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北京首都國際機場股份有限公司

Beijing Capital International Airport Co., Ltd.

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

(Stock Code: 00694)

2018 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- In 2018, the aircraft movements of Beijing Capital Airport reached 614,022 sorties, representing an increase of 2.8% as compared with the previous year. The passenger throughput reached 100,983,290 person-times, representing an increase of 5.4% as compared with the same period of the previous year. The cargo and mail throughput reached 2,074,005 tonnes, representing an increase of 2.2% as compared with the previous year.
- In 2018, the revenues of the Company from principal operations were RMB11,262,512,000, representing an increase of 17.6% as compared with the same period of the previous year.
- In 2018, the aeronautical revenues of the Company were RMB5,309,408,000, representing an increase of 4.1% as compared with the same period of the previous year.
- In 2018, the non-aeronautical revenues of the Company were RMB5,953,104,000, representing an increase of 33.1% as compared with the same period of the previous year.
- In 2018, the operating expenses of the Company were RMB7,223,392,000, representing an increase of 21.0% as compared with the same period of the previous year.
- In 2018, the net profit after tax of the Company was RMB2,872,055,000, and the earnings per share was RMB0.66, representing an increase of 10.4% as compared with the same period of the previous year.
- The Board proposed to distribute the final dividend of RMB0.1623 per share for the year ended 31 December 2018, totalling approximately RMB702,903,000.

The board of directors (the “Board”) of Beijing Capital International Airport Company Limited (the “Company”) is pleased to announce the audited results of the Company for the year ended 31 December 2018, together with the comparative figures of 2017, which have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”), as below:

STATEMENT OF COMPREHENSIVE INCOME

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

	<i>Note</i>	2018 RMB'000	2017 <i>RMB'000</i>
Finance income	5	37,392	160,954
Finance costs	5	<u>(288,212)</u>	<u>(246,530)</u>
		<u>(250,820)</u>	<u>(85,576)</u>
Gain on disposal of a joint venture		36,786	–
Share of post-tax profit of a joint venture		<u>–</u>	<u>3,251</u>
Profit before income tax		<u>3,828,591</u>	<u>3,470,294</u>
Income tax expense	6	<u>(956,536)</u>	<u>(869,833)</u>
Profit for the year		<u>2,872,055</u>	<u>2,600,461</u>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		<u>(21,090)</u>	<u>29,806</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(21,090)</u>	<u>29,806</u>
Total comprehensive income for the year		<u>2,850,965</u>	<u>2,630,267</u>
Earnings per share, basic and diluted (RMB)	7	<u>0.66</u>	<u>0.60</u>

BALANCE SHEET

		As at 31 December	
		2018	2017
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		26,972,627	26,050,982
Land use rights		3,271,974	1,106,964
Intangible assets		78,276	83,163
Deferred income tax assets		190,187	183,524
Other non-current assets		52,615	54,018
		<u>30,565,679</u>	<u>27,478,651</u>
Current assets			
Inventories		153,589	118,427
Trade and bill receivables	9	1,386,376	1,279,857
Prepayment		12,545	18,815
Other financial assets at amortised cost		515,880	–
Other receivables		–	16,235
Cash and cash equivalents		1,806,125	1,614,649
Other current assets		257,915	72,504
		<u>4,132,430</u>	<u>3,120,487</u>
Assets held-for-sale		<u>–</u>	<u>38,120</u>
Total current assets		<u>4,132,430</u>	<u>3,158,607</u>
Total assets		<u><u>34,698,109</u></u>	<u><u>30,637,258</u></u>

		As at 31 December	
		2018	2017
	<i>Note</i>	RMB'000	RMB'000
EQUITY			
Capital and reserves			
Share capital		4,330,890	4,330,890
Share premium		5,055,425	5,055,425
Capital reserve	10	1,493,731	1,254,344
Other reserve		(33,155)	(32,098)
Statutory and discretionary reserves		5,627,158	4,992,579
Retained earnings		6,939,142	5,828,675
		<hr/>	<hr/>
Total equity		23,413,191	21,429,815
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Long-term borrowings	12	–	2,990,000
Loans from the Parent Company	13	1,758,572	1,848,177
Retirement benefit obligations		158,541	128,542
Deferred income		33,745	27,558
		<hr/>	<hr/>
		1,950,858	4,994,277
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	11	6,083,138	3,651,699
Current income tax liabilities		95,374	393,005
Current portion of long-term borrowings	12	2,980,000	–
Current portion of loans from the Parent Company	13	167,483	160,711
Current portion of retirement benefit obligations		8,065	7,751
		<hr/>	<hr/>
		9,334,060	4,213,166
		<hr/>	<hr/>
Total liabilities		11,284,918	9,207,443
		<hr/>	<hr/>
Total equity and liabilities		34,698,109	30,637,258
		<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF CHANGES IN EQUITY

		Share capital	Share premium	Capital reserve	Other reserve	Statutory and discretionary reserves	Retained earnings	Total equity
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2017		4,330,890	5,055,425	1,012,842	(61,904)	4,376,333	4,664,731	19,378,317
Profit for the year		-	-	-	-	-	2,600,461	2,600,461
Other comprehensive income for the year		-	-	-	29,806	-	-	29,806
Total comprehensive income for the year		-	-	-	29,806	-	2,600,461	2,630,267
Contribution from the Parent Company	10	-	-	241,502	-	-	-	241,502
2016 final dividend		-	-	-	-	-	(440,885)	(440,885)
2017 interim dividend	8	-	-	-	-	-	(379,386)	(379,386)
Transfer to statutory and discretionary reserves		-	-	-	-	616,246	(616,246)	-
Balance at 31 December 2017		<u>4,330,890</u>	<u>5,055,425</u>	<u>1,254,344</u>	<u>(32,098)</u>	<u>4,992,579</u>	<u>5,828,675</u>	<u>21,429,815</u>
Balance at 1 January 2018		4,330,890	5,055,425	1,254,344	(32,098)	4,992,579	5,828,675	21,429,815
Profit for the year		-	-	-	-	-	2,872,055	2,872,055
Other comprehensive loss for the year		-	-	-	(21,090)	-	-	(21,090)
Total comprehensive income for the year		-	-	-	(21,090)	-	2,872,055	2,850,965
Contribution from the Parent Company	10	-	-	239,387	-	-	-	239,387
Disposal of a joint venture		-	-	-	20,033	-	(20,033)	-
2017 final dividend	8	-	-	-	-	-	(660,894)	(660,894)
2018 interim dividend	8	-	-	-	-	-	(446,082)	(446,082)
Transfer to statutory and discretionary reserves		-	-	-	-	634,579	(634,579)	-
Balance at 31 December 2018		<u>4,330,890</u>	<u>5,055,425</u>	<u>1,493,731</u>	<u>(33,155)</u>	<u>5,627,158</u>	<u>6,939,142</u>	<u>23,413,191</u>

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION

(a) Compliance with IFRS and HKCO

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

(b) 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.

(c) Going concern

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

- The Company’s continuous net cash inflow from operating activities.
- Unutilised long-term banking facilities of RMB3 billion.

Based on the above considerations, the Board of Directors is of the opinion that the Company has sufficient available financial resources to continue its operations and to repay its debts as and when they fall due. As a result, the financial statements of the Company for the year ended 31 December 2018 have been prepared on a going concern basis.

(d) New and amended standards adopted by the Company

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

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

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

(e) New and amended standards not yet adopted

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

IFRS 16 Leases

Nature of change

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

Impact

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

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

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

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

Date of adoption by the Company

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

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

3 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

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

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

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

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

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

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

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

4 EXPENSES BY NATURE

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

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

5 FINANCE INCOME/(COSTS)

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

6 TAXATION

(a) Corporate income tax

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

The Company is subject to corporate income tax at a rate of 25% (2017: 25%) on its taxable income as determined in accordance with the relevant PRC income tax laws and regulations.

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

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

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

(b) Business tax and value added tax

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

(c) **Real estate tax**

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

7 EARNINGS PER SHARE

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

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2018 and 2017.

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

8 DIVIDENDS

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

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

9 TRADE AND BILL RECEIVABLES

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

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

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

10 CAPITAL RESERVE

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

11 TRADE AND OTHER PAYABLES

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

* In 2008, the Company acquired the Ground Traffic Centre and its relevant facilities, land and the relevant land use right from the Parent Company, which were collectively referred to as the GTC Assets.

** 2008, the Company acquired the Airfield Assets, Terminal Three of the Beijing Capital Airport (“T3”), T3 related assets, roads within 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 construction is situated (collectively the “Phase III Assets”).

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

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

12 BORROWINGS

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

The movement in borrowings is analysed as follows:

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

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

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

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

13 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.

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

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

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

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

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

The financial figures above in respect of the announcement of the Company's annual results for the year ended 31 December 2018 (the "Announcement") have been agreed by the Company's international auditors, PricewaterhouseCoopers, to the amounts set out in the Company's financial statements for the year ended 31 December 2018. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

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

Overview of Aeronautical Business

In 2018, the air traffic volumes of Beijing Capital Airport maintained steady growth, as a result of the continuously strong travel demand of passengers and the optimised route structure of the Company. In particular, the growth rate of international air traffic volumes remained higher than that of domestic air traffic volumes. In 2018, the cumulative aircraft movements in Beijing Capital Airport reached 614,022 sorties, representing an increase of 2.8% as compared with the previous year. The cumulative passenger throughput reached 100,983,290 person-times, representing an increase of

5.4% as compared with the previous year. The cumulative cargo and mail throughput reached 2,074,005 tonnes, representing an increase of 2.2% as compared with the previous year. Detailed information is set out in the table below:

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

Aeronautical Revenues

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

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

Non-Aeronautical Revenues

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

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

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

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

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

Operating Expenses

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

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

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

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

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

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

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

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

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

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

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

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

OTHER ITEMS IN THE STATEMENT OF COMPREHENSIVE INCOME

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

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

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

Profit for the Year

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

Dividend

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

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

There was no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend during the year ended 31 December 2018.

Exposure to Fluctuations in Exchange Rates

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

According to the overall plan of the acquisition of the Phase III Assets ^(Note 1), the Company assumed the US dollar denominated loans from the European Investment Bank in respect of the Phase III Assets and the interest thereof as at 31 December 2018. Therefore, the fluctuation of RMB exchange rate against the US dollar will affect the financial results of the Company.

Note 1: In 2008, the Company acquired the airfield assets (including runway, taxiways, aprons, road non-asphalt layers, lighting and other airfield facilities), Terminal Three of the Beijing Capital Airport (“T3”) and relevant facilities, roads within the airport area, the driverless electric train system, commercial areas and other relevant facilities and equipment, and the land use rights of the land on which T3 and other related buildings are situated (collectively the “Phase III Assets”).

As at 31 December 2018, the assets and liabilities of the Company denominated in USD included cash and cash equivalents of approximately RMB96,728,000 (2017: RMB78,052,000), trade and other receivables of approximately RMB224,000 (2017: RMB426,000), trade and other payables of approximately RMB10,661,000 (2017: RMB11,006,000), and loans from the Parent Company of approximately RMB1,926,055,000 (2017: RMB2,008,888,000). During 2018, the Company recorded a net exchange loss of RMB108,364,000.

Exposure to Fluctuations in Interest Rates

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

Contingent Liabilities

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

Liquidity and Financial Resources

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

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

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

As at 31 December 2018, the current ratio of the Company was 0.44, and as at 31 December 2017, the current ratio of the Company was 0.75. Such ratios were computed by dividing the amount of the total current assets by the amount of the total current liabilities as at those respective dates.

As at 31 December 2018, the liability-to-asset ratio of the Company was 32.52%, and as at 31 December 2017, the liability-to-asset ratio of the Company was 30.05%. Such ratios were computed by dividing the total amount of liabilities by the amount of total assets as at those respective dates.

As at 31 December 2018, the capital and reserves of the Company were RMB23,413,191,000 and as at 31 December 2017, the capital and reserves of the Company were RMB21,429,815,000.

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:

	2018	2017
Total number of employees	<u><u>1,613</u></u>	<u><u>1,606</u></u>

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

2. *Employees' basic medical insurance and commercial medical insurance*

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

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

3. *Staff retirement scheme*

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

CHARGE ON ASSETS

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

MERGER, ACQUISITION AND DISPOSAL

During the year ended 31 December 2018, except for the acquisition of the GTC Assets^(Note 2) from the Parent Company, the Company did not conduct any other significant merger, acquisition or disposal.

Note 2: In 2018, the Company acquired the Ground Traffic Centre and its relevant facilities, land and the relevant land use rights from the Parent Company, which are collectively referred to as the GTC Assets.

MATERIAL SUBSEQUENT EVENT

During the year ended 31 December 2018, the Company had no material subsequent event.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board confirmed that the Company has complied with the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the period from 1 January 2018 to 31 December 2018, save for the deviation from the Code provision A.6.7 for reasonable grounds (to be explained below).

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

PROSPECTS FOR 2019

Future Prospects

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

In view of the huge capital investment in the construction of Daxing Airport by the Parent Company, as well as the relatively large operating pressure and financial pressure that will be subsequently faced by Daxing Airport, after careful consideration by the Board and management of the Company, the Company formally approved on 28 June 2018 that the Parent Company may engage in the aeronautical and non-aeronautical businesses of Daxing Airport, and the Company would retain the option to acquire the assets of Daxing Airport^(Note 3). Therefore, Beijing Capital Airport and Daxing Airport will operate independently in the future. The Company will fully focus on developing the aeronautical and non-aeronautical businesses of Beijing Capital Airport and strive to build a large world-class international aviation hub.

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

Indeed, the commencement of operations of Daxing Airport and the dual-hub model of “two airports independently operating in one city” may objectively have certain short-term negative impact on the Company’s business and operating income from 2019 onwards. However, due to the transfer of airlines, the huge pressure arising from the fully saturated operations of Beijing Capital Airport will be moderately eased, so that the Company will have a valuable opportunity to strengthen its infrastructure renovation, improve its service functions, and enhance its capability to safeguard resources, which will enable the Company to continuously enhance its own development potential, and therefore make adequate preparations for Beijing Capital Airport and the Company to enter into a new growth cycle of high-quality development after the “adjustment period”.

Note 3: For details, please see the inside information announcement of the Company dated 28 June 2018 published on the website of the Stock Exchange.

In addition, pursuant to the “Notice of the Ministry of Finance regarding the Abolition of the Policy of Recognition of Refunds from the Civil Aviation Development Fund to Three Listed Airports Including the Capital Airport as Revenues* (財政部關於取消民航發展基金用於首都機場等三家上市機場返還作企業收入處理政策的通知)” issued in May 2018, the Company no longer enjoyed the policy of recognising the refunds from the Civil Aviation Development Fund as revenues since 29 November 2018 ^(Note 4). As a result, in 2019, the “Airport Fee” item under the aeronautical revenues of the Company will be fully cancelled, and the revenue and profit of the Company will also be negatively affected to a certain extent.

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

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

Note 4: For details, please see the inside information announcement of the Company dated 15 June 2018 published on the website of the Stock Exchange.

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

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

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

THE ANNUAL RESULTS ANNOUNCEMENT, ANNUAL REPORT AND AGM

The annual results of the Company have been reviewed by the audit and risk management committee of the Company. The financial figures in respect of this annual results announcement have been agreed by the Company's international auditor, PricewaterhouseCoopers, to the amounts set out in the Company's financial statements for the year ended 31 December 2018. This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>), IR Asia (<http://www.irasia.com.hk>) and the Company (<http://www.bcia.com.cn>).

The annual report for the year ended 31 December 2018 containing all the relevant information required by Appendix 16 of the Listing Rules and the Notice of 2018 AGM will be despatched to shareholders and will be available on the abovementioned websites in due course.

By order of the Board
Liu Xuesong
Chairman

Beijing, the PRC, 27 March 2019

As at the date of this announcement, the Directors of the Company are:

<i>Executive Directors:</i>	Mr. Liu Xuesong, Mr. Han Zhiliang and Ms. Gao Lijia
<i>Non-executive Directors:</i>	Mr. Gao Shiqing, Mr. Yao Yabo and Mr. Ma Zheng
<i>Independent Non-executive Directors:</i>	Mr. Japhet Sebastian Law, Mr. Jiang Ruiming, Mr. Liu Guibin and Mr. Zhang Jiali