;
- (xii) to ensure that the Board provides a timely response to the issues raised in the external auditor's management letter;
- (xiii) to report to the Board on the matters in this provision; and
- (xiv) to consider other topics, as defined by the Board.

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 the 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 (<i>Chairman</i>)	3/3
Japhet Sebastian Law (<i>Note 1</i>)	1/1
Jiang Ruiming	3/3
Zhang Jiali	3/3
Stanley Hui Hon-chung (<i>Note 2</i>)	2/2

Note 1: Mr. Japhet Sebastian Law ceased to be a member of the Audit and Risk Management Committee with effect from 23 June 2020, thus did not attend all subsequent meetings.

Note 2: Mr. Stanley Hui Hon-chung was appointed as a member of the Audit and Risk Management Committee with effect from 23 June 2020, thus did not attend all previous meetings.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The work performed by the Audit and Risk Management Committee for 2020 is summarized as follows:

During the year of 2020, the Audit and Risk Management Committee reviewed the annual results report of the Company for the year of 2019 and the interim results report of the Company for the year of 2020, as well as the financial audit report for the year of 2019 and the interim financial review report for the year of 2020; reviewed the report on compliance of continuing connected transactions of the Company for the year, and issued an opinion on the report on compliance of continuing connected transactions of the Company for the year; reviewed the effectiveness of the internal audit function of the Company and the internal audit report of the Company; reviewed the report on risk management and internal control of the Company; and reviewed the proposal for re-appointment of external auditor, and defined its remuneration and term.

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

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

Strategy Committee

Composition and Term of Office

The strategy committee of the Company (the "Strategy Committee") was established on 12 June 2002. On 23 June 2020, the eighth session of the Board appointed the members of the Strategy Committee and the term of office will end on the date of convening of the 2022 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, Mr. Zhang Guoliang 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

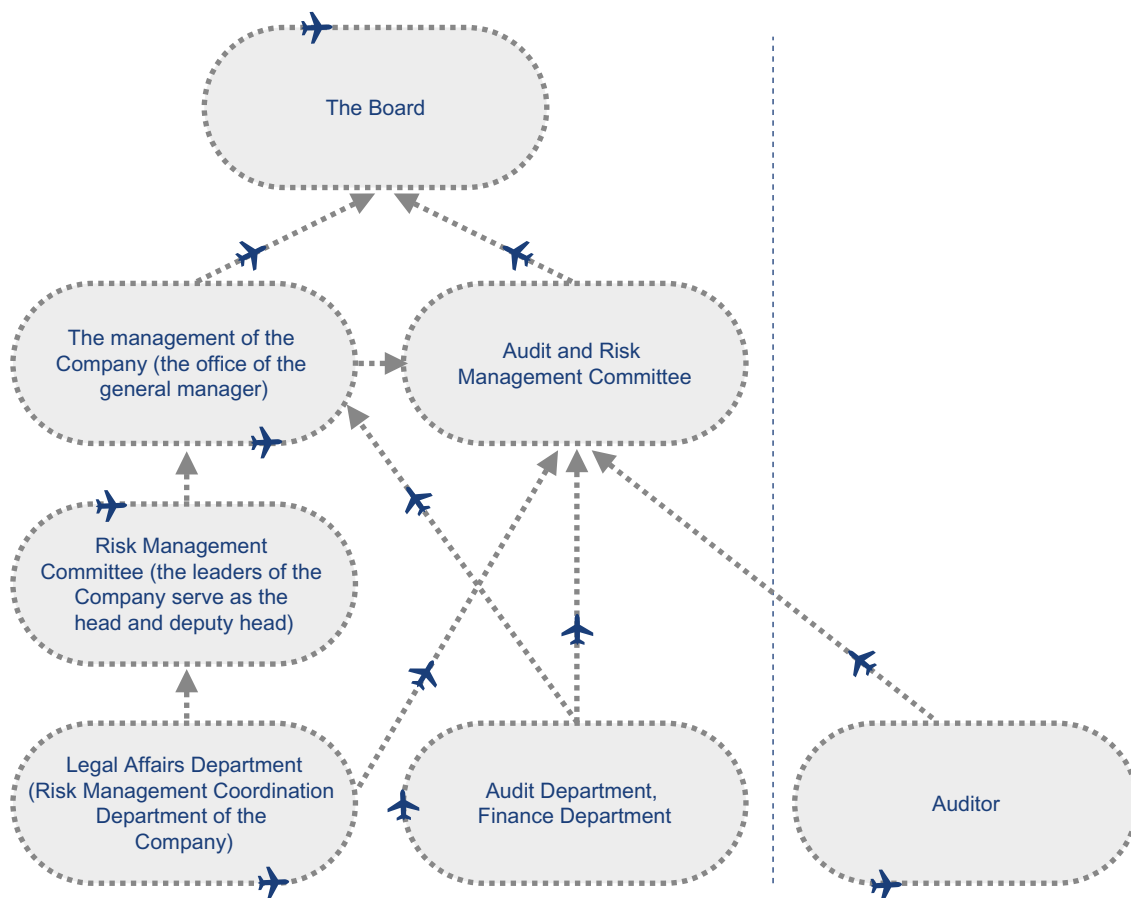
The directors hereby confirm their responsibilities for preparation of the Company's financial statements. The directors confirm that the financial statements of the Company for the year were prepared in accordance with the relevant rules and regulations as well as applicable accounting policies. The 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 83 to 88.

CORPORATE GOVERNANCE REPORT (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL**Risk Management Framework**

The objectives of the risk management and internal control system of the Company are to insure the efficiency of the business activities, the safety of the assets, as well as the reliability of the business information and financial report. By means of risk management, the system is complete and covers every aspect of the operation and management of the Company. The risk management and internal control system of the Company consists of the Board and the Audit and Risk Management Committee to the Board, management as well as the

legal affairs department, audit department, finance department and the external auditor of the Company. The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. While the Board oversees the design, implementation and monitoring of the risk management and internal control systems, the management of the Company and other departments provide a confirmation to the Board on the effectiveness of such system. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives of the Company and can provide reasonable, but no absolute assurance against material misstatement or loss. The management framework is as follows:



CORPORATE GOVERNANCE REPORT (CONTINUED)

System Features, Major Procedures and Scope

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

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

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

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

Risk Management Functions

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

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

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 2020 is summarized as follows:

During 2020, 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 2020, 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 2020, 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 auditors of the Company for 2020, respectively. During the year ended 31 December 2020, the above auditors charged the Company RMB3.45 million as service fees in respect of the audit services. There was no non-audit service fee incurred for the year ended 31 December 2020.

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 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.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2020, there were no material amendments to the constitutional documents of the Company.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

ENQUIRIES TO THE BOARD

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

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:
 - (a) establishing specialised agencies and personnel for receiving investors and analysts and answering the relevant questions raised by them;
 - (b) 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;
 - (c) 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
 - (d) Providing relevant financial and operational information via the Company's website.

REPORT OF THE SUPERVISORY COMMITTEE

To all shareholders,

During 2020, 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 2020 and continuously improved the Company's governance practices.

The eighth session of the Supervisory Committee of the Company was established on 23 June 2020, 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 2022 AGM is convened.

As at 31 December 2020, the eighth 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. Wang Xiaolong and Mr. Japhet Sebastian Law 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 23 June 2020, 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 two meetings in total.

On 26 March 2020, the Supervisory Committee convened the first meeting of the year by way of written resolution, at which the 2019 work of the Supervisory Committee was summarized, and the Report of the Supervisory Committee of the Company for the year of 2019 was considered and approved, and the secretary to the Board of the Company was authorized to incorporate the report into the 2019 annual report for review by the Company's shareholders.

On 23 June 2020, the Supervisory Committee convened the second Supervisory Committee meeting, at which Mr. Song Shengli was elected as the chairman of the Supervisory Committee of the Company with a term commencing from 28 June 2020 (i.e. the date of this Supervisory Committee meeting) and ending on the expiry of the eighth session of the Supervisory Committee (i.e. the date when the 2022 AGM is convened).

During the reporting period, the Company held four on-site Board meetings and three meetings for the Audit 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 2020.

Meanwhile, the Supervisory Committee carefully reviewed the Report of the Board, the financial statements and the profit distribution proposal to be submitted at the 2020 AGM.

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 and 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 disclosure of information and without harming the interests of the Company.

In 2020, due to the coupling effect of the COVID-19 outbreak and the transfer of flights, Beijing Capital Airport recorded a significant decline in passenger throughput and incurred a loss in financial income for the first time, thereby imposing unprecedented pressure and challenges on the Company's operations. The Company would like to express its sincere gratitude to all shareholders for their continuous understanding and support, as well as to various government departments, airlines and partners at Beijing Capital Airport for their tremendous support to us. We would also like to thank all of our employees for their diligent contribution throughout the year. By actively taking up challenges and pressure and forging ahead, the Company will promote and achieve the development of Beijing Capital Airport with higher quality in full swing.

By order of the Supervisory Committee

Song Shengli

Chairman of the Supervisory Committee

Beijing, the PRC, 24 March 2021

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 89 to 170, which comprise:

- the balance sheet as at 31 December 2020;
- 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 2020, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matter

Expected credit losses of trade receivables

Refer to Note 4 – Critical accounting estimates and judgements and Note 11 – Trade receivables to the financial statements.

As at 31 December 2020, the Company had trade receivables amounting to RMB1,306 million, among which, a provision of RMB435 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 judgements and estimates in assessing the expected credit losses of the trade receivables. Considering the degree of estimation uncertainty and other inherent risk factors, we have therefore identified expected credit losses assessment as an area of focus for the audit.

How our audit addressed the Key Audit Matter

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

- We obtained an understanding of the management's internal control and assessment process of the expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.
- We 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 and estimates 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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.

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, actions taken to eliminate threats or safeguards applied.

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, 24 March 2021

BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Investment properties	6	2,993,767	–
Property, plant and equipment	7	25,247,498	26,644,577
Right-of-use assets	8	2,361,289	4,277,275
Intangible assets	9	89,733	71,905
Deferred income tax assets	23	862,585	194,993
Other non-current assets	12	172,570	172,570
		31,727,442	31,361,320
Current assets			
Inventories	10	166,477	157,374
Trade receivables	11	871,558	1,389,094
Prepayment	12	24,798	26,487
Other financial assets at amortised cost	13	38,811	50,750
Cash and cash equivalents	14	2,296,801	1,664,626
Other current assets	15	297,029	94,768
		3,695,474	3,383,099
Total assets		35,422,916	34,744,419
EQUITY			
Capital and reserves			
Share capital	17	4,579,179	4,579,179
Share premium		6,300,867	6,300,867
Capital reserve	18(a)	195,255	204,913
Other reserve	18(b)	3,984	(19,649)
Statutory and discretionary reserves	18(c)	6,809,588	6,325,714
Retained earnings		4,349,361	7,569,874
Total equity		22,238,234	24,960,898

BALANCE SHEET (CONTINUED)

As at 31 December 2020

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Bonds payable	21	1,312,351	–
Loans from the Parent Company	22	1,353,433	1,617,285
Lease liabilities	8	777,941	934,103
Retirement benefit obligations	24	108,085	140,566
Deferred income	25	36,117	41,310
		3,587,927	2,733,264
Current liabilities			
Short-term borrowings	20	2,868,909	500,000
Trade and other payables	19	6,383,727	6,104,456
Current income tax liabilities		–	75,343
Current portion of loans from the Parent Company	22	159,227	170,241
Current portion of lease liabilities	8	176,497	191,998
Current portion of retirement benefit obligations	24	8,395	8,219
		9,596,755	7,050,257
Total liabilities		13,184,682	9,783,521
Total equity and liabilities		35,422,916	34,744,419

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

The financial statements on pages 89 to 170 were approved by the Board of Directors on 24 March 2021 and were signed on its behalf.

Liu Xuesong
Chairman

Han Zhiliang
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Revenues			
Aeronautical	5	1,296,203	4,088,745
Non-aeronautical	5	2,290,933	6,721,739
		3,587,136	10,810,484
Operating expenses			
Depreciation and amortisation	6, 7, 8, 9	(1,482,872)	(1,404,509)
Repairs and maintenance		(1,059,083)	(1,067,769)
Aviation safety and security guard costs		(716,508)	(760,332)
Utilities and power		(587,871)	(613,936)
Staff costs	26	(538,686)	(703,180)
Operating contracted services		(441,981)	(563,601)
Greening and environmental maintenance		(294,129)	(304,664)
Real estate and other taxes		(250,153)	(259,010)
Concession management fees		(233,014)	(1,236,216)
Rental expenses		(6,504)	(19,815)
Other costs		(357,945)	(416,615)
	27	(5,968,746)	(7,349,647)
Impairment losses on financial assets		(105,029)	(97,880)
Waiver of fee receivables	28	(265,921)	-
Other income		27,076	36,614
Operating (loss)/profit		(2,725,484)	3,399,571
Finance income	29	136,140	27,133
Finance costs	29	(120,776)	(197,371)
		15,364	(170,238)
(Loss)/profit before income tax		(2,710,120)	3,229,333

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2020

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Income tax credit/(expense)	30(a)	675,469	(809,960)
(Loss)/profit for the year		(2,034,651)	2,419,373
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		23,633	13,506
Other comprehensive income for the year, net of tax		23,633	13,506
Total comprehensive (loss)/income for the year		(2,011,018)	2,432,879
(Loss)/earnings per share, basic and diluted (<i>RMB</i>)	31	(0.44)	0.55

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 2020

	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 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
Cash Contribution from the Parent Company	18(a)	-	-	204,913	-	-	-	204,913
New share issuance to Parent Company		248,289	1,245,442	(1,493,731)	-	-	-	-
2018 final dividend	32	-	-	-	-	-	(702,903)	(702,903)
2019 interim dividend	32	-	-	-	-	-	(387,182)	(387,182)
Transfer to statutory and discretionary reserves	18(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
Balance at 1 January 2020		4,579,179	6,300,867	204,913	(19,649)	6,325,714	7,569,874	24,960,898
Loss for the year		-	-	-	-	-	(2,034,651)	(2,034,651)
Other comprehensive income for the year		-	-	-	23,633	-	-	23,633
Total comprehensive (loss)/income for the year		-	-	-	23,633	-	(2,034,651)	(2,011,018)
2019 final dividend	32	-	-	-	-	-	(701,988)	(701,988)
Transfer to statutory and discretionary reserves	18(c)	-	-	-	-	483,874	(483,874)	-
Others		-	-	(9,658)	-	-	-	(9,658)
Balance at 31 December 2020		4,579,179	6,300,867	195,255	3,984	6,809,588	4,349,361	22,238,234

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 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	34	(872,752)	4,750,742
Income tax paid		(114,131)	(839,299)
Net cash (used in)/generated from operating activities		(986,883)	3,911,443
Cash flows from investing activities			
Interest received		41,835	16,215
Proceeds from investment in wealth management products		–	501,763
Purchase of property, plant and equipment		(902,586)	(759,780)
Purchase of intangible assets		(48,936)	(23,788)
Net cash used in investing activities		(909,687)	(265,590)
Cash flows from financing activities			
Dividends paid		(701,988)	(1,090,085)
Repayment of borrowings		(500,000)	(4,460,000)
Principal and interest elements of lease payments		(206,021)	(123,331)
Repayment of loans from the Parent Company		(169,556)	(170,150)
Interest paid		(53,912)	(120,351)
Underwriting fees paid		(2,194)	–
Proceeds from borrowings		4,168,909	1,980,000
Contribution from the Parent Company	18(a)	–	204,913
Others		(9,658)	–
Net cash generated from/(used in) financing activities		2,525,580	(3,779,004)
Net increase/(decrease) in cash and cash equivalents		629,010	(133,151)
Cash and cash equivalents at beginning of year		1,664,626	1,806,125
Exchange effect on cash and cash equivalents		3,165	(8,348)
Cash and cash equivalents at end of year	14	2,296,801	1,664,626

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 2020

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.

Since early 2020, the epidemic of Coronavirus Disease 2019 (the “COVID-19 outbreak”) has spread across China and other countries, and it brought about demanding challenges to the global civil aviation industry. Affected by the COVID-19 outbreak, the passenger throughput, aircraft movements and cargo and mail throughput of the Company during the year ended 31 December 2020 recorded a relatively substantial decrease as compared with last year, which resulted in a decrease in the aeronautical revenues and non-aeronautical revenues of the Company.

In view of the ongoing COVID-19 outbreak in 2021, the Company’s operation will continue to be under pressure. The Company will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and take relevant measures.

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated, and were approved for issue by the Board of Directors on 24 March 2021.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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 2020, the current liabilities of the Company exceeded the current assets by RMB5,901,281,000 (2019: RMB3,667,158,000). 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 cash inflow from operating activities;
- Funds to be raised with National Association of Financial Market Institutional Investors; and
- Unutilised banking facilities.

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 2020 have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

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

(v) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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 generally 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 on a net basis within 'other costs'.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less 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 other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

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 and 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 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investment properties

Investment properties, principally Car Park Buildings and the related land use rights, are held for long-term rental yields and are not occupied by the Company. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of the asset over its estimated useful life.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains/(losses), net" in the statement of comprehensive income.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

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.
- **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

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.

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 11(b) for further details.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 11 for further information about the Company's accounting for trade receivables and Note 11 for a description of the Company's impairment policies.

(l) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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 (*Note 17*).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 presented 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.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (Continued)

(i) Pension obligations (Continued)

Defined contribution scheme

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

Defined benefit scheme

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (Continued)

(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 Hewitt, the independent qualified actuaries.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 can be 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 liability. The increase in the provision due to passage of time is recognised as interest expense.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenues recognition (Continued)

Contract costs include contract performance costs and contract acquisition costs. The costs incurred by the Company in the rendering of services are recognised as contract performance costs, and are carried forward to the 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) Aeronautical revenues such as passenger charges and aircraft movement fees are recognised when the related airport services are rendered.
- (ii) 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Leases (Continued)

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 Company, 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 2020

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.

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or rate are recognized in a period which the event or condition that triggers those payments occurs. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard. Operating lease receivables recognized by the Company are subject to the derecognition and impairment requirements of IFRS9 (*note 2(h)*).

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Market risk

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 2020, all of the Company's assets and liabilities were denominated in RMB except that cash and cash equivalents of approximately RMB23,776,000 (2019: RMB126,088,000), none of trade receivables and other financial assets (2019: RMB40,000), trade and other payables of approximately RMB8,379,000 (2019: RMB10,837,000) and loans from the Parent Company of approximately RMB1,512,660,000 (2019: RMB1,787,526,000) were denominated in US dollar.

As at 31 December 2020, 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 RMB56,140,000 (2019: decreased/increased by RMB62,709,000), 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 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

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.

The Company's main interest rate risk arises from loans from the Parent Company with variable rates, which expose the Company to cash flow interest rate risk. During 2020 and 2019, the Company's loans from the Parent Company at variable rate were mainly denominated in US dollars.

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 2020, if the interest rate on those 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 RMB5,672,000 (2019: RMB6,703,000).

(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 losses of trade receivables at the end of each reporting period. see Note 11(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**(a) Financial risk factors (Continued)****(iii) Liquidity risk**

The Company adopts prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents and having available funding through short term banks loans to meet its capital commitments and working capital requirements.

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

As at 31 December 2020 and 2019, 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2020						
Trade and other payables	3,836,658	-	-	-	3,836,658	3,836,658
Short-term borrowings	2,912,245	-	-	-	2,912,245	2,868,909
Bonds payable	48,620	48,620	1,348,620	-	1,445,860	1,312,351
Loans from the Parent Company	169,048	168,383	498,491	729,148	1,565,070	1,512,660
Lease liabilities	184,099	171,347	278,781	618,985	1,253,212	954,438
	7,150,670	388,350	2,125,892	1,348,133	11,013,045	10,485,016
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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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, return capital 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 2020 and 2019 are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Total liabilities	13,184,682	9,783,521
Total assets	35,422,916	34,744,419
Liability-to-asset ratio	37%	28%

The liability-to-asset ratio increased from 28% to 37%, which is mainly due to the borrowing of banks and the issuance of bonds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair values estimation

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

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

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. 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 which maximize the use of observable market data 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. This is the case for unlisted equity securities.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

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

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

(a) Impairment of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 11(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

The cost of the Phase III Assets is determined based on the valuation performed by independent valuer and is subject to final adjustment when the final account of construction by the surveyors in respect of the Phase III Assets is available. Due to the size of the Phase III Assets, the final account of construction by the surveyors in respect of the Phase III Assets had not completed as at 31 December 2020. The total cost is therefore subject to future adjustment according to the final account of construction by the surveyors. Management does not expect the final account of construction by the surveyors to have an adjustment of more than 10% of the cost of the Phase III Assets. Any adjustment will be accounted for prospectively as a change in accounting estimate.

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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.

(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 RMB164,073,000/RMB205,743,000 (2019: RMB178,175,000/RMB231,673,000) for the year ended 31 December 2020.

(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 24.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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	2020 RMB'000	2019 RMB'000
Aeronautical:		
Aircraft movement fees and related charges	710,771	2,083,754
Passenger charges	585,432	2,004,991
	1,296,203	4,088,745
Non-aeronautical:		
Concessions (<i>note a</i>)	1,352,444	5,207,212
Rentals	914,707	1,330,556
Car parking fees	5,524	160,533
Others	18,258	23,438
	2,290,933	6,721,739
Total revenues	3,587,136	10,810,484

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

5 REVENUES AND SEGMENT INFORMATION (CONTINUED)**(a)** Concession revenues are recognised in respect of the following businesses:

	2020	2019
	RMB'000	<i>RMB'000</i>
Advertising	853,494	1,154,701
Retailing	194,944	3,585,577
Restaurants and food shops	165,012	278,812
VIP service	51,768	81,061
Car parking fees	39,903	–
Ground handling	–	56,674
Other	47,323	50,387
	1,352,444	5,207,212

As the Company is domiciled in the PRC from where all of its revenues from external customers for the years ended 31 December 2020 and 2019 are derived and in where all of its assets are located, no geographical segment information is shown.

For the year ended 31 December 2020, approximately 24% (2019: 24% and 17%) of the total revenues of the Company were derived from one (2019: two) single external customer.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

6 INVESTMENT PROPERTIES

	2020	2019
	RMB'000	RMB'000
Cost		
At beginning of year	–	–
Transferred from property, plant and equipment (Note 7)	1,803,690	–
Transferred from right-of-use assets (Note 8)	1,773,635	–
At end of year	3,577,325	–
Accumulated depreciation and impairment		
At beginning of year	–	–
Transferred from property, plant and equipment (Note 7)	(417,649)	–
Transferred from right-of-use assets (Note 8)	(72,873)	–
Charge for the year	(93,036)	–
At end of year	(583,558)	–
Net book amount		
At end of year	2,993,767	–
Fair value at end of the year	2,994,000	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

6 INVESTMENT PROPERTIES (CONTINUED)

(i) Amounts recognised in profit or loss for investment properties

	2020	2019
	RMB'000	RMB'000
Rental income	48,879	–
Concession income	39,903	–
	88,782	–

The Company and the consortium formed by Shouzhong Investment Management Co., Ltd. and Beijing Jingtai Transportation Investment & Operation Co., Ltd. and its subsidiary Beijing Shouzhong Jingtai Transportation Carpark Management Co., Ltd. ("Beijing Shouzhong Jingtai") entered into the Operating Right Transfer Agreement which was effective on 1 January 2020. The Company agreed to transfer the Operating Right and lease the Car Park Buildings to Beijing Shouzhong Jingtai. Therefore, the Company transferred the Car Park Buildings and its right-of-use assets to investment properties, with the amounts of RMB1,386,041,000 and RMB1,700,762,000 respectively.

As at 31 December 2020, the land use rights for parcels of land with net book value of RMB1,630,702,000 (2019: nil) were acquired from the Parent Company as part of the acquisition of the GTC assets (*Note 8*). 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 2020, buildings with net book value of RMB1,011,407,000 (2019: nil) were situated on parcels of land which had been acquired from the Parent Company as part of the acquisition of the GTC Assets (*Note 7*). As at the date of approval of the financial statements, the Company is in the process of applying for the building ownership certificates of these buildings.

Investment properties are measured initially at cost and stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated using the straight-line method to write off the cost less accumulated impairment loss of the asset over its estimated useful life.

As at 31 December 2020, the fair value of the Company's investment properties is based on valuations performed by Cushman & Wakefield Limited, a firm of independent and professionally qualified valuers. The investment properties, mainly located in the Mainland China, are valued by the income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. The fair value falls into the category of fair value measurements using significant unobservable inputs (level 3) including future rental cash inflows and capitalisation rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7 PROPERTY, PLANT AND EQUIPMENT

	2020 RMB'000	2019 RMB'000
Property, plant and equipment in used	25,247,498	26,639,400
Property, plant and equipment to be disposed	-	5,177
	25,247,498	26,644,577

	2020					
	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	25,000,404	10,465,714	8,799,167	917,696	1,241,364	46,424,345
Additions	631	-	22,993	21,104	1,124,388	1,169,116
Transfers	80,070	151,083	582,956	42,610	(856,719)	-
Disposals	(6,768)	-	(107,934)	(63,528)	-	(178,230)
Transferred to investment properties	(1,803,690)	-	-	-	-	(1,803,690)
Adjustments according to finalisation of construction account by the surveyors	(6,893)	(17,127)	15,842	231	-	(7,947)
At end of year	23,263,754	10,599,670	9,313,024	918,113	1,509,033	45,603,594
Accumulated depreciation and impairment						
At beginning of year	(8,071,053)	(3,492,099)	(7,649,013)	(563,844)	(8,936)	(19,784,945)
Charge for the year	(600,310)	(234,689)	(259,061)	(62,116)	-	(1,156,176)
Transferred to investment properties	417,649	-	-	-	-	417,649
Disposals	4,715	-	102,725	59,936	-	167,376
At end of year	(8,248,999)	(3,726,788)	(7,805,349)	(566,024)	(8,936)	(20,356,096)
Net book amount						
At end of year	15,014,755	6,872,882	1,507,675	352,089	1,500,097	25,247,498

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2019					
	Buildings and improvements <i>RMB'000</i>	Runways <i>RMB'000</i>	Plant, furniture, fixtures and equipment <i>RMB'000</i>	Motor Vehicles <i>RMB'000</i>	Assets under construction <i>RMB'000</i>	Total <i>RMB'000</i>
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 2020

7 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:

	2020 RMB'000	2019 <i>RMB'000</i>
Cost	1,374,226	1,376,993
Accumulated depreciation	(617,657)	(536,540)
Net book amount	756,569	840,453

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

	2020 RMB'000	2019 <i>RMB'000</i>
Cost	468,915	587,591
Accumulated depreciation	(185,689)	(205,578)
Net book amount	283,226	382,013

As at 31 December 2020, buildings with net book value of RMB107,741,000 (2019: RMB111,936,000) 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 2020, buildings and terminal with a net book value of RMB7,239,690,000 (2019: RMB7,482,183,000) 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 8*). As at 31 December 2020, buildings and terminal with a net book value of RMB858,471,000 (2019: RMB887,546,000) were situated on parcels of land which had been acquired from the Parent Company as part of the acquisition of the T3D Assets (*Note 8*). As at 31 December 2020, buildings with net book value of RMB401,960,000 (2019: RMB1,461,557,000) were situated on parcels of land which had been acquired from the Parent Company as part of the acquisition of the GTC Assets (*Note 8*). 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 2020, taxiways, aprons and structures with net book value of RMB582,893,000 (2019: RMB603,441,000) 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 2020

8 LEASES

This note provides information for leases where the Company is a lessee.

(a) Right-of-use assets

	2020					
	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	789,437	3,547,799	227,063	159,731	32,243	4,756,273
Lease termination	-	-	-	-	(22,852)	(22,852)
Transferred to investment properties (<i>Note 6</i>)	-	(1,773,635)	-	-	-	(1,773,635)
Additions	-	-	8,687	1,221	-	9,908
At end of year	789,437	1,774,164	235,750	160,952	9,391	2,969,694
Accumulated depreciation						
At beginning of year	(53,975)	(359,435)	(59,136)	(5,956)	(496)	(478,998)
Lease termination	-	-	-	-	272	272
Transferred to investment properties (<i>Note 6</i>)	-	72,873	-	-	-	72,873
Charge for the year	(70,631)	(39,502)	(57,859)	(33,218)	(1,342)	(202,552)
At end of year	(124,606)	(326,064)	(116,995)	(39,174)	(1,566)	(608,405)
Net book amount						
At end of year	664,831	1,448,100	118,755	121,778	7,825	2,361,289

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8 LEASES (CONTINUED)**(a) Right-of-use assets (Continued)**

As at 31 December 2020, the land use rights for parcels of land with net book value of RMB415,456,000 (2019: RMB426,461,000) 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 2020, the land use rights for parcels of land with net book value of RMB436,435,000 (2019: RMB447,996,000) 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 2020, the land use rights for parcels of land with net book value of RMB453,317,000 (2019: RMB2,138,258,000) 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.

(b) Lease liabilities

	2020 RMB'000	2019 <i>RMB'000</i>
Current	176,497	191,998
Non-current	777,941	934,103
	954,438	1,126,101
	2020 RMB'000	2019 <i>RMB'000</i>
Interest expense (included in finance cost)	47,398	40,958
Expense relating to short-term leases (included in operating expenses)	3,526	19,735
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses)	2,978	80

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8 LEASES (CONTINUED)**(b) Lease liabilities (Continued)**

The total cash outflow for leases in 2020 was RMB231,555,000 (2019: RMB306,061,000).

The Company leases various lands, offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 2 to 28 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.

9 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:

	2020 RMB'000	2019 <i>RMB'000</i>
Cost		
At beginning of year	400,735	376,947
Additions	48,936	23,788
At end of year	449,671	400,735
Accumulated amortisation		
At beginning of year	(328,830)	(298,671)
Amortisation	(31,108)	(30,159)
At end of year	(359,938)	(328,830)
Net book amount		
At end of year	89,733	71,905

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

10 INVENTORIES

	2020 RMB'000	2019 <i>RMB'000</i>
Current assets		
Spare parts and consumable items	166,477	157,374

(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 2020 amounted to RMB134,583,000 (2019: RMB141,519,000). These were included in cost of providing services.

11 TRADE RECEIVABLES

	2020 RMB'000	2019 <i>RMB'000</i>
Trade receivables		
– CAHC's subsidiaries (<i>Note 35(a)</i>)	451,754	389,299
– third parties	854,368	1,336,465
	1,306,122	1,725,764
Less: provision for impairment	(434,564)	(336,670)
	871,558	1,389,094

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

Currency	2020 RMB'000	2019 <i>RMB'000</i>
RMB	871,558	1,389,058
US dollar	–	36
	871,558	1,389,094

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

11 TRADE RECEIVABLES (CONTINUED)

At 31 December 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

	2020	2019
	RMB'000	<i>RMB'000</i>
Less than 3 months	539,772	1,066,000
4 – 6 months	121,170	78,253
7 – 12 months	126,566	161,084
1 – 2 years	185,671	179,353
2 – 3 years	149,544	60,628
Over 3 years	183,399	180,446
	1,306,122	1,725,764

(a) Fair values of trade receivables

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

(b) Impairment and risk exposure

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

11 TRADE RECEIVABLES (CONTINUED)**(b) Impairment and risk exposure (Continued)**

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables:

31 December 2020	No more than 90 days	Between 90 and 180 days	Between 180 and 270 days	Between 270 and 360 days	More than 360 days	Total
Aeronautical						
Domestic Airlines						
Expected loss rate	5.88%	100.00%	100.00%	100.00%	100.00%	
Gross carrying amount- trade receivables	292,824	74	2,779	3	15,441	311,121
Loss allowance	17,210	74	2,779	3	15,441	35,507
International, Hong Kong, Macau and Taiwan Airlines						
Expected loss rate	0.40%	10.00%	12.00%	15.00%	80.68%	
Gross carrying amount- trade receivables	12,022	2,969	-	585	8,014	23,590
Loss allowance	48	297	-	88	6,465	6,898
Non-aeronautical						
State-owned enterprises						
Expected loss rate	3.78%	17.97%	22.43%	31.22%	98.62%	
Gross carrying amount- trade receivables	69,894	72,937	18,990	31,080	5,699	198,600
Loss allowance	2,642	13,107	4,259	9,702	5,621	35,331
Non state-owned enterprises						
Expected loss rate	1.66%	2.42%	6.80%	23.39%	33.61%	
Gross carrying amount- trade receivables	147,980	28,324	32,367	5,545	77	214,293
Loss allowance	2,459	685	2,201	1,297	26	6,668

As at 31 December 2020, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected loss rate	Loss allowance	Reason
Trade receivables 1	383,426	46.5%	178,451	The likelihood of recovery
Trade receivables 2	130,996	98.4%	128,894	The likelihood of recovery
Others	44,096	97.1%	42,815	The likelihood of recovery
	558,518		350,160	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

11 TRADE RECEIVABLES (CONTINUED)**(b) Impairment and risk exposure (Continued)**

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

	2020	2019
	RMB'000	RMB'000
At beginning of year	336,670	241,649
Provision for impairment of trade receivables	155,179	95,021
Reversal of impairment of trade receivables	(55,658)	–
Receivables written off during the year as uncollectible	(1,627)	–
At end of year	434,564	336,670

12 PREPAYMENTS

	2020	2019
	RMB'000	RMB'000
Prepayments		
– CAHC (Note 35(a))	169,881	169,881
– CAHC's subsidiaries (Note 35(a))	9,175	24,575
– third parties	18,312	4,601
	197,368	199,057
Less: non-current portion	(172,570)	(172,570)
Total	24,798	26,487

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

13 OTHER FINANCIAL ASSETS AT AMORTISED COST

	2020 RMB'000	2019 RMB'000
Interest receivable		
– CAHC's subsidiaries (Note 35(a))	–	18,054
– third parties	5,086	2,037
Others		
– CAHC's subsidiaries (Note 35(a))	5,413	4,293
– third parties	36,679	29,225
	47,178	53,609
Less: provision for impairment	(8,367)	(2,859)
	38,811	50,750

(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.

14 CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash on hand	1	1
Deposits placed with a subsidiary of CAHC (Note 35(a) and note a)	33,013	806,027
Bank deposits	2,263,787	858,598
	2,296,801	1,664,626

(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 2020

15 OTHER CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Input VAT to be deducted	222,079	70,759
Prepayment of corporate income tax	38,788	–
Input VAT to be verified	33,080	24,009
Prepayment of VAT	2,777	–
Others	305	–
	297,029	94,768

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Company holds the following financial instruments:

Financial assets	2020 RMB'000	2019 RMB'000
Financial assets at amortised cost		
Cash and cash equivalents (<i>Note 14</i>)	2,296,801	1,664,626
Trade receivables (<i>Note 11</i>)	871,558	1,389,094
Other financial assets at amortised cost (<i>Note 13</i>)	38,811	50,750
	3,207,170	3,104,470

Financial liabilities	2020 RMB'000	2019 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)	3,836,658	3,438,286
Borrowings (<i>Note 20</i>)	2,868,909	500,000
Loans from the Parent Company (<i>Note 22</i>)	1,512,660	1,787,526
Bonds payable (<i>Note 21</i>)	1,312,351	–
Lease liabilities (<i>Note 8</i>)	954,438	1,126,101
	10,485,016	6,851,913

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

17 SHARE CAPITAL

	Number of ordinary shares <i>(thousands)</i>	H-Shares of RMB1.00 each <i>RMB'000</i>	Domestic Shares of RMB1.00 each <i>RMB'000</i>	Total <i>RMB'000</i>
Registered, issued and fully paid				
As at 31 December 2020 and 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.

18 RESERVES

(a) Capital reserve

Capital reserve represents equity contributions from CAHC in cash to which CAHC is fully entitled. In accordance with relevant government authorities' 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. As of December 31, 2020, the statutory reserve balance had reached 50% of the Company's registered capital, none of the annual statutory surplus reserve has been set aside.

The proposed profit appropriation of RMB483,874,000 to the discretionary surplus reserve fund for the year ended 31 December 2019 has been approved by the Annual General Meeting on 23 June 2020, which was recorded in the financial statements for the year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

19 TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	RMB'000
Trade payables		
Amounts due to related parties		
– CAHC (Note 35(a))	–	114,836
– CAHC's subsidiaries (Note 35(a))	1,195,476	881,655
	1,195,476	996,491
Repairs and maintenance charges payable	583,980	526,807
Accounts payable for purchases	65,009	61,754
Sub-contracting charges payable	60,779	145,834
Greening and environmental maintenance charges payable	57,762	96,281
Other	276,639	250,111
	2,239,645	2,077,278
Advance and other payables		
Amounts due to related parties		
– CAHC (Note 35(a))	23,122	48,784
– CAHC's subsidiaries (Note 35(a))	93,040	61,222
	116,162	110,006
Accrued liabilities for the title change of the GTC Assets (Note 4(c))	1,508,693	1,508,693
Construction payable	1,119,084	873,933
Deed taxes in respect of the acquisition of the Phase III Assets, the T3D Assets and the GTC Assets	465,948	465,948
Payroll and welfare payable	425,256	485,374
Deposits received	285,557	296,149
Advance from customers	130,624	183,153
Receipts on behalf of concession operators	44,119	60,183
Other tax payable	9,316	22,468
Other	39,323	21,271
	4,144,082	4,027,178
	6,383,727	6,104,456

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

19 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2020 RMB'000	2019 <i>RMB'000</i>
Less than 3 months	1,185,240	913,425
4 – 6 months	304,369	203,373
7 – 12 months	170,049	491,490
Over 12 months	579,987	468,990
	2,239,645	2,077,278

20 BORROWINGS

	2020 RMB'000	2019 <i>RMB'000</i>
Short-term	2,868,909	500,000

The movement in borrowings is analysed as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
Opening amount as at 1 January	500,000	2,980,000
Proceeds of new borrowings	2,868,909	1,980,000
Repayments of borrowings	(500,000)	(4,460,000)
Closing amount as at 31 December	2,868,909	500,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

21 BONDS PAYABLE

	2020 RMB'000	2019 RMB'000
Principal amount	1,300,000	–
Bonds issuance cost	(3,092)	–
Proceeds received	1,296,908	–
Interest payable	15,126	–
Accumulated amortisation amounts of bonds issuance cost	317	–
	1,312,351	–
Less: current portion	–	–
Non-current portion	1,312,351	–

On 19 August 2020, The Company has received the approval from the National Association of Financial Market Institutional Investors for the registration of medium-term notes in an aggregate amount of no more than RMB6,000,000,000 to be issued in multiple tranches. On 11 September 2020, the Company issued bonds with a principal amount of RMB1,300,000,000 with maturity period of 3 years. The bonds are interest-bearing at 3.74% per annum. The interest is payable annually and the principal amount is repayable in 2023.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

22 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.

	2020	2019
	RMB'000	RMB'000
Loans from the Parent Company	1,512,660	1,787,526
Less: current portion	(159,227)	(170,241)
	1,353,433	1,617,285
	2020	2019
	RMB'000	RMB'000
Opening amount as at 1 January	1,787,526	1,926,055
Repayments of borrowings	(169,556)	(170,150)
Currency translation differences	(105,310)	31,621
Closing amount as at 31 December	1,512,660	1,787,526

As at 31 December 2020, the Company's loans from the Parent Company are repayable as follows:

	2020	2019
	RMB'000	RMB'000
Within 1 year	159,227	170,241
Between 1 and 2 years	159,227	170,241
Between 2 and 5 years	477,681	510,723
Over 5 years	716,525	936,321
	1,512,660	1,787,526

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 2020

23 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2019: 25%).

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of year	194,993	190,187
Credited to income tax expenses	675,469	9,308
Credited to other comprehensive income	(7,877)	(4,502)
At end of year	862,585	194,993

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

Deferred income tax assets	Retirement benefit obligations <i>RMB'000</i>	Accelerated accounting depreciation <i>RMB'000</i>	Provision <i>RMB'000</i>	Recognised on adoption of IFRS 16 <i>RMB'000</i>	Accruals and others <i>RMB'000</i>	Loss credit <i>RMB'000</i>	Total <i>RMB'000</i>
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
As at 1 January 2020	61,370	19,279	87,116	5,364	117,235	-	290,364
Credited/(charged) to income tax expense	1,494	348	25,851	4,641	(25,690)	710,554	717,198
Credited to other comprehensive income	(7,877)	-	-	-	-	-	(7,877)
As at 31 December 2020	54,987	19,627	112,967	10,005	91,545	710,554	999,685

Deferred income tax liabilities	Accelerated tax depreciation <i>RMB'000</i>	Other temporary differences <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2019		4,803	41,316
Charged/(credited) to income tax expense	54,298	(243)	54,055
As at 31 December 2019		4,560	95,371
As at 1 January 2020	90,811	4,560	95,371
Charged/(credited) to income tax expense	41,964	(235)	41,729
As at 31 December 2020	132,775	4,325	137,100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

23 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:

	2020 RMB'000	2019 <i>RMB'000</i>
Deferred income tax assets	999,685	290,364
Deferred income tax liabilities	(137,100)	(95,371)
	862,585	194,993

The amounts shown in the balance sheet include the following:

	2020 RMB'000	2019 <i>RMB'000</i>
Deferred income tax assets to be recovered after more than 12 months	932,285	189,924
Deferred income tax liability to be settled after more than 12 months	136,865	95,128

24 RETIREMENT BENEFIT OBLIGATIONS

As at 31 December 2020, the retirement benefit obligations recognised in the balance sheet are as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
Pension subsidies (<i>note a</i>)	43,197	71,910
Post-retirement medical benefits (<i>note b</i>)	73,283	76,875
	116,480	148,785
Less: amounts due within one year included in current liabilities	(8,395)	(8,219)
	108,085	140,566

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

24 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2020 RMB'000	2019 RMB'000
Pension subsidies (<i>note a</i>)	5,595	6,443
Post-retirement medical benefits (<i>note b</i>)	6,497	6,509
Total, charged to staff costs (<i>Note 26</i>)	12,092	12,952
Pension subsidies (<i>note a</i>)	(22,251)	(14,502)
Post-retirement medical benefits (<i>note b</i>)	(9,260)	(3,506)
Total, credited to other comprehensive income	(31,511)	(18,008)

(a) Pension subsidies

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

	2020 RMB'000	2019 RMB'000
Present value of the Annuity Plan	89,146	97,939
Present value of unfunded obligations	94,550	98,071
Present value of plan assets	(140,499)	(124,100)
Liability in the balance sheet	43,197	71,910

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

	2020 RMB'000	2019 RMB'000
At beginning of year	71,910	91,986
Total cost	5,595	6,443
Other comprehensive income – actuary gain and loss	(22,251)	(14,502)
Contribution to fund the plan assets	(6,772)	(6,720)
Payment made in the year	(5,285)	(5,297)
At end of year	43,197	71,910

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

24 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**(a) Pension subsidies (Continued)**

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

	2020	2019
	RMB'000	RMB'000
Service cost	3,172	3,318
Net interest cost	2,423	3,125
	5,595	6,443

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

	2020	2019
Discount rate	3.75%	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 2020 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:

	2020	2019
	RMB'000	RMB'000
Pension Product	138,914	123,312
Corporate bonds	1,081	15
Cash and cash equivalents	500	729
Others	4	44
Total	140,499	124,100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

24 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**(b) Post-retirement medical benefits**

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

	2020	2019
	RMB'000	RMB'000
At beginning of year	76,875	74,620
Total cost	6,497	6,509
Other comprehensive income – actuary gain and loss	(9,260)	(3,506)
Payment made in the year	(829)	(748)
At end of year	73,283	76,875

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

	2020	2019
	RMB'000	RMB'000
Service cost	3,821	3,911
Net Interest cost	2,676	2,598
	6,497	6,509

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

	2020	2019
Discount rate	3.75%	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 2020

24 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 15%	Increase by 20%

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 2021 are RMB5,000,000.**
- (f) **The weighted average duration of the retirement benefit obligations is 22 years.**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

24 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**(g) Expected maturity analysis of undiscounted pension subsidies and post-retirement medical benefits:**

At 31 December 2020	Less than a year <i>RMB'000</i>	Between 1-5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Pension subsidies	7,510	29,683	146,503	183,696
Post-retirement medical benefits	884	4,136	68,263	73,283
Total	8,394	33,819	214,766	256,979

25 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.

26 STAFF COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries and welfare	348,689	497,993
Pension costs – defined contribution scheme under statutory pension plan (<i>note a</i>)	37,317	46,618
Housing fund	36,801	34,026
Pension costs – defined contribution scheme under the Annuity Plan	25,822	24,023
Pension costs – defined benefit scheme under the Annuity Plan and others (<i>Note 24</i>)	12,092	12,952
Other allowances and benefits	77,965	87,568
	538,686	703,180

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

26 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 certain percentages of 16%. From February to June, the contribution of Beijing city pension insurance is halved, and the contribution of our company's pension insurance unit is halved to 8% (2019: 19% before May 2019 and 16% thereafter) of the employees' basic salaries subject to a cap determined by the state on an annual basis.

There were no forfeited contributions utilised to offset employers' contributions for the year ended 31 December 2020 (2019: nil). There was no forfeited contribution available to reduce the contributions payable in the future years as at 31 December 2020 (2019: nil).

- (b) Staff costs include emoluments payable to the Company's directors and supervisors as set out in Note 36.
- (c) Five highest paid individuals

The five individuals whose emoluments are the highest in the Company for the year include four senior executives and one supervisor (2019: five senior executives). The emoluments of the director and supervisor are reflected in the analysis presented in Note 36. The emoluments payables to the remaining four (2019: five) individuals during the year are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salary	3,480	4,240
Social security costs excluding pension costs	121	194
Housing allowance	173	514
Employer's contribution to retirement benefit schemes	330	522
	4,104	5,470

During the year ended 31 December 2020, 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 (2019: nil).

The emoluments fell within the following bands:

Emolument bands (in HK dollar)	Number of individuals	
	2020	2019
HK\$1,000,001 – HK\$1,500,000	4	5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

27 EXPENSES BY NATURE

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

	2020 RMB'000	2019 RMB'000
Depreciation on property, plant and equipment (Note 7)	1,156,176	1,171,177
Depreciation of rights-of-use assets (Note 8)	202,552	203,173
Depreciation on investment properties (Note 6)	93,036	–
Amortisation of intangible assets (Note 9)	31,108	30,159
Loss on disposal of property, plant and equipment	15,866	–
Auditor's remuneration	3,450	4,424
– Audit services	3,450	4,400
– Non-audit services	–	24

28 WAIVER OF FEE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Waiver of fee receivables	265,921	–

For the year ended 31 December 2020, the Company waived part of the fee receivables from advertising and restaurants and food shops due to the COVID-19 outbreak, and derecognised the related receivables because the contractual rights to receive the cash flows from the financial asset expired, which led to a loss of RMB265,921,000 (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

29 FINANCE INCOME/(COSTS)

	2020	2019
	RMB'000	RMB'000
Finance income		
Exchange gains, net	109,043	–
Interest income on bank deposits	27,097	27,133
	136,140	27,133
Finance costs		
Interest for lease liabilities (Note 8)	(47,398)	(40,958)
Interest for borrowings	(36,242)	(59,580)
Interest for loans from the Parent Company	(20,241)	(54,974)
Interest for bonds payable	(15,469)	–
Bank charges	(1,426)	(1,587)
Exchange losses, net	–	(40,272)
	(120,776)	(197,371)
Net finance income/(costs)	15,364	(170,238)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

30 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% (2019: 25%) on its taxable income as determined in accordance with the relevant PRC income tax laws and regulations.

	2020 RMB'000	2019 <i>RMB'000</i>
Current income tax	–	819,268
Deferred income tax (<i>Note 23</i>)	(675,469)	(9,308)
	(675,469)	809,960

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

	2020 RMB'000	2019 <i>RMB'000</i>
(Loss)/Profit before income tax	(2,710,120)	3,229,333
Tax calculated at a tax rate of 25% (2019: 25%)	(677,530)	807,333
Expenses not deductible for tax purpose	2,061	2,627
Tax (credit)/charge	(675,469)	809,960

According to Announcement No.8, 2020 of the Ministry of Finance and the State Administration of Taxation, the limit of carrying forward period of the losses of enterprises in difficult industries greatly affected by the COVID-19 outbreak in 2020, including transportation industry, will be extended from 5 years to 8 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

30 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.

31 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of 4,579,178,977 (2019: 4,368,303,407) ordinary shares in issue during the year.

Diluted (loss)/earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019.

	2020	2019
(Loss)/Profit for the year (RMB'000)	(2,034,651)	2,419,373
Basic (loss)/earnings per share (RMB per share)	(0.44)	0.55

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

32 DIVIDENDS

	2020	2019
Dividend proposed		
Final dividend (<i>RMB'000</i>)	–	701,988
Final dividend per share (<i>RMB</i>)	–	0.1533
Interim dividend (<i>RMB'000</i>)	–	387,182
Interim dividend per share (<i>RMB</i>)	–	0.0894

33 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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Property, plant and equipment	479,665	642,792
Intangible assets	127,766	106,305
	607,431	749,097

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

33 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 and Note 8(a) for further information.

	2020 RMB'000	2019 <i>RMB'000</i>
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	1,455	6,303
Later than 1 year and no later than 5 years	1,319	215
	2,774	6,518

Operating lease arrangements – where the Company is the lessor

As at 31 December 2020, the future minimum lease payment receivables under non-cancellable operating leases for areas around terminals and equipment were as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
No later than 1 year	367,596	1,000,075
Later than 1 year and no later than 5 years	528,592	500,273
Later than 5 years	474,189	635,250
	1,370,377	2,135,598

Concession income arrangements

As at 31 December 2020, the future minimum concession income receivable under non-cancellable agreements were as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
No later than 1 year	928,558	1,723,833
Later than 1 year and no later than 5 years	401,055	1,191,972
Later than 5 years	51,898	173,250
	1,381,511	3,089,055

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

34 NOTES TO STATEMENT OF CASH FLOWS**(a) Cash (used in)/generated from operations**

Reconciliation of (loss)/profit for the year to cash (used in)/generated from operations:

	2020	2019
	RMB'000	<i>RMB'000</i>
(Loss)/profit for the year	(2,034,651)	2,419,373
Adjustments for:		
Taxation	(675,469)	809,960
Depreciation	1,156,176	1,171,177
Depreciation of rights-of-use assets	202,552	203,173
Depreciation of investment properties	93,036	–
Amortisation of intangible assets	31,108	30,159
Provision for impairment of trade receivables	105,029	97,880
Losses on disposal of property, plant and equipment	15,866	–
Investment income from investment in wealth management products	–	(1,763)
Interest income	(27,097)	(27,133)
Finance costs	120,776	157,099
Foreign exchange (gains)/losses, net	(109,043)	40,272
Retirement benefit obligations	(795)	187
Deferred income	(5,193)	7,565
Changes in working capital:		
Inventories	(9,103)	(3,785)
Trade receivables, prepayments and other financial assets at amortised cost	411,130	(138,492)
Other current assets	(163,473)	163,147
Trade and other payables	16,399	(178,077)
Cash (used in)/generated from operations	(872,752)	4,750,742

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

34 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	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	2,296,801	1,664,626
Gross debt – repayable within one year	(3,220,076)	(862,239)
Gross debt – repayable after one year	(3,428,282)	(2,551,388)
Net debt	(4,351,557)	(1,749,001)
Cash and cash equivalents	2,296,801	1,664,626
Gross debt – fixed interest rates	(2,266,789)	(1,126,101)
Gross debt – variable interest rates	(4,381,569)	(2,287,526)
Net debt	(4,351,557)	(1,749,001)

	Other assets Cash and cash equivalents RMB'000	Liabilities from financing activities		Bonds payable RMB'000	Total RMB'000
		Borrowings RMB'000	Lease RMB'000		
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)
Net debt as at 1 January 2020	1,664,626	(2,287,526)	(1,126,101)	–	(1,749,001)
Cash flows	629,010	(2,199,353)	206,021	(1,296,908)	(2,661,230)
Acquisition – lease	–	–	(9,908)	–	(9,908)
Foreign exchange adjustments	3,165	105,310	–	–	108,475
Other changes	–	–	(24,450)	(15,443)	(39,893)
Net debt as at 31 December 2020	2,296,801	(4,381,569)	(954,438)	(1,312,351)	(4,351,557)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

35 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 2020

35 RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Balances with related parties**

As at 31 December 2020, balances with related parties comprised:

	2020	2019
	RMB'000	RMB'000
Trade receivables from CAHC's subsidiaries (Note 11 and note i)	451,754	389,299
Prepayment to CAHC (Note 12)	169,881	169,881
Prepayment to a CAHC's subsidiary (Note 12)	9,175	24,575
Other financial assets at amortised costs from CAHC's subsidiaries (Note 13 and note i)	5,413	22,347
Deposit placed with a subsidiary of CAHC (Note 14 and note ii)	33,013	806,027
Trade and other payables to CAHC (Note 19 and note i)	23,122	163,620
Trade and other payables to CAHC's subsidiaries (Note 19 and note i)	1,288,516	942,877
Loans from the Parent Company (Note 22)	1,512,660	1,787,526
Borrowings from a subsidiary of CAHC	1,018,909	–
Lease liabilities to CAHC and its subsidiaries	588,587	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 2020

35 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties**

	2020 RMB'000	2019 RMB'000
Transactions with CAHC, CAHC's subsidiaries		
Revenues: <i>(note i)</i>		
Rentals	224,316	394,113
Concessions	62,590	128,897
Waste water treatment	9,532	11,321
Finance income:		
Interest income	7,052	12,876
Expenses: <i>(note i)</i>		
Provision of aviation safety and security guard services and maintenance of security equipments	667,082	714,143
Provision of utilities and power	589,906	610,929
Provision of maintenance services	438,042	430,748
Provision of certain sanitary services, baggage cart, car park operation management services, management services, greening and environmental maintenance services, customs on-site services	235,956	248,492
Provision of concession management services	233,014	1,236,216
Provision of accessorial power and energy services	199,714	198,763
Provision of on-site joint inspection services	92,930	31,966
Provision of airport guidance services	48,615	49,852
Provision of commuter buses and passengers transport services	22,292	–
Provision of canteen management services	11,059	14,730
Provision of baggage storage, lost and found services	9,558	9,919
Provision of beverage services	5,827	5,189
Provision of the overall planning revision	5,629	13,116
Rental expenses	3,990	4,990
Provision of contingency shuttle bus service during Automated People Mover ("APM") failure	756	801
Provision of advertisement services	410	651
Provision of agency services	93	258
Use of trademark license <i>(note ii)</i>	–	107,322

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

35 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties (Continued)**

	2020	2019
	RMB'000	RMB'000
Other:		
Borrowings from a subsidiary of CAHC	1,018,909	–
Provision of construction services	39,571	37,271
Interest charges on lease liabilities to CAHC and its subsidiaries	30,196	32,695
Interest charges on loans from the Parent Company (Note 29)	20,241	54,974
Interest charges on borrowings from CAHC's subsidiaries	1,632	–
Recognition of right-of-use assets on leased assets owned by CAHC and its subsidiaries	–	675,029

- (i) These transactions constitute connected transactions or continuing connected transactions under the Listing Rules.
- (ii) According to the Trademark Licensing Agreement signed with the Parent Company, the fee of trademark license would be nil if the Company recorded net loss in the current year.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

35 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Commitment with related parties****Operating lease arrangements – where the Company is the lessee**

As at 31 December 2020, the future aggregate minimum lease payments under non-cancellable operating leases payable to CAHC and its subsidiaries were as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
No later than 1 year	1,377	4,654
Later than 1 year and no later than 5 years	1,182	–
	2,559	4,654

Operating lease arrangements – where the Company is the lessor

As at 31 December 2020, the future minimum lease payment receivables under non-cancellable operating leases for buildings and equipment from CAHC's subsidiaries were as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
No later than 1 year	94,007	350,577
Later than 1 year and no later than 5 years	66,237	164,588
	160,244	515,165

Concession income arrangements

As at 31 December 2020, the future minimum concession income receivable under non-cancellable agreements from CAHC's subsidiaries were as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
No later than 1 year	142	94,261
Later than 1 year and no later than 5 years	–	150
	142	94,411

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

35 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Commitment with related parties (Continued)****Purchase of services arrangements**

As at 31 December 2020, the future minimum expense payables under non-cancellable agreements to CAHC's subsidiaries were as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
No later than 1 year	617,331	1,088,931
Later than 1 year and no later than 5 years	209,097	444,264
	826,428	1,533,195

Purchase of assets arrangements

As at 31 December 2020, the future minimum payables for purchase of assets under non-cancellable agreements to CAHC were as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
Purchase of assets	120,320	120,320

(d) Key management compensation

	2020 RMB'000	2019 <i>RMB'000</i>
Salaries, allowances and other benefits	8,797	9,569

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

36 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:

	2020	2019
	RMB'000	RMB'000
Fees	800	800
Salary	2,312	2,713
Social security costs excluding pension costs	123	132
Housing allowance	152	140
Employer's contribution to retirement benefit schemes	293	316
Total	3,680	4,101

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

36 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 2020 are set out below:

Name of director	Fees RMB'000	Salary RMB'000	Social security costs excluding pension costs RMB'000	Housing allowance RMB'000	Employer's contribution to retirement benefit schemes RMB'000
<i>Chairman</i>					
Liu Xuesong (note i)	-	-	-	-	-
<i>Executive directors</i>					
Han Zhiliang (note vii and viii)	-	368	34	40	97
Zhang Guoliang (note ii)	-	188	21	20	34
<i>Non-executive directors</i>					
Gao Shiqing (note i)	-	-	-	-	-
Yao Yabo (note i and iii)	-	-	-	-	-
Ma Zheng (note i and iii)	-	-	-	-	-
Jia Jianqing (note i and iv)	-	-	-	-	-
Song Kun (note i and iv)	-	-	-	-	-
<i>Independent Non-executive directors</i>					
Japhet Sebastian Law (note v)	-	-	-	-	-
Jiang Ruiming	150	-	-	-	-
Liu Guibin	150	-	-	-	-
Zhang Jiali	150	-	-	-	-
Stanley Hui Hon-chung (note vi)	150	-	-	-	-
Name of supervisor					
Song Shengli (note i)	-	-	-	-	-
Liu Shaocheng (note vii and viii)	-	476	34	40	77
Chang Jun	-	591	34	52	85
Dong Ansheng (note i)	-	-	-	-	-
Wang Xiaolong	100	-	-	-	-
Japhet Sebastian Law (note v)	100	-	-	-	-
	800	1,623	123	152	293
Total					2,991

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

36 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:

Name of director	Fees RMB'000	Salary RMB'000	Social security costs excluding pension costs RMB'000	Housing allowance RMB'000	Employer's contribution to retirement benefit schemes RMB'000
<i>Chairman</i>					
Liu Xuesong (note i)	-	-	-	-	-
<i>Executive directors</i>					
Han Zhiliang (note vii and viii)	-	371	39	38	84
Gao Lijia (note vii and viii)	-	216	15	15	51
<i>Non-executive directors</i>					
Gao Shiqing (note i)	-	-	-	-	-
Yao Yabo (note i)	-	-	-	-	-
Ma Zheng (note i)	-	-	-	-	-
<i>Independent Non-executive directors</i>					
Liu Guibin	150	-	-	-	-
Jiang Ruiming	150	-	-	-	-
Japhet Sebastian Law (note v)	150	-	-	-	-
Zhang Jiali	150	-	-	-	-
Name of supervisor					
Song Shengli (note i)	-	-	-	-	-
Dong Ansheng	100	-	-	-	-
Wang Xiaolong	100	-	-	-	-
Liu Shaocheng (note vii and viii)	-	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 2020

36 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) Mr. Zhang Guoliang was appointed as director with effect from 23 June 2020.
- (iii) Mr. Yao Yabo and Ma Zheng resigned as directors with effect from 23 June 2020.
- (iv) Mr. Jia Jianqing and Song Kun were appointed as directors with effect from 23 June 2020.
- (v) Mr. Japhet Sebastian Law resigned as a director and was appointed as a supervisor with effect from 23 June 2020.
- (vi) Mr. Stanley Hui Hon-chung was appointed as a director with effect from 23 June 2020.
- (vii) According to the results of the performance appraisal of the previous year in 2020, the performance compensation of Mr. Han Zhiliang, and Mr. Liu Shaocheng in the previous years was confirmed, with the amounts of RMB269,000 and RMB420,000, respectively.
- (viii) According to the results of the performance appraisal of the previous year in 2019, 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 RMB335,000, RMB386,000, RMB326,000 and RMB323,000 respectively.

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

During the year ended 31 December 2020, 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 (2019: nil).

(b) Directors' and supervisors' retirement benefits

During the year ended 31 December 2020, 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 (2019: nil).

(c) Directors' and supervisors' termination benefits

During the year ended 31 December 2020, no termination benefits were paid or receivable by any director or supervisor as compensation for their early termination of the appointment (2019: nil).

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

During the year ended 31 December 2020, 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 (2019: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

36 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)**(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 2020, 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 (2019: nil).

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

During the year ended 31 December 2020, 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 (2019: 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
2020	2019	2020	2019	2020	2019
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
600	600	1,071	1,550	1,671	2,150

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 <i>Certified Public Accountants and Registered PIE Auditor</i>

BOARD OF DIRECTORS

Executive Directors

Liu Xuesong (*Chairman*)
Han Zhiliang (*General Manager*)
Zhang Guoliang (*Deputy General Manager*) (appointed as director with effect from 23 June 2020)

Non-executive Directors

Gao Shiqing
Jia Jianqing (appointed as director with effect from 23 June 2020)
Song Kun (appointed as director with effect from 23 June 2020)
Yao Yabo (retired as director with effect from 23 June 2020)
Ma Zheng (retired as director with effect from 23 June 2020)

Independent Non-executive Directors

Liu Guibin
Jiang Ruiming
Zhang Jiali
Stanley Hui Hon-chung
Japhet Sebastian Law (retired as director with effect from 23 June 2020)

COMMITTEES

Audit and Risk Management Committee

Liu Guibin (*Chairman*)
Jiang Ruiming
Zhang Jiali
Stanley Hui Hon-chung

Remuneration and Evaluation Committee

Stanley Hui Hon-chung (*Chairman*)
Jiang Ruiming
Liu Guibin
Zhang Jiali
Gao Shiqing
Zhang Guoliang

Nomination Committee

Jiang Ruiming (*Chairman*)
Liu Guibin
Zhang Jiali
Stanley Hui Hon-chung
Liu Xuesong
Han Zhiliang
Zhang Guoliang

Strategy Committee

Liu Xuesong (*Chairman*)
Han Zhiliang
Zhang Guoliang
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, 17 th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong

FINANCE CALENDAR OF 2020

Announcement of interim results:	26 August 2020
Announcement of final results:	24 March 2021

SHARE INFORMATION

Name of H shares:	Beijing Airport
Stock code:	00694

PRICE AND TURNOVER HISTORY

Year 2020	Price per share High (HK\$)	Low (HK\$)	Turnover of share (in millions)
January	7.66	6.13	175.8
February	6.98	6.05	210.6
March	6.55	4.62	345.8
April	5.73	4.33	289.8
May	5.41	4.69	268.6
June	5.87	4.81	320.1
July	5.73	4.86	281.1
August	5.92	5.09	255.6
September	5.50	4.38	367.5
October	5.25	4.50	171.7
November	6.43	4.62	438.0
December	6.96	5.82	287.6



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