



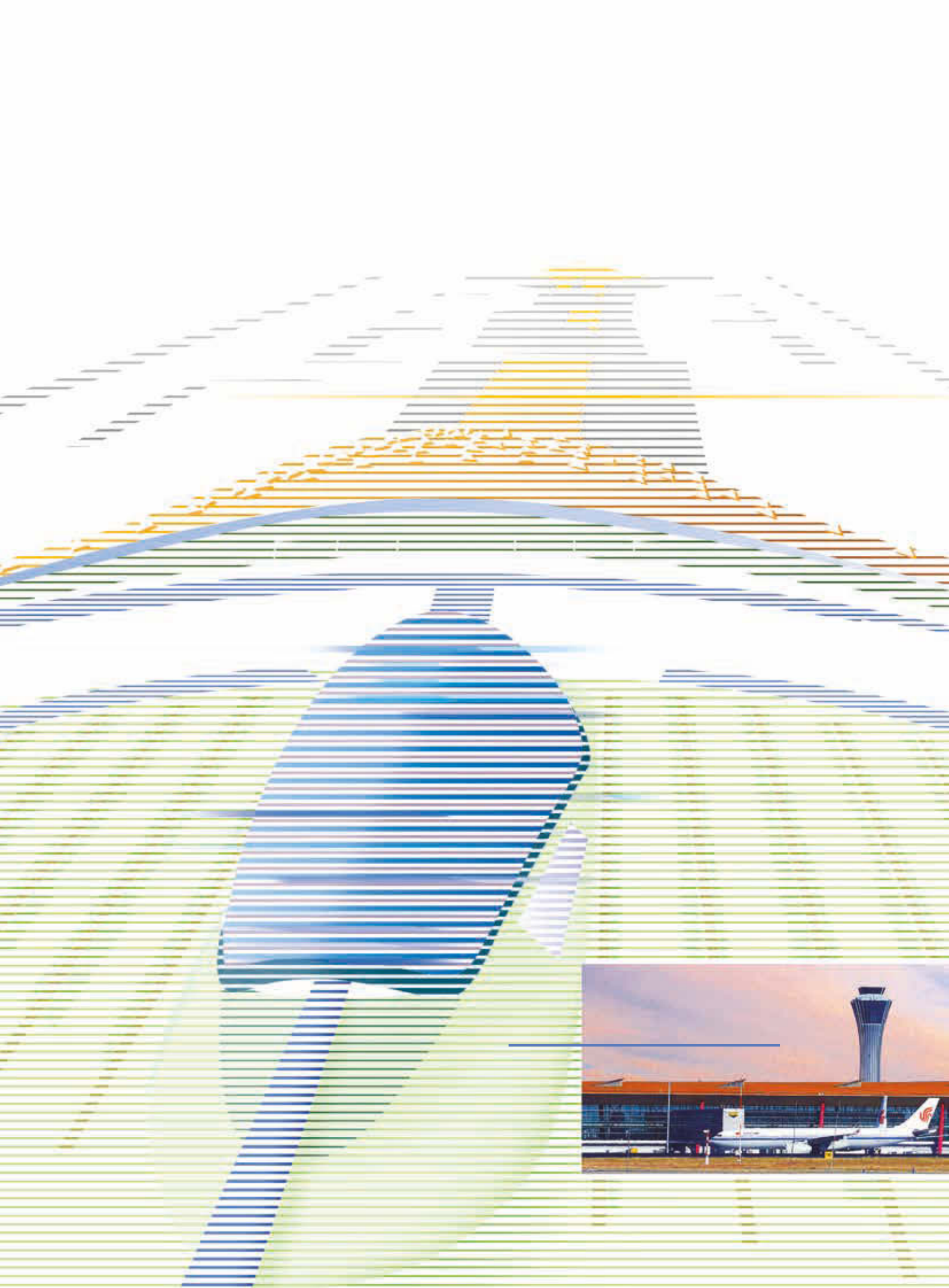
Beijing Capital International Airport Company Limited

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

Stock Code: 00694

ANNUAL REPORT 2021





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FINANCIAL SUMMARY



FINANCIAL SUMMARY (CONTINUED)

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

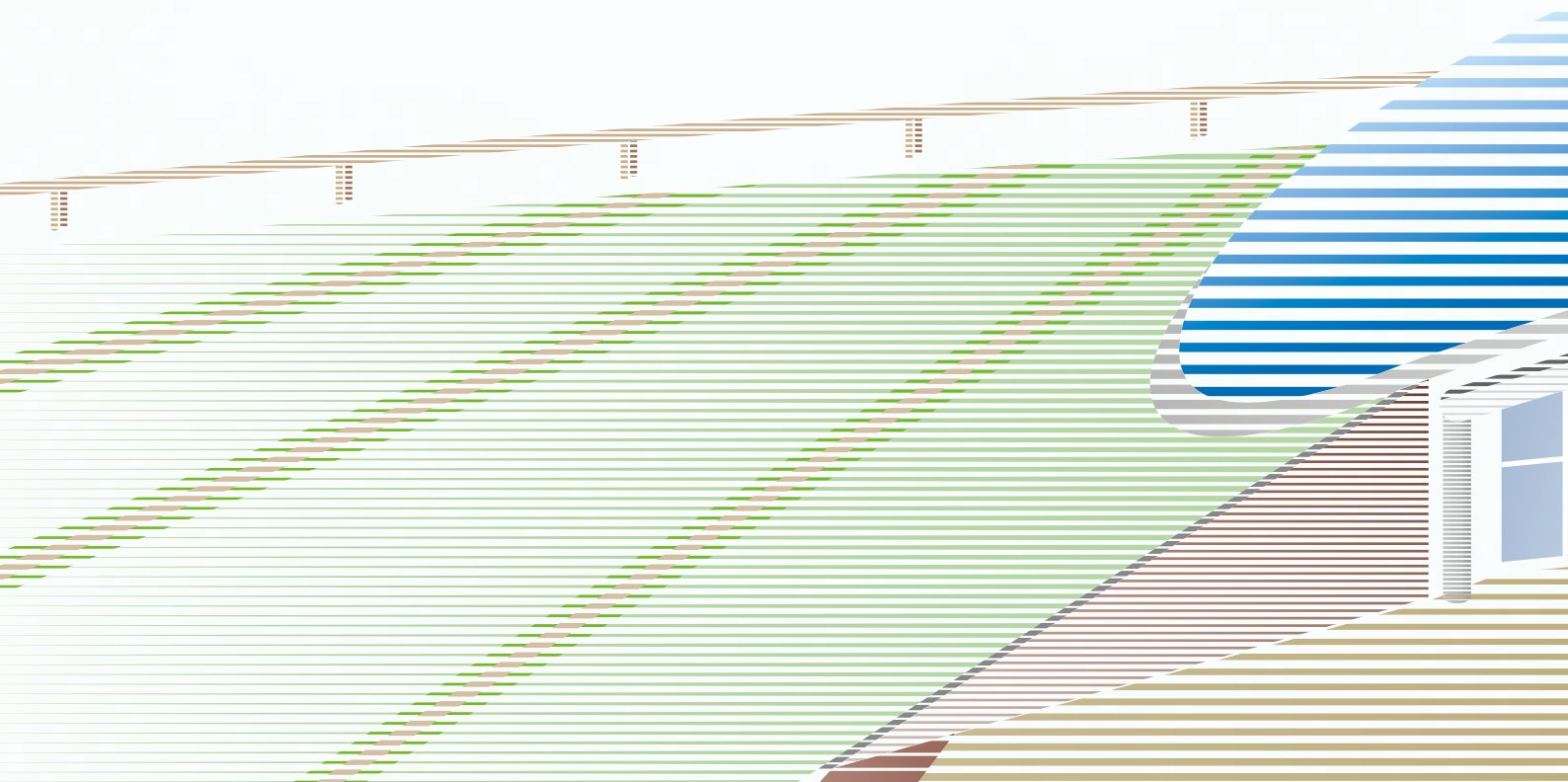
| | 2021 | 2020 | 2019 | 2018 | 2017 |
|-------------------------------|-------------|-------------|------------|------------|------------|
| Operating Results | | | | | |
| Revenue | 3,344,709 | 3,587,136 | 10,810,484 | 11,262,512 | 9,574,516 |
| (LBITDA)/EBITDA | (1,027,944) | (1,107,898) | 4,789,354 | 5,375,970 | 5,118,797 |
| (Loss)/Profit before tax | (2,820,414) | (2,710,120) | 3,229,333 | 3,828,591 | 3,470,294 |
| Tax | 703,877 | 675,469 | (809,960) | (956,536) | (869,833) |
| (Loss)/Profit after tax | (2,116,537) | (2,034,651) | 2,419,373 | 2,872,055 | 2,600,461 |
| Attributable to: | | | | | |
| Equity holders of the Company | (2,116,537) | (2,034,651) | 2,419,373 | 2,872,055 | 2,600,461 |
| Non-controlling interests | - | - | - | - | - |
| (Losses)/Earnings per share | | | | | |
| - basic and diluted (RMB) | (0.46) | (0.44) | 0.55 | 0.66 | 0.60 |
| Return on Equity | -10.49% | -9.15% | 9.69% | 12.27% | 12.13% |
| Financial Position | | | | | |
| Assets | | | | | |
| Non-current assets | 31,527,881 | 31,727,442 | 31,361,320 | 30,565,679 | 27,478,651 |
| Current assets | 3,619,455 | 3,695,474 | 3,383,099 | 4,132,430 | 3,158,607 |
| Total | 35,147,336 | 35,422,916 | 34,744,419 | 34,698,109 | 30,637,258 |
| Equity and liabilities | | | | | |
| Shareholders' equity | | | | | |
| Non-controlling interests | - | - | - | - | - |
| Non-current liabilities | 6,065,881 | 3,587,927 | 2,733,264 | 1,950,858 | 4,994,277 |
| Current liabilities | 8,906,647 | 9,596,755 | 7,050,257 | 9,334,060 | 4,213,166 |
| Total | 35,147,336 | 35,422,916 | 34,744,419 | 34,698,109 | 30,637,258 |

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 Holdings Limited (formerly known as Capital Airports Holding Company) (the "Parent Company") 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 nonaeronautical businesses at Beijing Capital Airport.

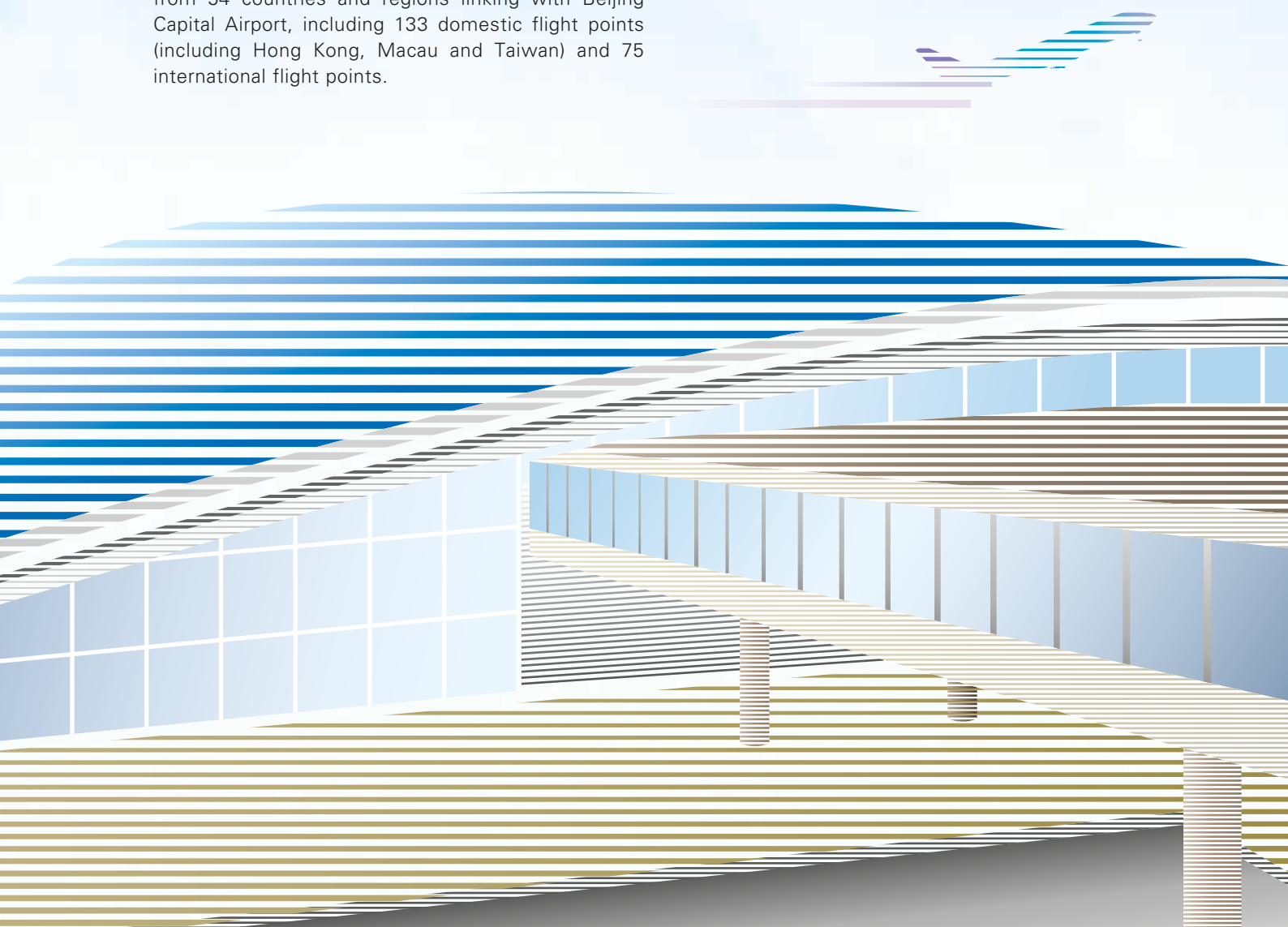
The Company's aeronautical business includes provision of aircraft landings and take-offs and passenger service facilities, ground support services and firefighting services for domestic and foreign air transportation enterprises.

As at the end of 2021, there were 85 airliners operating fixed commercial flights at Beijing Capital Airport, including 26 domestic airliners (including Hong Kong, Macau and Taiwan) and 59 airliners from foreign countries.

As at the end of 2021, there were 208 flight points from 54 countries and regions linking with Beijing Capital Airport, including 133 domestic flight points (including Hong Kong, Macau and Taiwan) and 75 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, the Company will thoroughly acknowledge the complexity and scale of the challenges, fully understand the strategic and practical value of the opportunities, and precisely leverage the historical position and future development orientation. Through pursuing progress in stability, sticking to bottom-line thinking, strengthening development confidence as well as believing in our values and concepts firmly, we will try our best to achieve high-quality growth of Beijing Capital Airport.



TO SHAREHOLDERS:

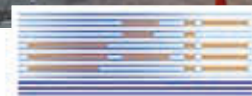
2021 was another exceptional year in the development of the civil aviation. The continuing impacts of the COVID-19 Outbreak and the accelerating changes unseen in a hundred years led to an increasingly complex, severe and uncertain external environment. With weak recovery momentum of the global economy, changing and evolving patterns of international powers, arising conflicts and risk exposures, the world entered a period of turbulence and changes. Challenged by various risks stemming from the complex and severe environment at home or abroad, China coordinated the pandemic fight and economic and social development generally, enhancing the stability and certainty of the globe.

During the first year of the "14th Five-Year Plan", placing emphasis on the new development pattern of footing on the domestic economic circulation while promoting the domestic and international dual circulation, the civil aviation industry adhered to the development of the domestic market, further explored the market potential and drive the passenger demands for and confidence in travel; the passenger and cargo transportation market has recovered gradually, demonstrating strong resilience of development. Nonetheless, under the impact of the local pandemic resurgence, the production and transportation of civil aviation experienced higher fluctuations, which posed severe challenges on the general recovery of the industry.

CHAIRMAN'S STATEMENT (CONTINUED)

As for Beijing Capital Airport, in the face of hardship and multiple challenges in pandemic prevention, red line requirements for safety, security support for major events and operating pressure, the Company made concerted efforts with all employees to tackle all the problems, ensuring flight safety in a stable and orderly manner and safeguarding the frontline to prevent the importation of COVID-19 cases. Besides, with the satisfactory progress of the construction of the aviation hub, the operations and services continued to improve and the operational and management efficiency further increased, laying a solid foundation for the high-quality development.

I hereby present the report on the operations and financial status for 2021 and the prospects for 2022 of the Company to all shareholders.



DISRUPTED RECOVERY OF AIR TRAFFIC VOLUMES AND CONTINUOUSLY STRAINED OPERATING RESULTS

During 2021, China's civil aviation coordinated the pandemic prevention and control and resumed its development, maintaining the steady development of the industry. However, with the recurring pandemic situation of certain local areas, many traditional peak seasons were missed, resulting in a notable volatility of air traffic volumes. Meanwhile, 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. In 2021, the cumulative aircraft movements in Beijing Capital Airport for the year were 298,176 sorties, representing an increase

of approximately 2.3% as compared with the previous year. The cumulative passenger throughput amounted to 32,639,013 person-times, representing a decrease of approximately 5.4% as compared with the previous year. The cumulative cargo and mail throughput amounted to 1,401,313 tonnes, representing an increase of approximately 15.8% as compared with the previous year.

The pandemic and the related policies, particularly the international air traffic volumes which remained in the doldrums for a long period, imposed impacts on the tax-exempted revenue continuously and general pressure on the revenue of the Company. The revenues from principal operations were RMB3,344,709,000, representing a decrease of approximately 6.8% from the previous year; among which, the aeronautical revenues were

CHAIRMAN'S STATEMENT (CONTINUED)

RMB1,342,969,000, representing an increase of approximately 3.6% from the previous year; the non-aeronautical revenues amounted to RMB2,001,740,000, representing a decrease of approximately 12.6% as compared with the previous year.

CONTINUAL CONSOLIDATION OF THE PANDEMIC CONTROL AND FRONTLINE DEFENSE, ENSURING SAFETY PRODUCTION IN A STABLE AND ORDERLY MANNER

In 2021, following the recovery of the scale of aviation transportation gradually, coupled with a series of missions of supporting security for major events, Beijing Capital Airport, acting as the offshore pandemic control frontline, shouldered highly onerous mission of containing the pandemic. The Company continued to improve the pandemic prevention and control system and implement precise policies to firmly build the pandemic control front of the airport through the triple measures of "prevention of importation of COVID-19 cases externally, prevention of viral rebound internally, and prevention from spread by people and goods".

Through rounds of critical trials of recurring pandemic, the Company strongly safeguarded the frontline to prevent imported COVID-19 cases externally and effectively strengthened the ability of the Company in responding to public health emergencies.

Pursuing and implementing the requirement of "zero-tolerance to safety hazards" generally, the Company firmly secured the bottom line of safety, enhanced the sense of responsibilities, streamlined the check-list of responsibilities, strengthened the performance of accountability, established a sound safety management system, enhanced the safety management of the counterparties and specified the management and control requirements in details comprehensively. By introducing the system information such as the Internet of Things, the standard of automatic monitoring and control was substantially enhanced with considerably effective intelligent safety. Through a multipronged approach, the safe production of Beijing Capital Airport in a stable and orderly manner was ensured.



CHAIRMAN'S STATEMENT (CONTINUED)

EMPOWERING THE HUB CONSTRUCTION WITH RESERVED RESOURCES, EXCELLING IN THE OPERATIONS AND SERVICES CONTINUOUSLY

During 2021, the Company accelerated the optimization, upgrade and renovation of key regions and critical operation procedures, replenished resources for security in an orderly manner and continued to improve the infrastructures, which made progress on the hub development proactively. By adjusting the operating resources utilization at East and West Zones, the frontal bay rate of flights was increased. With the launch of the innovative aviation product of "Linking Flights via the Capital", the Company focused its efforts on the joint marketing and sales relating to the flight routes for Red Tourism and market cooperation actively, thereby consolidating the attraction of Beijing Capital Airport to passengers and increasing the competitiveness of the domestic economic circulation continuously.

The Company encouraged the airlines to increase the number of flight destinations and increase frequency of various routes by ways of, among others, adjusting them from time to time. To drive the operation efficiency, it enhanced the intelligent level of the apron control and continued to improve normal flight schedule and convenience for flight transits. The Company motivated the sense of service innovation of employees based in Beijing Capital Airport and formulated the risk management methods on service quality to further standardize risk identification and control. In addition, it revised the management system of passenger comments to enhance the ability in handling complaints continuously. The Company performed the philosophy of providing sincere services conscientiously and focused on the travel experience of passengers in a bid to build a new benchmark of China's service brand and excel in the quality of services systematically.

CHAIRMAN'S STATEMENT (CONTINUED)

OPERATION AND MANAGEMENT STOOD THE TEST OF TIME, FORGING AHEAD THE NAVIGATION OF BUSINESS OPERATION

In 2021, the Company continued to implement the "austerity policy", strictly exercised the refined management plan and strengthened efforts in cost management to promote cost reduction and efficiency improvement actively, which fulfilled the scientific control on various expenses successfully. In the face of the pressure of rising expenses attributable to pandemic prevention, safeguarding the safety conditions and providing security support for major events, the increase of the operating expenses of the Company was kept under control at a year-on-year increase of approximately 1.3%, with a total operating expenses of RMB6,046,589,000.

Under the continuing impact of the pandemic, the business operation of Beijing Capital Airport was subject to critical tests. To fuel the business recovery and development, the Company actively developed innovative business models and flexibly optimized the allocation of commercial resources based on the research on passengers' actual demands. It also introduced international quality brands to excel in the quality of business. Planning the integration of commercial resources, the Company promoted further efficient use of resources and the increase in market value, so as to improve the quality of the commercial institutions and brands. In addition, it pushed forward the efforts in soliciting investment in the idle resources, enriching the marketing modes by the launch of preferential promotion campaigns such as online group purchases and cross-sector promotional offers, boosting commercial vibrancy while striving its efforts in increasing the revenues of the Company.

FUTURE PROSPECTS

In 2021, in view of the continuing impacts of the COVID-19 pandemic and the accelerating changes that were unseen in a century, the external environment has become increasingly complex, severe and uncertain. As we enter 2022, the spread of the COVID-19 pandemic around the world and the localized resurgence of the cases within the PRC will continue to bring pressure on the "prevention of imported COVID-19 cases and its domestic resurgence". At the same time, turbulent international situation, geopolitical tensions as well as unprecedented volatility and uncertainties in global politics and economy will create more challenges for the recovery of the world economy and the civil aviation industry.

China has adhered to the general working principle of achieving progress amidst stability. It has maintained a globally leading position in terms of economic growth and pandemic prevention and control, while the positive long-term fundamentals in its domestic economic development have remained unchanged. China's civil aviation industry has established a solid safety and economic foundation for sustainable development, and its fundamentals remain stable, sound and resilient. In support of the national strategy and the industry development plan, Beijing Capital Airport will forge ahead despite the challenges in pandemic prevention, support for major events and the pressure on business operations.



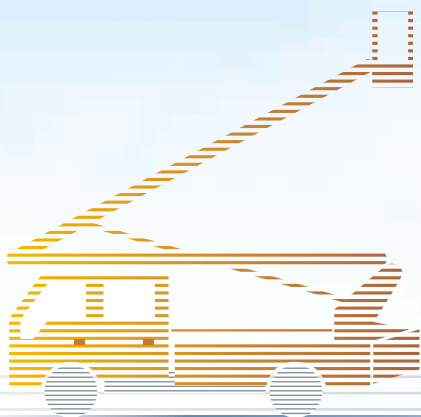
CHAIRMAN'S STATEMENT (CONTINUED)

Since January 2022, Beijing Capital Airport has steadily proceeded with the preparation work for the security of the Beijing Winter Olympics and Paralympic Winter Games. Focusing on the goal of “delightful arrival and efficient departure” (好來快走) for the Olympic-related personnel, Beijing Capital Airport continuously optimized the security procedures and enhanced custom clearance efficiency, while at the same time strengthening its capabilities in risk management and emergency support. The mission of supporting the Beijing Winter Olympics and Paralympic Winter Games has been completed successfully with the highest standard and optimal arrangement. As shown by preliminary statistics, for the first two months of 2022, Beijing Capital Airport's aircraft movements have increased by approximately 2.4% as compared with the previous year, of which domestic routes (including Hong Kong, Macau and Taiwan) have grown by approximately 1.8% and international routes have increased by approximately 7.4% as compared with the previous year. Its passenger throughput has increased by approximately 10.1% as compared with the previous year, of which domestic routes (including Hong Kong, Macau and Taiwan) rose by approximately 9.4% and international routes grew by approximately 97.1% as compared with the previous year.

Since the beginning of the COVID-19 outbreak, China has been taking decisive measures to contain its spread and the domestic aviation market has generally maintained steady growth. Nonetheless, the resumption of transportation and production

was interrupted by individual COVID-19 cases and the road to recovery became winding and bumpy. In respect of the international market, as affected by the COVID-19 outbreak and the international environment, the market suffered from continued weak demand and the global civil aviation industry faced uncertainties in the recovery cycle, which put the Company's operating efficiency under great pressure. In view of this latest development, the Company will recognize the complex and extensive challenges and the strategic and viable opportunities that lie ahead. It will coordinate pandemic prevention and safe development to facilitate the recovery of the aviation market, expedite the construction of the aviation hub, continue to enhance the momentum for innovation and the strengths in business operation, thereby promoting the high-quality development of Beijing Capital Airport.

In 2022, the Company will continue to uphold the standards of pandemic prevention, as well as the quality of safety and service. The Company will adhere to the mission of pandemic prevention and control constantly through scientific and precise planning, a more advanced emergency response mechanism and a more effective public health system at the airport. The Company will also develop more in-depth system safety concepts and innovate safety management models to strengthen the momentum of safety culture and increase the efficiency of safety management, which will help improve its safety protection and emergency rescue capabilities. By optimizing the service standards and process protocol, the Company will develop a sound service quality system. Focusing on service brand development, the Company will continue to build a new benchmark of “China's service industry” with sincere services as its core, and provide passengers with safer, quicker and more convenient airport services.



CHAIRMAN'S STATEMENT (CONTINUED)

In 2022, the Company will strive to explore potential opportunities to facilitate the development of the aviation hub. In order to meet the needs of rising business volume and improve the margin of safety in operation, it will replenish, optimize, develop and allocate resources in a reasonable and orderly manner, while concentrating on key projects to make up for shortcomings of facilities. At the same time, it will restructure the route and flights portfolio with innovative aviation products. The Company will also devote extra efforts to marketing, expand route coverage, strengthen transit services and gain competitive advantages in the domestic economic circulation, so as to speed up the recovery of main businesses and the development of the aviation hub through a multi-pronged approach. In line with the philosophy of building a "safe, green, intelligent and humanistic airport", the Company will pursue high-quality development of an airport that incorporates these four elements.

In 2022, the Company will stay committed to high operation quality and driving business quality and efficiency. The Company's business mindset will be adjusted to focus more on the concepts of market and innovation, so that it can create more value and profit from the competition. The Company will refine the operation management and further develop non-aeronautical businesses. The coordination and interaction between the operation process and commercial resources will enhance the contribution from resources, which will increase the quality and efficiency of the non-aeronautical businesses and boost the vibrancy of commercial operation. Besides, the Company will continue to introduce more popular brands to optimize the product mix. Adopting a higher level of scientific and refined management as the main tool for cost reduction and efficiency improvement, the Company will strive to curb production and operation costs and strengthen its operation capabilities.

Looking back at 2021, Beijing Capital Airport was challenged by various risks stemming from the complex and severe environment at home and abroad, which hindered the recovery of its business volume and put its operation under continued pressure. The Company would like to express its sincere gratitude to all shareholders for their long-term understanding and trust, as well as to various government departments, airlines and partners at Beijing Capital Airport for their tremendous support to the Company. The Company would also like to thank all our employees for their dedication and devotion throughout the year. The outlook ahead is filled not only with hopes and opportunities, but also with pressure and challenges. In its constant pursuit of steady progress, the Company will remain motivated, persistent and relentless to push forward reform and innovation, so as to open a new chapter of the high-quality development of Beijing Capital Airport.



Wang Changyi
Chairman

Beijing, the PRC, 24 March 2022

REPORT OF THE BOARD

The board of directors of the Company (the “Board”) present to all shareholders of the Company (the “Shareholders”) the annual report and the audited financial statements of the Company for the fiscal year ended 31 December 2021.

BUSINESS MODEL AND STRATEGIC OBJECTIVES

With the operation and management of Beijing Capital Airport as its principal businesses, the Company endeavours 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 2021 and the financial position of the Company as at 31 December 2021 prepared based on International Financial Reporting Standards (“IFRS”) are set out on pages 87 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 3 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Company for the year ended 31 December 2021 is provided in the “Management Discussion and Analysis” on pages 51 to 59 of this annual report.

Description of other principal risks and uncertainties facing the Company can be found in the “Exposure to Fluctuations in Exchange Rates” and “Exposure to Fluctuations in Interest Rates” on pages 57 to 58 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 fulfils 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 endeavour 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.

During the year ended 31 December 2021 and up to the date of this annual report, the Company has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

REPORT OF THE BOARD (CONTINUED)

Tax Relief

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings in the Shares.

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 2021, 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.

DONATIONS

During the year ended 31 December 2021, the total amount of charitable and other donations made by the Company was RMB1.0 million.

PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Company as at 31 December 2021 and their changes for the year ended 31 December 2021 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 <small>(Note 1, Note 2)</small> |

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 2021 are set out in Note 19 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the reserves of the Company that were available for distribution as dividends were RMB2,232,824,000, 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 2021. The disclosure of issued share capital of the Company as at 31 December 2021 is set out on page 34 of this annual report.

TAXATION

The details of taxation of the Company for the year ended 31 December 2021 are set out in Note 31 to the Financial Statements.

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company during the year ended 31 December 2021.

ENTRUSTED LOANS AND OVERDUE FIXED DEPOSITS

As at 31 December 2021, 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 57 of this annual report, the Board did not propose to distribute final dividend for the year ended 31 December 2021.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer, Air China Limited, and the five largest customers of the Company represented 30.23% and 52.85%, respectively, of the total revenues of the Company for the year ended 31 December 2021.

The largest supplier, Capital Airport Aviation Security Co., Ltd. and the five largest suppliers of the Company represented 14.16% and 39.72%, respectively, of the total operating expenses of the Company for the year ended 31 December 2021.

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 2021. The Parent Company held the equity interests of the five largest suppliers of the Company as follows: held 100% equity interest of Capital Airport Aviation Security Co., Ltd.; held 100% equity interest of Capital Airports Power and Energy Co., Ltd.; held 60% equity interest of Beijing Bowei Airport Support Ltd.; held 100% equity interest of Beijing Capital Airport Property Management Co., Ltd.; and held 100% equity interest of Beijing Capital Airport Advertising Co., Ltd.

REPORT OF THE BOARD (CONTINUED)

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

On 11 October 2021, Beijing Chuanglian Civil Aviation Technology Co., Ltd* (北京創聯民航技術有限公司) was established as a joint venture by the Company and three other parties. For details, please refer to the section headed “CONNECTED TRANSACTIONS – Connected Transactions” below of this Report of the Board.

Save as disclosed above, the Company had no subsidiary, joint venture or associate as at 31 December 2021.

MERGER, ACQUISITION AND DISPOSAL

During the year ended 31 December 2021, the Company did not conduct any significant merger, acquisition or disposal.

MATERIAL SUBSEQUENT EVENT

During the period from 1 January 2022 to 24 March 2022 (i.e. the date of this Report of the Board), save as disclosed in the profit warning announcement of the Company dated 22 February 2022 and the annual results announcement of the Company dated 24 March 2022, there was no material event or transaction affecting the Company and which is required to be disclosed by the Company to its shareholders.

TRADE RECEIVABLES

As at 31 December 2021, the Company’s trade receivables were RMB857,955,000, representing a decrease of 1.6% 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 2021, 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, which are subject to the annual review requirements, for the year ended 31 December 2021 are set out as follows:

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|--|---|--|-----------------------|
| <p>1 The Company and Beijing Capital Airport Commercial & Trading Co., Ltd. ("BACT") entered into the Domestic Retail Resources Usage Agreement on 28 December 2020 with effect from 1 January 2021 to 31 December 2023, pursuant to which BACT is permitted by the Company to use the commercial retail resources and the resources of taxable domestically manufactured goods situated 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. This agreement was supplemented by the Flexible Retail and F&B Resources Usage Agreement executed on 13 August 2021, details of which are included in item 7 below. For details of the relevant transactions, please refer to the Company's announcements dated 28 December 2020 and 13 August 2021, and the circular dated 8 October 2021.</p> | <p>The Parent Company holds 100% equity interest of BACT.</p> | <p>86,991</p> | <p>156,000</p> |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|---|--|--|-----------------------|
| <p>2 The Company and Capital Airport VIP Services Management Co., Ltd. ("CAVIP") entered into the Traveller Services Resources Usage Agreement on 28 December 2020 with effect from 1 January 2021 to 31 December 2023, pursuant to which the Company agreed to permit CAVIP to use certain areas and resources in the terminals of Beijing Capital Airport for the provision of various VIP traveller' services to the VIP travellers of Beijing Capital Airport. Due to its characteristics, traveller services business of airports in the PRC are all carried out by the VIP services companies of the respective airport organisations and in view of the positive cooperation experience, the execution of this agreement for the continuing operation of traveller services business of Beijing Capital Airport by CAVIP would be in favour of the better operation and development of the business. On 29 December 2021, in view of the Rental Waiver Policy for Businesses in International Departure Area and Olympics Security Area as disclosed in the inside information announcement of the Company dated 13 December 2021, the Company and CAVIP entered into the Supplemental Traveller Services Resources Usage Agreement, pursuant to which the resources usage fee payable by CAVIP to the Company for the year ending 31 December 2021 shall be reduced. For details of the relevant transactions, please refer to the Company's announcements dated 28 December 2020 and 29 December 2021.</p> | <p>The Parent Company holds 100% equity interest of CAVIP.</p> | <p>52,226</p> | <p>125,000</p> |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|---|--|--|-----------------------|
| 3 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. | The Parent Company holds 51% equity interest of BGS. | 53,439 | 120,000 |
| 4 The Company and Beijing Capital Airport Food Management Co., Ltd. ("BAFM") entered into the Food and Beverage Resources Usage Agreement on 29 December 2020 with effect from 1 January 2021 to 31 December 2023, pursuant to which the Company agreed that BAFM may use 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. This agreement was supplemented by the Flexible Retail and F&B Resources Usage Agreement executed on 13 August 2021, details of which are included in item 7 below. On 29 December 2021, in view of the Rental Waiver Policy for Businesses in International Departure Area and Olympics Security Area as disclosed in the inside information announcement of the Company dated 13 December 2021, the Company and BACT entered into the Supplemental F&B Resources Usage Agreement, pursuant to which the guaranteed resources usage fee payable by BACT to the Company for the year ending 31 December 2021 shall be reduced. For details of the relevant transactions, please refer to the Company's announcements dated 29 December 2020, 13 August 2021 and 29 December 2021. | The Parent Company holds 100% equity interest of BAFM. | 12,888 | 38,000 |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|---|--|--|-----------------------|
| <p>5 The Company and Capital Jet Co., Ltd. ("CACL") entered into the Former Business Jet Ground Services Joint Operation Agreements 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 these agreements may enable the Company to advance the utilization 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 transactions, please refer to the Company's announcement dated 28 September 2018.</p> | <p>The Parent Company holds 60% equity interest of CACL.</p> | 15,029 | 19,500 |
| <p>6 The Company and CACL entered into the Business Jet Ground Services Joint Operation Agreements on 30 September 2021 with effect from 1 October 2021 to 30 September 2024, 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 these agreements may enable the Company to advance the utilization 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 transactions, please refer to the Company's announcement dated 30 September 2021.</p> | <p>The Parent Company holds 60% equity interest of CACL.</p> | 5,017 | 7,750 |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|--|---|--|-----------------------|
| 7 The Company and BACT and BAFM entered into the Flexible Retail and F&B Resources Usage Agreement on 13 August 2021 with effect from 28 October 2021 to 31 December 2023, to provide flexibility relating to the allocation of relevant retail and food and beverage resources under the Domestic Retail Resources Usage Agreement and the Food and Beverage Resources Usage Agreement. The execution of this agreement is conducive to improve the business performances of the Company and to enhance the efficiency of resources usage. For details of the relevant transactions, please refer to the Company's announcement dated 13 August 2021 and the circular dated 8 October 2021. | The Parent Company holds 100% equity interest of BACT and BAFM. | 527 | 6,000 |
| 8 The Company and BGS entered into the De-icing Services Cooperation Framework Agreement on 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 travelers. For details of the relevant transactions, please refer to the Company's announcement dated 25 October 2018. | The Parent Company holds 51% equity interest of BGS. | – | 40,500 |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|--|---|--|-----------------------|
| <p>9 The Company and BACT entered into the International Retail Management Agreement on 3 November 2020 with effect from 1 January 2021 to 31 December 2023, pursuant to which BACT agreed to provide to the Company with the operation and management services of the retail resources in the international isolated area and the international arrival area in Terminal Two and Terminal Three of Beijing Capital Airport. Given that BACT is familiar with the international retail business in Beijing Capital Airport and has relatively strong capability in attracting and managing retail business as well as in retail operation and management, the execution of this agreement is expected to facilitate the recovery in the value of retail resources of Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 3 November 2020 and circular dated 4 December 2020.</p> | <p>The Parent Company holds 100% equity interest of BACT.</p> | <p>12,613</p> | <p>394,000</p> |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|--|---|--|-----------------------|
| <p>10 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; and both parties entered into a supplemental agreement to amend certain terms including the calculation method and payment arrangement of service fees on 18 October 2021. 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. As such, 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 announcements dated 30 October 2019 and 18 October 2021, as well as the circulars dated 3 December 2019 and 30 November 2021.</p> | <p>The Parent Company directly and indirectly holds 100% equity interest of CAAS.</p> | 856,211 | 924,480 |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|--|--|--|-----------------------|
| 11 The Company and Capital Airports Power and Energy Co., Ltd. ("CAPE") entered into the Supply of Power and Energy Agreement on 3 November 2020 with effect from 1 January 2021 to 31 December 2023, pursuant to which CAPE agreed to provide power and energy, including the provision of water, electricity, steam power, natural gas, heating and cooling services to the Company in the terminals and other areas of 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 sole supplier of water, electricity, steam power, natural gas, air conditioning and heating for the Beijing Capital Airport area with abundant experience in the provision of power and energy for Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 3 November 2020 and circular dated 4 December 2020. | The Parent Company holds 100% equity interest of CAPE. | 561,022 | 763,100 |
| 12 The Company and Beijing Capital Airport Advertising Co., Ltd. ("BAA") entered into the Advertising Management Agreement on 30 December 2020 with effect from 1 January 2021 to 31 December 2023, pursuant to which BAA agreed to provide advertising management services in respect of the designated advertising resources within or in the vicinity of the Beijing Capital Airport. Given that BAA is familiar with the advertising business within Beijing Capital Airport and has ample client resources and strong capability of initiating tender invitation and management for advertising business, the execution of this agreement is expected to enhance the value of advertising resources of Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 30 December 2020. | The Parent Company holds 100% equity interest of BAA. | 185,197 | 200,000 |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|--|--|--|-----------------------|
| 13 The Company and Beijing Capital Airport Property Management Co., Ltd. ("BAPM") entered into the Supply of Miscellaneous Property Services Agreement on 31 December 2020 with effect from 1 January 2021 to 31 December 2023, 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 transactions, please refer to the Company's announcement dated 31 December 2020. | The Parent Company holds 100% equity interest of BAPM. | 235,768 | 370,000 |
| 14 The Company and CAPE entered into the Supply of Operation and Maintenance Services of Power and Energy Facilities Agreement on 30 December 2020 with effect from 1 January 2021 to 31 December 2023, 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 energy facilities, warm water facilities, air-conditioning facilities and lighting and electricity facilities of the Company at the area where terminals of Beijing Capital Airport are located and their surrounding areas, and in respect of electricity and water facilities in the office buildings of Beijing Capital Airport, as well as the provision of operation and maintenance services of sewage disposal and garbage incineration facilities and other relevant services as requested by the Company. For details of the relevant transactions, please refer to the Company's announcement dated 30 December 2020. | The Parent Company holds 100% equity interest of CAPE. | 192,903 | 215,000 |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|--|---|--|-----------------------|
| 15 The Company and BAFM entered into the Food and Beverage Management Agreement on 29 December 2020 with effect from 1 January 2021 to 31 December 2023, pursuant to which BAFM agreed to provide operation and management services to the Company in respect of the designated food and beverage resources and relevant ancillary facilities in Terminal One, Terminal Two and Terminal Three of Beijing Capital Airport. Given that BAFM is familiar with the food and beverage business in Beijing Capital Airport and has ample client resources and strong capability in food and beverage 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. For details of the relevant transactions, please refer to the Company's announcement dated 29 December 2020. | The Parent Company holds 100% equity interest of BAFM. | 23,421 | 70,000 |
| 16 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 recognized by the market. For details of the relevant transactions, please refer to the Company's announcement dated 29 November 2019. | The Parent Company holds 58.96% equity interest of the Company. | – | 95,000 |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|--|---|--|-----------------------|
| 17 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. | The Parent Company holds 60% equity interest of Bowei. | 379,647 | 504,000 |
| 18 The Company and CAVIP entered into the Purchase of Services for Travellers Agreement on 31 December 2020 with effect from 1 January 2021 to 31 December 2023, pursuant to which the Company agreed to engage travellers' service staff from CAVIP to provide services for ordinary travellers in the terminals of Beijing Capital Airport. The execution of this agreement with CAVIP can have a positive effect on improving travellers' experience, attracting air passenger flow, increasing travellers' consumption in Beijing Capital Airport. For details of the relevant transactions, please refer to the Company's announcement dated 31 December 2020. | The Parent Company holds 100% equity interest of CAVIP. | 40,135 | 49,500 |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|---|---|--|-----------------------|
| <p>19 The Company and Beijing Capital Airport Aviation Services Company Limited (“Aviation Services Company”) entered into the Former Purchase of Services Framework Agreement on 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 of 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 travelers. 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> | 5,529 | 20,000 |
| <p>20 The Company and Aviation Services Company entered into the Purchase of Services Framework Agreement on 29 January 2021 with effect from 1 February 2021 to 31 January 2024, pursuant to which the Aviation Services Company agreed to provide joint inspection on-site services staff to the Company for a range of services in the arrival and departure joint inspection halls of Terminal Two and Terminal Three of Beijing Capital Airport, deploy on-site travellers’ guidance and customs guidance staff to the designated area of the international arrival area at T3D before the end of the COVID-19 pandemic, and deploy other service staff for other daily operations according to actual needs. The execution of this agreement can ensure the normal daily operations of the terminals of Beijing Capital Airport, further consummate the traffic order and improve the service experience of travelers and better support the Company in completing various measures for the prevention and control of the pandemic. For details of the relevant transactions, please refer to the Company’s announcement dated 29 January 2021.</p> | <p>The Parent Company indirectly holds 100% equity interest of Aviation Services Company.</p> | 62,757 | 78,000 |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|---|--|--|-----------------------|
| 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 transactions, please refer to the Company's announcement dated 28 December 2018. | The Parent Company holds 60% equity interest of Bowei. | 12,184 | 27,000 |
| 22 The Company entered into the Construction Projects Framework Agreement with China Airport Construction Group Company Limited ("CACG") and its subsidiaries on 28 December 2020, with effect from 1 January 2021 to 31 December 2023, pursuant to which the Company agreed to engage CACG and its subsidiaries to provide a range of construction project services to the Company. The execution of this agreement is conducive to ensuring the quality and progress of construction projects as well as control the construction fee so that it does not exceed the construction investment amount. For details of the relevant transactions, please refer to the Company's announcement dated 28 December 2020. | The Parent Company holds 31.48% equity interest of CACG. | 4,684 | 48,000 |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|--|--|--|----------------------------|
| <p>23 The Company and the Parent Company entered into the Airfield Land Lease Agreement on 26 October 2006, for the lease of the Airfield Land by the Company from the Parent Company, with the term of 20 years from the date on which the approval from the Beijing Bureau of Land and Resources on the transactions contemplated under the Airfield Land Lease Agreement is obtained, subject to renewal for 20 years on same terms and conditions upon request by the Company in accordance with the applicable PRC laws, and subject to further renewal for 10 years on same terms and conditions upon request by the Company in accordance with the applicable PRC laws. The execution of this agreement is expected to ensure the long-term use of the 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 the relevant transactions, please refer to the Company's announcements dated 26 October 2006 and 31 January 2008.</p> | <p>The Parent Company holds 58.96% equity interest of the Company.</p> | <p>28,000</p> | <p>28,000 (Note 1)</p> |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|---|---|--|-----------------------|
| 24 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 under 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 Company's announcements dated 28 December 2018 and 27 September 2019. | The Parent Company holds 100% equity interest of both BAPMC and BAPM. | 52,761 | 64,000 |
| 25 The Company and the Parent Company entered into the Property Leasing Framework Agreement on 28 December 2020 for the leasing of certain properties, including but not limited to the ITC Property and the Armed Police Property, from the Parent Company, with effect from 1 January 2021 to 31 December 2023. The execution of this agreement is to facilitate the administration and daily operation of Beijing Capital Airport, thereby achieving overall steady operation. For details of the relevant transactions, please refer to the Company's announcement dated 28 December 2020. | The Parent Company holds 58.96% equity interest of the Company. | 5,132 | 20,785 |

REPORT OF THE BOARD (CONTINUED)

| Description of the transactions and date of the relevant announcements and circulars | Relationship between contracting parties | Total transaction amounts for the year ended 31 December 2021 RMB'000 | Annual Cap RMB'000 |
|--|--|--|---|
| 26 The Company and the Parent Company entered into the Lease Agreement dated 16 November 1999, for the lease of the land use rights to the runways, aprons and parking lands from the Parent Company. The term of the lease of the land use rights to the runways and aprons is 50 years, while the term of the lease of the land use rights to the parking lands is 40 years. For details of the relevant transactions, please refer to the Company's prospectus. | The Parent Company holds 58.96% equity interest of the Company. | 10,932 | 10,932 (Note 2) |
| 27 The Company and Beijing Capital Airport Group Finance Company Limited ("BAGF") entered into the Financial Services Agreement on 23 November 2020 with effect from 1 January 2021 to 31 December 2023, pursuant to which BAGF agreed to provide the Company with deposit services, loan and guarantee services, and other financial services. The execution of this agreement is conducive to a more expedient and efficient financial service for the Company. For details of the relevant transactions, please refer to the Company's announcement dated 23 November 2020. | The Parent Company directly and indirectly holds 100% equity interest of BAGF directly and indirectly. | 66,177 | Cap of deposit services: 500,000 for maximum daily deposit balance (Note 3) |
| 28 The Company and Beijing Civil Aviation Airport Bus Co., Ltd. (the "Bus Company") entered into the Landside Shuttle Bus Services Agreement on 13 December 2021, with effect from 15 December 2021 to 14 December 2024, pursuant to which the Company agreed to engage the Bus Company to provide passengers in the eastern and western terminal areas of Beijing Capital Airport with complimentary landside transit shuttle bus services. The execution of this agreement is expected to effectively support the compatibility and continuity of the landside shuttle bus services and to facilitate the rapid transfers of passengers between terminals at Beijing Capital Airport in order to ensure a more convenient and smooth flight and improve passenger satisfaction. For details of the relevant transactions, please refer to the Company's announcements dated 13 December 2021 and 15 December 2021. | The Parent Company holds 51% equity interest of Bus Company. | 842 | 3,600 |

REPORT OF THE BOARD (CONTINUED)

Note:

- 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 Since 1999, the annual cap may increase by no more than 10% every three years; the cap for the year of 2021, 2022 and 2023 may increase by no more than 94.87% over the annual cap of the year 1999.
- 3 The pricing policies for the Financial Services Agreement are as follows:
 - (1) The interest rate payable for the Company's deposits with BAGF shall not be lower than the interest rate payable by the PBOC for comparable deposits;
 - (2) The interest rate to be charged for the loans to be provided by BAGF to the Company shall not be higher than the rate charged by normal commercial banks in the PRC for comparable loans;
 - (3) The service fee to be charged for the settlement services, draft acceptance and discount services, financial and financing advisory services to be provided by BAGF shall not be higher than the service fees charged by normal commercial banks in the PRC for comparable services.

The management of the Company confirmed that the aforesaid transactions: (1) were entered into in the ordinary course of business of the Company, and carried out under effective regulatory and internal control system; (2) were on the normal commercial terms or more favorable terms; (3) were on terms that are fair and reasonable; and (4) in which the total annual interest from deposit services was RMB401,888 as at 31 December 2021.

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 2021.

The aforesaid continuing connected transactions were reviewed by the independent non-executive directors of the Company. The independent nonexecutive 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.

Connected Transactions

On 23 September 2021, the Company, Inner Mongolia Autonomous Region Civil Aviation Airport Group Company Limited (內蒙古自治區民航機場集團有限責任公司) ("Inner Mongolia Airport Group"), Capital Airport Group Equipment Operation and Maintenance Management Company Limited (首都機場集團設備運維管理有限公司) (the "Equipment Operation and Maintenance Company") and Zhong Hang Xin Gang Guarantee Co., Ltd. (中航鑫港擔保有限公司) (the "Guarantee Company") entered into a capital contribution agreement (the "Capital Contribution Agreement"), pursuant to which the parties agreed to make capital contributions to establish a joint venture company (the "JV Company"). Upon completion of the capital contributions and the establishment of the JV Company, the Company, Inner Mongolia Airport Group, the Equipment Operation and Maintenance Company and the Guarantee Company will hold 31%, 31%, 31% and 7% interests in the JV Company respectively.

REPORT OF THE BOARD (CONTINUED)

As the Parent Company is the controlling shareholder of the Company and each of the Equipment Operation and Maintenance Company and the Guarantee Company is a subsidiary of the Parent Company, the Equipment Operation and Maintenance Company and the Guarantee Company are therefore connected persons of the Company. To the best of the Company's directors' knowledge, information and belief having made all reasonable enquiries, the Inner Mongolia Airport Group and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons. Accordingly, the transaction contemplated under the Capital Contribution Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

The registered capital of the JV Company is RMB130,687,700, among which the Company is expected to contribute RMB40,513,200, representing 31% of the total registered capital of the JV Company. For details, please refer to the announcement of the Company dated 23 September 2021.

As of 31 December 2021, the registration of the JV Company has been completed on 11 October 2021, but the capital contributions have not yet been completed. The registered name of the JV Company is Beijing Chuanglian Civil Aviation Technology Co., Ltd.* (北京創聯民航技術有限公司).

Pursuant to the requirements under Chapter 14A of the Listing Rules, save as disclosed above, there are no other connected transactions that are subject to the annual reporting requirements during the year ended 31 December 2021.

Details of the related party transactions of the Company undertaken in the normal course of business are disclosed under Note 35 to the Financial Statements. Save for the continuing connected transactions as disclosed above, none of these related party transactions constitute discloseable connected/continuing connected transactions as defined under Chapter 14A of the Listing Rules. 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 2021, 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 2021, 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:

REPORT OF THE BOARD (CONTINUED)

| 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 Holdings Limited (Note1) | Domestic shares | 2,699,814,977 | Beneficial owner | 100% | 58.96% |
| T. Rowe Price Associates, Inc. and its Affiliates | H shares | 210,726,000(L) | Beneficial owner | 11.21% | 4.61% |
| Causeway Capital Management LLC (Note2) | H shares | 188,316,000(L) | Investment manager | 10.02% | 4.11% |
| Citigroup Inc. | H shares | 158,050,401(L) | Interest of corporation controlled by substantial shareholder | 8.40% | 3.45% |
| | | 3,143,044(S) | Interest of corporation controlled by substantial shareholder | 0.16% | 0.07% |
| | | 154,993,094(P) | Interest of corporation controlled by substantial shareholder | 8.24% | 3.38% |
| BlackRock, Inc. | H shares | 149,885,031(L) | Interest of corporation controlled by substantial shareholder | 7.98% | 3.27% |
| | | 19,584,000(S) | | 1.04% | 0.43% |
| Aberdeen Asset Management plc and its associates (Note2) | H shares | 114,868,000(L) | Investment manager | 6.11% | 2.51% |
| Mr. Jiang Jinzhi (Note3) | H shares | 105,602,000(L) | Interest of corporation controlled by substantial shareholder | 5.62% | 2.31% |
| The Bank of New York Mellon Corporation | H shares | 101,684,470(L) | Interest of corporation | 5.41% | 2.22% |
| | | 99,992,300(P) | controlled by substantial shareholder | 5.32% | 2.18% |
| 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 Holdings Limited (formerly known as Capital Airports Holding Company) was incorporated in the PRC, and is the controlling shareholder of the Company. Mr. Wang Changyi, the chairman of the Board and an executive director, is a director, the chairman of the board and a member and the secretary of the Party committee of Capital Airports Holdings Limited. Mr. Han Zhiliang, an executive director and the general manager of the Company, is the deputy general manager of Capital Airports Holdings Limited. Mr. Gao Shiqing, a non-executive director of the Company, is the deputy general manager of Capital Airports Holdings Limited. Mr. Jia Jianqing, a non-executive director of the Company, is the deputy general manager of Capital Airports Holdings Limited. Mr. Song Kun, a non-executive director of the Company, is the deputy general manager of Capital Airports Holdings Limited.
- These shares are held in the capacity of investment manager.
- Based on the disclosure form dated 26 February 2021 of Mr. Jiang Jinzhi (being the latest disclosure form filed up to 31 December 2021), as at 24 February 2021, among his interests in the shares of the Company, (i) 90,476,000 shares in total were held by Greenwoods China Alpha Master Fund and by Golden China Master Fund; and (ii) 15,126,000 shares were held by Shanghai Greenwoods Asset Management Company Limited. Each of Greenwoods China Alpha Master Fund and Golden China Master Fund was indirectly wholly-owned by Invest Partner Group Limited through Greenwoods Asset Management Hong Kong Limited. Invest Partner Group Limited was directly held as to 84.5% by Mr. Jiang Jinzhi. Shanghai Greenwoods Asset Management Company Limited was wholly-owned by Xizang Jingning Corporate Management Company Limited, which was in turn indirectly held as to 84.5% by Mr. Jiang Jinzhi.

INTERESTS OF DIRECTORS, SUPERVISORS AND THE GENERAL MANAGER IN SECURITIES

As at 31 December 2021, 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 2021, 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 2021, 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 2021, 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 director, the chairman of the board, secretary of the Party Committee, 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 2021 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 2021:

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

MANAGEMENT CONTRACTS

During the year ended 31 December 2021, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company (other than service contracts with any directors) were entered into or subsisted.

REPORT OF THE BOARD (CONTINUED)

PERMITTED INDEMNITY PROVISION

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

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The details of emoluments of directors, supervisors and the five highest paid individuals for the year ended 31 December 2021 are set out in Notes 27 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 2021.

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 2018, 2019 and 2020, 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 2020 Annual General Meeting ("AGM") of the Company held on 23 June 2021, to act as the Company's domestic and overseas auditors, respectively, for the year ended 31 December 2021.

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 2022 at the forthcoming 2021 AGM.

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 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.

REPORT OF THE BOARD (CONTINUED)

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 (the "Supervisory Committee") was considered and approved. The other members of the eighth session of the Supervisory Committee 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 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.

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

On 12 November 2020, Mr. Du Qiang resigned as the deputy general manager of the Company due to work adjustment.

On 28 June 2021, Mr. Mok Chung Kwan, Stephen resigned as a joint company secretary of the Company, and Mr. Meng Xianwei, the then joint company secretary of the Company served as the sole company secretary of the Company with effect from the same date upon prior confirmation of his qualification to act as the company secretary of the Company by the Hong Kong Stock Exchange.

On 13 December 2021, Mr. Liu Jiliang and Ms. Wu Xiaoli were elected as the supervisors representing employees of the Company. Mr. Liu Shaocheng and Mr. Chang Jun resigned as the supervisors representing employees of the Company due to adjustment of work arrangements on the same date.

On 16 December, 2021, Mr. Wang Changyi was appointed as the executive director and chairman of the Board of the eighth session of the Board. Mr. Liu Xuesong resigned as the executive director and chairman of the Board of the eighth session of the Board due to work arrangements on the same date.

On 16 December 2021, Mr. Liu Chunchen was appointed as a shareholder representative supervisor and the chairman of the Supervisory Committee of the eighth session of the Supervisory Committee. Mr. Song Shengli resigned as a shareholder representative supervisor and the chairman of the Supervisory Committee of the eighth session of the Supervisory Committee due to work arrangements on the same date.

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. Wang Changyi, aged 57, was appointed as an executive director of the Company and elected as the chairman of the Board on 16 December, 2021. Mr. Wang graduated from Tianjin University with a Bachelor's degree in infrastructure management and engineering, and holds a Master's degree in public management from Peking University. From August 1987 to January 1998, Mr. Wang successively served as a cadre and a principal officer of the Infrastructure Management Division, as well as a principal officer and the deputy director of the Standards and Technology Division of the Airport Management Department for Infrastructure Projects, of the Civil Aviation Administration of China ("CAAC"). From January 1998 to August 2003, he successively served as the deputy director, the deputy director (at director-level) and the director of the Director General Office under the General Office of CAAC. From August 2003 to August 2011, he successively served as the deputy director of the General Office, the vice director-general (at deputy department director level) of the Comprehensive Department and the vice director-general of the Airport Department of CAAC. He was the secretary of the Party committee of the Civil Aviation Medical Center of CAAC (Civil Aviation General Hospital) from August 2011 to December 2013. From December 2013 to October 2018, he served as the director-general (at department director level) of the Development and Planning Department of CAAC. He served as the director-general, and a member of the standing committee and the deputy secretary of the Party committee of the CAAC Northwest Regional Administration from October 2018 to April 2021. He has been a director, the chairman of the board, and a member and the secretary of the Party committee of the Capital Airports Holdings Limited (首都機場集團有限公司) (the "Parent Company") since April 2021.

Mr. Liu Xuesong, aged 57, 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 and resigned as an executive director and the chairman of the Company on 16 December 2021. 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 was the general manager and deputy party secretary of the Parent Company from March 2014 to April 2021; He has served as the chairman of the supervisory committee of the Parent Company since April 2021, the president of the board of supervisors of China Civil Airport Association since June 2017 and a deputy to the 15th National People's Congress of Beijing since November 2017.

REPORT OF THE BOARD (CONTINUED)

Mr. Han Zhiliang, aged 57, 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 Holdings 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.

Mr. Zhang Guoliang, aged 59, 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 60, 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. Jia Jianqing, aged 56, 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 50, 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 1995 to March 2005, Mr. Song started his career and 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 manger 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. Jiang Ruiming, aged 56, 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 Grandway Law Offices, the director of Beijing Grandway (Shanghai) Law Offices and a member of 10th and 11th Issuance Examination Commission of CSRC. Since February 2022, he has been a founding partner of Merits & Tree Law Offices(北京植德律師事務所). In May 2018, he was appointed as an arbitrator of the Shanghai International Economic and Trade Arbitration Commission (Shanghai International Arbitration Centre) and reappointed for a term of five years from August 2021.

Mr. Liu Guibin, aged 56, 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. From June 2015 to June 2021, Mr. Liu served as an independent non-executive director of China Resources and Environment Co., Ltd. (listed on the Shanghai Stock Exchange).

REPORT OF THE BOARD (CONTINUED)

Mr. Zhang Jiali, aged 67, 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.

Mr. Stanley Hui Hon-chung, aged 71, 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 Guangzhou Baiyun International Airport Co., Ltd. (listed on the Shanghai Stock Exchange), a director of Hong Kong Greater Bay Airlines Co., Ltd, as well as Hong Kong Citybus and New World First Bus, and an independent non-executive director of China Power International Development Limited since December 2016, December 2020 and April 2021, 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). From May 2015 to February 2022, he served as an independent non-executive director of Air China Limited (listed on the Hong Kong Stock Exchange).

REPORT OF THE BOARD (CONTINUED)

Members of the Supervisory Committee

Mr. Liu Chunchen, aged 56, a senior engineer, was appointed as a supervisor of the Company and elected as the chairman of the Supervisory Committee on 16 December 2021. Mr. Liu graduated from Tongji University, majoring in highway and urban road, and obtained postgraduate qualifications. From August 1988 to June 1995, Mr. Liu successively served as an officer of the Construction Department of the CAAC Shenyang Administration, an officer and a deputy director officer of the Airport Management Department for Infrastructure of the CAAC Northeastern Administration. He served as the deputy director-general of the Airport Management Department for Infrastructure of the CAAC Northeastern Administration from June 1995 to July 2001, during which he served as the section chief (at deputy chief level) of the Engineering Section of Yuning Building Project Construction Headquarters from March 1996 to April 1998 and studied economic management at the Party School of the Liaoning Provincial Party Committee from March 1996 to July 1998. From July 2001 to November 2003, he served as the section chief of the Planning Section of the CAAC Northeastern Administration. From November 2003 to September 2006, he served as the director (at director-level) and the secretary of the Party committee of the CAAC Jilin Safety Supervision and Management Office. From September 2006 to March 2009, he served as the director (at deputy department director level) and the secretary of the Party committee of the CAAC Jilin Safety Supervision and Management Office. From March 2009 to September 2011, he served as the director-general and the secretary of the Party committee of the CAAC Jilin Safety Supervision Administration. From September 2011 to March 2018, he served as the deputy director-general and a member of the standing committee of the Party committee of the CAAC Northeastern Regional Administration. From March 2018 to August 2019, he served as the director-general of the Airport Department of CAAC. He served as the commissioner of safety supervision of civil aviation of CAAC and the director-general of the Airport Department of CAAC concurrently from August 2019 to April 2021. He has been a director, the general manager and the deputy secretary of the Party committee of the Parent Company since April 2021.

Mr. Song Shengli, aged 60, 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 on 23 June 2020. Mr. Song resigned as a supervisor representing the Shareholders of the eighth session of the Supervisory Committee on 16 December 2021. As a result of his resignation, Mr. Song ceased to be the chairman of the eighth session of the Supervisory Committee. 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 was the party secretary and the deputy general manager of the Parent Company from May 2015 to April 2021.

REPORT OF THE BOARD (CONTINUED)

Mr. Liu Jiliang, aged 54, was appointed as a supervisor of the Company on 13 December 2021. Mr. Liu is a lawyer, graduated from the People's Public Security University of China majoring in public security management, and obtained a bachelor's degree in law. Mr. Liu served as a staff member in the Beijing Capital Airport Public Security Sub-bureau from July 1991 to December 1993; a staff member in the Office of the Public Security Bureau of Civil Aviation Administration of China ("CAAC") from December 1993 to December 1994; and successively served as a staff member and the deputy chief of the Secretariat under the General Office of CAAC from December 1994 to August 1996. He served as the deputy chief of the Director's Office of the General Office of CAAC from August 1996 to August 1998; the chief of the Secretariat under the General Office of CAAC from August 1998 to September 1998; the chief of the Administration and Management, Reception, Complaints and Proposals Office under the General Office of CAAC from September 1998 to July 2002; the deputy director of the Administration and Management, Reception, Complaints and Proposals Office under the General Office of CAAC from July 2002 to August 2003. He served as the deputy director of the Secretariat under the General Office of CAAC from August 2003 to September 2008, during which he participated in the 21st Civil Aviation Management Cadre Training Class for Young and Middle-Aged Management Cadres from September 2006 to January 2007. He served as the director of the Secretariat under the General Office of CAAC from September 2008 to July 2009; the director of the Secretariat under the Department of General Affairs of CAAC from July 2009 to July 2012; the Party secretary and deputy general manager of Beijing Capital Airport Food Management Co., Ltd. from July 2012 to April 2015; the Party secretary and deputy general manager of Beijing Capital Airport Aviation Security Co., Ltd. from April 2015 to April 2018; the director, chairman and Party secretary of Beijing Aviation Ground Services Co., Ltd. from April 2018 to February 2019; the Party secretary of Beijing Aviation Ground Services Co., Ltd. from February 2019 to September 2021; the director and chairman of Beijing Aviation Ground Services Co., Ltd. from February 2019 to November 2021; and has been the deputy secretary of the Party committee and the

secretary of the Discipline Inspection Commission of the Company since September 2021, as well as the chairman of the Labour Union of the Company since December 2021. Mr. Liu currently also serves as the director and chairman of Beijing CAH SATS Aviation Services Co., Ltd.

Mr. Liu Shaocheng, aged 56, 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 and resigned as a supervisor of the Company on 13 December 2021. 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. From December 2018 to December 2021, he served as the chairman of the Labour Union of the Company.

REPORT OF THE BOARD (CONTINUED)

Mr. Wang Xiaolong, aged 66, 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 70, 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. 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). Mr. Law served as an independent non-executive director of the Company from June 2008 to June 2020, and has been an independent supervisor of the Company since June 2020.

Ms. Wu Xiaoli, aged 37, was appointed as a supervisor of the Company on 13 December 2021. Ms. Wu is a journalist and a political work specialist, graduated from the School of Liberal Arts, Renmin University of China majoring in linguistics and applied linguistics, and obtained a master's degree in arts. Ms. Wu started her career in July 2007 and successively served as an assistant journalist and a journalist in CAAC News from October 2007 to March 2011. Ms. Wu joined the Company in March 2011, and successively served as the publicity and education manager of the Party-mass Work Department and the Party building manager of the Party-mass Work Department of the Company from August 2011 to July 2018; the vice general manager of the Public Area Management Department of the Company from July 2018 to November 2019; and has been the deputy head of the Party-mass Work Department of the Company since November 2019.

REPORT OF THE BOARD (CONTINUED)

Mr. Chang Jun, aged 45, 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. He resigned as a supervisor of the Company on 13 December 2021. 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. Wang Weiyu, aged 58, 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. Li Zhiyong, aged 48, 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 the Parent 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 the Parent 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. Mr. Li has been the chief financial officer of the Company since May 2020.

Ms. Zhao Ying, aged 47, was re-appointed as the deputy general manager of the Company on 23 June 2020. Ms. Zhao is a senior 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 46, was re-appointed as the secretary to the Board of the Company on 23 June 2020, appointed as the joint company secretary of the Company on 28 June 2018 and has served as the company secretary of the Company since 28 June 2021. 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 in March 2018, the joint company secretary of the Company in June 2018 and the company secretary of the Company in June 2021. From March 2019 to March 2021, he has been the general manager of the Aviation Business Division and the general manager of the International Affairs Division of the Company.

Company Secretaries

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

Mr. Mok Chung Kwan, Stephen, aged 57, was appointed as the joint company secretary of the Company on 28 June 2018 and resigned as a joint company secretary of the Company on 28 June 2021. 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 36 to the Financial Statements.

During the year ended 31 December 2021, the annual emoluments of the above senior management (including those who also serve as directors) paid by the Company for 5 members were between HKD1,000,001 (equivalent to approximately RMB817,600) to HKD1,500,000 (equivalent to approximately RMB1,226,400), for 1 member was between HKD1,500,001 and HKD2,000,000 (equivalent to approximately RMB1,635,200).

By order of the Board
Wang Changyi
Chairman

Beijing, the PRC, 24 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

In 2021, the Company's business performance continued to face relatively great challenges. As for the revenues, the revenues from principal operations were RMB3,344,709,000, representing a decrease of approximately 6.8% from the previous year. In particular, benefiting from the relief of domestic COVID-19 outbreak to a certain extent, coupled with the effect of the related policies, the aeronautical revenues recorded a slight increase to RMB1,342,969,000, representing an increase of approximately 3.6% as compared with the previous year. Under the continuous impact of the COVID-19 outbreak on the passenger throughput and commercial resources, the non-aeronautical revenues amounted to RMB2,001,740,000, representing a decrease of approximately 12.6% as compared with the previous year. As for the costs, due to the combined effects of the factors including the increase in aviation safety and security guard costs and the Company's strengthened efforts in cost control, the operating expenses of the Company in 2021 were RMB6,046,589,000, representing an increase of approximately 1.3% from the previous year.

OVERVIEW OF AERONAUTICAL BUSINESS

In 2021, on the one hand, as the COVID-19 outbreak in China gradually came under control, the air traffic volumes of domestic routes of Beijing Capital Airport rebounded slightly amid fluctuations, but on the other hand, as the overseas pandemic situation remained severe, both aircraft movements and passenger throughput of international routes and Hong Kong, Macau and Taiwan routes remained at a relatively low level under the control of the relevant anti-epidemic policies. Coupled with the large base figure for the first quarter of 2020 due to the limited impact of the COVID-19 outbreak on the international and regional route business during the same period, there was a significant decrease in the aircraft movements and passenger throughput of international routes and Hong Kong, Macau and Taiwan routes in 2021 as compared to the previous year. Moreover, there was a rebound in the cargo and mail throughput due to the increase in demand for cargo transportation. In 2021, the cumulative aircraft movements in Beijing Capital Airport reached 298,176 sorties, representing an increase of approximately 2.3% as compared with the previous year. The cumulative passenger throughput reached 32,639,013 person-times, representing a decrease of approximately 5.4% as compared with the previous year. The cumulative cargo and mail throughput reached 1,401,313 tonnes, representing an increase of approximately 15.8% as compared with the previous year. Detailed information is set out in the table below:

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

| | 2021 | 2020 | Change |
|--|-------------------|--------------------------------|--------|
| Aircraft Movements (unit: sorties) | 298,176 | 291,498 | 2.3% |
| Domestic | 269,166 | 254,482 ^(Note 1) | 5.8% |
| Including: Hong Kong, Macau & Taiwan | 4,957 | 5,659 ^(Note 1) | -12.4% |
| International | 29,010 | 37,016 ^(Note 1) | -21.6% |
| Passenger Throughput (unit: person-times) | 32,639,013 | 34,513,827 | -5.4% |
| Domestic | 32,452,805 | 31,978,606 ^(Note 1) | 1.5% |
| Including: Hong Kong, Macau & Taiwan | 209,607 | 358,124 | -41.5% |
| International | 186,208 | 2,535,221 ^(Note 1) | -92.7% |
| Cargo and Mail Throughput (unit: tonnes) | 1,401,313 | 1,210,441 | 15.8% |
| Domestic | 726,760 | 665,022 ^(Note 1) | 9.3% |
| Including: Hong Kong, Macau & Taiwan | 67,278 | 65,649 | 2.5% |
| International | 674,553 | 545,419 ^(Note 1) | 23.7% |

Note 1: The figures of aircraft movements, passenger throughput and cargo and mail throughput were arrived at after adjustment at the end of 2021.

AERONAUTICAL REVENUES

| | 2021 RMB'000 | 2020 RMB'000 | Change |
|--|------------------|-----------------|--------|
| Aircraft movement fees and related charges | 821,902 | 710,771 | 15.6% |
| Passenger charges | 521,067 | 585,432 | -11.0% |
| Total aeronautical revenues | 1,342,969 | 1,296,203 | 3.6% |

In 2021, the total aeronautical revenues of the Company were RMB1,342,969,000, representing an increase of approximately 3.6% as compared with the previous year. In particular, the revenues from aircraft movement fees and related charges were RMB821,902,000, representing an increase of approximately 15.6% as compared with the previous year, which was primarily due to the fact that with the relief of the domestic COVID-19 outbreak during the current period, the domestic aviation market has recovered to a certain extent from the volatility and therefore, the revenues from aircraft movement fees and related charges in respect of domestic routes (excluding Hong Kong, Macau and Taiwan) have rebounded accordingly. Furthermore, benefiting from

the Notice of CAAC on Policies Consolidating the Success in Containing the Pandemic and Supporting the Stable Development of the Industry (Min Hang Han [2021] No. 57) 《民航局關於鞏固疫情防控成果支持行業穩定發展有關政策的通知》(民航函[2021]57號)), the parking fee exemption policy of Class 1 and Class 2 airports was no longer implemented with effect from 1 January 2021, resulting in an increase in the parking fee income of Beijing Capital Airport. The revenues from passenger charges were RMB521,067,000, representing a decrease of approximately 11.0% as compared with the previous year, which was mainly attributable to the decrease of passenger throughput of international routes and Hong Kong, Macau and Taiwan routes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

NON-AERONAUTICAL REVENUES

| | 2021 RMB'000 | 2020 RMB'000 | Change |
|----------------------------------|------------------|-------------------------------|--------|
| Concessions | 951,269 | 1,299,313 ^(Note 2) | -26.8% |
| Including: Advertising | 720,192 | 853,494 | -15.6% |
| Restaurants and food shops | 98,158 | 165,012 | -40.5% |
| Retailing | 55,016 | 194,944 | -71.8% |
| Car Parking | 40,733 | 39,903 | 2.1% |
| Other concessions | 37,170 | 45,960 ^(Note 2) | -19.1% |
| Rentals | 861,138 | 787,273 ^(Note 2) | 9.4% |
| Resources usage fees | 165,738 | 180,565 ^(Note 2) | -8.2% |
| Car parking fees | 4,684 | 5,524 | -15.2% |
| Others | 18,911 | 18,258 | 3.6% |
| Non-aeronautical revenues | 2,001,740 | 2,290,933 | -12.6% |

Note 2: The figures of concessions, other concessions and rentals were different from those set out in the 2020 annual report due to the reclassification adjustment of a portion of the revenues as revenues from resources usage fees.

In 2021, the non-aeronautical revenues of the Company were RMB2,001,740,000, representing a decrease of approximately 12.6% as compared with the previous year. In 2021, the concession revenues of the Company were RMB951,269,000, representing a decrease of approximately 26.8% as compared with the previous year. Among these, the revenues from advertising were RMB720,192,000, representing a decrease of approximately 15.6% as compared with the previous year. This was, on the one hand, attributable to the adjustments to

the procedures of the airport due to the impacts of the COVID-19 outbreak and the preparation work for the security of operation of the Beijing Winter Olympics, as a result of which the related revenues were waived pursuant to the terms of the relevant agreements. On the other hand, it was attributable to the combined effects of the reduction in price of certain newly signed agreements as well as the fact that the spare advertising resources had not yet attracted investment as a result of the COVID-19 outbreak. The revenues from restaurants

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

and food shops were RMB98,158,000, representing a decrease of approximately 40.5% as compared with the previous year, which was due to, on the one hand, the larger base figure for the revenues from restaurants and food shops for January 2020 given that the impact of the COVID-19 outbreak was limited in that month, and on the other hand, the combined effects of the closure of Terminal One for renovation, and the expiry of contracts with certain restaurant tenants which were not renewed, resulting in a corresponding decrease in the revenues from restaurants and food shops. The revenues from retailing were RMB55,016,000, representing a decrease of approximately 71.8% as compared with the previous year, which was mainly attributable to the significant decrease in international passenger throughput and thus a sharp decline in related revenues under the effects of the COVID-19 outbreak and the transfer and diversion of flights to Daxing Airport, as well as the larger base figure for the revenues from retailing for January 2020 due to the limited impact of the COVID-19 outbreak in that month. The concession revenues from the car-parking fees were RMB40,733,000, representing an increase of approximately 2.1% as compared with the previous year. The revenues from other concessions were RMB37,170,000, representing a decrease of approximately 19.1% as compared with the previous year, which was mainly because a portion of the revenues was reclassified and adjusted as revenues from resources usage fees.

In 2021, the rental revenues of the Company were RMB861,138,000, representing an increase of approximately 9.4% as compared with the previous year, which was mainly due to the recognition of related revenues for rentals of terminals and departure system services that were agreed between the Company and certain customers.

In 2021, the revenues from resources usage fees of the Company were RMB165,738,000, representing a decrease of approximately 8.2% as compared with the previous year, which was mainly because, pursuant to the terms of the domestic retail resources usage agreement and the food and beverage resources usage agreement, the base figure of guaranteed resources usage fees for 2021 was related to the change in domestic passenger throughput between 2021 and 2019, and the passenger throughput has declined significantly as compared with that in 2019 under the impact of the COVID-19 outbreak, resulting in a decrease in related revenues.

In 2021, the car-parking fees of the Company were RMB4,684,000, representing a decrease of approximately 15.2% as compared with the previous year, which was mainly attributable to the decrease in the demand for parking spaces as affected by the COVID-19 outbreak.

In 2021, other revenues of the Company were RMB18,911,000, representing an increase of approximately 3.6% as compared with the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OPERATING EXPENSES

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> | Change |
|--|------------------------|------------------------|--------|
| Depreciation and amortisation | 1,572,645 | 1,482,872 | 6.1% |
| Repair and maintenance | 1,009,467 | 1,059,083 | -4.7% |
| Aviation safety and security guard costs | 920,343 | 716,508 | 28.4% |
| Staff costs | 550,101 | 538,686 | 2.1% |
| Utilities and power | 546,704 | 587,871 | -7.0% |
| Operating contracted services | 444,930 | 441,981 | 0.7% |
| Greening and environmental maintenance | 295,319 | 294,129 | 0.4% |
| Real estate and other taxes | 235,205 | 250,153 | -6.0% |
| Concession management fees | 221,231 | 233,014 | -5.1% |
| Rental expenses | 821 | 6,504 | -87.4% |
| General, administrative and other costs | 249,823 | 357,945 | -30.2% |
| Operating expenses | 6,046,589 | 5,968,746 | 1.3% |

In 2021, the operating expenses of the Company were RMB6,046,589,000, representing an increase of approximately 1.3% as compared with the previous year.

In 2021, the depreciation and amortisation expenses of the Company were RMB1,572,645,000, representing an increase of approximately 6.1% as compared with the previous year, which was mainly due to the addition of certain assets, as a result of which corresponding depreciation expenses were accrued during the current period.

In 2021, the repair and maintenance expenses of the Company were RMB1,009,467,000, representing a decrease of approximately 4.7% as compared with the previous year, which was mainly because the Company strengthened its cost control in response to the continuing impact of the COVID-19 outbreak, leading to a decrease in maintenance costs for equipment and system.

In 2021, the aviation safety and security guard costs of the Company were RMB920,343,000, representing an increase of approximately 28.4% as compared with the previous year, which was mainly due to the increase in investments related to, among others, pandemic prevention and control, business adjustments, labor costs and the security for operation of the Beijing Winter Olympics, which led to an increase in aviation safety and security guard costs.

In 2021, the staff costs of the Company were RMB550,101,000, representing an increase of approximately 2.1% as compared with the previous year, which was mainly because, from February 2020 to the end of June 2020, the insurance fees payable in respect of corporate basic pension insurance, unemployment insurance, employment injury insurance and medical insurance had been reduced by 50% pursuant to the requirements under the documents issued by the relevant government authorities. As a result, the base figure for the previous year was relatively small, leading to an increase in staff costs during the current period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In 2021, the utilities and power expenses of the Company were RMB546,704,000, representing a decrease of approximately 7.0% 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 closure of Terminal One and the adjustments to certain regional functions of the GTC.

In 2021, the operating contracted services costs of the Company were RMB444,930,000, representing an increase of approximately 0.7% as compared with the previous year.

In 2021, the greening and environmental maintenance expenses of the Company were RMB295,319,000, representing an increase of approximately 0.4% as compared with the previous year.

In 2021, the real estate and other taxes of the Company were RMB235,205,000, representing a decrease of approximately 6.0% as compared with the previous year, which was mainly because the international passenger throughput declined as a result of the COVID-19 outbreak, leading to a decrease in rentals of commercial premises at the terminals, and resulting in the corresponding decrease in real estate taxes assessable on rentals levied accordingly.

In 2021, the concession management fees of the Company were RMB221,231,000, representing a decrease of approximately 5.1% as compared with the previous year, which was mainly due to the substantial decline in international passenger throughput as affected by the COVID-19 outbreak, which led to a significant decrease in concession revenues from retailing and advertising, and resulted in the corresponding decrease in the concession management fees that were charged in proportion to the concession revenues.

In 2021, the rental expenses of the Company were RMB821,000, representing a decrease of approximately 87.4% 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, and the fact that certain resources under the short-term leases were adjusted as long-term contracts upon expiry and were hence included as right-of-use assets, which led to a corresponding decrease in rental expenses.

In 2021, the general, administrative and other costs of the Company were RMB249,823,000, representing a decrease of approximately 30.2% as compared with the previous year, which was mainly due to the strengthened cost control of the Company and the decrease in expenses related to pandemic prevention and control as a result of the effective control of the COVID-19 outbreak in China.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OTHER ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

In 2021, the other income of the Company was RMB14,447,000, representing a decrease of approximately 46.6% as compared with the previous year, which was mainly due to the larger base figure for the previous year as a result of the receipt of a significant amount of operating subsidies from the government for pandemic prevention and control in 2020.

In 2021, the net financial costs of the Company after netting off the financial income was RMB140,192,000 as compared with the net financial income of RMB15,364,000 in 2020, which was mainly due to the fact that the average balance of the borrowings in 2021 was higher than that in the previous year. In addition, as the decrease in the exchange rate of US dollar against RMB was less than that in the previous year, the exchange gains from the liabilities denominated in US dollar decreased as compared with the previous year.

In 2021, the income tax credit of the Company was RMB703,877,000, representing an increase of approximately 4.2% as compared with the previous year.

LOSS FOR THE YEAR

For the financial year ended 31 December 2021, the net loss for the year of the Company amounted to RMB2,116,537,000, representing an increase of approximately 4.0% as compared with the net loss for the previous year of the Company.

DIVIDEND

In 2021, 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 2021.

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, 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 2021. Therefore, the fluctuation of RMB exchange rate against the US dollar will affect the financial results of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 31 December 2021, the assets and liabilities of the Company denominated in US dollars included cash and cash equivalents of approximately RMB21,361,000 (2020: RMB23,776,000), trade and other payables of approximately RMB8,188,000 (2020: RMB8,379,000), and loans from the Parent Company of approximately RMB1,322,862,000 (2020: RMB1,512,660,000). During 2021, the Company recorded a net exchange gain of RMB35,732,000.

EXPOSURE TO FLUCTUATIONS IN INTEREST RATES

The total principal amount of the Company's loans from the Parent Company was RMB1,322,486,000, 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 principal amount of the Company's short-term and long-term borrowings were RMB4,488,841,000, 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 adjustments to the interest rates of the People's Bank of China will affect the interest expenses and results of the Company.

CONTINGENT LIABILITIES

As at 31 December 2021, the Company had no significant contingent liabilities.

LIQUIDITY AND FINANCIAL RESOURCES

In 2021, the Company's net cash used in operating activities amounted to RMB621,485,000, representing a decrease of RMB365,398,000 as compared with RMB986,883,000 for the year of 2020. In 2021, the Company's net cash outflow from investing activities amounted to RMB620,654,000. In 2021, the Company's net cash generated from financing activities amounted to RMB1,170,328,000.

As at 31 December 2021, the Company had cash and cash equivalents amounting to the total sum of RMB2,224,473,000, while the cash and cash equivalents of the Company amounted to RMB2,296,801,000 as at 31 December 2020.

As at 31 December 2021, the principal amount of the Company's short-term and long-term borrowings were RMB4,488,841,000, the principal amount of the loans from the Parent Company were RMB1,322,486,000 and the principal amount of the bonds payable was RMB1,298,264,000.

As at 31 December 2021, the current ratio of the Company was 0.41, while the current ratio of the Company was 0.39 as at 31 December 2020. 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 2021, the gearing ratio of the Company was 42.60%, while the gearing ratio of the Company was 37.22% as at 31 December 2020. 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 2021, the capital and reserves of the Company were RMB20,174,808,000, while the capital and reserves of the Company were RMB22,238,234,000 as at 31 December 2020.

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:

| | 2021 | 2020 |
|---------------------------|-------|-------|
| Total number of employees | 1,567 | 1,556 |

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.

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

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

3. Staff retirement scheme

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

CHARGE ON ASSETS

During the year ended 31 December 2021, there was no charge or pledge on the assets of the Company.

MERGER, ACQUISITION AND DISPOSAL

During the year ended 31 December 2021, the Company did not conduct any merger, acquisition or disposal.

CORPORATE GOVERNANCE REPORT

The Company is well aware that sound corporate governance is an important prerequisite for sustainable development, continuous improvement of the Company's value and safeguarding shareholders' rights and interests. During the reporting period, the Company adhered to 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 2021 to 31 December 2021, save for the deviation from provision A.6.7 (or the new code provision C.1.6) of the Code due to reasonable grounds (as explained below).

In respect of provision A.6.7 (or the new code provision C.1.6) of the Code, the Company held its 2020 annual general meeting on 23 June 2021. Save for Mr. Gao Shiqing, a non-executive director who was absent from the annual general meeting due to work commitments, all other members of the Board attended the annual general meeting. Five ordinary resolutions were considered at the annual general meeting, all of which were successfully passed. After the annual general meeting, the Company dispatched the relevant meeting minutes to all members of the Board to keep the absent director(s) informed of the proposals resolved during the annual general meeting.

CORPORATE GOVERNANCE PRACTICES

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry on all directors, the Company has confirmed that each of its directors has complied with the Model Code and the required standard set out in the "Code for Securities Transactions by Directors and Staff" formulated by the Company throughout the year ended 31 December 2021.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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, save for one director who was elected at the extraordinary general meeting on 16 December 2021. With the exception of one Director whose term of office was terminated by resignation on 16 December 2021, 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.

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 shall be responsible for making 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, and committed themselves to the interests of the Company and its shareholders as a whole.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2021, the Board of the Company held 11 meetings (of which 7 were held by way of circulating written resolutions) in total to discuss and determine the Company's strategic development, major operations, financial affairs and other matters set out in the Articles of Association.

The table below sets out the rate of the directors' attendance (referring to attendance in person or by teleconference) at general meetings and Board meetings in 2021:

| | | General meetings attendance rate (Number of meetings attended/number of meetings held) | Board meetings attendance rate (Number of meetings attended/number of meetings held) |
|--------------------------------|--|---|---|
| Wang Changyi (<i>Note 1</i>) | Chairman, executive director (appointed on 16 December 2021) | 1/1 | 1/1 |
| Liu Xuesong (<i>Note 2</i>) | Chairman, executive director (resigned on 16 December 2021) | 2/2 | 10/10 |
| Han Zhiliang | General manager, executive director | 2/3 | 10/11 |
| Zhang Guoliang | Executive director | 2/3 | 10/11 |
| Gao Shiqing | Non-executive director | 2/3 | 10/11 |
| Jia Jianqing | Non-executive director | 1/3 | 10/11 |
| Song Kun | Non-executive director | 2/3 | 10/11 |
| Jiang Ruiming | Independent non-executive director | 3/3 | 11/11 |
| Liu Guibin | Independent non-executive director | 3/3 | 11/11 |
| Zhang Jiali | Independent non-executive director | 3/3 | 11/11 |
| Stanley Hui Hon-chung | Independent non-executive director | 3/3 | 11/11 |

Note 1: Mr. Wang Changyi was appointed as the chairman and executive director of the Company with effect from 16 December 2021, thus did not attend all previous meetings.

Note 2: Mr. Liu Xuesong resigned as the chairman and executive director of the Company with effect from 16 December 2021, thus did not attend the meeting on that day.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Chairman and General Manager

For the year ended 31 December 2021 and during the period up to the date of publication of this annual report, Mr. Liu Xuesong (resigned on 16 December 2021), Mr. Wang Changyi (appointed on 16 December 2021) and Mr. Han Zhiliang, each being an executive director, 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 C.1.8 of the Code, an issuer shall arrange appropriate insurance in respect of any legal action 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, prospects and relevant market and regulatory development.

The Company also encouraged its directors to participate in 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 contributions 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 2021, 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. Wang Changyi (<i>Note 1</i>) | ✓ | ✓ | ✓ | ✓ |
| Mr. Liu Xuesong (<i>Note 2</i>) | ✓ | ✓ | ✓ | ✓ |
| Mr. Han Zhiliang | ✓ | ✓ | ✓ | ✓ |
| Mr. Zhang Guoliang | ✓ | ✓ | ✓ | ✓ |
| Non-executive directors | | | | |
| Mr. Gao Shiqing | ✓ | ✓ | ✓ | ✓ |
| Mr. Jia Jianqing | ✓ | ✓ | ✓ | ✓ |
| Mr. Song Kun | ✓ | ✓ | ✓ | ✓ |
| Independent non-executive directors | | | | |
| 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: Mr. Wang Changyi was appointed as an executive director of the Company with effect from 16 December 2021.

Note 2: Mr. Liu Xuesong ceased to be an executive director of the Company with effect from 16 December 2021.

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 of the Company reappointed 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 non-independent 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 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 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) |
|---|--|
| Stanley Hui Hon-chung (<i>Chairman</i>) | 1/1 |
| Jiang Ruiming | 1/1 |
| Liu Guibin | 1/1 |
| Zhang Jiali | 1/1 |
| Gao Shiqing | 1/1 |
| Zhang Guoliang | 1/1 |

CORPORATE GOVERNANCE REPORT (CONTINUED)

Nomination Committee

Composition and Term of Office

The nomination committee of the Company (the "Nomination Committee") was established on 26 March 2007. On 23 June 2020, the eighth session of the Board of the Company appointed the members of the Nomination Committee with their term of office to end on the day of convening of the 2022 AGM. On 16 December 2021, Mr. Liu Xuesong terminated his term of office as a member of the Nomination Committee by resignation. On the same day, the eighth session of the Board of the Company appointed Mr. Wang Changyi as a member of the Nomination Committee, with his 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. Wang Changyi, 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, the scale of assets and shareholding structure of the Company;
- (ii) to consider the standards and procedures for the 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, a 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 2021, 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 |
|----------|----------|----------|----------|
| 10% | 70% | – | 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 |
|-------------------------|---------------------------------------|------------|-----|-------------------------|
| 50% | 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 one meeting 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 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>) | 1/1 |
| Liu Guibin | 1/1 |
| Zhang Jiali | 1/1 |
| Stanley Hui Hon-chung | 1/1 |
| Wang Changyi (<i>Note 1</i>) | 0/0 |
| Liu Xuesong (<i>Note 2</i>) | 1/1 |
| Han Zhiliang | 1/1 |
| Zhang Guoliang | 1/1 |

Note 1: Mr. Wang Changyi was appointed as a member of the Nomination Committee with effect from 16 December 2021, thus did not attend all previous meetings.

Note 2: Mr. Liu Xuesong ceased to be a member of the Nomination Committee with effect from 16 December 2021.

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 of the Company 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. 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 |
| Jiang Ruiming | 3/3 |
| Zhang Jiali | 3/3 |
| Stanley Hui Hon-chung | 3/3 |

CORPORATE GOVERNANCE REPORT (CONTINUED)

The work performed by the Audit and Risk Management Committee for 2021 is summarized as follows:

During the year of 2021, the Audit and Risk Management Committee reviewed the annual results report of the Company for the year of 2020 and the interim results report of the Company for the year of 2021, as well as the financial audit report for the year of 2020 and the interim financial review report for the year of 2021; 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 the 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 advice from the 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 of the Company appointed the members of the Strategy Committee and the term of office will end on the date of convening of the 2022 AGM. On 16 December 2021, Mr. Liu Xuesong terminated his term of office as the chairman and member of the Strategy Committee by resignation. On the same day, the eighth session of the Board of the Company appointed Mr. Wang Changyi as the chairman and member of the Strategy Committee, with his term

of office to end on the day 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. Wang Changyi (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.

On 25 February 2022, the Board approved certain proposals in relation to the enhancement and optimisation of the Board's environmental, social and governance ("ESG") related working framework and contents with effect from the same date. For details, please refer to the announcement of the Company dated 25 February 2022.

RESPONSIBILITIES OF DIRECTORS AND AUDITOR FOR ACCOUNTS

The directors hereby confirm their responsibilities for the preparation of the Company's financial statements. The directors confirm that the financial

CORPORATE GOVERNANCE REPORT (CONTINUED)

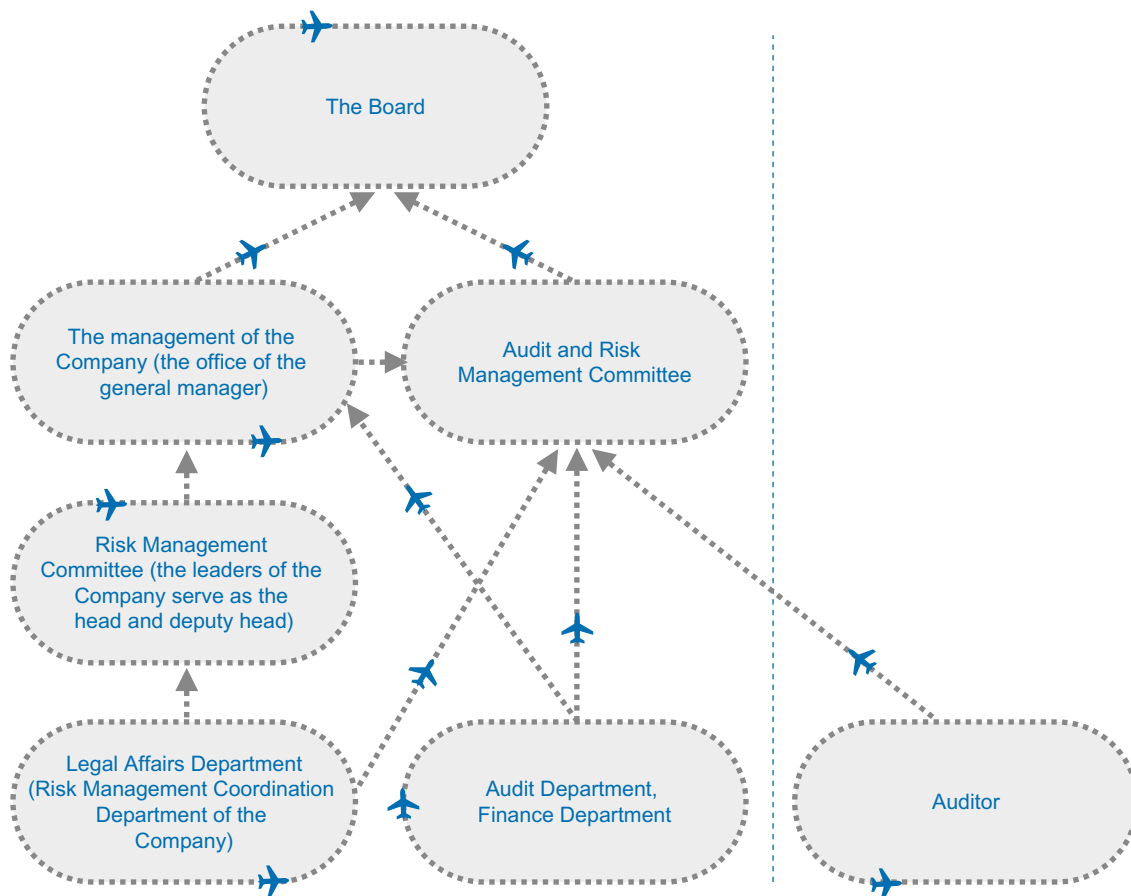
statements of the Company for the year were prepared in accordance with the relevant rules and regulations as well as applicable accounting policies. The directors ensure that the financial statements of the Company will be published in due course. The responsibilities of the external auditor to the shareholders are described on pages 81 to 86.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Framework

The objectives of the risk management and internal control system of the Company are to ensure 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 only 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 ongoing basis: assessing various material business risks exposed to the Company on a regular basis each year, updating and amending the internal control manual, updating the legal risk prevention manual, issuing the internal control examination report, issuing the risk management report, updating the 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 control measures including the comprehensive risk management reporting system, legal risk prevention and internal control guidance each year.

Procedure for reviewing the effectiveness of the risk management and internal control system and the procedure for resolving serious internal control deficiency: The Company conducts walk-through tests and examination assessments on its internal control business procedures and re-examines the effectiveness of the control system on a regular basis each year, and makes adjustments 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 common insider information types and key position contact persons based on its business conditions, thereby formulating a stringent confidentiality system. Upon discovery of any suspected insider

information, such information will be passed to the 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.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The work performed with respect to risk management and internal control by the relevant departments of the Company for 2021 is summarized as follows:

In 2021, 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 audits in 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 2021, the legal affairs department reported to the Audit and Risk Management Committee once; the audit department and the finance department reported to the Audit and Risk Management Committee twice; the auditor reported to the Audit and Risk Management Committee three times, and the Audit and Risk Management Committee reported to the Board accordingly.

During the annual review, the Audit and Risk Management Committee has also considered resources, staff qualifications and experience, training programmes and the adequacy of the 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 2021, the existing internal control system is prudent and sufficient to protect 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 2021, respectively. During the year ended 31 December 2021, 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 2021.

COMPANY SECRETARY

On 28 June 2021, Mr. Mok Chung Kwan, Stephen resigned as a joint company secretary of the Company, and Mr. Meng Xianwei, the then joint company secretary of the Company, served as the sole company secretary of the Company with effect from that day, upon prior confirmation of his qualification to act as the company secretary of the Company by the Hong Kong Stock Exchange. Mr. Meng Xianwei is familiar with the Company's day-to-day business operation. The company secretary provides opinions on corporate governance issues to the Board by reporting to the chairman of the Board or the chief executive, and makes arrangements for directors' induction training and professional development. Mr. Meng Xianwei confirmed that he had received not less than 15 hours of relevant professional training during the reporting period.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

According to the provisions under the Articles of Association, an extraordinary general meeting may be convened upon the written request by the shareholders holding 10% or more of the issued shares of the Company with voting rights.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

Meanwhile, at any shareholders' general meetings (including annual general meetings and extraordinary general meetings) 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.

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.

In view of the fact that in 2021, the Company recorded a loss from operations as affected by the COVID-19 pandemic, the Board did not propose to distribute the final dividend for the year ended 31 December 2021.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, 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 7784) 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 2021, 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 2021 and continuously improved the Company's governance practices.

The eighth session of the Supervisory Committee of the Company was established on 23 June 2020, save for one supervisor who was elected at the extraordinary general meeting on 16 December 2021, other supervisors were elected by the shareholders of the Company at the 2019 AGM. With the exception of one supervisor whose term of office was terminated by resignation on 16 December 2021, the term of office of all supervisors will end on the date of convening the 2022 AGM.

As at 31 December 2021, the eighth session of the Supervisory Committee of the Company comprises five members, including Mr. Liu Chunchen as a representative of shareholders, Mr. Liu Jiliang and Ms. Wu Xiaoli as representatives of employees, and Mr. Wang Xiaolong and Mr. Japhet Sebastian Law as external supervisors. Among them, Mr. Liu Chunchen was elected as a supervisor representing the shareholders at an extraordinary general meeting of the Company held on 16 December 2021 and Mr. Liu Jiliang and Ms. Wu Xiaoli were elected as supervisors representing employees at the staff representative congress of the Company held on 13 December 2021.

On 16 December 2021, Mr. Liu Chunchen 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 24 March 2021, the Supervisory Committee convened the first meeting of the year by way of written resolution, at which the 2020 work of the Supervisory Committee was summarized, and the Report of the Supervisory Committee of the Company for the year of 2020 was considered and approved, and the secretary to the Board of the Company was authorized to incorporate the report into the 2020 annual report for review by the Company's shareholders.

On 16 December 2021, the Supervisory Committee convened the second Supervisory Committee meeting, at which Mr. Liu Chunchen was elected as the chairman of the Supervisory Committee of the Company with a term commencing from 16 December 2021 (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, audited the Company's financial, daily management and operational status, and reviewed the operating results and financial conditions of the Company in 2021.

Meanwhile, the Supervisory Committee carefully reviewed the Report of the Board, the financial statements and the profit distribution proposal to be submitted at the 2021 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 of the People's Republic of China, 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 2021, the continuing impacts of the COVID-19 outbreak and the accelerating changes unseen in a hundred years have brought about various risks and challenges for the civil aviation industry, which hindered the recovery of passenger throughput of Beijing Capital Airport and put the Company's results under constant pressure. 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, we will adhere to the strategy of maintaining steady progress and remain persistent and relentless to promote and achieve the development of Beijing Capital Airport with higher quality in full swing.

By order of the Supervisory Committee

Liu Chunchen

Chairman of the Supervisory Committee

Beijing, the PRC, 24 March 2022

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
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"), which are set out on pages 87 to 170, comprise:

- the balance sheet as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 2021, 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)



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED (Continued)**
(incorporated in the People's Republic of China with limited liability)

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 judgment, 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)



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED (Continued)**
(incorporated in the People's Republic of China with limited liability)

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 2021, the Company had trade receivables amounting to RMB1,286 million, among which, a provision of RMB428 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)



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED (Continued)**
(incorporated in the People's Republic of China with limited liability)

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)



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED (Continued)**
(incorporated in the People's Republic of China with limited liability)

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 judgment 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)



羅兵咸永道

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED (Continued)**
(incorporated in the People's Republic of China with limited liability)

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 Leong Kin Bong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2022

(If there is any inconsistency between the English and Chinese version of this independent auditor's report, the English version shall prevail.)

BALANCE SHEET

As at 31 December 2021

| | Note | As at 31 December | |
|---|-------|-------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | 6 | 2,902,097 | 2,993,767 |
| Property, plant and equipment | 7 | 24,483,392 | 25,247,498 |
| Right-of-use assets | 8 | 2,206,263 | 2,361,289 |
| Intangible assets | 9 | 115,205 | 89,733 |
| Deferred income tax assets | 24 | 1,564,531 | 862,585 |
| Other non-current assets | 12 | 256,393 | 172,570 |
| | | 31,527,881 | 31,727,442 |
| Current assets | | | |
| Inventories | 10 | 218,341 | 166,477 |
| Trade receivables | 11 | 857,955 | 871,558 |
| Prepayment | 12 | 36,361 | 24,798 |
| Other financial assets at amortised cost | 13 | 53,938 | 38,811 |
| Financial assets at fair value through profit or loss | 14 | 6,866 | – |
| Cash and cash equivalents | 15 | 2,224,473 | 2,296,801 |
| Other current assets | 16 | 221,521 | 297,029 |
| | | 3,619,455 | 3,695,474 |
| Total assets | | 35,147,336 | 35,422,916 |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 18 | 4,579,179 | 4,579,179 |
| Share premium | | 6,300,867 | 6,300,867 |
| Capital reserve | 19(a) | 248,715 | 195,255 |
| Other reserve | 19(b) | 3,635 | 3,984 |
| Statutory and discretionary reserves | 19(c) | 6,809,588 | 6,809,588 |
| Retained earnings | | 2,232,824 | 4,349,361 |
| Total equity | | 20,174,808 | 22,238,234 |

BALANCE SHEET (CONTINUED)

As at 31 December 2021

| | Note | As at 31 December | |
|---|------|-------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long term borrowings | 21 | 2,788,441 | – |
| Bonds payable | 22 | 1,298,264 | 1,312,351 |
| Loans from the Parent Company | 23 | 1,166,899 | 1,353,433 |
| Lease liabilities | 8 | 677,383 | 777,941 |
| Retirement benefit obligations | 25 | 103,762 | 108,085 |
| Deferred income | 26 | 31,132 | 36,117 |
| | | 6,065,881 | 3,587,927 |
| Current liabilities | | | |
| Short-term borrowings | 21 | 1,701,132 | 2,868,909 |
| Trade and other payables | 20 | 6,818,033 | 6,383,727 |
| Current portion of long-term borrowings | 21 | 3,308 | – |
| Current portion of bonds payable | 22 | 15,236 | – |
| Current portion of loans from the Parent Company | 23 | 155,963 | 159,227 |
| Current portion of lease liabilities | 8 | 204,503 | 176,497 |
| Current portion of retirement benefit obligations | 25 | 8,472 | 8,395 |
| | | 8,906,647 | 9,596,755 |
| Total liabilities | | 14,972,528 | 13,184,682 |
| Total equity and liabilities | | 35,147,336 | 35,422,916 |

The above balance sheet should be read in conjunction with the accompanying notes on pages 93 to 170.

The financial statements on pages 87 to 170 were approved by the Board of Directors on 24 March 2022 and were signed on its behalf.

Wang Changyi
Chairman

Han Zhiliang
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | Note | 2021 RMB'000 | 2020 RMB'000 |
|--|------------|--------------------|-----------------|
| Revenues | | | |
| Aeronautical | 5 | 1,342,969 | 1,296,203 |
| Non-aeronautical | 5 | 2,001,740 | 2,290,933 |
| | | 3,344,709 | 3,587,136 |
| Operating expenses | | | |
| Depreciation and amortisation | 6, 7, 8, 9 | (1,572,645) | (1,482,872) |
| Repairs and maintenance | | (1,009,467) | (1,059,083) |
| Aviation safety and security guard costs | | (920,343) | (716,508) |
| Staff costs | 27 | (550,101) | (538,686) |
| Utilities and power | | (546,704) | (587,871) |
| Operating contracted services | | (444,930) | (441,981) |
| Greening and environmental maintenance | | (295,319) | (294,129) |
| Real estate and other taxes | | (235,205) | (250,153) |
| Concession management fees | | (221,231) | (233,014) |
| Rental expenses | | (821) | (6,504) |
| Other costs | | (249,823) | (357,945) |
| | 28 | (6,046,589) | (5,968,746) |
| Impairment losses on financial assets | | 12,085 | (105,029) |
| Other income | | 14,447 | 27,076 |
| Other losses | | (4,874) | - |
| Waiver of fee receivables | 29 | - | (265,921) |
| Operating loss | | (2,680,222) | (2,725,484) |
| Finance income | 30 | 80,829 | 136,140 |
| Finance costs | 30 | (221,021) | (120,776) |
| | | (140,192) | 15,364 |
| Loss before income tax | | (2,820,414) | (2,710,120) |

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2021

| | <i>Note</i> | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--|-------------|-------------------------------|------------------------|
| Income tax credit | 31(a) | 703,877 | 675,469 |
| Loss for the year | | (2,116,537) | (2,034,651) |
| Other comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Remeasurements of retirement benefit obligations | | (349) | 23,633 |
| Other comprehensive income for the year, net of tax | | (349) | 23,633 |
| Total comprehensive loss for the year | | (2,116,886) | (2,011,018) |
| Loss per share, basic and diluted (RMB) | 32 | (0.46) | (0.44) |

The above statement of comprehensive income should be read in conjunction with the accompanying notes on pages 93 to 170.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| | 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 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 income/(loss) for the year | | - | - | - | 23,633 | - | (2,034,651) | (2,011,018) |
| 2019 final dividend | | - | - | - | - | - | (701,988) | (701,988) |
| Transfer to statutory and discretionary reserves | 19(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 |
| Balance at 1 January 2021 | | 4,579,179 | 6,300,867 | 195,255 | 3,984 | 6,809,588 | 4,349,361 | 22,238,234 |
| Loss for the year | | - | - | - | - | - | (2,116,537) | (2,116,537) |
| Other comprehensive loss for the year | | - | - | - | (349) | - | - | (349) |
| Total comprehensive loss for the year | | - | - | - | (349) | - | (2,116,537) | (2,116,886) |
| Cash contribution from the Parent Company | 19(a) | - | - | 53,460 | - | - | - | 53,460 |
| Balance at 31 December 2021 | | 4,579,179 | 6,300,867 | 248,715 | 3,635 | 6,809,588 | 2,232,824 | 20,174,808 |

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 93 to 170.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Note | 2021 RMB'000 | 2020 RMB'000 |
|---|------|------------------|-----------------|
| Cash flows from operating activities | | | |
| Cash used in operations | 34 | (794,997) | (872,752) |
| Refund of taxes and surcharges | | 173,512 | – |
| Income tax paid | | – | (114,131) |
| Net cash used in operating activities | | (621,485) | (986,883) |
| Cash flows from investing activities | | | |
| Interest received | | 20,737 | 41,835 |
| Purchase of property, plant and equipment | | (570,758) | (902,586) |
| Purchase of intangible assets | | (70,633) | (48,936) |
| Net cash used in investing activities | | (620,654) | (909,687) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (3,300,400) | (500,000) |
| Interest paid | | (180,577) | (53,912) |
| Principal and interest elements of lease payments | | (168,369) | (206,021) |
| Repayment of loans from the Parent Company | | (154,118) | (169,556) |
| Proceeds from borrowings | | 4,920,332 | 4,168,909 |
| Contribution from the Parent Company | | 53,460 | – |
| Dividends paid | | – | (701,988) |
| Underwriting fees paid | | – | (2,194) |
| Others | | – | (9,658) |
| Net cash generated from financing activities | | 1,170,328 | 2,525,580 |
| Net (decrease)/increase in cash and cash equivalents | | (71,811) | 629,010 |
| Cash and cash equivalents at beginning of year | | 2,296,801 | 1,664,626 |
| Exchange effect on cash and cash equivalents | | (517) | 3,165 |
| Cash and cash equivalents at end of year | 15 | 2,224,473 | 2,296,801 |

The above statement of cash flows should be read in conjunction with the accompanying notes on pages 93 to 170.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 Holdings Limited (“CAH” 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.

Considering the continuous impact of the epidemic of Coronavirus Disease 2019 (the COVID-19 pandemic), which has caused uncertainty in respect of the rebound of the international passenger throughput at the Beijing Capital International Airport, the Company will pay close attention to the development of the COVID-19 pandemic, 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 2022.

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 International Financial Reporting Standards (“IFRSs”) and requirements 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) Going concern

As at 31 December 2021, the Company reported a net loss of RMB2,116,537,000 (2020: RMB2,034,651,000) and net cash outflow from operating activities of RMB621,485,000 (2020: RMB986,883,000). The current liabilities of the Company exceeded the current assets by RMB5,287,192,000 (2020: RMB5,901,281,000). 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 2021 have been prepared on a going concern basis.

(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 2021:

- Interest Rate Benchmark Reform – Phase 2 -- amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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 2021 reporting periods and have not been early adopted by the Company. The Company has already taken initial actions to assess the impact of these new or revised standards, interpretation and amendments, and will make further assessments of the impact in the future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 2021

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 2021

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 2021

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(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.

(i) Offsetting financial instruments

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

(j) Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective of collecting 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 18).

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

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Borrowing costs

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

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

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

(q) Current and deferred income tax

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

Current income tax

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

Deferred income tax

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

Deferred income tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax (Continued)

Deferred income tax (Continued)

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(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 2021

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.

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

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 2021

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 CAH 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 2021

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenues recognition (Continued)

- (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 international retailing, part of restaurants and food shops, advertising, and other services in the Beijing Capital Airport.

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

- (iii) Rental income is recognised on a straight-line basis over the lease term.
- (iv) Resources usage fees comprise from the usage of domestic retail resources, part of the food and beverage resources, resources to provide VIP service, ground handling resources, and other resources in the Beijing Capital Airport.

Resources usage fees from the usage of domestic retail resources, the food and beverage resources, resources to provide VIP service and other services are recognised based on a percentage of sales or specified minimum guarantees or agreements with negotiations.

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

- (v) Car parking fees are recognised when the parking services are rendered.

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Earnings per share (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Leases (Continued)

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.

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)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Dividend distribution

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

(x) Government grants

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

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

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

(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 2021

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 2021, all of the Company's assets and liabilities were denominated in RMB except that cash and cash equivalents of approximately RMB21,361,000 (2020: RMB23,776,000), trade and other payables of approximately RMB8,188,000 (2020: RMB8,379,000) and loans from the Parent Company of approximately RMB1,322,862,000 (2020: RMB1,512,660,000) were denominated in US dollar.

As at 31 December 2021, if RMB had weakened/strengthened by 5% against the US dollar with all other variables held constant, post-tax loss would have increased/decreased by RMB49,102,000 (2020: increased/decreased by RMB56,140,000), mainly as a result of foreign exchange losses/gains in translation of US dollar denominated cash and cash equivalents, 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 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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 borrowings and loans from the Parent Company with variable rates, which expose the Company to cash flow interest rate risk. During 2021, the borrowings at variable rate were denominated in RMB. During 2021 and 2020, the Company's loans from the Parent Company at variable rate were 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 2021, if the interest rate on those borrowings and loans from the Parent Company with floating interest rates had increased/decreased by 50 basis points with all other variables held constant, post-tax loss and equity would have been higher/lower by RMB21,792,000 (2020: RMB5,672,000).

Price risk

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the balance sheet as at FVPL (note 14).

The Company's equity investments are publicly traded on the Shanghai Stock Exchange Limited (the Shanghai Stock Exchange).

To manage its price risk arising from investments in equity securities, the Company regularly monitor the price fluctuation and market information to adjust the trading strategies. The trading strategies are decided in accordance with the investment concept of the Company.

As at 31 December 2021, if the equity securities price had increased/decreased by 10% with all other variables held constant, post-tax loss would have been lower/higher by RMB515,000 (2020: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Credit risk

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

In order to minimise the credit risk arising from debtors, management of the Company has delegated a team responsible for determination of credit limits and credit approval. In assessing the credit quality and set credit limits of the customers, the Company considers the customers' financial position, credit history as well as other factors such as market conditions. The utilisation of credit limits is regularly monitored. The Company has policies in place to limit the credit exposure on trade receivables. Debtors with overdue balances will be requested to settle their outstanding balance. The Company 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

As at 31 December 2021 and 2020, 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, bonds payable, loans from the Parent Company and lease liabilities.

| | Less than 1 year <i>RMB'000</i> | Between 1 and 2 years <i>RMB'000</i> | Between 2 and 5 years <i>RMB'000</i> | Over 5 years <i>RMB'000</i> | Total contractual cash flows <i>RMB'000</i> | Carrying amount liabilities <i>RMB'000</i> |
|----------------------------------|---------------------------------------|---|---|-----------------------------------|--|---|
| As at 31 December 2021 | | | | | | |
| Trade and other payables | 4,135,717 | - | - | - | 4,135,717 | 4,135,717 |
| Short-term borrowings | 1,746,573 | - | - | - | 1,746,573 | 1,701,132 |
| Long-term Borrowings | 95,746 | 95,697 | 2,820,286 | - | 3,011,729 | 2,791,749 |
| Bonds payable | 48,620 | 1,348,620 | - | - | 1,397,240 | 1,313,500 |
| Loans from the Parent Company | 163,977 | 163,291 | 483,496 | 552,124 | 1,362,888 | 1,322,862 |
| Lease liabilities | 190,826 | 116,526 | 275,900 | 547,170 | 1,130,422 | 881,886 |
| | 6,381,459 | 1,724,134 | 3,579,682 | 1,099,294 | 12,784,569 | 12,146,846 |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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 2021 and 2020 are as follows:

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|--------------------------|-------------------------------|------------------------|
| Total liabilities | 14,972,528 | 13,184,682 |
| Total assets | 35,147,336 | 35,422,916 |
| Liability-to-asset ratio | 43% | 37% |

The liability-to-asset ratio increased from 37% to 43%, which is mainly due to the increase of borrowings from banks.

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair values estimation (Continued)

Financial instruments in level 1

The fair value of financial instruments traded in active markets (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 financial assets at fair value through profit or loss represented the Company's investments in equity securities of certain company listed on the Shanghai Stock Exchange, which are quoted in an active market and included in level 1.

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 2021

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

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

The cost of the Phase III Assets is determined based on the valuation performed by independent valuer and is subject to final adjustment when the final account of construction by the surveyors in respect of the Phase III Assets is available. Due to the size of the Phase III Assets, the final account of construction by the surveyors in respect of the Phase III Assets had not completed as at 31 December 2021. The total cost is therefore subject to future adjustment according to the final account of construction by the surveyors. Management does not expect the final account of construction by the surveyors to have an adjustment of more than 10% of the cost of the Phase III Assets. Any adjustment will be accounted for prospectively as a change in accounting estimate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Estimated useful lives of property, plant and equipment

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

With all other variables held constant, if the useful lives differ by 10% from management estimates, the depreciation expense would be lower/higher by RMB170,651,000/RMB266,363,000 (2020: RMB164,073,000/RMB205,743,000) for the year ended 31 December 2021.

(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 25.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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 | 2021 RMB'000 | 2020 RMB'000 |
|--|-------------------------------|-----------------|
| Aeronautical: | | |
| Aircraft movement fees and related charges | 821,902 | 710,771 |
| Passenger charges | 521,067 | 585,432 |
| | 1,342,969 | 1,296,203 |
| Non-aeronautical: | | |
| Concessions (<i>note a</i>) | 951,269 | 1,299,313 |
| Rentals | 861,138 | 787,273 |
| Resources usage fees (<i>note b</i>) | 165,738 | 180,565 |
| Car parking fees | 4,684 | 5,524 |
| Others | 18,911 | 18,258 |
| | 2,001,740 | 2,290,933 |
| Total revenues | 3,344,709 | 3,587,136 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

| | 2021 | 2020 |
|----------------------------|----------------|-----------|
| | RMB'000 | RMB'000 |
| Advertising | 720,192 | 853,494 |
| Restaurants and food shops | 98,158 | 165,012 |
| Retailing | 55,016 | 194,944 |
| Car parking fees | 40,733 | 39,903 |
| Other | 37,170 | 45,960 |
| | 951,269 | 1,299,313 |

(b) According to the newly signed contracts and purpose of operation and management, part of revenue was classified as resources usage fees in 2021. For comparison purposes, the related revenues for 2020 have been re-classified.

As the Company is domiciled in the PRC from where all of its revenues from external customers for the years ended 31 December 2021 and 2020 are derived and in where all of its assets are located, no geographical segment information is shown.

For the year ended 31 December 2021, among the customers, approximately 30% and 10% (2020: 24%) of the total revenues were derived from two (2020: one) external customers.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

6 INVESTMENT PROPERTIES

| | 2021 | 2020 |
|---|------------------|-----------|
| | RMB'000 | RMB'000 |
| Cost | | |
| At beginning of year | 3,577,325 | – |
| 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 | 3,577,325 |
| Accumulated depreciation and impairment | | |
| At beginning of year | (583,558) | – |
| Transferred from property, plant and equipment (Note 7) | – | (417,649) |
| Transferred from right-of-use assets (Note 8) | – | (72,873) |
| Charge for the year | (91,670) | (93,036) |
| At end of year | (675,228) | (583,558) |
| Net book amount | | |
| At end of year | 2,902,097 | 2,993,767 |
| Fair value at end of the year | 2,994,000 | 2,994,000 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

6 INVESTMENT PROPERTIES (CONTINUED)

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

| | 2021 | 2020 |
|-------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Rental income | 45,377 | 48,879 |
| Concession income | 40,733 | 39,903 |
| | 86,110 | 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 2021, the land use rights for parcels of land with net book value of RMB1,589,792,000 (2020: RMB1,630,702,000) were acquired from the Parent Company as part of the acquisition of the GTC assets (Note 8). As at 31 December 2021, buildings with net book value of RMB976,922,000 (2020: RMB1,011,407,000) were situated on parcels of land which had been acquired from the Parent Company as part of the acquisition of the GTC Assets (Note 7). As at the date of approval of the financial statements, the Company is in the process of applying for the building ownership certificates of these buildings. As at 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.

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 2021, 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 2021

7 PROPERTY, PLANT AND EQUIPMENT

| | | | 2021 | | | 2020 |
|--|---------------------------------------|--------------------|---|---------------------------|--------------------------------------|---------------------|
| | | | RMB'000 | | | RMB'000 |
| Property, plant and equipment in used | | | 24,483,392 | | | 25,247,498 |
| | 2021 | | | | | |
| | Buildings and improvements | Runways | Plant, furniture, fixtures and equipment | Motor Vehicles | Assets under construction | Total |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost | | | | | | |
| At beginning of year | 23,263,754 | 10,599,670 | 9,313,024 | 918,113 | 1,509,033 | 45,603,594 |
| Additions | 5,144 | - | 37,450 | 6,802 | 435,848 | 485,244 |
| Transfers | 3,025 | 210,388 | 617,181 | 43,615 | (874,209) | - |
| Disposals | - | - | (8,412) | (117) | - | (8,529) |
| Adjustments according to finalisation of construction account by the surveyors | (18,556) | (3,964) | - | - | - | (22,520) |
| At end of year | 23,253,367 | 10,806,094 | 9,959,243 | 968,413 | 1,070,672 | 46,057,789 |
| Accumulated depreciation and impairment | | | | | | |
| At beginning of year | (8,248,999) | (3,726,788) | (7,805,349) | (566,024) | (8,936) | (20,356,096) |
| Charge for the year | (586,342) | (248,598) | (343,521) | (47,915) | - | (1,226,376) |
| Disposals | - | - | 7,964 | 111 | - | 8,075 |
| At end of year | (8,835,341) | (3,975,386) | (8,140,906) | (613,828) | (8,936) | (21,574,397) |
| Net book amount | | | | | | |
| At end of year | 14,418,026 | 6,830,708 | 1,818,337 | 354,585 | 1,061,736 | 24,483,392 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | 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 2021

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:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--------------------------|-------------------------------|------------------------|
| Cost | 992,337 | 1,374,226 |
| Accumulated depreciation | (495,610) | (617,657) |
| Net book amount | 496,727 | 756,569 |

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

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--------------------------|-------------------------------|------------------------|
| Cost | 256,781 | 266,494 |
| Accumulated depreciation | (100,180) | (103,274) |
| Net book amount | 156,601 | 163,220 |

Assets used for resources usage with cost and accumulated depreciation as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--------------------------|-------------------------------|------------------------|
| Cost | 314,205 | 202,421 |
| Accumulated depreciation | (123,547) | (82,415) |
| Net book amount | 190,658 | 120,006 |

As at 31 December 2021, buildings with net book value of RMB103,546,000 (2020: RMB107,741,000) 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 2021, buildings and terminal with a net book value of RMB6,997,197,000 (2020: RMB7,239,690,000) 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 2021, buildings and terminal with a net book value of RMB829,396,000 (2020: RMB858,471,000) 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 2021, buildings with net book value of RMB388,255,000 (2020: RMB401,960,000) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2021, taxiways, aprons and structures with net book value of RMB562,345,000 (2020: RMB582,893,000) 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.

8 LEASES

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

(a) Right-of-use assets

| | 2021 | | | | | |
|---------------------------------|----------------------------|--|----------------------|----------------------|---------------------|------------------|
| | 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 | 1,774,164 | 235,750 | 160,952 | 9,391 | 2,969,694 |
| Additions | - | - | 3,139 | 51,273 | - | 54,412 |
| Lease expiration | - | - | - | (1,608) | - | (1,608) |
| At end of year | 789,437 | 1,774,164 | 238,889 | 210,617 | 9,391 | 3,022,498 |
| Accumulated depreciation | | | | | | |
| At beginning of year | (124,606) | (326,064) | (116,995) | (39,174) | (1,566) | (608,405) |
| Charge for the year | (70,621) | (39,502) | (61,970) | (36,003) | (1,342) | (209,438) |
| Lease expiration | - | - | - | 1,608 | - | 1,608 |
| At end of year | (195,227) | (365,566) | (178,965) | (73,569) | (2,908) | (816,235) |
| Net book amount | | | | | | |
| At end of year | 594,210 | 1,408,598 | 59,924 | 137,048 | 6,483 | 2,206,263 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

8 LEASES (CONTINUED)

(a) Right-of-use assets (Continued)

| | 2020 | | | | | |
|--|----------------------------|--|----------------------|----------------------|---------------------|------------------|
| | Leasehold lands RMB'000 | Land use rights – 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 |

As at 31 December 2021, the land use rights for parcels of land with net book value of RMB404,450,000 (2020: RMB415,456,000) 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 2021, the land use rights for parcels of land with net book value of RMB424,874,000 (2020: RMB436,435,000) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

As at 31 December 2021, the land use rights for parcels of land with net book value of RMB441,309,000 (2020: RMB453,317,000) 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

| | 2021 | 2020 |
|---|----------------|---------|
| | RMB'000 | RMB'000 |
| Current | 204,503 | 176,497 |
| Non-current | 677,383 | 777,941 |
| | 881,886 | 954,438 |
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Interest expense (included in finance cost) (Note 30) | 41,405 | 47,398 |
| Expense relating to short-term leases (included in operating expenses) | 821 | 3,526 |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in operating expenses) | - | 2,978 |

The total cash outflow for leases in 2021 was RMB168,641,000 (2020: RMB231,555,000).

The Company leases various lands, offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods of 2 to 27 years.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|---------------------------------|-------------------------------|------------------------|
| Cost | | |
| At beginning of year | 449,671 | 400,735 |
| Additions | 70,633 | 48,936 |
| At end of year | 520,304 | 449,671 |
| Accumulated amortisation | | |
| At beginning of year | (359,938) | (328,830) |
| Amortisation | (45,161) | (31,108) |
| At end of year | (405,099) | (359,938) |
| Net book amount | | |
| At end of year | 115,205 | 89,733 |

10 INVENTORIES

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|----------------------------------|-------------------------------|------------------------|
| Current assets | | |
| Spare parts and consumable items | 218,341 | 166,477 |

(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 2021 amounted to RMB117,450,000 (2020: RMB134,583,000). These were included in cost of providing services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

11 TRADE RECEIVABLES

| | 2021 | 2020 |
|-----------------------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| Trade receivables | | |
| – CAH's subsidiaries (Note 35(a)) | 272,095 | 451,754 |
| – third parties | 1,013,610 | 854,368 |
| | 1,285,705 | 1,306,122 |
| Less: provision for impairment | (427,750) | (434,564) |
| | 857,955 | 871,558 |

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

| Currency | 2021 | 2020 |
|-----------------|----------------|---------|
| | RMB'000 | RMB'000 |
| RMB | 857,955 | 871,558 |

At 31 December 2021, the ageing analysis of the trade receivables based on invoice date were as follows:

| | 2021 | 2020 |
|--------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| Less than 3 months | 448,364 | 539,772 |
| 4 – 6 months | 167,516 | 121,170 |
| 7 – 12 months | 258,748 | 126,566 |
| 1 – 2 years | 111,953 | 185,671 |
| 2 – 3 years | 80,121 | 149,544 |
| Over 3 years | 219,003 | 183,399 |
| | 1,285,705 | 1,306,122 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

11 TRADE RECEIVABLES (CONTINUED)

(a) Fair values of trade receivables

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

(b) Impairment and risk exposure

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

11 TRADE RECEIVABLES (CONTINUED)

(b) Impairment and risk exposure (Continued)

On that basis, the loss allowance as at 31 December 2021 was determined as follows for trade receivables:

| 31 December 2021 | 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 | 4.59% | 100.00% | 100.00% | 100.00% | 100.00% | |
| Gross carrying amount- trade receivables | 180,566 | 1,383 | 1,289 | 1,059 | 17,337 | 201,634 |
| Loss allowance | 8,292 | 1,383 | 1,289 | 1,059 | 17,337 | 29,360 |
| International, Hong Kong, Macau and Taiwan Airlines | | | | | | |
| Expected loss rate | 0.40% | 10.00% | 12.00% | 15.00% | 62.76% | |
| Gross carrying amount- trade receivables | 16,317 | 728 | 60 | 38 | 10,750 | 27,893 |
| Loss allowance | 65 | 73 | 7 | 6 | 6,747 | 6,898 |
| Non-aeronautical | | | | | | |
| State-owned enterprises | | | | | | |
| Expected loss rate | 4.96% | 19.01% | 23.71% | 37.60% | 99.29% | |
| Gross carrying amount- trade receivables | 80,511 | 83,775 | 82,784 | 73,286 | 5,719 | 326,075 |
| Loss allowance | 3,994 | 15,930 | 19,631 | 27,553 | 5,678 | 72,786 |
| Non state-owned enterprises | | | | | | |
| Expected loss rate | 4.68% | 10.97% | 19.30% | 37.30% | 84.42% | |
| Gross carrying amount- trade receivables | 145,210 | 65,736 | 24,500 | 13,087 | 18,206 | 266,739 |
| Loss allowance | 6,801 | 7,212 | 4,729 | 4,881 | 15,370 | 38,993 |

As at 31 December 2021, the loss allowance of individually impaired trade receivables is determined as follows:

| Individual | Trade receivables | Expected loss rate | Loss allowance | Reason |
|---------------------|-------------------|--------------------|----------------|----------------------------|
| Trade receivables 1 | 265,581 | 68.8% | 182,641 | The likelihood of recovery |
| Trade receivables 2 | 154,762 | 35.2% | 54,531 | The likelihood of recovery |
| Others | 43,021 | 98.9% | 42,541 | The likelihood of recovery |
| | 463,364 | | 279,713 | |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

11 TRADE RECEIVABLES (CONTINUED)

(b) Impairment and risk exposure (Continued)

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

| | 2021 | 2020 |
|--|-----------------|----------|
| | RMB'000 | RMB'000 |
| At beginning of year | 434,564 | 336,670 |
| Provision for impairment of trade receivables | 83,603 | 155,179 |
| Reversal of impairment of trade receivables | (90,417) | (55,658) |
| Receivables written off during the year as uncollectible | – | (1,627) |
| At end of year | 427,750 | 434,564 |

12 PREPAYMENTS

| | 2021 | 2020 |
|-----------------------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| Prepayments | | |
| – CAH (Note 35(a)) | 253,704 | 169,881 |
| – CAH's subsidiaries (Note 35(a)) | 2,075 | 9,175 |
| – third parties | 36,975 | 18,312 |
| | 292,754 | 197,368 |
| Less: non-current portion | (256,393) | (172,570) |
| Total | 36,361 | 24,798 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

13 OTHER FINANCIAL ASSETS AT AMORTISED COST

| | 2021 | 2020 |
|-----------------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Interest receivable | | |
| – third parties | 28,185 | 5,086 |
| Other receivables | | |
| – CAH's subsidiaries (Note 35(a)) | 6,891 | 5,413 |
| – third parties | 26,942 | 36,679 |
| | 62,018 | 47,178 |
| Less: provision for impairment | (8,080) | (8,367) |
| | 53,938 | 38,811 |

(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

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

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**(i) Classification of financial assets at fair value through profit or loss**

The Company classifies the equity investments that are held for trading at FVPL

Financial assets mandatorily measured at FVPL include the following:

| | 2021 | 2020 |
|----------------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Current assets | | |
| – Listed equity securities | 6,866 | – |

See note 2(h) for the remaining relevant accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**(ii) Amounts recognised in profit or loss**

During the year, the following gains were recognised in profit:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Fair value gains on equity investments at FVPL | 110 | – |

Information about the Company's exposure to price risk is provided in note 3(a). For information about the methods and assumptions used in determining fair value see note 3(c).

15 CASH AND CASH EQUIVALENTS

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Cash on hand | 1 | 1 |
| Deposits placed with a subsidiary of CAH <i>(Note 35(a) and note a)</i> | 33,415 | 33,013 |
| Bank deposits | 2,191,057 | 2,263,787 |
| | 2,224,473 | 2,296,801 |

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

16 OTHER CURRENT ASSETS

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|------------------------------------|-------------------------------|------------------------|
| Input VAT to be deducted | 197,054 | 222,079 |
| Input VAT to be verified | 24,467 | 33,080 |
| Prepayment of corporate income tax | – | 38,788 |
| Prepayment of VAT | – | 2,777 |
| Others | – | 305 |
| | 221,521 | 297,029 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

17 FINANCIAL INSTRUMENTS BY CATEGORY

The Company holds the following financial instruments:

| Financial assets | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Financial assets at amortised cost | | |
| Cash and cash equivalents (<i>Note 15</i>) | 2,224,473 | 2,296,801 |
| Trade receivables (<i>Note 11</i>) | 857,955 | 871,558 |
| Other financial assets at amortised cost (<i>Note 13</i>) | 53,938 | 38,811 |
| Financial assets at fair value through profit or loss (<i>Note 14</i>) | 6,866 | – |
| | 3,143,232 | 3,207,170 |
| | | |
| Financial liabilities | 2021 RMB'000 | 2020 <i>RMB'000</i> |
| Liabilities at amortised cost | | |
| Borrowings (<i>Note 21</i>) | 4,492,881 | 2,868,909 |
| 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) | 4,135,717 | 3,836,658 |
| Loans from the Parent Company (<i>Note 23</i>) | 1,322,862 | 1,512,660 |
| Bonds payable (<i>Note 22</i>) | 1,313,500 | 1,312,351 |
| Lease liabilities (<i>Note 8</i>) | 881,886 | 954,438 |
| | 12,146,846 | 10,485,016 |

18 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 2021 and 2020 | 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

19 RESERVES

(a) Capital reserve

Capital reserve represents equity contributions from CAH in cash to which CAH 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 CAH, 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, 2021, the statutory reserve balance had reached 50% of the Company's registered capital, none of the annual statutory surplus reserve has been set aside.

During the year ended 31 December 2021, pursuant to the shareholders' resolution in the Annual General Meeting on 23 June 2021, no profit was appropriated to the discretionary surplus reserve fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

20 TRADE AND OTHER PAYABLES

| | 2021 | 2020 |
|---|------------------|-----------|
| | RMB'000 | RMB'000 |
| Current liabilities | | |
| Trade payables | | |
| Amounts due to related parties | | |
| – CAH's subsidiaries (Note 35(a)) | 1,556,219 | 1,195,476 |
| Repairs and maintenance charges payable | 579,808 | 583,980 |
| Accounts payable for purchases | 104,087 | 65,009 |
| Sub-contracting charges payable | 57,260 | 60,779 |
| Greening and environmental maintenance charges payable | 54,280 | 57,762 |
| Other | 236,713 | 276,639 |
| | 2,588,367 | 2,239,645 |
| Advance and other payables | | |
| Amounts due to related parties | | |
| – CAH (Note 35(a)) | 130,550 | 23,122 |
| – CAH's subsidiaries (Note 35(a)) | 78,420 | 93,040 |
| Accrued liabilities for the title change of the GTC Assets (Note 4(c)) | 208,970 | 116,162 |
| Construction payable | 1,019,409 | 1,119,084 |
| 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 | 374,503 | 425,256 |
| Advance from customers | 313,526 | 130,624 |
| Deposits received | 295,000 | 285,557 |
| Other tax payable | 11,211 | 9,316 |
| Receipts on behalf of concession operators | 9,565 | 44,119 |
| Other | 22,841 | 39,323 |
| | 4,229,666 | 4,144,082 |
| | 6,818,033 | 6,383,727 |

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 2021

20 TRADE AND OTHER PAYABLES (CONTINUED)

As at 31 December 2021, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--------------------|-------------------------------|------------------------|
| Less than 3 months | 1,211,459 | 1,185,240 |
| 4 – 6 months | 294,988 | 304,369 |
| 7 – 12 months | 178,829 | 170,049 |
| Over 12 months | 903,091 | 579,987 |
| | 2,588,367 | 2,239,645 |

21 BORROWINGS

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|------------------------------------|-------------------------------|------------------------|
| Short-term | | |
| – Principals | 1,700,000 | 2,868,909 |
| – Interest payable within one year | 1,132 | – |
| | 1,701,132 | 2,868,909 |
| Long-term | | |
| – Non-current portion | 2,788,441 | – |
| – Current portion | 400 | – |
| – Interest payable within one year | 2,908 | – |
| | 2,791,749 | – |
| | 4,492,881 | 2,868,909 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

21 BORROWINGS (CONTINUED)

The movement in principals of borrowings is analysed as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|----------------------------------|-------------------------------|------------------------|
| Opening amount as at 1 January | 2,868,909 | 500,000 |
| Proceeds of new borrowings | 4,920,332 | 2,868,909 |
| Repayments of borrowings | (3,300,400) | (500,000) |
| Closing amount as at 31 December | 4,488,841 | 2,868,909 |

Bank borrowings mature until 2024 and bear average coupons of 3.08% annually (2020: 2.90% annually).

As at 31 December 2021, the Company's principals of borrowings are repayable as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|-----------------------|-------------------------------|------------------------|
| Within 1 year | 1,700,400 | 2,868,909 |
| Between 1 and 2 years | 400 | – |
| Between 2 and 5 years | 2,788,041 | – |
| | 4,488,841 | 2,868,909 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

22 BONDS PAYABLE

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|---|-------------------------------------|------------------------|
| Principal amount | 1,300,000 | 1,300,000 |
| Bonds issuance cost | (3,092) | (3,092) |
| Proceeds received | 1,296,908 | 1,296,908 |
| Interest payable | 15,236 | 15,126 |
| Accumulated amortisation amounts of bonds issuance cost | 1,356 | 317 |
| Less: current portion | 1,313,500 (15,236) | 1,312,351 – |
| Non-current portion | 1,298,264 | 1,312,351 |

On 19 August 2020, the Company has received 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.

23 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.

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|------------------------------------|--------------------------------------|------------------------|
| Loans from the Parent Company | | |
| – Principals | 1,322,486 | 1,512,660 |
| – Interest payable within one year | 376 | |
| Less: current portion | 1,322,862 (155,963) | 1,512,660 (159,227) |
| | 1,166,899 | 1,353,433 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

23 LOANS FROM THE PARENT COMPANY (CONTINUED)

The movement in principals of loans from the Parent Company is analysed as follows:

| | 2021 | 2020 |
|----------------------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| Opening amount as at 1 January | 1,512,660 | 1,787,526 |
| Repayments of borrowings | (154,118) | (169,556) |
| Currency translation differences | (36,056) | (105,310) |
| Closing amount as at 31 December | 1,322,486 | 1,512,660 |

As at 31 December 2021, the Company's principals of loans from the Parent Company are repayable as follows:

| | 2021 | 2020 |
|-----------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| Within 1 year | 155,587 | 159,227 |
| Between 1 and 2 years | 155,587 | 159,227 |
| Between 2 and 5 years | 466,761 | 477,681 |
| Over 5 years | 544,551 | 716,525 |
| | 1,322,486 | 1,512,660 |

This loan is denominated in US dollar, unsecured and interest bearing at LIBOR plus 0.4% per annum. As at 31 December 2021, the Company yet to complete the replacement of benchmark interest rate. 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 2021

24 DEFERRED INCOME TAXES

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2020: 25%).

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

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| At beginning of year | 862,585 | 194,993 |
| Credited to income tax expenses | 701,830 | 675,469 |
| Charged/(credited) to other comprehensive income | 116 | (7,877) |
| At end of year | 1,564,531 | 862,585 |

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> | Lease liabilities <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 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 |
| As at 1 January 2021 | 54,987 | 19,627 | 112,967 | 10,005 | 91,545 | 710,554 | 999,685 |
| Credited/(charged) to income tax expense | 1,077 | 213 | (1,775) | 10,763 | 592,710 | 114,047 | 717,035 |
| Charged to other comprehensive income | 116 | - | - | - | - | - | 116 |
| As at 31 December 2021 | 56,180 | 19,840 | 111,192 | 20,768 | 684,255 | 824,601 | 1,716,836 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

24 DEFERRED INCOME TAXES (CONTINUED)

| 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 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 |
| As at 1 January 2021 | 132,775 | 4,325 | 137,100 |
| Charged/(credited) to income tax expense | 15,413 | (208) | 15,205 |
| As at 31 December 2021 | 148,188 | 4,117 | 152,305 |

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:

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---------------------------------|-------------------------------|------------------------|
| Deferred income tax assets | 1,716,836 | 999,685 |
| Deferred income tax liabilities | (152,305) | (137,100) |
| | 1,564,531 | 862,585 |

The amounts shown in the balance sheet include the following:

| | 2021 <i>RMB'000</i> | 2020 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Deferred income tax assets to be recovered after more than 12 months | 1,662,838 | 932,285 |
| Deferred income tax liability to be settled after more than 12 months | 152,070 | 136,865 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

25 RETIREMENT BENEFIT OBLIGATIONS

As at 31 December 2021, the retirement benefit obligations recognised in the balance sheet are as follows:

| | 2021 RMB'000 | 2020 RMB'000 |
|---|-------------------------------|-----------------|
| Pension subsidies (<i>note a</i>) | 39,754 | 43,197 |
| Post-retirement medical benefits (<i>note b</i>) | 72,480 | 73,283 |
| | 112,234 | 116,480 |
| Less: amounts due within one year included in current liabilities | (8,472) | (8,395) |
| | 103,762 | 108,085 |

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

| | 2021 RMB'000 | 2020 RMB'000 |
|---|-------------------------------|-----------------|
| Pension subsidies (<i>note a</i>) | 4,299 | 5,595 |
| Post-retirement medical benefits (<i>note b</i>) | 6,117 | 6,497 |
| Total, charged to staff costs (<i>Note 27</i>) | 10,416 | 12,092 |
| Pension subsidies (<i>note a</i>) | 6,651 | (22,251) |
| Post-retirement medical benefits (<i>note b</i>) | (6,186) | (9,260) |
| Total, (charged)/credited to other comprehensive income | 465 | (31,511) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

25 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**(a) Pension subsidies**

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

| | 2021 | 2020 |
|---------------------------------------|------------------|-----------|
| | RMB'000 | RMB'000 |
| Present value of the Annuity Plan | 93,318 | 89,146 |
| Present value of unfunded obligations | 100,813 | 94,550 |
| Present value of plan assets | (154,377) | (140,499) |
| Liability in the balance sheet | 39,754 | 43,197 |

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

| | 2021 | 2020 |
|--|----------------|----------|
| | RMB'000 | RMB'000 |
| At beginning of year | 43,197 | 71,910 |
| Total cost | 4,299 | 5,595 |
| Other comprehensive income – actuary gain and loss | 6,651 | (22,251) |
| Contribution to fund the plan assets | (9,019) | (6,772) |
| Payment made in the year | (5,374) | (5,285) |
| At end of year | 39,754 | 43,197 |

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

| | 2021 | 2020 |
|-------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Service cost | 2,780 | 3,172 |
| Net interest cost | 1,519 | 2,423 |
| | 4,299 | 5,595 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

25 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(a) Pension subsidies (Continued)

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

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Discount rate | 3.25% | 3.75% |
| Pension cost inflation rate for the participating employees under the Annuity Plan | 3.00% | 3.00% |
| Salary inflation rate for the participating employees under the Annuity Plan | 5.00% | 5.00% |
| Employee withdrawal rate | 2.85% | 2.85% |
| Mortality rate | note | note |

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

Plan assets are comprised as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|---------------------------|-------------------------------|------------------------|
| Pension Product | 143,088 | 138,914 |
| Cash and cash equivalents | 9,762 | 500 |
| Corporate bonds | 267 | 1,081 |
| Others | 1,260 | 4 |
| Total | 154,377 | 140,499 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

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

| | 2021 | 2020 |
|--|----------------|---------|
| | RMB'000 | RMB'000 |
| At beginning of year | 73,283 | 76,875 |
| Total cost | 6,117 | 6,497 |
| Other comprehensive income – actuarial gain and loss | (6,186) | (9,260) |
| Payment made in the year | (734) | (829) |
| At end of year | 72,480 | 73,283 |

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

| | 2021 | 2020 |
|-------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Service cost | 3,385 | 3,821 |
| Net Interest cost | 2,732 | 2,676 |
| | 6,117 | 6,497 |

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

| | 2021 | 2020 |
|---|--------------|-------|
| Discount rate | 3.25% | 3.75% |
| 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 2021

25 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

| | Impact on defined benefit obligation | | |
|---------------|--------------------------------------|--|--|
| | Change in assumption | Impact on change in obligation if increase in assumption | Impact on change in obligation if decrease in assumption |
| Discount rate | 1% | Decrease by 16% | Increase by 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) **As at 31 December 2021, the present value of defined benefit obligation was RMB194,131,000 and this exceeds the fair value of plan assets by RMB39,754,000, giving a funding level of 80%. The Company believes the deficit is immaterial, and will continue to make further contributions to the plan to meet future payment obligations.**
- (f) **Expected contributions to the pension subsidies for the year ending 31 December 2022 are RMB5,000,000.**
- (g) **The weighted average duration of the retirement benefit obligations is 22 years (2020: 22 years).**

26 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

27 STAFF COSTS

| | 2021 | 2020 |
|--|----------------|---------|
| | RMB'000 | RMB'000 |
| Salaries and welfare | 361,604 | 348,689 |
| Pension costs – defined contribution scheme under statutory pension plan (<i>note a</i>) | 50,344 | 37,317 |
| Housing fund | 38,249 | 36,801 |
| Pension costs – defined contribution scheme under the Annuity Plan | 26,755 | 25,822 |
| Pension costs – defined benefit scheme under the Annuity Plan and others (<i>Note 25</i>) | 10,416 | 12,092 |
| Other allowances and benefits | 62,733 | 77,965 |
| | 550,101 | 538,686 |

(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% (2020: 8% from February to June and 16% thereafter and therebefore) 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 2021 (2020: nil). There was no forfeited contribution available to reduce the contributions payable in the future years as at 31 December 2021 (2020: 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 three senior executives and two directors (2020: four senior executives and one supervisor). The emoluments of the director and supervisor are reflected in the analysis presented in Note 36.

The emoluments payables to the remaining three (2020: four) individuals during the year are as follows:

| | 2021 | 2020 |
|---|----------------|---------|
| | RMB'000 | RMB'000 |
| Salaries, housing allowances, other allowances and benefits in kind | 2,551 | 4,745 |
| Contribution to pension scheme | 323 | 407 |
| | 2,874 | 5,152 |

During the year ended 31 December 2021, 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 (2020: nil).

The emoluments fell within the following bands:

| Emolument bands (in HK dollar) | Number of individuals | |
|---------------------------------------|------------------------------|------|
| | 2021 | 2020 |
| HK\$1,000,001 – HK\$1,500,000 | 3 | 4 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

28 EXPENSES BY NATURE

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

| | 2021 RMB'000 | 2020 RMB'000 |
|--|-------------------------------|-----------------|
| Depreciation on property, plant and equipment (Note 7) | 1,226,376 | 1,156,176 |
| Depreciation of rights-of-use assets (Note 8) | 209,438 | 202,552 |
| Depreciation on investment properties (Note 6) | 91,670 | 93,036 |
| Amortisation of intangible assets (Note 9) | 45,161 | 31,108 |
| Loss on disposal of property, plant and equipment | 454 | 15,866 |
| Auditor's remuneration | 3,450 | 3,450 |
| – Audit services | 3,450 | 3,450 |

29 WAIVER OF FEE RECEIVABLES

| | 2021 RMB'000 | 2020 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 pandemic, and derecognised the related receivables because the contractual rights to receive the cash flows from the financial asset terminated, which led to a loss of RMB265,921,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

30 FINANCE INCOME/(COSTS)

| | 2021 | 2020 |
|--|------------------|-----------|
| | RMB'000 | RMB'000 |
| Finance income | | |
| Interest income on bank deposits | 45,097 | 27,097 |
| Exchange gains, net | 35,732 | 109,043 |
| | 80,829 | 136,140 |
| Finance costs | | |
| Interest for borrowings | (120,649) | (36,242) |
| Interest for bonds payable | (49,784) | (15,469) |
| Interest for lease liabilities (<i>Note 8</i>) | (41,405) | (47,398) |
| Interest for loans from the Parent Company | (7,987) | (20,241) |
| Bank charges | (1,196) | (1,426) |
| | (221,021) | (120,776) |
| Net finance (costs)/income | (140,192) | 15,364 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

31 TAXATION

(a) Corporate income tax

The Company is subject to corporate income tax at a rate of 25% (2020: 25%) on its taxable income as determined in accordance with the relevant PRC income tax laws and regulations.

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--|-------------------------------|------------------------|
| Current income tax | (2,047) | – |
| Deferred income tax (<i>Note 24</i>) | (701,830) | (675,469) |
| | (703,877) | (675,469) |

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

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Loss before income tax | (2,820,414) | (2,710,120) |
| Tax calculated at a tax rate of 25% (2020: 25%) | (705,104) | (677,530) |
| Expenses not deductible for tax purpose | 3,274 | 2,061 |
| Tax credit | (701,830) | (675,469) |

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 pandemic 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 2021

31 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.

32 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of 4,579,178,977 (2020: 4,579,178,977) ordinary shares in issue during the year.

Diluted loss per share equals basic loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2021 and 2020.

| | 2021 | 2020 |
|--------------------------------------|--------------------|-------------|
| Loss for the year (RMB'000) | (2,116,537) | (2,034,651) |
| Basic loss per share (RMB per share) | (0.46) | (0.44) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|-------------------------------|-------------------------------|------------------------|
| Property, plant and equipment | 308,216 | 479,665 |
| Intangible assets | 24,483 | 127,766 |
| | 332,699 | 607,431 |

Operating lease arrangements – where the Company is the lessee

As at 31 December 2021, the future minimum lease payments under non-cancellable operating leases of properties not recognised in the financial statements are receivable as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|-----------------------|-------------------------------|------------------------|
| Within 1 year | 351 | 1,455 |
| Between 1 and 5 years | 59 | 1,319 |
| | 410 | 2,774 |

Operating lease arrangements – where the Company is the lessor

As at 31 December 2021, the future minimum lease payment receivables under non-cancellable operating leases for areas around terminals and equipment were as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|-----------------------|-------------------------------|------------------------|
| Within 1 year | 376,188 | 367,596 |
| Between 1 and 5 years | 418,909 | 528,592 |
| Over 5 years | 424,275 | 474,189 |
| | 1,219,372 | 1,370,377 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

33 COMMITMENTS (CONTINUED)**Concession income arrangements**

As at 31 December 2021, the future minimum concession income receivable under non-cancellable agreements were as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|-----------------------|-------------------------------|------------------------|
| Within 1 year | 525,459 | 928,558 |
| Between 1 and 5 years | 317,273 | 401,055 |
| Over 5 years | 56,685 | 51,898 |
| | 899,417 | 1,381,511 |

Resources usage fees arrangements

As at 31 December 2021, the future minimum resources usage fee under non-cancellable resources usage were as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|-----------------------|-------------------------------|------------------------|
| Within 1 year | 14,396 | – |
| Between 1 and 5 years | 19,757 | – |
| | 34,153 | – |

Investment commitments

On 23 September 2021, the Company, Inner Mongolia Autonomous Region Civil Aviation Airport Group Company Limited ("Inner Mongolia Airport Group"), Capital Airport Group Equipment Operation and Maintenance Management Company Limited (the "Equipment Operation and Maintenance Company") and Zhong Hang Xin Gang Guarantee Co., Ltd. (the "Guarantee Company") entered into a capital contribution agreement (the "Capital Contribution Agreement"), pursuant to which the parties agreed to make capital contribution to establish a joint venture company, Beijing Chuanglian Civil Aviation Technology Co., Ltd* (the "JV Company"), the Company is committed to make capital contributions of RMB40,513,200 for the purpose of formation of the JV Company. Upon completion of the capital contribution and the establishment of the JV Company, the Company, Inner Mongolia Airport Group, the Equipment Operation and Maintenance Company and the Guarantee Company will hold 31%, 31%, 31% and 7% interests in the JV Company respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

34 NOTES TO STATEMENT OF CASH FLOWS

(a) Cash used in operations

Reconciliation of loss for the year to cash used in operations:

| | 2021 | 2020 |
|--|--------------------|-------------|
| | RMB'000 | RMB'000 |
| Loss for the year | (2,116,537) | (2,034,651) |
| Adjustments for: | | |
| Taxation | (703,877) | (675,469) |
| Depreciation | 1,226,376 | 1,156,176 |
| Depreciation of rights-of-use assets | 209,438 | 202,552 |
| Depreciation of investment properties | 91,670 | 93,036 |
| Amortisation of intangible assets | 45,161 | 31,108 |
| Provision for impairment of trade receivables | (7,101) | 105,029 |
| Losses on disposal of property, plant and equipment | 454 | 15,866 |
| Interest income | (45,097) | (27,097) |
| Finance costs | 221,021 | 120,776 |
| Foreign exchange gains, net | (35,732) | (109,043) |
| Retirement benefit obligations | (4,711) | (795) |
| Deferred income | (4,985) | (5,193) |
| Changes in working capital: | | |
| Inventories | (51,864) | (9,103) |
| Trade receivables, prepayments and other financial assets at amortised cost | 10,246 | 411,130 |
| Other current assets | (98,004) | (163,473) |
| Trade and other payables | 468,545 | 16,399 |
| Cash used in operations | (794,997) | (872,752) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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 | 2021 RMB'000 | 2020 RMB'000 |
|--|-----------------|-----------------|
| Cash and cash equivalents | 2,224,473 | 2,296,801 |
| Gross debt – repayable within one year | (2,080,142) | (3,220,076) |
| Gross debt – repayable after one year | (5,930,987) | (3,428,282) |
| Net debt | (5,786,656) | (4,351,557) |
| Cash and cash equivalents | 2,224,473 | 2,296,801 |
| Gross debt – fixed interest rates | (2,195,386) | (2,266,789) |
| Gross debt – variable interest rates | (5,815,743) | (4,381,569) |
| Net debt | (5,786,656) | (4,351,557) |

| | Other assets Cash and cash equivalents RMB'000 | Liabilities from financing activities Borrowings RMB'000 | Lease RMB'000 | Bonds payable RMB'000 | Total RMB'000 |
|---------------------------------|---|---|------------------|-----------------------------|------------------|
| 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) |
| New leases | – | – | (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) |
| Net debt as at 1 January 2021 | 2,296,801 | (4,381,569) | (954,438) | (1,312,351) | (4,351,557) |
| Cash flows | (71,811) | (1,465,814) | 168,369 | 48,620 | (1,320,636) |
| New leases | – | – | (54,412) | – | (54,412) |
| Foreign exchange adjustments | (517) | 36,056 | – | – | 35,539 |
| Other changes | – | (4,416) | (41,405) | (49,769) | (95,590) |
| Net debt as at 31 December 2021 | 2,224,473 | (5,815,743) | (881,886) | (1,313,500) | (5,786,656) |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

35 RELATED PARTY TRANSACTIONS

The Company is controlled by CAH. The Directors of the Company consider CAH, which is incorporated in Beijing and a PRC state-owned enterprise under the control of the CAAC, to be the ultimate holding company. In 2021, the ownership interest is 58.96% (2020: 58.96%).

CAH 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 CAH 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 CAH as well as their close family members.

The Company is part of a larger group of companies under CAH and has extensive transactions and relationships with members of the CAH group. The Directors of the Company consider that the transactions between the Company and the members of the CAH 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 2021

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

As at 31 December 2021, balances with related parties comprised:

| | 2021 | 2020 |
|---|------------------|-----------|
| | RMB'000 | RMB'000 |
| Trade receivables from CAH's subsidiaries (Note 11 and note i) | 272,095 | 451,754 |
| Prepayment to CAH (Note 12) | 253,704 | 169,881 |
| Prepayment to a subsidiary of CAH (Note 12) | 2,075 | 9,175 |
| Other financial assets at amortised costs from CAH's subsidiaries (Note 13 and note i) | 6,891 | 5,413 |
| Deposit placed with a subsidiary of CAH (Note 15 and note ii) | 33,415 | 33,013 |
| Trade and other payables to CAH (Note 20 and note i) | 130,550 | 23,122 |
| Trade and other payables to CAH's subsidiaries (Note 20 and note i) | 1,634,639 | 1,288,516 |
| Loans from the Parent Company (Note 23) | 1,322,862 | 1,512,660 |
| Borrowings from a subsidiary of CAH | 1,390,388 | 1,018,909 |
| Lease liabilities to CAH and its subsidiaries | 495,576 | 588,587 |

(i) The amounts due from and to CAH 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 2021

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

The following transactions occurred with related parties:

| | 2021 | 2020 |
|--|----------------|---------|
| | RMB'000 | RMB'000 |
| Transactions with CAH, CAH's subsidiaries | | |
| Revenues: <i>(note i)</i> | | |
| Resources usage fees | 153,409 | 180,565 |
| Rentals | 98,445 | 96,882 |
| Waste water treatment | 8,992 | 9,532 |
| Concessions | 8,920 | 9,459 |
| Finance income: | | |
| Interest income | 402 | 7,052 |
| Expenses: <i>(note i)</i> | | |
| Provision of aviation safety and security guard services and maintenance of security equipments | 856,211 | 667,082 |
| Provision of utilities and power | 547,217 | 589,906 |
| Provision of maintenance services | 395,762 | 438,042 |
| Provision of certain sanitary services, baggage cart, car park operation management services, management services, greening and environmental maintenance services, customs on-site services | 232,147 | 235,956 |
| Provision of concession management services | 221,231 | 233,014 |
| Provision of accessorial power and energy services | 206,708 | 199,714 |
| Provision of on-site joint inspection services | 68,286 | 92,930 |
| Provision of commuter buses and passengers transport services | 52,249 | 22,292 |
| Provision of airport guidance services | 43,430 | 48,615 |
| Provision of canteen management and hourly charged lounge services | 16,864 | 11,059 |
| Provision of baggage storage, lost and found services | 10,984 | 9,558 |
| Provision of beverage services | 5,236 | 5,827 |
| Provision of contingency shuttle bus service during Automated People Mover ("APM") failure | 755 | 756 |
| Rental expenses | 441 | 3,990 |
| Provision of agency services | 113 | 93 |
| Provision of advertisement services | 7 | 410 |
| Provision of the overall planning revision | – | 5,629 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

| | 2021 | 2020 |
|--|------------------|-----------|
| | RMB'000 | RMB'000 |
| Other: | | |
| Borrowings from a subsidiary of CAH | 1,820,332 | 1,018,909 |
| Repayment to a subsidiary of CAH | 1,450,200 | – |
| Interest charges on borrowings from a subsidiary of CAH | 58,386 | 1,632 |
| Interest charges on lease liabilities to CAH and its subsidiaries | 26,507 | 30,196 |
| Recognition of right-of-use assets on leased assets owned by related parties | 8,500 | – |
| Interest charges on loans from the Parent Company (Note 30) | 7,987 | 20,241 |
| Provision of construction services | 2,672 | 39,571 |

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

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

(c) Commitment with related parties**Operating lease arrangements – where the Company is the lessee**

As at 31 December 2021, the future aggregate minimum lease payments under non-cancellable operating leases payable to CAH and its subsidiaries were as follows:

| | 2021 | 2020 |
|-----------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Within 1 year | 273 | 1,377 |
| Between 1 and 5 years | – | 1,182 |
| | 273 | 2,559 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

As at 31 December 2021, the future minimum lease payment receivables under non-cancellable operating leases for buildings and equipment from CAH's subsidiaries were as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|-----------------------|-------------------------------|------------------------|
| Within 1 year | 95,951 | 94,007 |
| Between 1 and 5 years | 50,360 | 66,237 |
| | 146,311 | 160,244 |

Concession income arrangements

As at 31 December 2021, the future minimum concession income receivable under non-cancellable agreements from CAH's subsidiaries were as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|-----------------------|-------------------------------|------------------------|
| Within 1 year | 142 | 142 |
| Between 1 and 5 years | 283 | – |
| | 425 | 142 |

Resources usage fees arrangements

As at 31 December 2021, the future minimum resources usage fee under non-cancellable resources usage were as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|-----------------------|-------------------------------|------------------------|
| Within 1 year | 14,396 | – |
| Between 1 and 5 years | 19,757 | – |
| | 34,153 | – |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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

As at 31 December 2021, the future minimum expense payables under non-cancellable agreements to CAH's subsidiaries were as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|-----------------------|-------------------------------|------------------------|
| Within 1 year | 126,201 | 617,331 |
| Between 1 and 5 years | 81,761 | 209,097 |
| | 207,962 | 826,428 |

Purchase of assets arrangements

As at 31 December 2021, the future minimum payables for purchase of assets under non-cancellable agreements to CAH were as follows:

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|--------------------|-------------------------------|------------------------|
| Purchase of assets | 51,644 | 120,320 |

(d) Key management compensation

| | 2021 RMB'000 | 2020 <i>RMB'000</i> |
|---|-------------------------------|------------------------|
| Salaries, allowances and other benefits | 7,189 | 8,797 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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:

| | 2021 RMB'000 | 2020 RMB'000 |
|--|-------------------------------|-----------------|
| Fees | 800 | 800 |
| Salaries, housing allowances, other allowances and benefits in kind | 4,146 | 2,587 |
| Contribution to pension scheme | 382 | 293 |
| Total | 5,328 | 3,680 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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 2021 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 and ii) | - | - | - | - | - |
| Wang Changyi (note i and iii) | - | - | - | - | - |
| <i>Executive directors</i> | | | | | |
| Han Zhiliang (note viii and ix) | - | 376 | 38 | 40 | 121 |
| Zhang Guoliang (note viii) | - | 376 | 37 | 40 | 80 |
| <i>Non-executive directors</i> | | | | | |
| Gao Shiqing (note i) | - | - | - | - | - |
| Jia Jianqing (note i) | - | - | - | - | - |
| Song Kun (note i) | - | - | - | - | - |
| <i>Independent Non-executive directors</i> | | | | | |
| Jiang Ruiming | 150 | - | - | - | - |
| Liu Guibin | 150 | - | - | - | - |
| Zhang Jiali | 150 | - | - | - | - |
| Stanley Hui Hon-chung | 150 | - | - | - | - |
| Name of supervisor | | | | | |
| Song Shengli (note i and iv) | - | - | - | - | - |
| Liu Chunchen (note i and v) | - | - | - | - | - |
| Liu Shaocheng (note vi, viii and ix) | - | 357 | 29 | 30 | 76 |
| Liu Jiliang (note vii) | - | 25 | 2 | 2 | 5 |
| Chang Jun (note vi) | - | 616 | 37 | 50 | 96 |
| Wu Xiaoli (note vii) | - | 27 | 2 | 3 | 4 |
| Wang Xiaolong | 100 | - | - | - | - |
| Japhet Sebastian Law | 100 | - | - | - | - |
| | 800 | 1,777 | 145 | 165 | 382 |
| Total | | | | | 3,269 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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 and ii) | - | - | - | - | - |
| <i>Executive directors</i> | | | | | |
| Han Zhiliang (note viii and ix) | - | 368 | 34 | 40 | 97 |
| Zhang Guoliang (note viii) | - | 188 | 21 | 20 | 34 |
| <i>Non-executive directors</i> | | | | | |
| Gao Shiqing | - | - | - | - | - |
| Yao Yabo | - | - | - | - | - |
| Ma Zheng | - | - | - | - | - |
| Jia Jianqing | - | - | - | - | - |
| Song Kun | - | - | - | - | - |
| <i>Independent Non-executive directors</i> | | | | | |
| Japhet Sebastian Law | - | - | - | - | - |
| Jiang Ruiming | 150 | - | - | - | - |
| Liu Guibin | 150 | - | - | - | - |
| Zhang Jiali | 150 | - | - | - | - |
| Stanley Hui Hon-chung | 150 | - | - | - | - |
| <i>Name of supervisor</i> | | | | | |
| Song Shengli (note i and iv) | - | - | - | - | - |
| Liu Shaocheng (note vi, viii and ix) | - | 476 | 34 | 40 | 77 |
| Chang Jun (note vi) | - | 591 | 34 | 52 | 85 |
| Dong Ansheng | - | - | - | - | - |
| Wang Xiaolong | 100 | - | - | - | - |
| Japhet Sebastian Law | 100 | - | - | - | - |
| | 800 | 1,623 | 123 | 152 | 293 |
| Total | | | | | 2,991 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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. Liu Xuesong was resigned as chairman with effect from 16 December 2021.
- (iii) Mr. Wang Changyi was appointed as chairman with effect from 16 December 2021.
- (iv) Mr. Song Shengli was resigned as supervisor with effect from 16 December 2021.
- (v) Mr. Liu Chunchen was appointed as supervisor with effect from 16 December 2021.
- (vi) Mr. Liu Shaocheng and Chang Jun were resigned as supervisors with effect from 13 December 2021.
- (vii) Mr. Liu Jiliang and Ms. Wu Xiaoli were appointed as supervisors with effect from 13 December 2021.
- (viii) According to the results of the performance appraisal of the previous years in 2021, the performance compensation of Mr. Han Zhiliang, Mr Zhang Guoliang and Mr. Liu Shaocheng in the previous years (2018-2020) was confirmed, with the amounts of RMB1,053,000, RMB692,000, RMB314,000, respectively.
- (ix) 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.

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

During the year ended 31 December 2021, 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 (2020: nil).

(b) Directors' and supervisors' retirement benefits

During the year ended 31 December 2021, 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 (2020: nil).

(c) Directors' and supervisors' termination benefits

During the year ended 31 December 2021, no termination benefits were paid or receivable by any director or supervisor as compensation for their early termination of the appointment (2020: nil).

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

During the year ended 31 December 2021, 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 (2020: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

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 2021, 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 (2020: nil).

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

During the year ended 31 December 2021, 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 (2020: nil).

Directors' emoluments are as follows:

| 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 |
|---|-----------------|--|-----------------|-----------------|-----------------|
| 2021 RMB'000 | 2020 RMB'000 | 2021 RMB'000 | 2020 RMB'000 | 2021 RMB'000 | 2020 RMB'000 |
| 600 | 600 | 2,853 | 1,071 | 3,453 | 1,671 |

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. Wang Changyi |
| Company secretary: | Mr. Meng Xianwei Mr. Mok Chung Kwan, Stephen (resigned with effect from 28 June 2021) |
| 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

Wang Changyi (*Chairman*) (appointed as Chairman and director with effect from 16 December 2021)
Han Zhiliang (*General Manager*)
Zhang Guoliang (*Deputy General Manager*)
Liu Xuesong (resigned as Chairman and director with effect from 16 December 2021)

Non-executive Directors

Gao Shiqing
Jia Jianqing
Song Kun

Independent Non-executive Directors

Liu Guibin
Jiang Ruiming
Zhang Jiali
Stanley Hui Hon-chung

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
Wang Changyi (appointed as member with effect from 16 December 2021)
Han Zhiliang
Zhang Guoliang
Liu Xuesong (resigned as member with effect from 16 December 2021)

Strategy Committee

Wang Changyi (*Chairman*) (appointed as Chairman and member with effect from 16 December 2021)
Han Zhiliang
Zhang Guoliang
Zhang Jiali
Liu Xuesong (resigned as Chairman and member with effect from 16 December 2021)

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 2021

| | |
|----------------------------------|----------------|
| Announcement of interim results: | 25 August 2021 |
| Announcement of final results: | 24 March 2022 |

SHARE INFORMATION

| | |
|-------------------|-----------------|
| Name of H shares: | Beijing Airport |
| Stock code: | 00694 |

PRICE AND TURNOVER HISTORY

| Year 2021 | Price per share High (HK\$) | Low (HK\$) | Turnover of share (in millions) |
|----------------------|--|-----------------------|--|
| January | 6.48 | 5.43 | 349.0 |
| February | 6.51 | 5.22 | 391.0 |
| March | 6.78 | 5.62 | 306.3 |
| April | 6.26 | 5.61 | 153.0 |
| May | 5.84 | 5.16 | 172.9 |
| June | 5.52 | 5.00 | 267.6 |
| July | 5.15 | 4.42 | 166.4 |
| August | 4.70 | 4.14 | 148.2 |
| September | 4.98 | 4.11 | 127.7 |
| October | 5.26 | 4.35 | 95.0 |
| November | 5.36 | 4.40 | 122.8 |
| December | 4.94 | 4.42 | 67.6 |



BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED

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

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