
THIS SUPPLEMENTAL CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this supplemental circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **BEIJING CAPITAL INTERNATIONAL AIRPORT COMPANY LIMITED**, you should at once hand this supplemental circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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)

SUPPLEMENTAL CIRCULAR
CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(1) SUPPLY OF MISCELLANEOUS PROPERTY SERVICES AGREEMENT
(2) SUPPLY OF MISCELLANEOUS ENERGY SERVICES AGREEMENT
(3) SUPPLY OF OPERATION AND MAINTENANCE SERVICES OF POWER
AND ENERGY FACILITIES FRAMEWORK AGREEMENT
(4) INTERNATIONAL RETAIL MANAGEMENT AGREEMENT
(5) ADVERTISING MANAGEMENT AGREEMENT
(6) FOOD AND BEVERAGE MANAGEMENT AGREEMENT
(7) DOMESTIC RETAIL RESOURCES USAGE AGREEMENT
AND
SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the
Independent Board Committee and the Independent Shareholders



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this supplemental circular.

A letter from the Board is set out on pages 7 to 64 of this supplemental circular. A letter from the Independent Board Committee is set out on pages 65 to 66 of this supplemental circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 67 to 134 of this supplemental circular.

The Company will convene the EGM at 9:00 a.m. on Thursday, 28 December 2023 at the Conference Room, Room 112, the Office Building of the Company, No. 9 Siwei Road, Capital Airport, Beijing, the PRC. The notice convening the EGM was despatched to the Shareholders on 2 November 2023.

The Company has despatched the reply slips for the EGM on 2 November 2023. Shareholders who intend to attend the EGM should have completed and returned the reply slips in accordance with the instructions printed thereon as soon as possible and in any event by not later than 4:30 p.m., Thursday, 7 December 2023.

Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 24 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

11 December 2023

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DEFINITIONS

In this supplemental circular, the following expressions have the following meanings unless the context otherwise requires:

“associates”	has the same meaning ascribed to it in the Listing Rules
“Adjusted Retail Resources”	the relevant parts of Beijing Capital Airport which have been adjusted for use as retail resources by Beijing Airport Commercial and Trading under the Flexible Retail and F&B Resources Usage Agreement, namely the (i) domestic store of Louis Vuitton in T3C; and (ii) China Gold store in T3C
“Advertising Management Agreement”	the advertising management agreement dated 7 November 2023 entered into between the Company and Beijing Airport Media for the provision of operation and management services of the designated advertising spaces within or in the vicinity of Beijing Capital Airport by Beijing Airport Media to the Company
“Beijing Airport Commercial and Trading”	Beijing Capital Airport Commercial and Trading Company Limited* (北京首都機場商貿有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Parent Company
“Beijing Airport Food Management”	Beijing Capital Airport Food Management Company Limited* (北京首都機場餐飲發展有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Parent Company
“Beijing Airport Media”	Capital Airports Holdings Media Company Limited* (首都機場集團傳媒有限公司) (formerly known as Beijing Capital Airport Advertising Company Limited* (北京首都機場廣告有限公司)), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Parent Company
“Beijing Capital Airport”	Beijing Capital International Airport
“Board”	the board of Directors
“CAAC”	Civil Aviation Administration of China

DEFINITIONS

“CCT Agreements”	collectively, (i) the Supply of Miscellaneous Property Services Agreement; (ii) the Supply of Miscellaneous Energy Services Agreement; (iii) the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement; (iv) the International Retail Management Agreement; (v) the Advertising Management Agreement; (vi) the Food and Beverage Management Agreement; and (vii) the Domestic Retail Resources Usage Agreement
“Company”	Beijing Capital International Airport Company Limited (北京首都國際機場股份有限公司), a sino-foreign joint stock limited company incorporated in the PRC with limited liability, and the H Shares of which are listed on the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it in the Listing Rules
“Daxing Airport”	Beijing Daxing International Airport
“Director(s)”	the director(s) of the Company
“Domestic Retail Resources Usage Agreement”	the domestic retail resources usage agreement dated 6 November 2023 entered into between the Company and Beijing Airport Commercial and Trading, pursuant to which the Company permitted Beijing Airport Commercial and Trading to use and occupy the commercial retail premises and resources (including the Adjusted Retail Resources) and the premises and resources of taxable domestically manufactured goods situated in the domestic isolated area in Terminal One, Terminal Two and Terminal Three of Beijing Capital Airport
“Domestic Share(s)”	ordinary domestic share(s) of nominal value of RMB1.00 each in the registered share capital of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 9:00 a.m. on Thursday, 28 December 2023 to consider and approve, among other things, the CCT Agreements and the transactions contemplated thereunder, including the annual caps
“Energy Saving Technology Company”	Beijing Capital Airport Energy-saving Technical Service Co., Ltd.* (北京首都機場節能技術服務有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Power and Energy Company

DEFINITIONS

“Energy Service Suppliers”	the Power and Energy Company and/or its wholly-owned subsidiary, namely the Energy Saving Technology Company, as the case may be
“Flexible Retail and F&B Resources Usage Agreement”	the tripartite domestic retail and food and beverage resources usage agreement dated 13 August 2021 entered into among the Company, Beijing Airport Commercial and Trading, and Beijing Airport Food Management, details of which were disclosed in the announcement of the Company dated 13 August 2021 and the circular of the Company dated 8 October 2021
“Food and Beverage Management Agreement”	the food and beverage management agreement dated 7 November 2023 entered into between the Company and Beijing Airport Food Management in respect of the provision of operation and management services for the designated food and beverage resources at Beijing Capital Airport from Beijing Airport Food Management to the Company
“Former Advertising Management Agreement”	the advertising management agreement dated 30 December 2020 entered into between the Company and Beijing Airport Media for the provision of operation and management services of the designated advertising spaces within or in the vicinity of Beijing Capital Airport by Beijing Airport Media to the Company, details of which were disclosed in the announcement of the Company dated 30 December 2020
“Former Domestic Retail Resources Usage Agreement”	the domestic retail resources usage agreement dated 28 December 2020 entered into between the Company and Beijing Airport Commercial and Trading, pursuant to which the Company permitted Beijing Airport Commercial and Trading to use the commercial retail resources and the resources of taxable domestically manufactured goods in domestic isolated area and public area at Beijing Capital Airport, details of which were disclosed in the announcement of the Company dated 28 December 2020
“Former Food and Beverage Management Agreement”	the food and beverage management agreement dated 29 December 2020 entered into between the Company and Beijing Airport Food Management in respect of the provision of management services for the designated food and beverage resources at Beijing Capital Airport from Beijing Airport Food Management to the Company, details of which were disclosed in the announcement of the Company dated 29 December 2020

DEFINITIONS

“Former International Retail Management Agreement”	the international retail management agreement dated 3 November 2020 entered into between the Company and Beijing Airport Commercial and Trading, details of which were disclosed in the announcement of the Company dated 3 November 2020 and the circular of the Company dated 4 December 2020
“Former Supplemental Domestic Retail Resources Usage Agreement”	the supplemental agreement dated 28 September 2022 entered into between the Company and Beijing Airport Commercial and Trading to amend certain terms of the Former Domestic Retail Resources Usage Agreement, details of which were disclosed in the announcement of the Company dated 28 September 2022
“Former Supply of Miscellaneous Property Services Agreement”	the supply of miscellaneous property services agreement entered into between the Company and the Property Management Company on 31 December 2020, details of which were disclosed in the announcement of the Company dated 31 December 2020
“Former Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement”	the supply of operation and maintenance services of power and energy facilities agreement dated 30 December 2020 entered into between the Company and the Power and Energy Company in respect of the provision of operation and maintenance services by the Power and Energy Company to the Company for the power and energy facilities of Beijing Capital Airport, details of which were disclosed in the announcement of the Company dated 30 December 2020
“Former Supply of Power and Energy Agreement”	the supply of power and energy agreement dated 3 November 2020 entered into between the Company and the Power and Energy Company, details of which were disclosed in the announcements of the Company dated 3 November 2020 and 5 November 2020 and the circular of the Company dated 4 December 2020
“GTC”	Ground Traffic Centre, a car-parking building that is located in the south side of Terminal Three
“H Share(s)”	overseas listed foreign share(s) of nominal value of RMB1.00 each in the registered share capital of the Company
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Zhang Jiali, Mr. Stanley Hui Hon-chung, Mr. Wang Huacheng and Ms. Duan Donghui, established to advise the Independent Shareholders in respect of the CCT Agreements and the transactions contemplated thereunder, including the annual caps

DEFINITIONS

“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements and the transactions contemplated thereunder, including the annual caps
“Independent Shareholders”	the Shareholders other than the Parent Company, its associates and any Shareholder with a material interest in the transactions contemplated under the CCT Agreements, as the case may be
“International Retail Management Agreement”	the international retail management agreement dated 7 November 2023 entered into between the Company and Beijing Airport Commercial and Trading for the provision of operation and management services of the designated retail resources in the international isolated area and international arrival area of the Beijing Capital Airport by Beijing Airport Commercial and Trading to the Company
“Latest Practicable Date”	4 December 2023, being the latest practicable date prior to printing of this supplemental circular for the purpose of ascertaining certain information referred to in this supplemental circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parent Company”	Capital Airports Holdings Limited* (首都機場集團有限公司) (formerly known as Capital Airports Holding Company* (首都機場集團公司)), an enterprise established in the PRC and the controlling shareholder of the Company
“PRC” or “China”	the People’s Republic of China
“Power and Energy Company”	Capital Airports Power and Energy Co., Ltd* (北京首都機場動力能源有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Parent Company
“Property Management Company”	Beijing Capital Airport Property Management Company Limited* (北京首都機場物業管理有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Parent Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of RMB1.00 each in the registered share capital of the Company, which comprise H Share(s) and Domestic Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply of Miscellaneous Energy Services Agreement”	the framework agreement dated 6 November 2023 entered into among the Company and the Energy Service Suppliers for the provision of power and energy services and energy management and conservation services to the Company at Beijing Capital Airport
“Supply of Miscellaneous Property Services Agreement”	the supply of miscellaneous property services agreement dated 6 November 2023 entered into between the Company and the Property Management Company
“Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement”	the supply of operation and maintenance services of power and energy facilities framework agreement dated 6 November 2023 entered into between the Company and the Power and Energy Company for the provision of operation and maintenance services for the power and energy facilities of Beijing Capital Airport by the Power and Energy Company to the Company
“Terminal One”	the passenger terminal numbered one which forms part of Beijing Capital Airport
“Terminal Three”	the passenger terminal numbered three which forms part of Beijing Capital Airport
“Terminal Two”	the passenger terminal numbered two which forms part of Beijing Capital Airport
“T3C”	zone C of Terminal Three
“%”	per cent

* *For identification purposes only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Wang Changyi
Mr. Han Zhiliang

Registered office:

Capital Airport, Beijing
The PRC

Non-executive Directors:

Mr. Jia Jianqing
Mr. Song Kun
Mr. Du Qiang

Principal place of business in Hong Kong:

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

Independent Non-executive Directors:

Mr. Zhang Jiali
Mr. Stanley Hui Hon-chung
Mr. Wang Huacheng
Ms. Duan Donghui

11 December 2023

To the Shareholders

Dear Sir or Madam,

SUPPLEMENTAL CIRCULAR
CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(1) SUPPLY OF MISCELLANEOUS PROPERTY SERVICES AGREEMENT
(2) SUPPLY OF MISCELLANEOUS ENERGY SERVICES AGREEMENT
(3) SUPPLY OF OPERATION AND MAINTENANCE SERVICES OF POWER
AND ENERGY FACILITIES FRAMEWORK AGREEMENT
(4) INTERNATIONAL RETAIL MANAGEMENT AGREEMENT
(5) ADVERTISING MANAGEMENT AGREEMENT
(6) FOOD AND BEVERAGE MANAGEMENT AGREEMENT
(7) DOMESTIC RETAIL RESOURCES USAGE AGREEMENT
AND
SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

LETTER FROM THE BOARD

INTRODUCTION

This supplemental circular should be read together with the circular to the shareholders of the Company dated 2 November 2023.

Reference is made to the announcements of the Company dated 6 November 2023 and 7 November 2023 in respect of the CCT Agreements and the transactions contemplated thereunder.

The purpose of this supplemental circular is to provide you with (i) details of the CCT Agreements and the transactions contemplated thereunder, including the annual caps; (ii) the letter of recommendation from the Independent Board Committee in connection with the CCT Agreements and the transactions contemplated thereunder, including the annual caps; and (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the CCT Agreements and the transactions contemplated thereunder, including the annual caps.

The Company issued a notice dated 2 November 2023 in relation to the EGM. A supplemental notice of the EGM is set out on pages 141 to 143 of this supplemental circular.

I. SUPPLY OF MISCELLANEOUS PROPERTY SERVICES AGREEMENT

Background

Reference is made to the announcement of the Company dated 31 December 2020 in respect of, among other things, the Former Supply of Miscellaneous Property Services Agreement, which will expire on 31 December 2023. As the parties intend to continue to carry out transactions of a similar nature from time to time after 31 December 2023 due to the Company's daily operation needs, the Company entered into the Supply of Miscellaneous Property Services Agreement as a renewal agreement.

On 6 November 2023, the Company entered into the Supply of Miscellaneous Property Services Agreement with the Property Management Company, pursuant to which the Property Management Company agreed to provide miscellaneous property services to the Company at Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026.

Material terms

The material terms of the Supply of Miscellaneous Property Services Agreement are set out as follows:

Date

6 November 2023

Parties

(a) The Company; and

LETTER FROM THE BOARD

(b) Property Management Company

Services

Pursuant to the Supply of Miscellaneous Property Services Agreement, the Company agreed to engage the Property Management Company to provide miscellaneous property services at Terminal One, Terminal Two, Terminal Three, the public area, airfield area and other designated areas (including new areas to be managed by the Company from time to time) of Beijing Capital Airport, which include the following services:

- (i) cleaning, landscaping and greening design, trash removal, trolleys management, luggage storage and packing, and luggage trays management in the terminal area of Beijing Capital Airport;
- (ii) cleaning, landscaping and greening design, and trash removal on the roads in the public area;
- (iii) operation management, fire prevention and control, and cleaning in the car park buildings (lots);
- (iv) security, cleaning and landscaping and greening design at the dormitory and office; and
- (v) other related services as requested by the Company.

The Supply of Miscellaneous Property Services Agreement is a framework agreement only. Depending on the demand of the Company for its daily operation and subject to the applicable laws and regulations (including but not limited to the Listing Rules), as well as the Company's relevant procurement management regulations and requirements, the Company will enter into definitive service agreement(s) with the Property Management Company for the provision of specific services separately to set out the rights and obligations of each party and the detailed provisions (including but not limited to relevant scope of services, price and payment). In case of any inconsistencies between the terms of the definitive service agreement(s) and the Supply of Miscellaneous Property Services Agreement, the terms of the Supply of Miscellaneous Property Services Agreement shall prevail.

Term

The Supply of Miscellaneous Property Services Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026.

Condition precedent

The transactions contemplated under the Supply of Miscellaneous Property Services Agreement are subject to the approval by the Independent Shareholders at the EGM.

LETTER FROM THE BOARD

Consideration and payment

Pursuant to the Supply of Miscellaneous Property Services Agreement, the service fees for the provision of miscellaneous property services payable by the Company to the Property Management Company will be determined by the parties in accordance with (i) the historical service fees paid by the Company to the Property Management Company for the provision of miscellaneous property services; (ii) the labour costs incurred by the Property Management Company to complete the relevant services under the Supply of Miscellaneous Property Services Agreement; (iii) the material and consumable costs incurred by the Property Management Company and the costs for their procurement, installation, transportation and management; (iv) the relevant fees of other services as required by the Company for the new areas to be managed by the Company from time to time; and (v) the reasonable profit margin (as disclosed in the section headed “Pricing policy” below), management fee for the provision of relevant services by the Property Management Company to the Company and the relevant taxes.

Depending on the nature of specific services, the service fees are payable by the Company to the Property Management Company on a monthly, quarterly, half-yearly or yearly basis.

Historical transaction amounts

The following table shows the historical transaction amounts for the services provided by the Property Management Company to the Company under the Former Supply of Miscellaneous Property Services Agreement:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
	<i>(RMB)</i> (audited)	<i>(RMB)</i> (audited)	<i>(RMB)</i> (unaudited)
Historical transaction amount for the services provided by the Property Management Company	235,768,000	229,580,000	254,793,000 <i>(Note 1)</i>
Annual caps	370,000,000	380,000,000	390,000,000

Note 1: Since the audited figure of the historical transaction amount for the year ending 31 December 2023 is not yet available, this figure is only an estimated figure based on the aggregate of (i) the unaudited figure of the transaction amount for the nine months ended 30 September 2023 of approximately RMB150,040,000; and (ii) an estimate of the remaining portion of the total transaction amount for the three months ending 31 December 2023, which was agreed and set out in the relevant definitive agreements under the Former Supply of Miscellaneous Property Services Agreement and determined based on the labour costs, material costs, management costs, reasonable profit margin and relevant taxes and in accordance with the pricing policies of

LETTER FROM THE BOARD

the Former Supply of Miscellaneous Property Services Agreement as disclosed in the announcement of the Company dated 31 December 2020. The Company expects that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap.

Annual caps

It is expected that the annual caps for the transactions contemplated under the Supply of Miscellaneous Property Services Agreement for each of the three years ending 31 December 2026 are as follows:

	<i>(RMB)</i>
For the year ending 31 December 2024	280,000,000
For the year ending 31 December 2025	309,000,000
For the year ending 31 December 2026	339,000,000

The above annual caps are determined in accordance with (i) the historical transaction amounts for the services provided by the Property Management Company under the Former Supply of Miscellaneous Property Services Agreement; (ii) the possible increase in the scope of services and the demand for property services required by the Company for its daily operation; (iii) the potential increase in labour costs; (iv) the potential increase in the costs of materials and management fees; and (v) the relevant taxes.

The annual cap for the year ending 31 December 2024 represents an increase of approximately 10% as compared with the historical transaction amounts for the year ending 31 December 2023. It is expected that the annual cap for each of the years ending 31 December 2025 and 31 December 2026 will both increase by approximately 10%, as compared with the annual cap for the preceding year ending 31 December 2024 and 31 December 2025.

The year-on-year changes of proposed annual caps and the relevant factors are set out below:

- (i) the estimated figure of transaction amount for each of the three years ending 31 December 2026 is expected to increase by approximately 4%, in anticipation of the corresponding increase in service fees as a result of the possible increase in the demand for property services required by the terminals, the public areas, the airfield area and other designated areas of Beijing Capital Airport;
- (ii) the estimated figure of transaction amount for each of the three years ending 31 December 2026 is expected to increase by approximately 3%, in anticipation of the corresponding increase in service fees as a result of the possible increase in labour costs; and
- (iii) the estimated figure of transaction amount for each of the three years ending 31 December 2026 is expected to increase by approximately 3%, in anticipation of the corresponding increase in service fees as a result of the possible increase in costs of materials and management fees.

LETTER FROM THE BOARD

Pricing policy

The basis for determining the service fees payable by the Company to the Property Management Company for the provision of miscellaneous property services has been set out in the section headed “Consideration and payment” above.

The relevant departments of the Company adopt the following approaches to assess the reasonableness and fairness of the quotation of the Property Management Company:

After reviewing and evaluating the quotation from the Property Management Company for the provision of miscellaneous property services at Beijing Capital Airport, the Company considers that the quotation from the Property Management Company is price-competitive. The profit margin to be charged by the Property Management Company under the Supply of Miscellaneous Property Services Agreement is expected to be lower than 5%. In this connection, the quotation from the Property Management Company is no less favourable than the quotations obtained from two independent third parties for the provision of comparable services at Beijing Capital Airport.

Internal control on pricing

The Company has implemented a management system to monitor the pricing standards for the transactions under the Supply of Miscellaneous Property Services Agreement and to ensure that such terms are on normal commercial terms. Such system is described as below:

1. Prior to entering into the Supply of Miscellaneous Property Services Agreement, the relevant departments of the Company are responsible for gathering information on the historical transaction amounts and the profit margin under the Former Supply of Miscellaneous Property Services Agreement and conducting cross-checks against the service fees and profit margin charged by the Property Management Company to other independent service units at Beijing Capital Airport for the provision of comparable property services, as well as the service fees charged by other property management companies at Beijing Capital Airport for the provision of comparable property services.
2. Prior to signing the definitive agreements and the implementation of the transactions contemplated under the Supply of Miscellaneous Property Services Agreement, the principal officers in the relevant departments of the Company shall lodge the applications within the Company, which are subject to a preliminary review conducted by the managers of the respective departments of the Company, followed by a final review at the general manager office meeting in accordance with the internal control policies of the Company. Upon completion of the above internal review procedures, the definitive agreements will be considered and approved by the Board.
3. The independent non-executive Directors have reviewed and will continue to review the transactions contemplated under the Supply of Miscellaneous Property Services Agreement to ensure that such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to its contractual terms.

LETTER FROM THE BOARD

4. The auditors of the Company will conduct annual review on the transactions contemplated under the Supply of Miscellaneous Property Services Agreement in relation to the pricing policy and annual caps contemplated thereunder in accordance with the Listing Rules.

Internal control on review of annual caps

The Company has implemented the following internal control measures to ensure that the annual caps for the transactions contemplated under the Supply of Miscellaneous Property Services Agreement will not be exceeded:

1. The finance department of the Company provides the secretariat to the Board with information in relation to the actual transaction amounts on a monthly basis.
2. The secretariat to the Board is responsible for monitoring such transactions to ensure that the total amount of transactions does not exceed the annual caps.
3. If such amount of transactions is estimated to exceed the relevant annual cap, the person-in-charge of the relevant department of the Company will be notified so that the scale of transactions in the future may be re-estimated and arrangements may be made to issue announcements and/or to obtain the relevant approvals from the Board and the Independent Shareholders in accordance with the requirements of the Listing Rules.

Reasons for and benefits of entering into the Supply of Miscellaneous Property Services Agreement

The Property Management Company has been engaged in miscellaneous property services for years and has ample experience and sufficient workforce. It is familiar with the specific standards and requests of Beijing Capital Airport for property services in order to safeguard the daily operation of Beijing Capital Airport. In the past years, the miscellaneous property services provided by the Property Management Company has been an important factor in helping the Company to attain high scores in terms of airport environment and the level of cleanliness in washroom in the travellers' satisfaction assessment (*Note 2*) conducted by Airports Council International (“**ACI**”) for recent years. Further, since the services provided by the Property Management Company have relatively high homogeneity in the market, its pricing is highly open and transparent with an adequately competitive price, and its pricing standard is at the lower-middle level as compared with other market participants. Therefore, it is expected that the engagement of the Property Management Company for the provision of miscellaneous property services will be conducive to safeguarding the daily operation and service quality of Beijing Capital Airport, as well as maintaining the continuity of business operations, which helps to lower procurement costs and control service fees in order to achieve overall cost control.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Supply of Miscellaneous Property Services Agreement was entered into in the ordinary and usual course of business of the Company, on normal commercial terms that are fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Note 2: ACI is an international airport organisation which, as at the Latest Practicable Date, has 712 members across 1925 airports in 171 countries or regions worldwide. ACI conducts surveys on travellers' satisfaction in the global airport industry.

Listing Rules implications

The Parent Company is the controlling shareholder of the Company, holding approximately 58.96% of the issued share capital of the Company as at the date of this circular. Since the Property Management Company is a wholly-owned subsidiary of the Parent Company, the Property Management Company is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Supply of Miscellaneous Property Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Supply of Miscellaneous Property Services Agreement is more than 5%, the transactions contemplated under the Supply of Miscellaneous Property Services Agreement are therefore subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

II. SUPPLY OF MISCELLANEOUS ENERGY SERVICES AGREEMENT

Background

Reference is made to the announcements of the Company dated 3 November 2020 and 5 November 2020 and the circular of the Company dated 4 December 2020 in respect of, among other things, the Former Supply of Power and Energy Agreement, which will expire on 31 December 2023. After 31 December 2023, in addition to the supply of power and energy services for the operation of Beijing Capital Airport, the Company intends to procure energy management and conservation services from the Energy Saving Technology Company, which is a wholly-owned subsidiary of the Power and Energy Company.

On 6 November 2023, the Company entered into the Supply of Miscellaneous Energy Services Agreement with the Energy Service Suppliers, pursuant to which the Energy Service Suppliers agreed to provide power and energy services and energy management and conservation services to the Company at Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026.

Material terms

Date

6 November 2023

Parties

(a) the Company; and

LETTER FROM THE BOARD

(b) the Energy Service Suppliers

Services

Pursuant to the Supply of Miscellaneous Energy Services Agreement, the Company agreed to engage the Energy Service Suppliers to provide the following services at Terminal One, Terminal Two, Terminal Three, the airfield area, the public area and other designated areas of Beijing Capital Airport:

- (i) provision of five types of energy services, namely electricity, water, natural gas, heating and cooling services;
- (ii) sewage services for buildings and facilities owned by the Company;
- (iii) provision of reclaimed water (recycled water) services for greening;
- (iv) energy management and conservation services; and
- (v) other related services as requested by the Company.

The Supply of Miscellaneous Energy Services Agreement is a framework agreement only. Depending on the demand of the Company for its daily operation and subject to the applicable laws and regulations (including but not limited to the Listing Rules), as well as the Company's relevant procurement management regulations and requirements, the Company will separately enter into definitive service agreement(s) with the Energy Service Suppliers for the provision of specific services to stipulate the rights and obligations of each party and the detailed terms (including but not limited to the relevant scope of services, price and payment). In case of any inconsistencies between the terms of the definitive service agreement(s) and the Supply of Miscellaneous Energy Services Agreement, the terms of the Supply of Miscellaneous Energy Services Agreement shall prevail.

Term

The Supply of Miscellaneous Energy Services Agreement is for a term of three years, commencing from 1 January 2024 to 31 December 2026.

Condition precedent

The Supply of Miscellaneous Energy Services Agreement and the transactions contemplated thereunder shall be subject to the approval by the Independent Shareholders at the EGM.

Consideration and payment

The methods of calculating the service fees to be charged by the Energy Service Suppliers under the Supply of Miscellaneous Energy Services Agreement are set out below:

- (i) in respect of the supply of electricity, the method of calculation is as follows:

LETTER FROM THE BOARD

Electricity tariffs = unit price of electricity supply ^(Note 3) × actual volume incurred

Note 3: In the event of adjustments to the electricity tariffs in Beijing municipality during the term of the Supply of Miscellaneous Energy Services Agreement, the parties will settle based on the adjusted amount of electricity tariffs.

- (ii) in respect of the supply of natural gas, the method of calculation is as follows:

Natural gas tariffs = unit price of natural gas ^(Note 4) × actual volume incurred

Note 4: In the event of adjustments to natural gas tariffs during the term of the Supply of Miscellaneous Energy Services Agreement, the parties will settle based on the adjusted amount of natural gas tariffs.

- (iii) in respect of the supply of water and reclaimed water (recycled water), the method of calculation is as follows:

Water tariffs = unit price of water supply ^(Note 5) × actual volume incurred

Reclaimed water (recycled water) fees = unit price of reclaimed water (recycled water) supply ^(Note 5) × actual volume incurred

Note 5: In the event of adjustments to water tariffs and/or reclaimed water (recycled water) fees during the term of the Supply of Miscellaneous Energy Services Agreement, the parties will settle based on the adjusted amount of water tariffs and/or reclaimed water (recycled water) fees.

- (iv) in respect of the provision of heating services, the method of calculation is as follows:

Heating fees = unit price of heating supply of the relevant district ^(Note 6) × area of heating supply × days of heating supply

Note 6: In the event of changes in the pricing standard(s) of heating fees made by the relevant government authorities during the term of the Supply of Miscellaneous Energy Services Agreement, the parties will make adjustments to the heating fees accordingly.

- (v) in respect of the provision of cooling services, the method of calculation is as follows:

Cooling fees = unit price of cooling supply ^(Note 7) × area of cooling supply × days of cooling supply

Note 7: There is no existing pricing standard in relation to the unit price of cooling supply issued by the relevant government authorities of Beijing municipality. Its pricing is calculated based on the prevailing market conditions. The unit price of cooling supply will be determined by arm's length negotiations with reference to factors that are specifically related to the needs of Beijing Capital Airport, such as (i) the requirement for 24-hour non-stop operation of refrigerating equipment at Beijing Capital Airport, which differ from normal commercial offices with around 8 to 10 hours of refrigeration period; and (ii) the relatively high level of cooling consumption due to the large space area of terminals at Beijing Capital Airport, with their average height far exceeding that of normal commercial offices.

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- (vi) in respect of the provision of energy management and conservation services, the method of calculation is as follows:

$$\text{Energy management and conservation service fees} = \text{energy cost savings} \times \text{sharing ratio} \text{ (Note 8)}$$

Note 8: The amount of energy cost savings is calculated in accordance with the relevant standards and specifications or energy efficiency confirmation sheet while the sharing ratio is determined through negotiation of the parties with reference to the prevailing market condition.

For the provision of natural gas, water, reclaimed water (recycled water) and heating services under the Supply of Miscellaneous Energy Services Agreement, the unit price will be determined in accordance with the relevant pricing standards prescribed by the relevant government authorities, including documents such as Jing Fa Gai [2022] No. 1420, Jing Fa Gai [2019] No. 1545 and Jing Fa Gai [2018] No. 115, which were issued by the Beijing Municipal Commission of Development and Reform and provide for, among others, the increase in the water and natural gas tariffs for non-resident entities in Beijing. In respect of the provision of electricity services under the Supply of Miscellaneous Energy Services Agreement, pursuant to the requirements of the General Office of the National Development and Reform Commission, the unit price is determined according to the relevant pricing standards published by State Grid Beijing Electric Power Company, which regulate the extent of increase in the electricity prices for companies within the electricity grid of Beijing. The relevant pricing standards will be published on the official website of State Grid Beijing Electric Power Company from time to time. Furthermore, in respect of the provision of water and electricity services, in addition to the relevant pricing standards formulated by the government authorities, the deferred costs incurred by the Power and Energy Company in relation to the supply of water and electricity were also taken into consideration *(Note 9)*.

Note 9: Deferred costs are calculated as follows: *Maintenance costs incurred by the Power and Energy Company in relation to the supply of water and electricity x (Annual energy fee incurred by the Company / Total annual energy fee incurred by all users of the Power and Energy Company's services).*

For the provision of cooling services and energy management and conservation services under the Supply of Miscellaneous Energy Services Agreement, the cooling service fees and the energy conservation service fees will be determined based on the following factors:

- (i) the historical service fees paid by the Company to the Power and Energy Company for the supply of cooling;
- (ii) the reasonable costs incurred by the Power and Energy Company and the Energy Saving Technology Company for the provision of cooling services and energy management and conservation services;
- (iii) the reasonable profit margin of the Power and Energy Company (being approximately 10%) for the provision of cooling services and the reasonable profit margin of the Energy Saving Technology Company (being approximately 5%) for the provision of energy management and conservation services; and
- (iv) the related taxes.

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The service fees for the provision of specific services under the Supply of Miscellaneous Energy Services Agreement shall be payable by the Company through cheque or bank transfer to each of the Energy Service Suppliers on a monthly, quarterly, half-yearly or annual basis in accordance with the relevant definitive service agreements.

Historical transaction amounts

In respect of energy management and conservation services, no transactions were conducted by the Company in the past. In respect of the supply of power and energy services to the Company in the past, please refer to the following table for the historical transaction amount under the Former Supply of Power and Energy Agreement.

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
	(audited)	(audited)	(unaudited)
Historical transaction amount for the supply of power and energy services	599,000,000	562,000,000	574,449,700 <i>(Note 10)</i>
Annual caps	763,100,000	763,100,000	793,100,000

Note 10: Since the audited figure of the historical transaction amount for the supply of power and energy services under the Former Supply of Power and Energy Agreement for the year ending 31 December 2023 is not yet available, this figure is only an estimated figure based on the aggregate of (i) the unaudited figure of the historical transaction amount under the Former Supply of Power and Energy Agreement for the nine months ended 30 September 2023 of approximately RMB423,289,000; and (ii) an estimate of the remaining portion of the total transaction amount for the three months ending 31 December 2023, which was agreed and set out in the relevant definitive agreements under the Former Supply of Power and Energy Agreement and determined based on the labour costs, the necessary management, maintenance and repair expenses, impairment during the energy supply process and the related taxes and reasonable profit margin and in accordance with the pricing policies of the Former Supply of Power and Energy Agreement as disclosed in the announcement of the Company dated 3 November 2020 and the circular of the Company dated 4 December 2020. The Company expected that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap.

Annual caps

The Company expects that the annual caps for the transactions contemplated under the Supply of Miscellaneous Energy Services Agreement for the three years ending 31 December 2026 are as follows:

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RMB

For the year ending 31 December 2024	680,000,000
For the year ending 31 December 2025	721,000,000
For the year ending 31 December 2026	764,000,000

The proposed annual caps for the three years ending 31 December 2026 are determined based on the following factors:

- (i) the historical transaction amount for the supply of power and energy services;
- (ii) the potential increase in the volume of services required by the Company based on its daily operations (including the corresponding change in the service volume and the scope of services resulting from the fluctuations of business volume);
- (iii) the possible increase in labour, material and consumable costs within the next three years; and
- (iv) the related taxes and reasonable profit margin.

The reasons for the year-on-year changes of proposed annual caps are set out below:

- (i) the increase of annual cap for the year ending 31 December 2024 by approximately RMB105,000,000 (or approximately 18%) as compared with the estimated figure of historical transaction amount for the year ending 31 December 2023 is attributable to (i) the expected increase of additional energy fees in the amount of approximately RMB7,630,000 arising from the addition of new purification and incineration stations; (ii) the expected increase of additional energy fees in the total amount of approximately RMB90,000,000 arising from the increase in demand for energy supply for the public areas, airfields and terminals of Beijing Capital Airport due to the gradual recovery of air traffic volume and passenger throughput; and (iii) the expected increase of additional relevant energy management and conservation service fees in the amount of approximately RMB7,370,000;
- (ii) it is expected that the annual cap for the year ending 31 December 2025 will increase by approximately 6% as compared with the annual cap for the year ending 31 December 2024, after taking into account: (i) an increasing trend of electricity tariff according to the relevant notice issued by the Beijing Municipal Commission of Development and Reform (Jing Fa Gai Gui [2023] No. 11* (京發改規[2023]11號)) in relation to the adjustments to mechanism of the time-of-use electricity tariff; (ii) an expected year-on-year increase of air traffic volume and passenger throughput by approximately 10% in 2025, which is expected to lead to an increase in energy consumption at Beijing Capital Airport and the relevant energy management and conservation service fees; (iii) an expected increase of energy fees by approximately 3% in the event that Terminal One fully commences operation as a result of the further recovery of air traffic volume and passenger throughput at Beijing Capital Airport; and

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- (iii) it is expected that the annual cap for the year ending 31 December 2026 will increase by approximately 6% as compared with the annual cap for the year ending 31 December 2025, after taking into account: (i) an expected year-on-year increase of air traffic volume and passenger throughput by approximately 10% in 2026 and the consequential increase in Beijing Capital Airport's energy consumption and the relevant energy management and conservation service fees; and (ii) the possible increase of energy consumption at Beijing Capital Airport and the relevant energy management and conservation service fees as a result of construction and commencement of operations of relevant ancillary facilities and equipment at Beijing Capital Airport.

Pricing policy

The costs of the provision of services under Supply of Miscellaneous Energy Services Agreement mainly relate to (i) labour cost; (ii) the management, maintenance and repair expenses necessary for maintaining normal operation of the energy network and relevant equipment and facilities at Beijing Capital Airport during the course of supply of various types of energy; and (iii) the impairment during the energy supply process.

As the Power and Energy Company is the sole service provider of electricity, natural gas, water, reclaimed water (recycled water), cooling and heating in the area of Beijing Capital Airport, there are no comparable quotes from independent third parties available in the market.

Through price consultation and negotiation, the Company understands that the profit margin (which is approximately 10%) to be charged by the Power and Energy Company is not higher than the profit margins (which are approximately 10%) to be charged to other independent third parties operating at Beijing Capital Airport for the provision of comparable services, such as airline companies, ground services companies and catering companies. Meanwhile, the Company monitors the pricing of the provision of energy services under Supply of Miscellaneous Energy Services Agreement by comparing the profit margins of the Power and Energy Company for the supply of power and energy services with the profit margin of other service providers (being independent third parties of the Company) for the provision of other services, such as property management services and environmental and cleaning services at Beijing Capital Airport, which are essential to the daily operations of Beijing Capital Airport and comparable to the services provided by the Power and Energy Company.

The Company considers that the fees for the provision of electricity, water, recycled water and heating services under the Supply of Miscellaneous Energy Services Agreement are reasonable on the basis that the relevant unit prices are in line with the relevant price standards issued by the Beijing Municipal Commission of Development and Reform. The Company also considers that the profits to be made by the Power and Energy Company for the provision of cooling services and energy management and conservation services are reasonable as compared with (i) the respective profit margins to be charged by the Power and Energy Company to other independent third parties operating at Beijing Capital Airport for the provision of comparable services; and (ii) the profit margin charged by other service providers (being independent third parties) to Beijing Capital Airport in respect of comparable services that are essential to its daily operations.

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Through price consultation, negotiation and cross-check, the Company understands that the profit margin (which is approximately 5%) to be charged by the Energy Saving Technology Company is lower than the profit margin (which is approximately 8%-12%) charged by it to other independent third parties, such as other airports and airline companies operating at Beijing Capital Airport for energy conservation services. Such information is used to monitor the pricing of the energy conservation services under the Supply of Miscellaneous Energy Services Agreement.

Internal control on pricing

The Company has implemented a management system to monitor the pricing standards for the transactions under the Supply of Miscellaneous Energy Services Agreement and to ensure that the terms are on normal commercial terms. Such system is described as below:

1. Prior to the entering into of the Supply of Miscellaneous Energy Services Agreement, the relevant department of the Company is responsible for gathering information on the historical transaction amounts for the relevant services under the Former Supply of Power and Energy Agreement and profit margin thereunder and conducting cross-checks against the service fees and profit margin to be charged by the Energy Service Suppliers to other independent third parties operating at Beijing Capital Airport for the provision of comparable services, such as the airline companies, ground services companies, catering companies and other airports, as well as the service fees and profit margin of other service providers to Beijing Capital Airport in respect of comparable services that are essential to its daily operations, such as property management services and environmental and cleaning services.
2. Prior to the signing of the definitive agreement(s) and the implementation of the transactions contemplated under the Supply of Miscellaneous Energy Services Agreement, the principal officer(s) in the relevant department of the Company is required to lodge applications within the Company, which are subject to a preliminary review conducted by the managers of the relevant departments of the Company, followed by a final review at the general manager office meeting in accordance with the relevant internal control policies of the Company. Upon completion of the above internal review procedures, the relevant definitive agreement(s) and the implementation of the transactions contemplated thereunder will be considered and approved by the Board.
3. The independent non-executive Directors have reviewed and will continue to review the transactions contemplated under the Supply of Miscellaneous Energy Services Agreement to ensure that such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to its contractual terms.
4. The auditors of the Company will conduct annual review on the transactions contemplated under the Supply of Miscellaneous Energy Services Agreement in relation to the pricing policy and annual caps contemplated thereunder in accordance with the Listing Rules.

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Internal control on review of annual caps

The Company has implemented the following internal control measures to ensure that the annual caps for the transactions contemplated under the Supply of Miscellaneous Energy Services Agreement will not be exceeded:

1. The finance department of the Company provides the secretariat to the Board with information in relation to the actual transaction amounts on a monthly basis.
2. The secretariat to the Board is responsible for monitoring such transactions to ensure that the total amount of transactions does not exceed the annual caps.
3. If such amount of transactions is estimated to exceed the relevant annual cap, the person-in-charge of the relevant department of the Company will be notified so that the scale of transactions in the future may be re-estimated and arrangements may be made to issue announcements and/or to obtain the relevant approvals from the Board and the Independent Shareholders in accordance with the requirements of the Listing Rules.

Reasons for and benefits of entering into the Supply of Miscellaneous Energy Services Agreement

The operation of Beijing Capital Airport is dependent on the supply of water, electricity, natural gas, cooling and heating services. The Power and Energy Company is the sole supplier of water, electricity, natural gas, cooling and heating services at the area of Beijing Capital Airport and it has abundant experience in the provision of power and energy for Beijing Capital Airport. The provision of the above power and energy services by the Power and Energy Company will be in favour of safeguarding the daily operations and service quality of Beijing Capital Airport. This can ensure the continuity of power supply business and at the same time safeguard the capabilities of prompt response to emergency within the isolated area of Beijing Capital Airport as well as the professionalism and high efficiency required by its operations.

Furthermore, the Company considers that the procurement of power and energy services (including water, electricity, natural gas, cooling and heating services) from the Power and Energy Company under the Supply of Miscellaneous Energy Services Agreement does not result in any material reliance risks between the Company and the Parent Company. The relationship between the Company and the Power and Energy Company (as a wholly-owned subsidiary of the Parent Company) is unlikely to materially adversely change or terminate. The Parent Company is a state-owned enterprise and its wholly-owned subsidiary (i.e. Power and Energy Company) is designated as the sole supplier of power and energy services at the area of Beijing Capital Airport. Considering that the sufficiency of energy security is one of the most basic requirements for the operation of Beijing Capital Airport, as well as the role and functional positioning of Beijing Capital Airport as “China’s First Gateway”, the PRC government and its controlled corporations generally will not allow the supply of power and energy services to Beijing Capital Airport to be suspended or materially adversely affected. Therefore, sufficient back-up equipment and facilities, such as chiller and heating boiler, have been equipped for the provision of power and energy services to ensure sufficient energy supply to Beijing Capital Airport. In relation to the Supply of Miscellaneous Energy Services Agreement, the Company

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has received a letter of undertaking from the Power and Energy Company, which agreed that, save for force majeure, it shall continuously ensure the stability of the provision of, among other things, water, electricity, natural gas, cooling and heating services to the Company, and there will not be circumstances in which such services become suspended or materially adversely affected.

In addition, in order to mitigate its exposure to risks of instability of supply of power and energy services from the Power and Energy Company arising from extreme circumstances, the Company has also adopted contingency measures as a matter of prudence. In the event of any instability of supply of power and energy from the Power and Energy Company, the Company will supplement such supply through measures such as switching to the back-up power supply circuit, using its own power generation equipment, switching to the back-up water supply station, and using its own reservoir.

Also, the Company attaches great importance to energy conservation and reduction of carbon emissions in its operation of Beijing Capital Airport. The Energy Saving Technology Company has abundant experience in the provision of energy conservation services, and professional and coordinated advantages in the management of power supply and consumption. Moreover, as a wholly-owned subsidiary of the Power and Energy Company, the Energy Saving Technology Company is able to satisfy the Company's relevant needs for emergency response capabilities, professionalism and efficiency of services, while at the same time maintaining close cooperation with the Company to effectively provide energy conservation services for Beijing Capital Airport. In light of this, the Energy Saving Technology Company has the potential and capability to provide the energy conservation services under the Supply of Miscellaneous Energy Services Agreement.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Supply of Miscellaneous Energy Services Agreement was entered into on normal commercial terms that are fair and reasonable and in the ordinary and usual course of business of the Company, and the transactions contemplated thereunder are in the interest of the Shareholders as a whole.

Listing Rules implications

As at the Latest Practicable Date, the Parent Company is the controlling shareholder of the Company, holding approximately 58.96% of the issued share capital of the Company. Since the Power and Energy Company is a wholly-owned subsidiary of the Parent Company and the Energy Saving Technology Company is in turn a wholly-owned subsidiary of the Power and Energy Company, the Energy Service Suppliers are therefore connected persons of the Company. Accordingly, the Supply of Miscellaneous Energy Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Supply of Miscellaneous Energy Services Agreement is more than 5%, the Supply of Miscellaneous Energy Services Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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III. SUPPLY OF OPERATION AND MAINTENANCE SERVICES OF POWER AND ENERGY FACILITIES FRAMEWORK AGREEMENT

Background

Reference is made to the announcement of the Company dated 30 December 2020 in respect of, among other things, the Former Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, which will expire on 31 December 2023. As the parties intend to continue to carry out transactions of a similar nature from time to time after 31 December 2023, the Company and the Power and Energy Company entered into the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement as a renewal agreement.

On 6 November 2023, the Company entered into the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement with the Power and Energy Company, pursuant to which the Power and Energy Company agreed to provide operation and maintenance services for the power and energy facilities of Beijing Capital Airport to the Company for a term of three years commencing from 1 January 2024 to 31 December 2026.

Material terms

Date

6 November 2023

Parties

- (1) The Company; and
- (2) the Power and Energy Company

Services

Pursuant to the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, the Company agreed to appoint the Power and Energy Company to provide operation and maintenance services for the power and energy facilities to the Company at the terminals, airfield area, public area and other designated areas of Beijing Capital Airport, including:

- (i) the operation and maintenance services of heating, ventilation and air-conditioning system, electricity supply and distribution system, water supply and drainage system, and building automation system and energy facilities at the terminal areas of Beijing Capital Airport and the surrounding areas thereof;
- (ii) the operation and maintenance services of lighting and electricity facilities and systems in the airfield area and public area;
- (iii) the operation and maintenance services of sewage disposal and garbage incineration facilities;

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- (iv) the operation and maintenance services of water, heating and electricity facilities in the near-end premises; and
- (v) other related services as requested by the Company.

The Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement is a framework agreement only. Subject to the applicable laws and regulations (including but not limited to the Listing Rules) and the Company's relevant procurement management regulations and requirements, the Company and the Power and Energy Company will separately enter into definitive service agreement(s) for the provision of specific services to stipulate the rights and obligations of each party and the detailed terms (including but not limited to the relevant scope of services, price and payment). In case of any inconsistencies between the terms of the definitive service agreement(s) and the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, the terms of the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement shall prevail.

Term

The Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026.

Condition precedent

The Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement and the transactions contemplated thereunder shall be subject to the approval by the Independent Shareholders at the EGM.

Consideration and payment

The service fees for provision of the operation and maintenance services of power and energy facilities payable by the Company to the Power and Energy Company will be determined by the parties with reference to (i) the relevant labour costs incurred for the provision of various operation and maintenance services; (ii) all costs incurred for the provision of various operation and maintenance services; (iii) the costs of spare products, spare parts, materials and consumables required for the operation and maintenance of various systems; (iv) the reasonable profit margin (being approximately 8% to 12%) for the provision of operation and maintenance services by the Power and Energy Company to the Company; and (v) the relevant taxes.

The service fees charged by the Power and Energy Company in respect of the specific services will be set out in the relevant definitive service agreements and shall be settled by the Company on a monthly, quarterly, half-yearly or yearly basis in accordance with the terms thereunder.

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Historical transaction amounts

The following table shows the historical transaction amount for the operation and maintenance services provided by the Power and Energy Company under the Former Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement:

	For the year ended 31 December 2021 (RMB) (audited)	For the year ended 31 December 2022 (RMB) (audited)	For the year ending 31 December 2023 (RMB) (unaudited)
Historical transaction amount for the operation and maintenance services provided by the Power and Energy Company	192,903,000	190,512,000	193,780,000 <i>(Note 11)</i>
Annual caps	215,000,000	225,000,000	235,000,000

Note 11: Since the audited figure for the historical transaction amount for the year ending 31 December 2023 is not yet available, it is only an estimated figure based on the aggregate amount of (i) the unaudited figure of the transaction amount for the nine months ended 30 September 2023 of approximately RMB135,227,000; and (ii) an estimate of the remaining portion of the total transaction amount for the three months ending 31 December 2023, which was agreed and set out in the relevant definitive agreements under the Former Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, and determined based on the raw material costs, labour costs, and the relevant taxes and in accordance with the pricing policy of such framework agreement as disclosed in the announcement of the Company dated 30 December 2020. The Company expected that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap.

Annual caps

The Company expects that the annual caps for the transactions contemplated under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement for each of the three years ending 31 December 2026 are as follows:

	<i>(RMB)</i>
For the year ending 31 December 2024	203,000,000
For the year ending 31 December 2025	213,000,000
For the year ending 31 December 2026	223,000,000

The above annual caps are determined based on the following factors:

- (i) the historical transaction amount for the operation and maintenance services provided by the Power and Energy Company for the power and energy facilities to the Company;

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- (ii) the change in the volume of services required by the Company based on its daily operation needs;
- (iii) the potential increase in labour costs and costs of materials and consumables in the next three years; and
- (iv) the relevant management fees and taxes, etc.

The year-on-year changes of the proposed annual caps and the relevant factors are set out below:

- (i) the annual cap for the year ending 31 December 2024 is expected to increase by approximately RMB9,000,000 (or approximately 5%) as compared with the estimated figure of historical transaction amount for the year ending 31 December 2023 due to the corresponding increase in service fees as a result of the introduction of new operations in the airfields, terminals and public areas of Beijing Capital Airport, including but not limited to the operation and maintenance of electrical equipment, the operation and maintenance of water and electrical facilities, and the handling of aviation waste;
- (ii) the annual cap for the year ending 31 December 2025 is expected to increase by approximately 4% as compared with the annual cap for the year ending 31 December 2024, as it is anticipated that the ageing of power and energy facilities and equipment will contribute to an increase in the frequency and complexity of necessary operation and maintenance services, leading to an increase of operation and maintenance service fees by approximately 3%. Additionally, with the gradual recovery of air traffic volume and passenger throughput, together with the possible full resumption of use of Terminal One, the operation and maintenance service fees are expected to increase by approximately 2.2%; and
- (iii) the annual cap for the year ending 31 December 2026 is expected to increase by approximately 4% as compared with the annual cap for the year ending 31 December 2025, as it is anticipated that certain relevant facilities and equipment will be constructed and commenced operations at Beijing Capital Airport and there will be a corresponding increase in operation and maintenance service fees.

Pricing policy

The service fees and terms of the relevant operation and maintenance services to be provided by the Power and Energy Company to the Company under the definitive service agreements shall be determined by the parties upon arm's length negotiation based on the factors stated in the section headed "Consideration and payment".

As there are restrictions on the pipes and facilities for the transmission of power and energy at Beijing Capital Airport and the Power and Energy Company is the only service provider at Beijing Capital Airport who possesses such pipes and facilities, the Power and Energy Company is therefore capable of providing well-rounded operation and maintenance services for power and energy facilities to Beijing Capital Airport. As such, the Company is not able to obtain quotations from other independent service providers for the provision of services of power and energy facilities of the same

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or similar nature in Beijing Capital Airport. In order to protect the interest of the Company and its Shareholders, the Power and Energy Company undertakes to the Company that the service fees to be charged by the Power and Energy Company for the provision of relevant services to Beijing Capital Airport under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement shall not be higher than the service fees it charged to other independent service units (such as airlines, ground services companies and catering companies) for the provision of similar services at Beijing Capital Airport. Also, the Company has considered the profit margin (approximately 5% to approximately 8%) charged by the Power and Energy Company and is of the view that such profit margin is fair and reasonable as compared to (i) the profit margin (approximately 8% to 12%) charged by the Power and Energy Company against other independent third parties (such as airlines and ground services companies) for the provision of comparable services and (ii) profit margin charged by independent third parties which provide other types of facilities maintenance services, such as maintenance services for building automation system and equipment and facilities, to the Company.

Internal control on pricing

The Company has implemented a management system to monitor the pricing standards for the transactions contemplated under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement and to ensure that such terms are on normal commercial terms. Such system is described as below:

- (i) Prior to entering into of the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, the relevant departments of the Company are responsible for gathering information on the historical transaction amounts of service fees and the profit margin for the relevant services provided by the Power and Energy Company under the Former Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, and conducting cross-checks against the service fees and profit margin charged by the Power and Energy Company to other independent third parties.
- (ii) Prior to the signing of the definitive agreements and the implementation of transactions contemplated under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, the principal officer(s) in the relevant departments shall lodge applications within the Company, which are subject to preliminary review conducted by the managers of the relevant departments of the Company, followed by a final review at the general manager office meeting in accordance with the internal control policies of the Company. Upon completion of the above internal review procedures, the definitive agreements will be considered and approved by the Board.
- (iii) The independent non-executive Directors have reviewed and will continue to review the transactions contemplated under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement to ensure that such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to its contractual terms.

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- (iv) The auditors of the Company will conduct annual review on the transactions contemplated under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement in relation to the pricing policy and annual caps contemplated thereunder in accordance with the Listing Rules.

Internal control on review of annual caps

The Company has implemented the following internal control measures to ensure that the annual caps for the transactions contemplated under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement will not be exceeded:

1. The finance department of the Company provides the secretariat to the Board with information in relation to the actual transaction amounts on a monthly basis.
2. The secretariat to the Board is responsible for monitoring such transactions to ensure that the total amount of transactions does not exceed the annual caps.
3. If such amount of transactions is estimated to exceed the relevant annual cap, the person-in-charge of the relevant department of the Company will be notified so that the scale of transactions in the future may be re-estimated and arrangements may be made to issue announcements and/or to obtain the relevant approvals from the Board and the Independent Shareholders in accordance with the requirements of the Listing Rules.

Reasons for and benefits of entering into the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement

The Power and Energy Company is the only service provider for the provision of comprehensive operation and maintenance services for power and energy facilities in the area of Beijing Capital Airport and possesses ample experience in providing operation and maintenance services for power and energy facilities. As the operation of Beijing Capital Airport is highly dependent on a stable supply of water, electricity, natural gas, air-conditioning and heating, which shall be continuously provided around the clock, and equipment and facilities are required to be operated in a highly stable manner with managerial security and extremely high capability of emergency response in respect of maintenance services, the Company considers that the operation and maintenance services provided by the Power and Energy Company for power and energy facilities are conducive to ensuring the daily operation and stability of service quality of Beijing Capital Airport, maintaining the continuity of operation and maintenance services, as well as ensuring the rapid emergency response capability and the professionalism and efficiency required for operation in the isolated area of Beijing Capital Airport. For information regarding the reasons why there is no material reliance risk between the Company and the Parent Company, please refer to the section headed "II. SUPPLY OF MISCELLANEOUS ENERGY SERVICES AGREEMENT – Reasons for and benefits of entering into the Supply of Miscellaneous Energy Services Agreement" of this circular. In addition, in relation to the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, the Company has received a letter of undertaking from the Power and Energy Company, which agreed that, save for force majeure, it shall continuously ensure the stability of the provision

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of, among other things, operation and maintenance services for power and energy facilities in the area of Beijing Capital Airport to the Company, and there will not be circumstances in which such services become suspended or materially adversely affected.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement was entered into on normal commercial terms that are fair and reasonable and in the ordinary and usual course of business of the Company, and the transactions contemplated thereunder are in the interest of the Company and the Shareholders as a whole.

Listing Rules implications

As at the Latest Practicable Date, the Parent Company is the controlling shareholder of the Company, holding approximately 58.96% of the issued share capital of the Company. Since the Power and Energy Company is a wholly-owned subsidiary of the Parent Company, the Power and Energy Company is therefore a connected person of the Company. Accordingly, the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement is more than 5%, the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement is subject to the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

IV. INTERNATIONAL RETAIL MANAGEMENT AGREEMENT

Background

Reference is made to the announcement of the Company dated 3 November 2020 and the circular of the Company dated 4 December 2020 in respect of the Former International Retail Management Agreement, which will expire on 31 December 2023. As the parties intend to continue to carry out transactions of a similar nature from time to time after 31 December 2023, the Company entered into the International Retail Management Agreement.

On 7 November 2023, the Company entered into the International Retail Management Agreement with Beijing Airport Commercial and Trading, pursuant to which Beijing Airport Commercial and Trading agreed to provide operation and management services of retail resources to the Company in the international isolated area and international arrival area in Terminal Two and Terminal Three of Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026.

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Material terms

Date

7 November 2023

Parties

- (a) the Company; and
- (b) Beijing Airport Commercial and Trading

Services

Pursuant to the International Retail Management Agreement, Beijing Airport Commercial and Trading agreed to provide operation and management services of retail resources to the Company in the international isolated area and international arrival area in Terminal Two and Terminal Three of Beijing Capital Airport.

Term

The International Retail Management Agreement is for a term of three years, commencing from 1 January 2024 to 31 December 2026.

Condition precedent

The transactions contemplated under the International Retail Management Agreement are subject to the approval by the Independent Shareholders at the EGM.

Consideration and payment

The method of calculating the entrusted management fees payable by the Company to Beijing Airport Commercial and Trading for the provision of international retail management services are set out as follows:

Total international retail revenue of the Company for the current year $\times 20\%$ ^(Note 12).

Note 12: The international passenger throughput and international retail business is undergoing a period of recovery subsequent to the pandemic. Taking into account the effect of the above factor, the Company has negotiated with Beijing Airport Commercial and Trading to reduce the entrusted management fee rate to 20% as compared with the previous fee rate of 22% under the Former International Retail Management Agreement, and the parties have agreed to continue to suspend the implementation of the incremental sharing mechanism.

The Company shall pay the entrusted management fees to Beijing Airport Commercial and Trading in accordance with the above-mentioned calculation method. Beijing Airport Commercial and Trading shall issue a written payment request to the Company in relation to the fees payable for the preceding month and the amount of such fees shall be confirmed by the Company on or before the fifth working

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day of each month. Within 5 working days from the day on which the Company receives such written payment notice from Beijing Airport Commercial and Trading, the Company shall settle the payment of such fees by way of bank transfer to the designated account of Beijing Airport Commercial and Trading.

Other material terms

Pursuant to the International Retail Management Agreement, Beijing Airport Commercial and Trading is authorised by the Company to sign individual retail contracts with each of the retailers in relation to the use and operation of retail resources, and the terms of such retail contracts shall not be in contradiction with the terms of the International Retail Management Agreement. In addition, Beijing Airport Commercial and Trading shall ensure that each of the retailers will make all payments to the Company's designated bank account directly. The Company will then pay Beijing Airport Commercial and Trading the entrusted management fees, details of which are set out in the section headed "Consideration and payment". The Company expects that the retailers and their ultimate beneficial owners will be third parties independent of the Company and its connected persons.

In respect of commercial planning, the Company and Beijing Airport Commercial and Trading will establish a working mechanism for collaborative management. In particular, the Company is responsible for, and Beijing Airport Commercial and Trading will participate in, the management of resource allocation, layout, business type and product categories.

In respect of the formulation of standards, the Company is responsible for formulating (i) operator access standards, (ii) brand access standards, (iii) service standards; and (iv) resource value evaluation standards.

In respect of market development and merchandising, Beijing Airport Commercial and Trading is responsible for formulating and implementing merchandising proposals. The Company is responsible for reviewing the appropriateness of resource allocation plans in the merchandising proposals. The results of the merchandising proposals are considered and approved by Beijing Airport Commercial and Trading and reported to the Company for filing.

In respect of contracting and management of contracts, the Company authorizes Beijing Airport Commercial and Trading to enter into contracts with retailers. Any leasing agreements entered into between Beijing Airport Commercial and Trading and retailers shall be reported to the Company.

In respect of the daily operation and management of retail businesses, Beijing Airport Commercial and Trading is entrusted by the Company to undertake daily operation and management of the retailers, including safety, servicing, logistics, cashier, renovation, as well as management of resources, premises and other related entrusted resources.

In respect of marketing, the Company is responsible for the overall marketing framework. Beijing Airport Commercial and Trading is responsible for executing industry marketing and store promotion work in accordance with the overall marketing framework.

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In respect of financial settlements, each of the retailers shall pay fees directly into the Company's designated account pursuant to the International Retail Management Agreement, and the Company shall pay entrusted management fees to Beijing Airport Commercial and Trading. Beijing Airport Commercial and Trading shall manage the designated account of the Company, and shall be responsible for account processing, settlement of payments (including collection and return of payments), ageing analysis, invoicing etc.

Historical transaction amounts

The following table shows the historical transaction amounts for the international retail management services provided by Beijing Airport Commercial and Trading under the International Retail Management Agreement:

	For the year ended 31 December 2021 (RMB) (audited)	For the year ended 31 December 2022 (RMB) (audited)	For the year ending 31 December 2023 (RMB) (unaudited)
Historical transaction amounts for the provision of international retail management services by Beijing Airport Commercial and Trading	12,613,000	18,127,000	120,000,000 <i>(Note 13)</i>
Percentage of entrusted management fees paid by the Company to Beijing Airport Commercial and Trading over the international retail revenue of the Company	22%	22%	22%
Annual caps	394,000,000	658,000,000	812,000,000

Note 13: Since the audited figure of the historical transaction amount for the year ending 31 December 2023 is not yet available, it is an estimated figure only. For the nine months ended 30 September 2023, the entrusted management fees for international retail business paid by the Company to Beijing Airport Commercial and Trading were approximately RMB71,344,000. The Company expects that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap. The increment in the estimate of historical transaction amount for year ending 31 December 2023 is relatively significant as compared with those for the preceding two years due to the relatively small base figures of international retail revenue of the Company for the preceding two years ended 31 December 2022 under the impact of epidemic prevention and control measures on international flights and international passenger throughput of Beijing Capital Airport for the corresponding periods.

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Annual caps

The Company expects that the annual caps for the transactions contemplated under the International Retail Management Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Annual caps	240,000,000	370,000,000	510,000,000

The above annual caps are determined based on the following factors:

- (i) percentage of the historical service fees paid by the Company to Beijing Airport Commercial and Trading for the provision of international retail management services over the international retail revenue of the Company;
- (ii) the Company's estimate of the number of international passenger throughput, the amount of retail consumption per international passenger, and the total turnover of international retail business at Beijing Capital Airport, for each of the three years ending 31 December 2024, 31 December 2025 and 31 December 2026; and
- (iii) the related taxes.

The proposed annual cap for the year ending 31 December 2024 represents an increase of 100% as compared with the estimated figure of historical transaction amount for the year ending 31 December 2023, while such annual cap represents a decrease of approximately 70% as compared with the annual cap for the year ending 31 December 2023. The proposed annual cap for each of the two years ending 31 December 2025 and 31 December 2026 represents an increase of approximately 54% and 38%, respectively, as compared with the annual cap of the preceding year.

The reasons for the year-on-year changes in the proposed annual caps are set out below:

- (i) Expected international passenger throughput (including Hong Kong, Macau and Taiwan regions): Based on the performance of international and regional flights and the existing flight schedule of Beijing Capital Airport during the first half of 2023, the Company cautiously estimates an annual growth rate of approximately 20% for international passenger throughput (including Hong Kong, Macau and Taiwan regions) for the next three years. With the gradual recovery of international travels during the second half of 2023, the Company believes that there is more room for growth in the number of international and regional flights in the next three years. Therefore, it is currently estimated that the international passenger throughput (including Hong Kong, Macau and Taiwan regions) for the three years ending 31 December 2026 will increase by approximately 46%, 17% and 19% respectively, compared with that of the preceding years; and

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- (ii) Expected amount of consumption per international passenger: Taking into account the growth rate of the amount of consumption per international passenger in 2018 and 2019 (with no reference being made to the growth rate in 2020 which was affected by exceptional circumstances under the pandemic) and the recovery of the amount of consumption per international passenger since 2023, it is anticipated that the year-on-year growth rate of the amount of consumption per international passenger in 2024 will be approximately 61%, the amount of consumption per international passenger in 2025 will be recovered to a level comparable to that of 2019, and the year-on-year growth rate of the amount of consumption per international passenger in each of the year of 2025 and 2026 will be approximately 38% and 19%, respectively.

Pricing policy

The method of calculating the entrusted management fees receivable by Beijing Airport Commercial and Trading for the provision of international retail management services was determined after arm's length negotiation between the Company and Beijing Airport Commercial and Trading with reference to the respective percentage of the amounts of entrusted management fees received by Beijing Airport Commercial and Trading for each year over the total international retail revenue received by the Company for the corresponding year.

As the international retail business in other airports in the PRC have not adopted modes of operation similar or equivalent to the entrusted management mode of operation adopted by the Company, there is no direct comparable pricing policies for similar transactions. Furthermore, while some of the shopping centres in urban districts of the PRC have adopted a similar mode of operation involving entrusted management, the transactions of such shopping centres are not comparable to those at Beijing Capital Airport in view of the geographical locations of the shopping centres and the special requirements of safety, emergency treatment and service satisfaction for the provision of international management services in airports, which resulted in a different basis and method for determining the amount of entrusted management fees.

The Company is aware that Beijing Airport Commercial and Trading also provides entrusted management services to Daxing Airport, Tianjin Binhai International Airport ("**Tianjin Airport**") and Nanchang Changbei International Airport ("**Nanchang Airport**") in relation to their retail businesses, which includes the provision of both international and domestic retail management services. Although such transactions are not directly comparable, they provide a reference point for the Company to evaluate and compare pricing policies under the International Retail Management Agreement. The rates of entrusted management fees charged by Beijing Airport Commercial and Trading to such airport (i.e. 22% for Daxing Airport and Tianjin Airport and 23% for Nanchang Airport) for the provision of entrusted management services in relation to international retail businesses are higher than the entrusted management fee rate charged by Beijing Airport Commercial and Trading to the Company under the International Retail Management Agreement, i.e., 20% of the Company's total international retail revenue.

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In determining the percentage (i.e. 20%) for calculating the entrusted management fees payable by the Company to Beijing Airport Commercial and Trading for each of the three years ending 31 December 2026, the Company has taken into account the following specific factors relating to Beijing Capital Airport:

- (i) During the term of the International Retail Management Agreement, Beijing Airport Commercial and Trading has demonstrated strong cooperation, coordination and rapid response capabilities in relation to airport safety, prevention and control of epidemics and management of merchants, and assisted the Company to ensure the safe operation of Beijing Capital Airport;
- (ii) Beijing Airport Commercial and Trading has actively cooperated with the Company in promoting the recovery of the international retail business, and maintained good communication and coordination with operators;
- (iii) Beijing Airport Commercial and Trading possesses rich customer resources for international retail business and strong investment management capabilities;
- (iv) Beijing Airport Commercial and Trading has fully demonstrated its rich experience in international duty-free business and its grasp of the domestic duty-free policy in the previous tender invitations for international retail business; and
- (v) the entrusted management fee has been reduced to 20% of the Company's international retail revenue, after taking into account the passenger throughput and international retail business of Beijing Capital Airport, which continued to be under pressure during the post-pandemic period of economic recovery.

Based on the above, the Company believes that the basis of pricing for entrusted management fees under the International Retail Management Agreement is on normal commercial terms or better that are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Internal control on pricing

The Company has implemented a management system to monitor the pricing standards for the transactions under the International Retail Management Agreement to ensure that the terms are on normal commercial terms. Such system is described as below:

1. Prior to entering into the International Retail Management Agreement, the relevant departments of the Company are responsible for gathering information on the historical entrusted management fees and relevant transactions under the Former International Retail Management Agreement as well as conducting cross-checks against the entrusted management fees charged by Beijing Airport Commercial and Trading to Daxing Airport and Tianjin Airport in respect of their international retail business.

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2. Prior to the implementation of the transactions contemplated under the International Retail Management Agreement, the principal officers in the relevant department lodged an application within the Company, which was subject to a preliminary review conducted by the managers of the above respective departments of the Company, followed by a final review at the general manager office meeting in accordance with the internal control policies of the Company. After the above internal review process based on different functions of various departments of the Company has been completed, the transactions contemplated under the International Retail Management Agreement were considered and approved by the Board.
3. The independent non-executive Directors have reviewed and will continue to review the transactions contemplated under the International Retail Management Agreement to ensure that such transactions are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to its contractual terms.
4. The auditors of the Company will conduct annual review on the transactions contemplated under the International Retail Management Agreement in relation to the pricing policy and annual caps contemplated thereunder in accordance with the Listing Rules.

Internal control on review of annual caps

The Company has implemented the following internal control measures to ensure that the annual caps for the transactions contemplated under the International Retail Management Agreement will not be exceeded:

1. The finance department of the Company provides the secretariat to the Board with information in relation to the actual transaction amounts on a monthly basis.
2. The secretariat to the Board is responsible for monitoring such transactions to ensure that the total amount of transactions does not exceed the annual caps.
3. If such amount of transactions is estimated to exceed the relevant annual cap, the person-in-charge of the relevant department of the Company will be notified so that the scale of transactions in the future may be re-estimated and arrangements may be made to issue announcements and/or to obtain the relevant approvals from the Board and the Independent Shareholders in accordance with the requirements of the Listing Rules.

Reasons for and benefits of entering into the International Retail Management Agreement

Beijing Airport Commercial and Trading has maintained a good cooperative relationship with the Company in the past and is familiar with the international retail business within Beijing Capital Airport. In addition, Beijing Airport Commercial and Trading has relatively strong capability in attracting and managing retail business as well as in retail operation and management.

During the term of the Former International Retail Management Agreement, in particular during the period of the pandemic, Beijing Airport Commercial and Trading actively cooperated with the Company to implement epidemic prevention measures, ensuring realisation of the “Three Zeroes”

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epidemic protection target for Beijing Capital Airport, while striving to promote the resumption of work and production under regular pandemic prevention and control. In 2023, Beijing Airport Commercial and Trading has given better play to its initiatives and actively promoted the international retail operators to speed up restoration of store operations. At the same time, Beijing Airport Commercial and Trading has assisted the Company in handling matters related to international retail operation agreements.

Therefore, it is expected that the management of the international retail resources of Beijing Capital Airport by Beijing Airport Commercial and Trading will facilitate the recovery in the value of retail resources at Beijing Capital Airport. At the same time, the new phase of cooperation between Beijing Airport Commercial and Trading and the Company can facilitate, to a greater extent, the Company's recovery and development.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the International Retail Management Agreement is entered into on normal commercial terms that are fair and reasonable and in the ordinary and usual course of business of the Company, and the transactions contemplated under the International Retail Management Agreement are in the interest of the Shareholders as a whole.

Listing Rules implications

As at the Latest Practicable Date, the Parent Company is the controlling shareholder of the Company, holding approximately 58.96% of the issued share capital of the Company. Beijing Airport Commercial and Trading is a wholly-owned subsidiary of the Parent Company and is therefore a connected person of the Company. Accordingly, the International Retail Management Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the International Retail Management Agreement is more than 5%, the International Retail Management Agreement and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

V. ADVERTISING MANAGEMENT AGREEMENT

Background

Reference is made to the announcement of the Company dated 30 December 2020 in respect of, among other things, the Former Advertising Management Agreement, which will expire on 31 December 2023. As the parties intend to continue to carry out transactions of a similar nature from time to time after 31 December 2023, the Company and Beijing Airport Media entered into the Advertising Management Agreement.

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On 7 November 2023, the Company entered into the Advertising Management Agreement with Beijing Airport Media, pursuant to which Beijing Airport Media shall operate and manage designated advertising resources within or in the vicinity of Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026.

Material terms

Date

7 November 2023

Parties

- (a) the Company; and
- (b) Beijing Airport Media.

Services

Pursuant to the Advertising Management Agreement, Beijing Airport Media agreed to provide advertising management services in respect of the designated advertising resources within or in the vicinity of the indoor and outdoor areas of Beijing Capital Airport. The indoor areas include the advertising spaces set up in the indoor public area of Terminal One, Terminal Two, Terminal Three and the GTC (other than levels B1 and B2), the public area of public walkways, waiting area and lanes outside the Beijing Capital Airport building. The outdoor areas include the advertising spaces set up on the outer body and in the extension area of Terminal One, Terminal Two, Terminal Three and the GTC (other than levels B1 and B2).

Term

The Advertising Management Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026.

Condition precedent

The Advertising Management Agreement and the transactions contemplated thereunder shall be subject to the approval by the Independent Shareholders at the EGM.

Consideration and payment

The total amount of entrusted management fee payable by the Company to Beijing Airport Media for each year in respect of the provision of the advertising management services shall be calculated as follows:

Total advertising revenue (*Note 14*) for the current year × 22%

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Note 14: The advertising revenue comprises (i) the advertising operating fee paid by third party operators under the advertising business operating agreements entered into between Beijing Airport Media (acting for and on behalf of the Company) and third party operators in respect of the designated advertising resources; and (ii) the actual amount received by the Company in relation to breach of contract or compensation liability incurred by third party operators (including but not limited to liquidated damages and security deposit).

The payment of entrusted management fee shall be settled on a monthly basis. Within 3 working days from the beginning of each month, the Company and Beijing Airport Media shall verify and confirm the amount of advertising revenue for the preceding month. Within 5 working days from the beginning of each month, the Company and Beijing Airport Media shall confirm the amount of entrusted management fee with reference to the advertising revenue for the preceding month and the fee percentage of 22%. Within 5 working days from the Company's receipt of such written confirmation, the Company shall pay the entrusted management fee to Beijing Airport Media in respect of the advertising revenue for the preceding month.

Other material terms

Pursuant to the Advertising Management Agreement, Beijing Airport Media is authorised by the Company to sign individual operating agreements with third party operators in relation to the use and operation of advertising resources, and the terms of such operating agreements shall not be inconsistent with the terms of the Advertising Management Agreement. In addition, Beijing Airport Media shall ensure that each of the operators will pay advertising operating fee to the Company's designated bank account directly. The Company shall then pay the entrusted management fee to Beijing Airport Media with reference to, among other things, such advertising operating fee, details of which are set out in the section headed "Consideration and payment". The Company expects that the operators and their ultimate beneficial owners will be third parties independent of the Company and its connected persons.

Within one month from the effective date of the Advertising Management Agreement, Beijing Airport Media shall pay security deposit of RMB10,900,000 to the Company. The Company is entitled to deduct from the security deposit in respect of breach of contract incurred by Beijing Airport Media, which shall then replenish the security deposit within 5 working days from its receipt of notice from the Company. The security deposit shall be returned without interest to Beijing Airport Media upon expiry of the Advertising Management Agreement. The security deposit may not be returned in the event of early termination of the Advertising Management Agreement due to any breach of contract incurred by Beijing Airport Media or any other reasons attributable to Beijing Airport Media.

Furthermore, during the term of the Advertising Management Agreement, any security deposit paid by third party operators under the advertising business operating agreements shall be placed with and held by Beijing Airport Media for and on behalf of the Company. Such security deposit shall be deducted and paid to the Company in accordance with the advertising business operating agreements, if any third party operator is liable for breach of contract.

In respect of commercial planning, the Company and Beijing Airport Media shall establish a working mechanism for collaborative management. In particular, the Company is responsible for, and Beijing Airport Media will participate in, the management of resource allocation, layout, business type and product categories.

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In respect of the formulation of standards, the Company is responsible for formulating (i) operator access standards; (ii) brand access standards; (iii) service standards; and (iv) resource value evaluation standards. Beijing Airport Media is responsible for, and the Company will participate in, the establishment of brand library to realise the sharing of brand information.

In respect of market development and merchandising, Beijing Airport Media is responsible for formulating reasonable merchandising proposals based on the resource planning of Beijing Capital Airport and the implementation of advertising contracts. The merchandising proposals will be implemented by Beijing Airport Media after the Company has reviewed the appropriateness of resource allocation plans in the merchandising proposals.

In respect of the daily operation and management of advertising businesses, Beijing Airport Media is entrusted by the Company to undertake daily operation and management of third party operators, including safety, servicing, logistics, cashier, renovation, as well as management of resources, premises and other related entrusted resources.

In respect of appraisal mechanism, the Company is responsible for establishing an appraisal mechanism to conduct annual appraisal of Beijing Airport Media's entrusted management work.

Historical transaction amounts

The following table shows the historical transaction amounts for the provision of operation and management services for the designated advertising resources within or in the vicinity of Beijing Capital Airport by Beijing Airport Media to the Company:

	For the year ended 31 December 2021 (RMB) (audited)	For the year ended 31 December 2022 (RMB) (audited)	For the year ending 31 December 2023 (RMB) (unaudited)
Historical transaction amounts for the provision of operation and management services by Beijing Airport Media	185,197,000	102,432,000	177,250,000 ^(Note 15)
Annual caps	200,000,000	250,000,000	270,000,000

Note 15: Since the audited figure of the historical transaction amount for the year ending 31 December 2023 is not yet available, this is an estimated figure only. The unaudited figure of the transaction amount for the nine months ended 30 September 2023 was approximately RMB125,020,000. The Company expects that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap.

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Annual caps

The Company expects that the annual caps for the transactions contemplated under the Advertising Management Agreement are as follows:

	For the year ending 31 December 2024 (RMB)	For the year ending 31 December 2025 (RMB)	For the year ending 31 December 2026 (RMB)
Annual caps	200,000,000	225,000,000	250,000,000

The above annual caps are determined based on the following factors:

- (i) the anticipated change in passenger throughput at Beijing Capital Airport in the next three years and its possible impact on the advertising business; and
- (ii) the average advertising revenue per traveller during the period from 2015 to 2023 (excluding the pandemic period) and the expected recovery and development potential of the outdoor advertising market in the future.

The annual cap for the year ending 31 December 2024 represents an increase of approximately 13% as compared with the historical transaction amount for the year ending 31 December 2023. It is expected that the proposed annual cap for each of the two years ending 31 December 2025 and 31 December 2026 will increase by approximately 13% and 11%, respectively, as compared with the annual caps for the preceding years.

The year-on-year changes of proposed annual caps and the relevant factors are set out below:

- (i) anticipated total passenger throughput: based on the overall flight performance and existing flight schedule of Beijing Capital Airport during the first half of 2023, the Company cautiously estimates an annual growth rate of approximately 12% for passenger throughput for the next three years. With the continuous improvement of domestic flight business and gradual recovery of international travels during the second half of 2023, the Company believes that there is more room for growth in total passenger throughput in the next three years, which will increase by 25%, 9% and 5%, respectively, as compared with that of the preceding years; and
- (ii) average advertising revenue per traveller: the average advertising revenues per traveller for the period from 2015 to 2023 (with no reference being made to the growth rate for the period from 2020 to 2022 which is an exceptional case under the influence of the pandemic) have been used as the basis for estimating the average advertising revenue per traveller for 2024 to 2026. Meanwhile, taking into account the possible growth in average advertising revenue per traveller for 2024 to 2026, as well as the expected recovery and development potential of the

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outdoor advertising market in the future, the Company believes that the average advertising revenue per traveller for the next three years will increase by 10%, 4% and 5%, respectively, as compared with that of the preceding years.

Pricing policy

After receiving the quotation from Beijing Airport Media for the provision of advertising management services, the Company has considered the following factors to assess the reasonableness and fairness of such quotation: (i) the costs of Beijing Airport Media in providing the advertising management services; (ii) the reasonable profit margin (i.e. approximately 8%) to be charged by Beijing Airport Media for the provision of advertising management services to the Company; and (iii) the relevant taxes.

The Company has also considered the management fees charged by Beijing Airport Media for the provision of similar advertising management services to other airports in the PRC. Apart from Beijing Capital Airport, Beijing Airport Media also provides advertising management service for other airports in the PRC, including Harbin Airport, Changchun Airport, Nanchang Airport and Shijiazhuang Airport. The fee percentage for the entrusted management fee charged by Beijing Airport Media to such airports ranged from approximately 29% to 40% of their respective advertising revenue. In comparison, the rate of entrusted management fee of 22% payable by the Company to Beijing Airport Media in respect of the advertising management services is at a moderate to low level. The Company considers that the above comparison method of the entrusted management fee rate is reasonable in view of the unique strength and track record of Beijing Airport Media in the field of airport advertising. For details, please refer to the section headed “Reasons and benefits of entering into the Advertising Management Agreement” below.

Internal control on pricing

The Company has implemented a management system to monitor the pricing standards for the transactions under the Advertising Management Agreement to ensure that such terms are on normal commercial terms. Such system is described as below:

1. Prior to entering into the Advertising Management Agreement, the relevant departments of the Company are responsible for gathering information on the historical transaction amounts and profit margin under the Former Advertising Management Agreement and conducting cross-checks against the entrusted management fees charged by Beijing Airport Media to other airports in the PRC for the provision of similar advertising management services, as well as the profit margin charged by other services providers for other related services at Beijing Capital Airport.
2. Prior to the implementation of the transactions contemplated under the Advertising Management Agreement, the principal officers in the relevant department shall lodge applications within the Company, which are subject to a preliminary review conducted by the managers of the respective departments of the Company, followed by a final review at the general manager office meeting in accordance with the internal control policies of the

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Company. Upon completion of the above internal review procedures, the relevant transactions contemplated under the Advertising Management Agreement were considered and approved by the Board.

3. The independent non-executive Directors have reviewed and will continue to review the transactions contemplated under the Advertising Management Agreement to ensure that such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to its contractual terms.
4. The auditors of the Company will conduct annual review on the transactions contemplated under the Advertising Management Agreement in relation to the pricing policy and annual caps contemplated thereunder in accordance with the Listing Rules.

Internal control on review of annual caps

The Company has implemented the following internal control measures to ensure that the annual caps for the transactions contemplated under the Advertising Management Agreement will not be exceeded:

1. The finance department of the Company provides the secretariat to the Board with information in relation to the actual transaction amounts on a monthly basis.
2. The secretariat to the Board is responsible for monitoring such transactions to ensure that the total amount of transactions does not exceed the annual caps.
3. If such amount of transactions is estimated to exceed the relevant annual cap, the person-in-charge of the relevant department of the Company will be notified so that the scale of transactions in the future may be re-estimated and arrangements may be made to issue announcements and/or to obtain the relevant approvals from the Board and the Independent Shareholders in accordance with the requirements of the Listing Rules.

Reasons for and benefits of entering into the Advertising Management Agreement

Beijing Airport Media maintained a good cooperative relationship with the Company in the past and is familiar with the advertising business within Beijing Capital Airport. In addition, Beijing Airport Media has ample client resources and the capability of specialized and scaled operation of advertising business at airports with its operation networks covering 40 airports across the country. Besides, Beijing Airport Media has strong capability of initiating tender invitation and management for advertising business. By employing the entrusted management mode of operation, Beijing Airport Media is able to bring the development of its core capability into better play, so as to facilitate the increase in value of advertising resources of Beijing Capital Airport.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that entrusting Beijing Airport Media to undertake the operation and management of the advertising business at Beijing Capital Airport is beneficial to realizing the commercial value of the Company's advertising resources in a more effective manner, the Advertising Management

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Agreement is entered into on normal commercial terms that are fair and reasonable and in the ordinary and usual course of business of the Company, and the transactions contemplated under the Advertising Management Agreement are in the interest of the Company and the Shareholders as a whole.

Listing Rules implications

As at the Latest Practicable Date, the Parent Company is the controlling shareholder of the Company, holding approximately 58.96% of the issued share capital of the Company. Since Beijing Airport Media is a wholly-owned subsidiary of the Parent Company, Beijing Airport Media is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Advertising Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Advertising Management Agreement is more than 5%, the transactions contemplated under the Advertising Management Agreement are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VI. FOOD AND BEVERAGE MANAGEMENT AGREEMENT

Background

Reference is made to the announcement of the Company dated 29 December 2020 in respect of, among other things, the Former Food and Beverage Management Agreement, which will expire on 31 December 2023. As the parties intend to carry out transactions of a similar nature from time to time, the Company and Beijing Airport Food Management entered into the Food and Beverage Management Agreement.

On 7 November 2023, the Company entered into the Food and Beverage Management Agreement with Beijing Airport Food Management, pursuant to which Beijing Airport Food Management agreed to operate and manage the designated food and beverage resources at Beijing Capital Airport for the Company for a term of three years commencing from 1 January 2024 to 31 December 2026.

Material terms

Date

7 November 2023

Parties

- (a) the Company; and
- (b) Beijing Airport Food Management

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Services

Pursuant to the Food and Beverage Management Agreement, Beijing Airport Food Management 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.

Term

The Food and Beverage Management Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026.

Condition precedent

The Food and Beverage Management Agreement and the transactions contemplated thereunder shall be subject to the approval by the Independent Shareholders at the EGM.

Consideration

The total amount of entrusted management fee payable by the Company to Beijing Airport Food Management for each year under the Food and Beverage Management Agreement shall be calculated as follows:

Total sales revenue from the entrusted resources for the current year \times 15% + increase of total operating income \times 60% (*Notes 16 and 17*)

Note 16: Increase of total operating income = total operating income of the current year – base of total operating income

Base of total operating income = total operating income in the preceding year

Total operating income represents the remaining amount after deducting the portion of food and beverage merchants' income from the total sales revenue

Note 17: To avoid the impact from exceptional circumstances in the year of 2023, the increase of total operating income for the year of 2024 will be deemed as 0. The base of total operating income for each of the years of 2025 and 2026 will be the total operating income of the preceding year.

Monthly payment of entrusted management fee

Within the first 5 working days of each month, the Company and Beijing Airport Food Management shall complete the confirmation of the entrusted management fee payable by the Company for the previous month and the fees payable by the food and beverage operators. Upon confirmation of the entrusted management fee of the previous month by both parties, the Company shall pay the entrusted management fee for the previous month to Beijing Airport Food Management within 10 working days.

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Payment of commission for the increase of total operating income for the current year

Within the first 10 working days in the first month of the following year, Beijing Airport Food Management shall report to the Company the total operating income of the preceding year. Upon confirmation by both parties, the Company shall pay, together with the entrusted management fees for the first month, the commission at the rate of multiplying the increase of total operating income by 60%.

Other material terms

Pursuant to the Food and Beverage Management Agreement, Beijing Airport Food Management shall be responsible for the signing of individual food and beverage contracts in relation to the usage and operation of food and beverage resources with each of the food and beverage operators, and the terms of such food and beverage contracts shall not be inconsistent with the terms of the Food and Beverage Management Agreement. Beijing Airport Food Management shall ensure that each of the food and beverage operators will pay operating fees to the Company's designated bank account directly. The Company shall then pay Beijing Airport Food Management the entrusted management fee as disclosed above. The Company expects that the food and beverage operators and their ultimate beneficial owners will be third parties independent of the Company and its connected persons.

During the term of the Food and Beverage Management Agreement, any security deposit paid by the food and beverage operators under the operating agreements shall be placed with and held by Beijing Airport Food Management for and on behalf of the Company. Such security deposit shall be deducted and paid to the Company in accordance with the operating agreements in the event that any food and beverage operator is liable for breach of contract.

The Company shall be responsible for making commercial decisions on the allocation of food and beverage resources at Beijing Capital Airport, as well as the layout, format, category and development of brands. Beijing Airport Food Management shall assist in executing such commercial decisions.

The Company will appoint Beijing Airport Food Management to initiate tender invitation for food and beverage business at Beijing Capital Airport. The tender result shall be reviewed by Beijing Airport Food Management and filed with the Company.

Beijing Airport Food Management shall be responsible for the daily operation and managerial work in respect of the food and beverage operators, including safety, servicing, logistics, cashier, renovation, premises and managerial work of relevant entrusted assets.

In respect of marketing, the Company shall be responsible for the overall marketing strategy. Beijing Airport Food Management will execute the marketing plan and other store promotions in accordance with the overall marketing framework set by the Company.

In respect of appraisal mechanism, the Company will conduct appraisal of Beijing Airport Food Management's entrusted management work.

LETTER FROM THE BOARD

Historical transaction amounts

The following table shows the historical transaction amounts for the provision of operation and management services of the designated food and beverage resources at Beijing Capital Airport by Beijing Airport Food Management:

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ending 31 December 2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
	(audited)	(audited)	(unaudited)
Historical transaction amounts for the operation and management services provided by Beijing Airport Food Management	24,375,000	9,134,000	48,390,000 <i>(Note 18)</i>
Annual caps	70,000,000	110,000,000	100,000,000

Note 18: Since the audited figure of the historical transaction amount for the year ending 31 December 2023 is not yet available, this is an estimated figure only. The unaudited figure of the transaction amount for the nine months ended 30 September 2023 was approximately RMB34,028,000. The Company expects that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap.

Annual caps

The Company expects that the annual caps for the transactions contemplated under the Food and Beverage Management Agreement are as follows:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Annual caps	117,000,000	121,000,000	125,000,000

The above annual caps are determined based on the following factors:

- (i) the increase in the scope of designated food and beverage resources to be operated under an entrusted management model at Beijing Capital Airport;
- (ii) the average sales turnover per traveller for the year-to-date period ended 30 September 2023 at Beijing Capital Airport, and the development potential of the food and beverage market in the future; and
- (iii) the anticipated change in passenger throughput at Beijing Capital Airport in the next three years and its possible impact on the food and beverage business.

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The annual cap for the year ending 31 December 2024 represents an increase of approximately 142% as compared with the historical transaction amount for the year ending 31 December 2023. It is expected that the proposed annual cap for each of the two years ending 31 December 2025 and 31 December 2026 will increase by approximately 3% and 3%, as compared with the annual caps for the preceding years.

The year-on-year changes of proposed annual caps and the relevant factors are set out below:

- (i) New food and beverage resources under entrusted management: Given that the operation model of entrusted management will help strengthen the Company's power to direct the food and beverage business, and further motivate the proactiveness of Beijing Airport Food Management, the Company will adjust substantially all of the food and beverage resources at Beijing Capital Airport to entrusted management model in the next three years. The resources under entrusted management of the food and beverage business after the adjustment are expected to increase by approximately 60% as compared to the existing resources under entrusted management of the food and beverage business at Beijing Capital Airport. According to preliminary estimation, the food and beverage turnover at Beijing Capital Airport will increase by approximately 90% in the first year (i.e. the year ending 31 December 2024) under the Food and Beverage Management Agreement, leading to a pro-rata increase of approximately 90% in the entrusted management fees that were charged in proportion to the turnover;
- (ii) Average food and beverage revenue per traveller: The average food and beverage turnover per traveller for year 2024 to 2026 will be based on the average food and beverage turnover per traveller for the year-to-date period ended 30 September 2023. Meanwhile, taking into account the development of the food and beverage market and the possibility of growth in food and beverage revenue in the future, the Company is of the view that the average food and beverage turnover per traveller for year 2024 to 2026 will increase by approximately 12%, 4% and 2% respectively, compared with that of the preceding years;
- (iii) Expected overall passenger throughput: Based on the overall flight performance of Beijing Capital Airport during the first half of 2023 and its existing flight schedule, the Company cautiously estimates an annual growth rate of approximately 12% for passenger throughput for the next three years. With continuous improvement of domestic flight business in the second half of 2023 and gradual recovery of international travels, the Company believes that there is more room for growth in the overall passenger throughput in the next three years, which will increase by approximately 25%, 9% and 5% respectively, compared with that of the preceding years.

Pricing policy

After receiving the quotation from Beijing Airport Food Management for the provision of food and beverage management services, the Company has considered the following factors to assess the reasonableness and fairness of such quotation: (i) the reasonable costs of Beijing Airport Food

LETTER FROM THE BOARD

Management in providing the food and beverage management services; (ii) the reasonable profit margin to be made by Beijing Airport Food Management for the provision of food and beverage management services to the Company; and (iii) the relevant taxes.

As the operation and management of entrusted resources of food and beverage are comprehensive and require a relatively high level of management services in respect of investments in equipment and facilities and operating costs, service, construction management, 24-hour supervision of the business district, protection under special circumstances and other special cost due to the distinctiveness of the business district of Beijing Capital Airport as compared with the entrusted management services for other business districts in Beijing, there is no similar or equivalent entrusted management operation mode of food and beverage business in other airports in the PRC or in the business district of Beijing Capital Airport. Accordingly, there are no direct comparables of similar transactions.

Beijing Airport Food Management has demonstrated that it has sufficient capability to fulfil the high standards for safety, operation and service at Beijing Capital Airport, especially in light of its contribution to food and beverage service support during the pandemic. Subsequent to the pandemic, the expertise of Beijing Airport Food Management in business development and daily operation management has also enabled the food and beverage business at Beijing Capital Airport to quickly recover.

Internal control on pricing

The Company has implemented a management system to monitor the pricing standards for the transactions under the Food and Beverage Management Agreement to ensure that such terms are on normal commercial terms. Such system is described as below:

1. Prior to entering into the Food and Beverage Management Agreement, the relevant departments of the Company are responsible for gathering information on the historical figures of entrusted management fees and relevant transactions under the Former Food and Beverage Management Agreement and conducting cross-checks against the profit margin charged by other service providers for the provision of related services at Beijing Capital Airport.
2. Prior to the implementation of the transactions contemplated under the Food and Beverage Management Agreement, the principal officers in the relevant departments of the Company lodged an application within the Company, which was subject to a preliminary review conducted by the managers of the respective departments of the Company, followed by a final review at the general manager office meeting in accordance with the internal control policies of the Company. Upon completion of the above internal review procedures, the transactions contemplated under the Food and Beverage Management Agreement were considered and approved by the Board.
3. The independent non-executive Directors have reviewed and will continue to review the transactions contemplated under the Food and Beverage Management Agreement to ensure that such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to its contractual terms.

LETTER FROM THE BOARD

4. The auditors of the Company will conduct annual review on the transactions contemplated under the Food and Beverage Management Agreement in relation to the pricing policy and annual caps contemplated thereunder in accordance with the Listing Rules.

Internal control on review of annual caps

The Company has implemented the following internal control measures to ensure that the annual caps for the transactions contemplated under the Food and Beverage Management Agreement will not be exceeded:

1. The finance department of the Company provides the secretariat to the Board with information in relation to the actual transaction amounts on a monthly basis.
2. The secretariat to the Board is responsible for monitoring such transactions to ensure that the total amount of transactions does not exceed the annual caps.
3. If such amount of transactions is estimated to exceed the relevant annual cap, the person-in-charge of the relevant department of the Company will be notified so that the scale of transactions in the future may be re-estimated and arrangements may be made to issue announcements and/or to obtain the relevant approvals from the Board and the Independent Shareholders in accordance with the requirements of the Listing Rules.

Reasons for and benefits of entering into the Food and Beverage Management Agreement

Beijing Airport Food Management has maintained a good cooperative relationship with the Company and is familiar with the food and beverage business within the area of Beijing Capital Airport. In addition, Beijing Airport Food Management has ample client resources and strong capability in food and beverage operation and management. Therefore, it is expected that the management of the food and beverage resources of Beijing Capital Airport by Beijing Airport Food Management will facilitate both the continued increase in the value of food and beverage resources and the enhancement of satisfaction and service quality of food and beverage at Beijing Capital Airport.

The operation model of entrusted management will help strengthen the Company's right to direct the food and beverage business, enable the Company to keep abreast of demand in a rapidly evolving market and make timely adjustment to food and beverage brand layout at the business district of Beijing Capital Airport in view of the increasingly rapid replacement of food and beverage brands, as well as expanding the market in collaboration with Beijing Airport Food Management, in order to improve the quality of food and beverage business at the business district of Beijing Capital Airport. Meanwhile, the calculation method of entrusted management fees which is directly linked with sales revenue may further incentivise Beijing Airport Food Management, accelerate store opening, reduce the vacancy ratio of resources and enhance the revenue of food and beverage resources at Beijing Capital Airport.

LETTER FROM THE BOARD

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Food and Beverage Management Agreement is entered into on normal commercial terms that are fair and reasonable and in the ordinary and usual course of business of the Company, and the transactions contemplated under the Food and Beverage Management Agreement are in the interest of the Company and the Shareholders as a whole.

Listing Rules implications

As at the Latest Practicable Date, the Parent Company is the controlling shareholder of the Company, holding approximately 58.96% of the issued share capital of the Company. Since Beijing Airport Food Management is a wholly-owned subsidiary of the Parent Company, Beijing Airport Food Management is therefore a connected person of the Company. Accordingly, the Food and Beverage Management Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Food and Beverage Management Agreement is more than 5%, the Food and Beverage Management Agreement is therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VII. DOMESTIC RETAIL RESOURCES USAGE AGREEMENT

Background

Reference is made to the announcements of the Company dated 28 December 2020, 13 August 2021 and 28 September 2022 and the circular of the Company dated 8 October 2021 in respect of, among other things, continuing connected transactions contemplated under the Former Domestic Retail Resources Usage Agreement (as amended by the Flexible Retail and F&B Resources Usage Agreement and the Former Supplemental Domestic Retail Resources Usage Agreement), which will expire on 31 December 2023. As the parties intend to continue to carry out the transactions of a similar nature from time to time after 31 December 2023, the Company entered into the Domestic Retail Resources Usage Agreement.

On 6 November 2023, the Company entered into the Domestic Retail Resources Usage Agreement with Beijing Airport Commercial and Trading, pursuant to which the Company permitted Beijing Airport Commercial and Trading to occupy and use the commercial retail premises and resources (including the Adjusted Retail Resources) and the premises and 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 for a term of three years commencing from 1 January 2024 to 31 December 2026.

Material terms

Date

6 November 2023

LETTER FROM THE BOARD

Parties

- (a) the Company; and
- (b) Beijing Airport Commercial and Trading

Subject matter

Pursuant to the Domestic Retail Resources Usage Agreement, the Company permitted Beijing Airport Commercial and Trading to occupy and use the commercial retail premises and resources (including the Adjusted Retail Resources) and the premises and resources of taxable domestically manufactured goods situated in the domestic isolated area and public area in Terminal One, Terminal Two and Terminal Three of Beijing Capital Airport. Upon the expiry of the Flexible Retail and F&B Resources Usage Agreement on 31 December 2023, the Adjusted Retail Resources contemplated thereunder will be incorporated into the scope of resources usage under the Domestic Retail Resources Usage Agreement, with a separate fee standard of resources usage fee for the Adjusted Retail Resources.

Term

The Domestic Retail Resources Usage Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026.

Condition precedent

The transactions contemplated under the Domestic Retail Resources Usage Agreement are subject to the approval by the Independent Shareholders at the EGM.

Consideration and payment

- (a) In respect of the domestic retail resources at Beijing Capital Airport (other than the Adjusted Retail Resources), the resources usage fee payable by Beijing Airport Commercial and Trading to the Company shall be calculated as follows:

Guaranteed resources usage fee + commission for increase in resources usage fee (*Note 19*)

Note 19: Commission for increase in resources usage fee = (total rental income of Beijing Airport Commercial and Trading for the current year – total rental income of Beijing Airport Commercial and Trading for the preceding year) × 40%

Total rental income of Beijing Airport Commercial and Trading = actual amount of rental received from the sub-contracting of commerce and trading resources + rental for the self-operation of commerce and trading resources

Guaranteed resources usage fee

The guaranteed resources usage fee for each of the three years ending 31 December 2026 shall be determined as follows:

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Base figure of unit resources usage fee (per square metre) x actual area of resources usage (in square metres) for the current year

In respect of the guaranteed resources usage fee for the year ending 31 December 2024, the base figure of unit resources usage fee (per square metre) is calculated by applying a 5% increase to the actual amount of resources usage fee (including guaranteed resources usage fee and commission for increase) per square metre charged to Beijing Airport Commercial and Trading in respect of its usage of domestic retail resources of Beijing Capital Airport for the year ending 31 December 2023, in order to take into account the expected increase in the domestic retail sales revenue as a result of the recovery of passenger throughput as compared with the year ending 31 December 2023.

In respect of the guaranteed resources usage fee for each of the years ending 31 December 2025 and 31 December 2026, the base figure of unit resources usage fee (per square metre) is equal to the actual amount of resources usage fee (including guaranteed resources usage fee and commission for increase) per square metre charged to Beijing Airport Commercial and Trading in respect of its usage of domestic retail resources of Beijing Capital Airport for the preceding year, i.e., the year ending 31 December 2024 and 31 December 2025, respectively.

The Company shall issue a written payment notice to Beijing Airport Commercial and Trading within three working days at the end of each month in respect of the guaranteed resources usage fee. Within seven working days from the beginning of the following month, Beijing Airport Commercial and Trading shall make such payment to the Company.

Commission for increase in resources usage fee

There will not be any commission for increase in resources usage fee for the year ending 31 December 2024. Subsequently, from the year ending 31 December 2025 onwards, Beijing Airport Commercial and Trading and the Company shall audit the commission for increase in resources usage fee for the preceding year on the first month of each year. Upon the confirmation by Beijing Airport Commercial and Trading and the Company, the commission for the increase shall be paid together with the guaranteed resources usage fee in the following month.

- (b) In respect of the Adjusted Retail Resources at Beijing Capital Airport, the resources usage fee payable by Beijing Airport Commercial and Trading to the Company shall be calculated as follows:

Guaranteed resources usage fee + commission for increase (*Note 20*)

Note 20: Commission for increase = (total amount of rental payable by third party operators of the Adjusted Retail Resources – guaranteed resources usage fee) × 52%

LETTER FROM THE BOARD

Guaranteed resources usage fee

The guaranteed resources usage fee for each of the three years ending 31 December 2026 shall be determined as follows:

Base figure of unit resources usage fee (per square metre) × actual area of resources usage (in square metres) for the current year

In respect of the guaranteed resources usage fee for the year ending 31 December 2024, the base figure of unit resources usage fee (per square metre) is calculated by applying a 5% increase to the actual amount of resources usage fee (including guaranteed resources usage fee and commission for increase) per square metre charged to Beijing Airport Commercial and Trading in respect of its usage of domestic retail resources of Beijing Capital Airport for the year ending 31 December 2023, in order to take into account the expected increase in the domestic retail sales revenue as a result of the recovery of passenger throughput as compared with the year ending 31 December 2023.

In respect of the guaranteed resources usage fee for each of the years ending 31 December 2025 and 31 December 2026, the base figure of unit resources usage fee (per square metre) is equal to the actual amount of resources usage fee (including guaranteed resources usage fee and commission for increase) per square metre charged to Beijing Airport Commercial and Trading in respect of its usage of domestic retail resources of Beijing Capital Airport for the preceding year, i.e., the year ending 31 December 2024 and 31 December 2025, respectively.

The Company shall issue a written payment notice to Beijing Airport Commercial and Trading within three working days at the end of each month in respect of the guaranteed resources usage fee. Within seven working days from the beginning of the following month, Beijing Airport Commercial and Trading shall make such payment to the Company.

Commission for increase

The Adjusted Retail Resources involve (i) an international premium brand which has a higher level of brand influence and more significant potential for growth in retail income; and (ii) the operation of stores of gold and jewellery products which are subject to industry licence requirements and are expected to generate more stable rental income. Therefore, in order to better realise the resource value of the Adjusted Retail Resources, the commission for increase will be calculated on a different basis and at a higher rate of commission (i.e. 52%) as compared with the other domestic retail resources under the Domestic Retail Resources Usage Agreement.

Beijing Airport Commercial and Trading and the Company shall audit the commission for increase in resources usage fee for the preceding year on the first month of each year. Upon the confirmation by Beijing Airport Commercial and Trading and the Company, the commission for the increase shall be paid together with the guaranteed resources usage fee in the following month.

LETTER FROM THE BOARD

Other material terms

The Company shall be responsible for making commercial decisions on the allocation of retail resources in the designated area of Beijing Capital Airport, as well as the layout, format and category of retail brands.

Beijing Airport Commercial and Trading shall be responsible for the daily operation and managerial work in respect of the retailers. The scope of work includes safety, servicing, logistics, cashier, renovation, and managerial work of resources, premises and related leasing assets.

Beijing Airport Commercial and Trading shall be responsible for initiating tender invitation for retail business in Beijing Capital Airport. The tender result shall be reviewed by Beijing Airport Commercial and Trading and filed with the Company.

In respect of marketing, the Company shall be responsible for the overall marketing strategy. Beijing Airport Commercial and Trading will execute the marketing plan and store promotions in accordance with the overall marketing framework set by the Company.

Historical transaction amounts

The following table shows the historical transaction amounts for the Former Domestic Retail Resources Usage Agreement:

	For the year ended 31 December 2021 (RMB) (audited)	For the year ended 31 December 2022 (RMB) (audited)	For the year ending 31 December 2023 (RMB) (unaudited)
Historical transaction amounts	86,991,000	36,240,000	90,000,000 <i>(Note 21)</i>
Annual caps	156,000,000	100,000,000	125,000,000

Note 21: Since the audited figure of the historical transaction amount for the year ending 31 December 2023 is not yet available, it is an estimated figure only. The unaudited figure of the transaction amount for the nine months ended 30 September 2023 was approximately RMB49,640,000. The Company expected that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap. The increment in the estimate of historical transaction amount for year ending 31 December 2023 is relatively significant as compared with those for the preceding year ended 31 December 2022 due to the relatively small base figures of resources usage fee from the merchants of domestic retail resources for the year ended 31 December 2022 under the impact of epidemic prevention and control measures on domestic flights and domestic passenger throughput of Beijing Capital Airport for the corresponding periods.

LETTER FROM THE BOARD

Annual caps

It is expected that the annual caps for the transactions contemplated under the Domestic Retail Resources Usage Agreement for the three years ending 31 December 2026 are as follows:

	For the year ending 31 December 2024	For the year ending 31 December 2025	For the year ending 31 December 2026
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Annual caps	190,000,000	200,000,000	220,000,000

The above annual caps are determined with reference to (i) the historical transaction amounts for the Former Domestic Retail Resources Usage Agreement in the past three years; (ii) the anticipated change in domestic passenger throughput at Beijing Capital Airport in the next three years and its possible impact on the domestic retail business; (iii) the expected change of rental income from the operating merchants of the domestic retail resources in the future; and (iv) the expected operating conditions of the domestic retail resources at Beijing Capital Airport in the future.

The annual cap for the year ending 31 December 2024 represents an increase of approximately 52% as compared with the annual cap for the year ending 31 December 2023. Such percentage increase of annual cap is in line with the cumulative effect of the factors set out below. It is expected that the annual cap for each of the years ending 31 December 2025 and 31 December 2026 will increase by approximately 5% and 10% respectively, as compared with the annual cap for the preceding year ending 31 December 2024 and 31 December 2025.

The year-on-year changes of proposed annual caps are attributable to the following factors:

- (i) Based on the domestic flight performance and the flight schedule of Beijing Capital Airport during the first half of 2023, the Company cautiously estimates an annual growth rate of approximately 10% for domestic passenger throughput for the next three years. With the continuous improvement of domestic flight business since the second half of the year, the Company believes that there is more room for growth in the domestic flight performance and passenger throughput in the next three years. Therefore, it is currently estimated that the domestic passenger throughput for the three years ending 31 December 2026 will increase by approximately 22%, 7% and 2% respectively, compared with that of the preceding years.
- (ii) On the basis of the projection of domestic passenger throughput, the Company estimates that there will be an expected year-on-year increase of total rental income payable by operating merchants of the domestic retail resources (including the Adjusted Retail Resources) to Beijing Airport Commercial and Trading by approximately 20%, 5% and 5% for the three years ending 31 December 2026; and

LETTER FROM THE BOARD

- (iii) a reasonable buffer of approximately 5% to cater for the commissions payable by Beijing Airport Commercial and Trading for year-on-year increase in resources usage income generated from the domestic retail resources (including the Adjusted Retail Resources) in accordance with the terms of the Domestic Retail Resources Usage Agreement.

Pricing policy

Since the Company is not aware of any similar or equivalent resources usage model for direct comparison, therefore, in determining the unit price of resources usage fee per square meter for calculation of the guaranteed resources usage fee under the Domestic Retail Resources Usage Agreement, the Company compared against the unit price (per square meter) of rental for retail outlets in other similar shopping malls in Beijing. It is currently estimated that the unit price (per square meter) of resources usage fee in respect of the domestic retail resources at Beijing Capital Airport under the Domestic Retail Resources Usage Agreement will be no less favourable to the Company as compared with such unit price of rental for retail outlets in other similar shopping malls in Beijing.

Internal control on pricing

The Company has implemented a management system to monitor the pricing standards for the transactions under the Domestic Retail Resources Usage Agreement to ensure that such terms are on normal commercial terms. Such system is described as below:

1. Prior to entering into the Domestic Retail Resources Usage Agreement, the relevant departments of the Company are responsible for gathering information on the historical transaction amounts under the Former Domestic Retail Resources Usage Agreement (as amended by the Flexible Retail and F&B Resources Usage Agreement and the Former Supplemental Domestic Retail Resources Usage Agreement) and conducting cross-checks against the quotations provided by at least three independent third parties for the provision of similar services.
2. Prior to the implementation of the transactions contemplated under the Domestic Retail Resources Usage Agreement, the principal officers in the relevant departments lodged applications within the Company, which were subject to a preliminary review conducted by the managers of the relevant departments of the Company, followed by a final review at the general manager office meeting in accordance with the internal control policies of the Company. Upon completion of the above internal review procedures, the relevant transactions contemplated under the Domestic Retail Resources Usage Agreement were considered and approved by the Board.
3. The independent non-executive Directors have reviewed and will continue to review the transactions contemplated under the Domestic Retail Resources Usage Agreement to ensure that such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to its contractual terms.

LETTER FROM THE BOARD

4. The auditors of the Company will conduct annual review on the transactions contemplated under the Domestic Retail Resources Usage Agreement in relation to the pricing policy and annual caps contemplated thereunder in accordance with the Listing Rules.

Internal control on review of annual caps

The Company has implemented the following internal control measures to ensure that the annual caps for the transactions contemplated under the Domestic Retail Resources Usage Agreement will not be exceeded:

1. The finance department of the Company provides the secretariat to the Board with information in relation to the actual transaction amounts on a monthly basis.
2. The secretariat to the Board is responsible for monitoring such transactions to ensure that the total amount of transactions does not exceed the annual caps.
3. If such amount of transactions is estimated to exceed the relevant annual cap, the person-in-charge of the relevant department of the Company will be notified so that the scale of transactions in the future may be re-estimated and arrangements may be made to issue announcements and/or to obtain the relevant approvals from the Board and the Independent Shareholders in accordance with the requirements of the Listing Rules.

Reasons for and benefits of entering into the Domestic Retail Resources Usage Agreement

Beijing Airport Commercial and Trading is principally engaged in conducting trading and retail businesses. Since Beijing Airport Commercial and Trading has maintained a good cooperative relationship with the Company and has ample experience in conducting trading and retail businesses at Beijing Capital Airport, Beijing Airport Commercial and Trading will be able to operate the designated retail resources in Beijing Capital Airport independently and more effectively. Meanwhile, this arrangement will also help to enhance business satisfaction and commercial service quality in Beijing Capital Airport.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Domestic Retail Resources Usage Agreement is entered into on normal commercial terms that are fair and reasonable, and the transactions contemplated under the Domestic Retail Resources Usage Agreement are in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

Listing Rules implications

As at the Latest Practicable Date, the Parent Company is the controlling shareholder of the Company, holding approximately 58.96% of the issued share capital of the Company. Since Beijing Airport Commercial and Trading is a wholly-owned subsidiary of the Parent Company, Beijing Airport Commercial and Trading is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Domestic Retail Resources Usage Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Domestic Retail Resources Usage Agreement is more than 5%, the transactions contemplated under the Domestic Retail Resources Usage Agreement are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VIII. INFORMATION OF THE PARTIES

The Company

The Company is principally engaged in the operation of Beijing Capital Airport. It is a non-wholly owned subsidiary of the Parent Company.

The Parent Company

The Parent Company is principally engaged in the provision of ground handling services for domestic and international aviation enterprises and the provision of operation and management services, counter and premises rental services, car parking management, housing rental, property management, advertising agency services and other businesses to its subsidiaries. The ultimate beneficial owner of the Parent Company is CAAC, which is a state bureau administered by the Ministry of Transport of the PRC.

The Property Management Company

The Property Management Company is principally engaged in the provision of property management, labour services and warehousing services at the terminals of Beijing Capital Airport. The Property Management Company is a wholly-owned subsidiary of the Parent Company.

The Power and Energy Company

The Power and Energy Company is a wholly-owned subsidiary of the Parent Company and is principally engaged in (i) the provision of water, electricity, natural gas, cooling and heating for Beijing Capital Airport; (ii) the operation and maintenance of their respective systems; and (iii) the provision of technological consultation services to the energy systems of terminals, air-field, staff quarters and other areas of Beijing Capital Airport.

The Energy Saving Technology Company

The Energy Saving Technology Company is a wholly-owned subsidiary of the Power and Energy Company and is principally engaged in technical services, technical consultation, technology transfer, technology promotion, technology development; contractual energy management; environmental governance; software development and other services.

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Beijing Airport Commercial and Trading

Beijing Airport Commercial and Trading is principally engaged in conducting trading and retail businesses and is a wholly-owned subsidiary of the Parent Company.

Beijing Airport Media

Beijing Airport Media is principally engaged in the business of advertising and is a wholly-owned subsidiary of the Parent Company.

Beijing Airport Food Management

Beijing Airport Food Management is principally engaged in restaurant and other food and beverage businesses and is a wholly-owned subsidiary of the Parent Company.

IX. BOARD'S APPROVAL

Each of the CCT Agreements and the transactions contemplated thereunder, including the annual caps, were approved by the Board.

As at the Latest Practicable Date, there were no overlapping directors and senior management between the Company and each of the Property Management Company, the Power and Energy Company, the Energy Saving Technology Company, Beijing Airport Commercial and Trading, Beijing Airport Media and Beijing Airport Food Management. Moreover, while the executive Directors and the non-executive Directors concurrently served as director or senior management of the Parent Company, none of the Directors personally had any material interest in the transactions contemplated under the CCT Agreements entered into by the Company and each of the Property Management Company, the Power and Energy Company, the Energy Saving Technology Company, Beijing Airport Commercial and Trading, Beijing Airport Media and Beijing Airport Food Management. Therefore, none of the Directors had abstained from voting at the Board meeting to approve the CCT Agreements and the respective transactions contemplated thereunder, including the annual caps.

X. EGM

The EGM will be convened at 9:00 a.m. on Thursday, 28 December 2023 at the Conference Room, Room 112, the Office Building of the Company, No. 9 Siwei Road, Capital Airport, Beijing, the PRC to consider and, if thought fit, pass resolutions to approve, among other things, the CCT Agreements and the transactions contemplated thereunder, including the annual caps. The resolutions in relation to the CCT Agreements will be proposed by way of ordinary resolutions at the EGM for approval by the Independent Shareholders.

A supplemental notice convening the EGM is set out on pages 141 to 143 in this supplemental circular. A revised form of proxy (the "**Revised Proxy Form**") for use at the EGM is enclosed herewith.

LETTER FROM THE BOARD

IMPORTANT NOTE: The Revised Proxy Form shall supersede and replace the proxy form enclosed with the notice of the EGM dated 2 November 2023 (the “**Previous Proxy Form**”) and the Previous Proxy Form shall be deemed invalid. Shareholders who have signed and returned the Previous Proxy Form should complete and return the Revised Proxy Form in accordance with the instructions provided in the supplemental notice of the EGM. Completion and return of the Revised Proxy Form will not preclude a Shareholder from attending and voting at the EGM in person.

To be valid, the Revised Proxy Form must be completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or other authority, must be lodged with the Company’s H Share registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 24 hours before the time scheduled for holding of the EGM.

The reply slip for the EGM published by the Company on 2 November 2023 is still valid for use in respect of the proposed resolutions set out in the enclosed supplemental notice of the EGM. Holders of H Shares who intend to attend the EGM are requested to deliver the reply slip to the Company’s H Share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (facsimile no.: 852-2865 0990), on or before Thursday, 7 December 2023. The reply slip may be delivered in person, by post or facsimile.

XI. APPOINTMENT OF INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders and Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the CCT Agreements and the transactions contemplated thereunder, including the annual caps, are fair and reasonable; (ii) whether the transactions contemplated under the CCT Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Company, and whether they are in the interest of the Company and the Shareholders as a whole; and (iii) how to vote on the CCT Agreements and the transactions contemplated thereunder, including the annual caps.

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 65 to 66 of this supplemental circular.

A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 67 to 134 of this supplemental circular.

XII. CONNECTED PERSONS WHO ARE REQUIRED TO ABSTAIN FROM VOTING ON THE RESOLUTIONS

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the CCT Agreements and the respective transactions contemplated thereunder is required to abstain from voting on the relevant resolutions at the EGM.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Parent Company is the controlling shareholder of the Company, holding 2,699,814,977 Shares, representing approximately 58.96% of the issued share capital of the Company, and each of the Property Management Company, the Power and Energy Company, the Energy Saving Technology Company, Beijing Airport Commercial and Trading, Beijing Airport Media and Beijing Airport Food Management is wholly-owned by the Parent Company. As such, the Parent Company and its associates, holding 2,699,814,977 Shares, representing approximately 58.96% of the issued share capital of the Company, must abstain from voting at the EGM on the resolutions approving the CCT Agreements and the respective transactions contemplated thereunder, including the annual caps.

As at the Latest Practicable Date and to the best knowledge and belief of the Directors, save as disclosed in this supplemental circular, none of the other Shareholders must abstain from voting on the relevant resolutions at the EGM.

XIII. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. The Chairman of the EGM shall therefore demand that voting on the resolutions set out in the notice of EGM and the supplemental notice of EGM be taken by way of poll pursuant to Article 74 of the Articles of Association.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each Share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote needs not cast all his/her/its votes in the same manner.

XIV. RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the resolutions to be proposed at the EGM, as set out in the notice of the EGM dated 2 November 2023 and the supplemental notice of the EGM dated 11 December 2023, are in the interest of the Company and the Shareholders as a whole, and accordingly, recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Your attention is also drawn to the recommendation of the Independent Board Committee as set out on pages 65 to 66 of this supplemental circular and the letter of advice from the Independent Financial Adviser as set out on pages 67 to 134 of this supplemental circular.

LETTER FROM THE BOARD

XV. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this supplemental circular.

Yours faithfully,
By order of the Board of
Beijing Capital International Airport Company Limited
Li Bo
Secretary to the Board



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)

11 December 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

- (1) SUPPLY OF MISCELLANEOUS PROPERTY SERVICES AGREEMENT**
- (2) SUPPLY OF MISCELLANEOUS ENERGY SERVICES AGREEMENT**
- (3) SUPPLY OF OPERATION AND MAINTENANCE SERVICES OF POWER AND ENERGY FACILITIES FRAMEWORK AGREEMENT**
- (4) INTERNATIONAL RETAIL MANAGEMENT AGREEMENT**
- (5) ADVERTISING MANAGEMENT AGREEMENT**
- (6) FOOD AND BEVERAGE MANAGEMENT AGREEMENT**
- (7) DOMESTIC RETAIL RESOURCES USAGE AGREEMENT**

We refer to the supplemental circular issued by the Company to the Shareholders dated 11 December 2023 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on (i) whether the terms of the CCT Agreements and the transactions contemplated thereunder, including the annual caps, are fair and reasonable; (ii) whether the transactions contemplated under the CCT Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Company, and whether they are in the interest of the Company and the Shareholders as a whole; and (iii) how to vote on the CCT Agreements and the transactions contemplated thereunder, including the annual caps. Opus Capital has been appointed as the Independent Financial Adviser to advise the Independent Shareholders and us in this respect.

We wish to draw your attention to the letter from the Board as set out on pages 7 to 64 of the Circular and the letter from the Independent Financial Adviser as set out on pages 67 to 134 of the Circular, which contain, among other things, their advice and recommendations on (i) whether the terms of the CCT Agreements and the transactions contemplated thereunder, including the annual caps, are fair and reasonable; (ii) whether the transactions contemplated under the CCT Agreements are on normal commercial terms or better and in the ordinary and usual course of business of the Company, and whether they are in the interest of the Company and the Shareholders as a whole; and (iii) how to vote on the CCT Agreements and the transactions contemplated thereunder, including the annual caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the CCT Agreements and the transactions contemplated thereunder, including the annual caps, and the advice and recommendation of the Independent Financial Adviser, we are of the view that the terms of the CCT Agreements and the transactions contemplated thereunder, including the annual caps, are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to approve the CCT Agreements and the transactions contemplated thereunder, including the annual caps.

Yours faithfully,

For and on behalf of the Independent Board Committee
Beijing Capital International Airport Company Limited
Mr. Zhang Jiali, Mr. Stanley Hui Hon-chung,
Mr. Wang Huacheng and Ms. Duan Donghui
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Opus Capital to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the CCT Agreements and their respective annual caps, which has been prepared for the purpose of inclusion in this supplemental circular.



18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

11 December 2023

*To: the Independent Board Committee and the Independent Shareholders
of Beijing Capital International Airport Co., Ltd.*

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(1) SUPPLY OF MISCELLANEOUS PROPERTY SERVICES AGREEMENT
(2) SUPPLY OF MISCELLANEOUS ENERGY SERVICES AGREEMENT
(3) SUPPLY OF OPERATION AND MAINTENANCE SERVICES OF POWER
AND ENERGY FACILITIES FRAMEWORK AGREEMENT
(4) INTERNATIONAL RETAIL MANAGEMENT AGREEMENT
(5) ADVERTISING MANAGEMENT AGREEMENT
(6) FOOD AND BEVERAGE MANAGEMENT AGREEMENT
(7) DOMESTIC RETAIL RESOURCES USAGE AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the following continuing connected transactions (the “**Continuing Connected Transactions**”) contemplated under the CCT Agreements and their respective annual caps:

- (i) the Supply of Miscellaneous Property Services Agreement;
- (ii) the Supply of Miscellaneous Energy Services Agreement;
- (iii) the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement;
- (iv) the International Retail Management Agreement;
- (v) the Advertising Management Agreement;
- (vi) the Food and Beverage Management Agreement; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(vii) the Domestic Retail Resources Usage Agreement.

The details of the Continuing Connected Transactions are set out in the letter from the Board (the “**Letter from the Board**”) contained in this supplemental circular of the Company to the Shareholders dated 11 December 2023 (the “**Supplemental Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Supplemental Circular unless otherwise defined or the context requires otherwise.

The Company entered into the following agreements on the following dates:

- (i) the Supply of Miscellaneous Property Services Agreement was entered into between the Company and the Property Management Company on 6 November 2023, pursuant to which the Property Management Company agreed to provide miscellaneous property services to the Company at Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026;
- (ii) the Supply of Miscellaneous Energy Services Agreement was entered into between the Company and the Energy Services Suppliers on 6 November 2023, pursuant to which the Energy Services Suppliers agreed to provide power and energy services and energy management and conservation services to the Company for Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026;
- (iii) the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement was entered into between the Company and the Power and Energy Company on 6 November 2023, pursuant to which the Power and Energy Company agreed to provide operation and maintenance services for the power and energy facilities of Beijing Capital Airport to the Company for a term of three years commencing from 1 January 2024 to 31 December 2026;
- (iv) the International Retail Management Agreement was entered into between the Company and Beijing Airport Commercial and Trading on 7 November 2023, pursuant to which Beijing Airport Commercial and Trading agreed to provide operation and management services of retail resources to the Company in the international isolated area and international arrival area in Terminal Two and Terminal Three of Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026;
- (v) the Advertising Management Agreement was entered into between the Company and Beijing Airport Media on 7 November 2023, pursuant to which Beijing Airport Media shall operate and manage designated advertising resources within or in the vicinity of Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026;
- (vi) the Food and Beverage Management Agreement was entered into between the Company and Beijing Airport Food Management on 7 November 2023, pursuant to which Beijing Airport Food Management agreed to operate and manage the designated food and beverage resources at Beijing Capital Airport for the Company for a term of three years commencing from 1 January 2024 to 31 December 2026; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (vii) the Domestic Retail Resources Usage Agreement was entered into between the Company and Beijing Airport Commercial and Trading on 6 November 2023, pursuant to which the Company permitted Beijing Airport Commercial and Trading to occupy and use the commercial retail premises and resources (including the Adjusted Retail Resources) and the premises and 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 for a term of three years commencing from 1 January 2024 to 31 December 2026.

As at the Latest Practicable Date, the Parent Company was the controlling shareholder of the Company, holding approximately 58.96% of the issued share capital of the Company. Each of the Energy Services Suppliers, Beijing Airport Commercial and Trading, the Property Management Company, Beijing Airport Media and Beijing Airport Food Management is a wholly-owned subsidiary of the Parent Company and they are therefore connected persons of the Company. Accordingly, the transactions contemplated under the CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of each of the CCT Agreements is more than 5%, the Continuing Connected Transactions are subject to the reporting, annual review, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, there were no overlapping directors and senior management between the Company and each of the Energy Services Suppliers, Beijing Airport Commercial and Trading, the Property Management Company, Beijing Airport Media and Beijing Airport Food Management. The executive Directors and non-executive Directors concurrently served as director or senior management of the Parent Company. Moreover, none of the Directors personally had any material interest in the transactions contemplated under the CCT Agreements. Therefore, none of the Directors had abstained from voting at the Board meeting to approve the CCT Agreements and the respective transactions contemplated thereunder, including the annual caps.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhang Jiali, Mr. Stanley Hui Hon-chung, Mr. Wang Huacheng and Ms. Duan Donghui, has been established to advise the Independent Shareholders as to whether (i) the CCT Agreements are entered into in the ordinary and usual course of business of the Company; (ii) the terms of the CCT Agreements, the Continuing Connected Transactions and their respective annual caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote on the relevant resolution(s) at the EGM. We, Opus Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

We were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of: (i) the operation and maintenance services framework agreement and the supply of aviation safety and security guard services agreement and the transactions contemplated thereunder, including the annual caps, details of which are set out in the circular of the Company dated 6 December 2022; and (ii) the former supplemental aviation safety and security guard services agreement and the transactions contemplated thereunder, including the revised annual caps, details of which are set out in the circular of the Company dated 30 November 2021 (collectively, the “**Past Appointments**”). The Past Appointments are completed and independent to our current appointment.

As at the Latest Practicable Date, save for the Past Appointments, we did not have any relationship with, or interest in, the Company, the Parent Company, the Energy Services Suppliers, Beijing Airport Commercial and Trading, the Property Management Company, Beijing Airport Media, Beijing Airport Food Management or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, save for the Past Appointments, we have not: (i) acted as an independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from the normal professional fees paid or payable to us in connection with the Past Appointments and the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, the Parent Company, the Energy Services Suppliers, Beijing Airport Commercial and Trading, the Property Management Company, Beijing Airport Media, Beijing Airport Food Management or other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have considered and reviewed, amongst other things:

- (i) the Supply of Miscellaneous Property Services Agreement;
- (ii) the Supply of Miscellaneous Energy Services Agreement;
- (iii) the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement;
- (iv) the International Retail Management Agreement;
- (v) the Advertising Management Agreement;
- (vi) the Food and Beverage Management Agreement;
- (vii) the Domestic Retail Resources Usage Agreement;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (viii) the documents in relation to pricing standards issued by the relevant PRC government authorities include: Jing Fa Gai [2022] No. 1420, Jing Fa Gai [2019] No. 1545 and Jing Fa Gai [2018] No. 115;
- (ix) the internal documents of the Company in connection with the determination of the annual caps, internal control procedures and pricing policies in relation to the Continuing Connected Transactions;
- (x) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”);
- (xi) the annual report of the Company for the year ended 31 December (“**FY**”) 2022 (the “**2022 Annual Report**”);
- (xii) the annual report of the Company for FY2021 (the “**2021 Annual Report**”); and
- (xiii) other information as set out in the Supplemental Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Supplemental Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Supplemental Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Supplemental Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Supplemental Circular, the omission of which make any such statement contained in the Supplemental Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Supplemental Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the CCT Agreements, the Continuing Connected Transactions and their respective annual caps, and except for its inclusion in the Supplemental Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

1. Information on the Company, the Parent Company, the Power and Energy Company, the Energy Saving Technology Company, Beijing Airport Commercial and Trading, the Property Management Company, Beijing Airport Media and Beijing Airport Food Management

1.1 Information of the Company

The Company is principally engaged in the operation of Beijing Capital Airport. It is a non-wholly owned subsidiary of the Parent Company.

1.2 Information of the Parent Company

The Parent Company is principally engaged in the provision of ground handling services for domestic and international aviation enterprises and the provision of operation and management services, counter and premises rental services, car parking management, housing rental, property management, advertising agency services and other businesses to its subsidiaries. The ultimate beneficial owner of the Parent Company is CAAC, which is a state bureau administered by the Ministry of Transport of the PRC.

1.3 Information of the Power and Energy Company

The Power and Energy Company is a wholly-owned subsidiary of the Parent Company and is principally engaged in (i) the provision of water, electricity, natural gas, cooling and heating for Beijing Capital Airport; (ii) the operation and maintenance of their respective systems; and (iii) the provision of technological consultation services to the energy systems of terminals, air-field, staff quarters and other areas of Beijing Capital Airport.

1.4 Information of the Energy Saving Technology Company

The Energy Saving Technology Company is a wholly-owned subsidiary of the Power and Energy Company and is principally engaged in technical services, technical consultation, technology transfer, technology promotion, technology development, contractual energy management, environmental governance, software development and other services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.5 Information of Beijing Airport Commercial and Trading

Beijing Airport Commercial and Trading is principally engaged in conducting trading and retail businesses and is a wholly-owned subsidiary of the Parent Company.

1.6 Information of the Property Management Company

The Property Management Company is principally engaged in the provision of property management, labour services and warehousing services at the terminals of Beijing Capital Airport. The Property Management Company is a wholly-owned subsidiary of the Parent Company.

1.7 Information of Beijing Airport Media

Beijing Airport Media is principally engaged in the business of advertising and is a wholly-owned subsidiary of the Parent Company.

1.8 Information of Beijing Airport Food Management

Beijing Airport Food Management is principally engaged in restaurant and other food and beverage businesses and is a wholly-owned subsidiary of the Parent Company.

2. The Supply of Miscellaneous Property Services Agreement

2.1 Background of the Supply of Miscellaneous Property Services Agreement

Reference is made to the announcement of the Company dated 31 December 2020 in respect of, among other things, the Former Supply of Miscellaneous Property Services Agreement, which will expire on 31 December 2023. As the Company and the Property Management Company intend to continue to carry out transactions of a similar nature from time to time after 31 December 2023 due to the Company's daily operation needs, the Company entered into the Supply of Miscellaneous Property Services Agreement as a renewal agreement.

On 6 November 2023, the Company entered into the Supply of Miscellaneous Property Services Agreement with the Property Management Company, pursuant to which the Property Management Company agreed to provide miscellaneous property services to the Company at Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026.

2.2 Reasons for and benefits of entering into the Supply of Miscellaneous Property Services Agreement

We have discussed with the Management in relation to the reasons for and benefits of obtaining the supply of miscellaneous property services from the Property Management Company and understand that the Property Management Company has been engaged in miscellaneous property services for years and has ample experience and sufficient workforce.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

It is familiar with the specific standards and requests of Beijing Capital Airport for property services in order to safeguard the daily operation of Beijing Capital Airport. We further understand that the Property Management Company has been supplying such services to the Company for over a decade, and such services provided by the Property Management Company have been reliable and stable in the past, and therefore it is in the interest of the Company and the Shareholders to enter into the Supply of Miscellaneous Property Services Agreement with the Property Management Company.

Based on our discussions with the Management, in the past years, the miscellaneous property services provided by the Property Management Company has been an important factor in helping the Company to attain high scores in terms of airport environment and the level of cleanliness in washroom in the travellers' satisfaction assessment conducted by Airports Council International for recent years. Further, since the services provided by the Property Management Company have relatively high homogeneity in the market, its pricing is highly open and transparent with an adequately competitive price, and its pricing standard is at the lower-middle level as compared with other market participants. Therefore, it is expected that the engagement of the Property Management Company for the provision of miscellaneous property services will be conducive to safeguarding the daily operation and service quality of Beijing Capital Airport, as well as maintaining the continuity of business operations, which helps to lower procurement costs and control service fees in order to achieve overall cost control.

In light of above, we consider the entering into the Supply of Miscellaneous Property Services Agreement with the Property Management Company is in the ordinary and usual course of business of the Company, and in the interest of the Company and the Shareholders as a whole.

2.3 Material terms of the Supply of Miscellaneous Property Services Agreement

Set out below are the principal terms of the Supply of Miscellaneous Property Services Agreement:

Date

6 November 2023

Parties

- (a) the Company; and
- (b) Property Management Company

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Services

Pursuant to the Supply of Miscellaneous Property Services Agreement, the Company agreed to engage the Property Management Company to provide miscellaneous property services at Terminal One, Terminal Two, Terminal Three, the public area, airfield area and other designated areas (including new areas to be managed by the Company from time to time) of Beijing Capital Airport, which include the following services:

- (i) cleaning, landscaping and greening design, trash removal, trolleys management, luggage storage and packing, and luggage trays management in the terminal area of Beijing Capital Airport;
- (ii) cleaning, landscaping and greening design, and trash removal on the roads in the public area;
- (iii) operation management, fire prevention and control, and cleaning in the car park buildings (lots);
- (iv) security, cleaning and landscaping and greening design at the dormitory and office area; and
- (v) other related services as requested by the Company.

The Supply of Miscellaneous Property Services Agreement is a framework agreement only. Depending on the demand of the Company for its daily operation and subject to the applicable laws and regulations (including but not limited to the Listing Rules), as well as the Company's relevant procurement management regulations and requirements, the Company will enter into definitive service agreement(s) with the Property Management Company for the provision of specific services separately to set out the rights and obligations of each party and the detailed provisions (including but not limited to relevant scope of services, price and payment). In case of any inconsistencies between the terms of the definitive service agreement(s) and the Supply of Miscellaneous Property Services Agreement, the terms of the Supply of Miscellaneous Property Services Agreement shall prevail.

Term

The Supply of Miscellaneous Property Services Agreement is for a term of three years, commencing from 1 January 2024 to 31 December 2026.

Conditions precedent

The transactions contemplated under the Supply of Miscellaneous Property Services Agreement are subject to the approval by the Independent Shareholders at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2.4 Pricing Policy

As set out in the Letter from the Board, pursuant to the Supply of Miscellaneous Property Services Agreement, the service fees for the provision of miscellaneous property services payable by the Company to the Property Management Company will be determined by the parties in accordance with (i) the historical service fees paid by the Company to the Property Management Company for the provision of miscellaneous property services; (ii) the labour costs incurred by the Property Management Company to complete the relevant services under the Supply of Miscellaneous Property Services Agreement; (iii) the material and consumable costs incurred by the Property Management Company and the costs for their procurement, installation, transportation and management; (iv) the relevant fees of other services as required by the Company for the new areas to be managed by the Company from time to time; and (v) the reasonable profit margin, management fee for the provision of relevant services by the Property Management Company to the Company and the relevant taxes.

The relevant departments of the Company adopt the following approaches to assess the reasonableness and fairness of the quotation of the Property Management Company:

After reviewing and evaluating the quotation from the Property Management Company for the provision of miscellaneous property services at Beijing Capital Airport, the Company considers that the quotation from the Property Management Company is price-competitive. The profit margin to be charged by the Property Management Company under the Supply of Miscellaneous Property Services Agreement is expected to be lower than 5%. In this connection, the quotation from the Property Management Company is no less favourable than those offered by independent third parties for the provision of comparable services at Beijing Capital Airport.

We have obtained and reviewed a confirmation letter dated 21 August 2023 issued by the Property Management Company to the Company which stated that the average profit margin of the Property Management Company for the transactions under the Former Supply of Miscellaneous Property Services Agreement is below 5%. Based on our discussions with the Management, we understand that over the last three years, the Company has entered into a total of five service agreements in relation to the provisions of property management services in various areas of Beijing Capital Airport with independent third party service providers. We have randomly selected and reviewed two of such agreements (“**Property Management Samples**”) and the related bidding documents with respect to the Property Management Samples. We noted that the profit margins of the Property Management Samples ranged from approximately 6% to 8%.

As the profit margin charged by the Property Management Company is below the range of profit margins charged by the independent property service providers under the Property Management Samples, we consider the pricing policy in relation to quotation from the Property Management Company is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, we considered that the Company selected independent property service providers in the past and they charged a higher profit margin than the Property Management Company and the miscellaneous property services provided by the Property Management Company has been an important factor in helping the Company to attain high scores in terms of airport environment and the level of cleanliness in washroom in the travellers' satisfaction assessment conducted by Airports Council International for recent years. Therefore, we are of the view that the selection basis of property service provider is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

2.5 *Historical figures*

The following table shows the historical transaction amount for the services provided by the Property Management Company under the Former Supply of Miscellaneous Property Services Agreement:

	FY2021 (RMB)	FY2022 (RMB)	FY2023 (RMB)
Historical transaction amount for the services provided by the Property Management Company	235,768,000	229,580,000	254,793,000 <i>(Note 1)</i>
Annual caps	370,000,000	380,000,000	390,000,000
Utilisation rate for the supply of miscellaneous property services	63.7%	60.4%	65.3%

Note 1:

Since the audited figure of the historical transaction amount for the year ending 31 December 2023 is not yet available, this figure is only an estimated figure based on the aggregate of (i) the unaudited figure of the transaction amount for the nine months ended 30 September 2023 of approximately RMB150,040,000; and (ii) an estimate of the remaining portion of the total transaction amount for the three months ending 31 December 2023, which was agreed and set out in the relevant definitive agreements under the Former Supply of Miscellaneous Property Services Agreement and determined based on the labour costs, material costs, management costs, reasonable profit margin and relevant taxes and in accordance with the pricing policies of the Former Supply of Miscellaneous Property Services Agreement as disclosed in the announcement of the Company dated 31 December 2020. The Company expects that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap.

2.6 *Proposed annual caps and basis of determination of annual caps*

It is expected that the annual caps for the transactions contemplated under the Supply of Miscellaneous Property Services Agreement for each of the three years ending 31 December 2026 are as follows:

	FY2024 (RMB)	FY2025 (RMB)	FY2026 (RMB)
Proposed annual caps	280,000,000	309,000,000	339,000,000

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As illustrated in the table above, the proposed annual cap for FY2024 represents a decrease of approximately 28.2% as compared with the respective annual cap for FY2023; the proposed annual caps will increase by approximately 10.3% and 9.7% for FY2025 and FY2026, respectively.

As disclosed in the Letter from the Board, the annual caps were determined after taking into account (i) the historical transaction amounts for the services provided by the Property Management Company under the Former Supply of Miscellaneous Property Services Agreement; (ii) the possible increase in scope of services and the demand for property services required by the Company for its daily operation; (iii) the potential increase in labour costs; (iv) the potential increase in the costs of materials and management fees; and (v) the relevant taxes.

The annual cap for FY2024 represents an increase of approximately 10% as compared with the historical transaction amounts for FY2023. It is expected that the annual cap for each of FY2025 and FY2026 will increase by approximately 10% respectively, as compared with the proposed annual cap for the preceding year of FY2024 and FY2025.

The year-on-year changes of proposed annual caps and the relevant factors are set out below:

- (i) the estimated figure of transaction amount for each of the three years ending 31 December 2026 is expected to increase by approximately 4%, in anticipation of the corresponding increase in service fees as a result of the possible increase in the demand for property services required by the terminals, the public areas, the airfield area and other designated areas of Beijing Capital Airport;
- (ii) the estimated figure of transaction amount for each of the three years ending 31 December 2026 is expected to increase by approximately 3%, in anticipation of the corresponding increase in service fees as a result of the possible increase in labour costs; and
- (iii) the estimated figure of transaction amount for each of the three years ending 31 December 2026 is expected to increase by approximately 3%, in anticipation of the corresponding increase in service fees as a result of the possible increase in costs of materials and management fees.

We noted that the respective utilisation rate of the relevant annual caps in FY2021, FY2022 and FY2023 was consistently above 60% which we consider the annual caps were sufficiently utilised and the internal forecast conducted by the Management was accurate in general.

In order to assess the fairness and reasonableness of the proposed annual caps under the Supply of Miscellaneous Property Services Agreement, we have discussed with the Management and considered the following factors:

- (i) the sufficient utilisation rate of the respective annual caps in the past three years;

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- (ii) the proposed annual caps are lower than the previous annual caps of FY2021 to FY2023;
- (iii) we understand that in the first half of 2023, as the destruction caused by the coronavirus disease 2019 (“**COVID-19**”) pandemic gradually eased, the domestic aviation market recovered gradually, while the recovery of the international aviation market remained relatively sluggish as affected by the global environment, geopolitical tensions and other factors;
- (iv) as stated in the 2023 Interim Report, in the first half of 2023, the cumulative passenger throughput of Beijing Capital Airport reached 23,100,384 person-times, representing an increase of approximately 318.3% as compared with the same period of the previous year;
- (v) according to the 2023 State Council Government Work Report, the consumer prices in the PRC is expected to increase by 3.0% in 2023;
- (vi) since Beijing Capital Airport commenced the revamp of Terminal One in May 2020, the terminal has yet to return to its full operation. It is expected that Terminal One will reach its full operation level in the next three years as a result of further recovery of air traffic volume and passenger throughput at Beijing Capital Airport and, in turn will result in a growth in property service needs; and
- (vii) as disclosed in the announcement of the Company dated 27 September 2023, the Company would commence its operation and management of two buildings located at Beijing Capital Airport (with a gross floor area of approximately 8,500 square metres in total) which are used for the security of operations for large-scale conferences and events and the emergency transportation of Beijing Capital Airport starting from 1 October 2023 for a term of three years, resulting in a growth in property service needs.

We have also reviewed the calculation of the annual caps for the transactions contemplated under the Supply of Miscellaneous Property Services Agreement, and noted that the proposed annual caps are derived based on (i) the estimated service fee to be paid by the Company to the Property Management Company for the supply of property services for FY2023; (ii) the service fee estimated by the Company for additional property services as mentioned above to be incurred by the Company; and (iii) a buffer for the tax to be incurred in the transactions contemplated under the Supply of Miscellaneous Property Services Agreement.

In light of the above, we are of the view that the proposed annual caps under the Supply of Miscellaneous Property Services Agreement are fair and reasonable.

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3. The Supply of Miscellaneous Energy Services Agreement

3.1 *Background of the Supply of Miscellaneous Energy Services Agreement*

Reference is made to the announcements of the Company dated 3 and 5 November 2020 and the circular of the Company dated 4 December 2020 in respect of, among other things, the Former Supply of Power and Energy Agreement, which will expire on 31 December 2023. After 31 December 2023, in addition to the supply of power and energy services for the operation of Beijing Capital Airport, the Company intends to procure energy management and conservation services from the Energy Saving Technology Company, which is a wholly-owned subsidiary of the Power and Energy Company.

On 6 November 2023, the Company entered into the Supply of Miscellaneous Energy Services Agreement with the Energy Service Suppliers, pursuant to which the Energy Service Suppliers agreed to provide power and energy services and energy management and conservation services to the Company at Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026.

3.2 *Reasons for and benefits of entering into the Supply of Miscellaneous Energy Services Agreement*

We have discussed with the Management in relation to the reasons for and benefits of obtaining the supply of water, electricity, natural gas, cooling and heating services from the Power and Energy Company and understand that the Power and Energy Company has been supplying such energy services to the Company for over a decade, and such services provided by the Power and Energy Company have been reliable and stable, with no severe power failure or interruption of water supply over the past three years. Therefore it is in the interest of the Company and the Shareholders to enter into the Supply of Miscellaneous Energy Services Agreement with the Energy Services Suppliers.

As discussed in the Letter from the Board, the Power and Energy Company is the sole supplier of water, electricity, natural gas, cooling and heating services at the area of Beijing Capital Airport and it has abundant experience in the provision of power and energy for Beijing Capital Airport. The provision of the above power and energy by the Power and Energy Company will be in favour of safeguarding the daily operations and service quality of Beijing Capital Airport. This can ensure the continuity of power supply business and at the same time safeguard the capabilities of prompt response to emergency within the isolated area of Beijing Capital Airport as well as the professionalism and high efficiency required by its operations. As the operation of Beijing Capital Airport is highly dependent on a steady supply of water, electricity, natural gas, cooling and heating services, we concur with the Management that the services provided by Power and Energy Company is crucial to the daily operation of Beijing Capital Airport.

Furthermore, based on our discussions with the Management, we understand that the Company attaches great importance to energy conservation and reduction of carbon emissions in its operation of Beijing Capital Airport. The Energy Saving Technology Company has abundant

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experience in the provision of energy conservation services, and professional and coordinated advantages in the management of power supply and consumption. As a wholly-owned subsidiary of the Power and Energy Company, the Energy Saving Technology Company is able to satisfy the Company's relevant needs for emergency response capabilities, professionalism and efficiency of services, while at the same time maintaining close cooperation with the Company to effectively provide energy conservation services for Beijing Capital Airport. As such, we concur with the Management that the Energy Saving Technology Company has the potential and capability to provide the energy conservation services under the Supply of Miscellaneous Energy Services Agreement.

In light of above, we consider the entering into of the Supply of Miscellaneous Energy Services Agreement with the Energy Services Suppliers is in the ordinary and usual course of business of the Company, and in the interest of the Company and the Shareholders as a whole.

3.3 Material terms of the Supply of Miscellaneous Energy Services Agreement

Set out below are the principal terms of the Supply of Miscellaneous Energy Services Agreement:

Date

6 November 2023

Parties

- (a) the Company; and
- (b) the Energy Services Suppliers

Services

Pursuant to the Supply of Miscellaneous Energy Services Agreement, the Company agreed to engage the Energy Service Suppliers to provide the following services at Terminal One, Terminal Two, Terminal Three, the airfield area, the public area and other designated areas of Beijing Capital Airport:

- (i) provision of five types of energy services, namely electricity, water, natural gas, heating and cooling services;
- (ii) sewage services for buildings and facilities owned by the Company;
- (iii) provision of reclaimed water (recycled water) services for greening;
- (iv) energy management and conservation services; and
- (v) other related services as requested by the Company.

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The Supply of Miscellaneous Energy Services Agreement is a framework agreement only. Depending on the demand of the Company for its daily operation and subject to the applicable laws and regulations (including but not limited to the Listing Rules), as well as the Company's relevant procurement management regulations and requirements, the Company will separately enter into definitive service agreement(s) with the Energy Service Suppliers for the provision of specific services to stipulate the rights and obligations of each party and the detailed terms (including but not limited to the relevant scope of services, price and payment). In case of any inconsistencies between the terms of the definitive service agreement(s) and the Supply of Miscellaneous Energy Services Agreement, the terms of the Supply of Miscellaneous Energy Services Agreement shall prevail.

Term

The Supply of Miscellaneous Energy Services Agreement is for a term of three years, commencing from 1 January 2024 to 31 December 2026.

Conditions precedent

The Supply of Miscellaneous Energy Services Agreement and the transactions contemplated thereunder shall be subject to the approval by the Independent Shareholders at the EGM.

Consideration and payment

The methods of calculating the service fees to be charged by the Energy Services Suppliers under the Supply of Miscellaneous Energy Services Agreement are set out as follows:

- (i) in respect of the supply of electricity, the method of calculation is as follows:

$$\text{Electricity tariffs} = \text{unit price of electricity supply}^{(\text{Note } 3)} \times \text{actual volume incurred}$$

Note 3: In the event of adjustments to the electricity tariffs in Beijing municipality during the term of the Supply of Miscellaneous Energy Services Agreement, the parties will settle based on the adjusted amount of electricity tariffs.

- (ii) in respect of the supply of natural gas, the method of calculation is as follows:

$$\text{Natural gas tariffs} = \text{unit price of natural gas}^{(\text{Note } 4)} \times \text{actual volume incurred}$$

Note 4: In the event of adjustments to natural gas tariffs during the term of the Supply of Miscellaneous Energy Services Agreement, the parties will settle based on the adjusted amount of natural gas tariffs.

- (iii) in respect of the supply of water and reclaimed water (recycled water), the method of calculation is as follows:

$$\text{Water tariffs} = \text{unit price of water supply}^{(\text{Note } 5)} \times \text{actual volume incurred}$$

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Reclaimed water (recycled water) fees = unit price of reclaimed water (recycled water) supply ^(Note 5) × actual volume incurred

Note 5: In the event of adjustments to water tariffs and/or reclaimed water (recycled water) fees during the term of the Supply of Miscellaneous Energy Services Agreement, the parties will settle based on the adjusted amount of water tariffs and/or reclaimed water (recycled water) fees.

- (iv) in respect of the provision of heating services, the method of calculation is as follows:

Heating fees = unit price of heating supply of the relevant district ^(Note 6) × area of heating supply × days of heating supply

Note 6: In the event of changes in the pricing standard(s) of heating fees made by the relevant government authorities during the term of the Supply of Miscellaneous Energy Services Agreement, the parties will make adjustments to the heating fees accordingly.

- (v) in respect of the provision of cooling services, the method of calculation is as follows:

Cooling fees = unit price of cooling supply ^(Note 7) × area of cooling supply × days of cooling supply

Note 7: There is no existing pricing standard in relation to the unit price of cooling supply issued by the relevant government authorities of Beijing municipality. Its pricing is calculated based on the prevailing market conditions. The unit price of cooling supply will be determined by arm's length negotiations with reference to factors that are specifically related to the needs of Beijing Capital Airport, such as (i) the requirement for 24-hour non-stop operation of refrigerating equipment at Beijing Capital Airport, which differ from normal commercial offices with around 8 to 10 hours of refrigeration period; and (ii) the relatively high level of cooling consumption due to the large space area of terminals at Beijing Capital Airport, with their average height far exceeding that of normal commercial offices.

- (vi) in respect of the provision of energy management and conservation services, the method of calculation is as follows:

Energy management and conservation services fees = energy cost savings × sharing ratio ^(Note 8)

Note 8: The amount of energy cost savings is calculated in accordance with the relevant standards and specifications or energy efficiency confirmation sheet while the sharing ratio is determined through negotiation of the parties with reference to the prevailing market condition.

For the provision of natural gas, water, reclaimed water (recycled water) and heating services under the Supply of Miscellaneous Energy Services Agreement, the unit price will be determined in accordance with the relevant pricing standards prescribed by the relevant government authorities, including documents such as Jing Fa Gai [2022] No. 1420, Jing Fa Gai [2019] No. 1545 and Jing Fa Gai [2018] No. 115, which were issued by the Beijing Municipal Commission of Development and Reform and provide for, among others, the increase in the

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water and natural gas tariffs for non-resident entities in Beijing. In respect of the provision of electricity services under the Supply of Miscellaneous Energy Services Agreement, pursuant to the requirements of the General Office of the National and Development Reform Commission, the unit price is determined according to the relevant pricing standards published by State Grid Beijing Electric Power Company, which regulate the extent of increase in the electricity prices for companies within the electricity grid of Beijing. The relevant pricing standards will be published on the official website of State Grid Beijing Electric Power Company from time to time. In respect of the provision of water and electricity services, in addition to the relevant pricing standards formulated by the government authorities, the deferred costs incurred by the Power and Energy Company in relation to the supply of water and electricity were also taken into consideration ^(Note 9).

Note 9: Deferred costs are calculated as follows: Maintenance costs incurred by the Power and Energy Company in relation to the supply of water and electricity x (Annual energy fee incurred by the Company / Total annual energy fee incurred by all users of the Power and Energy Company's services).

We have reviewed the aforementioned documents in relation to the pricing standards, namely Jing Fa Gai [2022] No. 1420, Jing Fa Gai [2019] No. 1545, and Jing Fa Gai [2018] No. 115. According to 《關於調整本市非居民用天然氣銷售價格的通知》(京發改[2022]1420號) (*the Notice on Adjustment of Natural Gas Sales Price for Local Non-residents (Jing Fa Gai [2022] No. 1420)), and understood that the state-prescribed unit price of natural gas in Beijing should be determined with reference to the actual consumption volume, district location and seasonal timing. We have also reviewed 《關於調整本市非居民供熱價格有關問題的通知》(京發改[2019]1545號) (*the Notice on Relevant Issues in connection with the Adjustment of Heating Supply Price for Local Non-residents (Jing Fa Gai [2019] No. 1545)), and note that the state-prescribed unit price of heating supply in Beijing should be determined with reference to the district location, actual consumption volume and area of heating supply. In addition, we have reviewed 《關於本市水價有關問題的通知》(京發改[2018]115號) (*the Notice of Relevant Issues in connection with Water Supply Prices (Jing Fa Gai [2018] No. 115)), and note that the state-prescribed unit price of water supply in Beijing should be determined with reference to the district location, actual consumption volume, water source and resident status.

Based on our review of the abovementioned documents, we consider such guidelines provide a clear pricing standard to govern the pricing charged by utilities service providers and is fair and reasonable.

For the provision of cooling services and energy management and conservation services under the Supply of Miscellaneous Energy Service Agreement, the cooling service fees and the energy conservation service fees will be determined based on the following factors:

- (i) the historical service fees paid by the Company to the Power and Energy Company for the supply of cooling;
- (ii) the reasonable costs incurred by the Power and Energy Company and the Energy Saving Technology Company for the provision of cooling services and energy management and conservation services;

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- (iii) the reasonable profit margin of the Power and Energy Company (being approximately 10%) for the provision of cooling services and the reasonable profit margin of the Energy Saving Technology Company (being approximately 5%) for the provision of energy management and conservation services; and
- (iv) the related taxes.

The service fees for the provision of specific services under the Supply of Miscellaneous Energy Services Agreement shall be payable by the Company through cheque or bank transfer to each of the Energy Services Suppliers on monthly, quarterly, half-yearly or annual basis in accordance with the relevant definitive service agreements.

3.4 *Pricing Policy*

As set out in the Letter from the Board, the costs of the provision of services under Supply of Miscellaneous Energy Services Agreement mainly relate to (i) labour cost; (ii) the management, maintenance and repair expenses necessary for maintaining normal operation of the energy network and relevant equipment and facilities at Beijing Capital Airport during the course of supply of various types of energy; and (iii) the impairment during the energy supply process.

We have discussed with the Management and understand that the Power and Energy Company is the sole supplier of electricity, natural gas, water, reclaimed water (recycled water), cooling and heating in the area of Beijing Capital Airport. Therefore, there are no quotations from other independent utilities service providers for price comparison. Given the fact that no other utilities service provider is available, we concur with the Management that it is reasonable to compare the profit margin (which is approximately 10%) to be charged by the Power and Energy Company to the Company with the profit margin (which is approximately 10%) to be charged to other independent third parties operating in Beijing Capital Airport (the “**Independent Operators**”), such as the airline companies, ground services companies and etc., for the supply of comparable services. We understand from the Management that the profit margin charged by the Power and Energy Company to the Company is not higher than the profit margins charged by the Power and Energy Company to the Independent Operators.

We have obtained and reviewed a confirmation letter dated 23 August 2023 issued by the Power and Energy Company. As stated in the letter, the Power and Energy Company provided confirmation to the Company that the profit margins charged to the Company (i.e., approximately 10% for the supply of energy services and approximately 5% for the supply of energy management and conservation services) are not higher than those charged to the Independent Operators (i.e., approximately 10% for the supply of energy services and approximately 8% to 12% for the supply of energy management and conservation services).

As advised by the Management, we understand that the Power and Energy Company would issue a notice to their customers, including the Company, when there is any change in the unit price of the supply of electricity, water or natural gas. The Company has provided and we have reviewed the relevant notices issued by the Power and Energy Company in relation to the

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change in the unit price in the past three years and we understand that the price charged by the Power and Energy Company to the Independent Operators is public and transparent. Considering the cost for the supply of electricity, water and natural gas by the Power and Energy Company to the Company and the Independent Operators are similar, the Company is able to ensure the profit margin to be charged by the Power and Energy Company to the Company will not be higher than those charged to the Independent Operators by comparing the unit price as stated in the relevant notice.

In light of the above, we are of the view that the relevant pricing policy under the Supply of Miscellaneous Energy Services Agreement is fair and reasonable.

3.5 *Historical figures*

The following table shows the historical transaction amount for the supply of power and energy for FY2021, FY2022 and FY2023:

	FY2021 (RMB)	FY2022 (RMB)	FY2023 (RMB)
Historical transaction amount for the supply of power and energy services	599,000,000	562,000,000	574,449,700 <i>(Note 10)</i>
Annual caps	763,100,000	763,100,000	793,100,000
Utilisation rate for the supply of power and energy services	78.5%	73.6%	72.4%

Note 10: Since the audited figure of the historical transaction amount for the supply of power and energy services under the Former Supply of Power and Energy Agreement for the year ending 31 December 2023 is not yet available, this figure is only an estimated figure based on the aggregate of (i) the unaudited figure of the historical transaction amount under the Former Supply of Power and Energy Agreement for the nine months ended 30 September 2023 of approximately RMB423,289,000; and (ii) an estimate of the remaining portion of the total transaction amount for the three months ending 31 December 2023, which was agreed and set out in the relevant definitive agreements under the Former Supply of Power and Energy Agreement and determined based on the labour costs, the necessary management, maintenance and repair expenses, impairment during the energy supply process and the related taxes and reasonable profit margin and in accordance with the pricing policies of the Former Supply of Power and Energy Agreement as disclosed in the announcement of the Company dated 3 November 2020 and the circular of the Company dated 4 December 2020. The Company expected that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap.

3.6 *Proposed annual caps and basis of determination of annual caps*

The following table sets out the expected maximum aggregate annual fee payable by the Company under the Supply of Miscellaneous Energy Services Agreement for each of FY2024, FY2025 and FY2026.

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	FY2024	FY2025	FY2026
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Proposed annual caps	680,000,000	721,000,000	764,000,000

As illustrated in the table above, the proposed annual cap for FY2024 represents a decrease of approximately 14.3% as compared with that for FY2023. The proposed annual caps will each increase by approximately 6% for FY2025 and FY2026, respectively.

As disclosed in the Letter from the Board, the annual caps were determined after taking into account (i) the historical transaction amount for the supply of power and energy services; (ii) the potential increase in the volume of services required by the Company based on its daily operations (including the corresponding change in the service volume and the scope of services resulting from the fluctuations of business volume); (iii) the possible increase in labour, material and consumable costs within the next three years; and (iv) the related taxes and reasonable profit margin.

The reasons for the year-on-year changes of proposed annual caps are set out below:

- (i) the increase of annual cap for the year ending 31 December 2024 by approximately RMB105,000,000 (or approximately 18%) as compared with the estimated figure of historical transaction amount for the year ending 31 December 2023 is attributable to (i) the expected increase of additional energy fees in the amount of approximately RMB7,630,000 arising from the addition of new purification and incineration stations; (ii) the expected increase of additional energy fees in the total amount of approximately RMB90,000,000 arising from and the increase in demand for energy supply for the public areas, airfields and terminals of Beijing Capital Airport due to the gradual recovery of air traffic volume and passenger throughput; and (iii) the expected increase of additional relevant energy management and conservation service fees in the amount of approximately RMB7,370,000;
- (ii) it is expected that the annual cap for the year ending 31 December 2025 will increase by approximately 6% as compared with the annual cap for the year ending 31 December 2024, after taking into account: (i) an increasing trend of electricity tariff according to the relevant notice issued by the Beijing Municipal Commission of Development and Reform (Jing Fa Gai Gui [2023] No. 11* (京發改規[2023]11號)) in relation to the adjustments to mechanism of the time-of-use electricity tariff; (ii) an expected year-on-year increase of air traffic volume and passenger throughput by approximately 10% in 2025, which is expected to lead to an increase in energy consumption at Beijing Capital Airport and the relevant energy management and conservation service fees; (iii) an expected increase of energy fees by approximately 3% in the event that Terminal One fully commences operation as a result of the further recovery of air traffic volume and passenger throughput at Beijing Capital Airport; and

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- (iii) it is expected that the annual cap for the year ending 31 December 2026 will increase by approximately 6% as compared with the annual cap for the year ending 31 December 2025, after taking into account: (i) an expected year-on-year increase of air traffic volume and passenger throughput by approximately 10% in 2026 and the consequential increase in Beijing Capital Airport's energy consumption and the relevant energy management and conservation service fees; and (ii) the possible increase of energy consumption at Beijing Capital Airport and the relevant energy management and conservation service fees as a result of construction and commencement of operations of relevant ancillary facilities and equipment at Beijing Capital Airport.

We noted that the respective utilisation rate of the relevant annual caps in FY2021, FY2022 and FY2023 was consistently above 70% which we consider the annual caps were sufficiently utilised and the internal forecast conducted by the Management was accurate in general.

In order to assess the fairness and reasonableness of the proposed annual caps under the Supply of Miscellaneous Energy Services Agreement, we have discussed with the Management and considered the following factors:

- (i) the high utilisation rate of the respective annual caps in the past three years;
- (ii) the proposed annual caps are in general lower than the previous annual caps of FY2021 to FY2023;
- (iii) we understand that in the first half of 2023, as the destruction caused by the COVID-19 pandemic gradually eased, the domestic aviation market recovered gradually, while the recovery of the international aviation market remained relatively sluggish as affected by the global environment, geopolitical tensions and other factors;
- (iv) as stated in the 2023 Interim Report, in the first half of 2023, the cumulative passenger throughput of Beijing Capital Airport reached 23,100,384 person-times, representing an increase of approximately 318.3% as compared with the same period of the previous year;
- (v) according to the 2023 State Council Government Work Report, the consumer prices in the PRC is expected increase by 3.0% in 2023;
- (vi) since Beijing Capital Airport commenced the revamp of Terminal One in May 2020, the terminal has yet to return to its full operation. It is expected that Terminal One will reach its full operation level in the next three years as a result of further recovery of air traffic volume and passenger throughput at Beijing Capital Airport and, in turn, will result in a growth in energy usage; and
- (vii) as disclosed in the announcement of the Company dated 27 September 2023, the Company would commence its operation and management of the two buildings located at Beijing Capital Airport (with a gross floor area of approximately 8,500 square metres

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in total) which are used for the security of operations for large-scale conferences and events and the emergency transportation of Beijing Capital Airport starting from 1 October 2023 for a term of three years, resulting in a growth in energy usage.

We have also reviewed the calculation of the annual caps for the transactions contemplated under the Supply of Miscellaneous Energy Services Agreement, and noted that the proposed annual caps are derived based on (i) the estimated service fee to be paid by the Company to the Energy Services Suppliers for the supply of power and energy for FY2023; (ii) the service fee estimated by the Company for the additional power and energy consumption as mentioned above to be incurred by the Company; and (iii) a buffer for the tax to be incurred in the transactions contemplated under the Supply of Miscellaneous Energy Services Agreement. We have discussed with the Management and understand that the Company estimated such additional service fee by projecting the volume of power and energy to be used in each year under the Supply of Miscellaneous Energy Services Agreement and then multiplying by the relevant unit price to be charged by the Energy Services Suppliers.

In light of the above, we are of the view the proposed annual caps under the Supply of Miscellaneous Energy Services Agreement are fair and reasonable.

4. The Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement

4.1 Background of the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement

Reference is made to the announcements of the Company dated 30 December 2020 in respect of, among other things, the Former Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, which will expire on 31 December 2023. As the parties intend to continue to carry out transactions of a similar nature from time to time after 31 December 2023, the Company and the Power and Energy Company entered into the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement as a renewal agreement.

On 6 November 2023, the Company entered into the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement with the Power and Energy Company, pursuant to which the Power and Energy Company agreed to provide operation and maintenance services for the power and energy facilities of Beijing Capital Airport to the Company for a term of three years commencing from 1 January 2024 to 31 December 2026.

4.2 Reasons for and benefits of entering into the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement

We have discussed with the Management in relation to the reasons for and benefits of obtaining the supply of comprehensive operation and maintenance services for power and energy facilities from the Power and Energy Company and understand that the Power and Energy Company has been supplying such energy services to the Company for over a decade,

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and such services provided by the Power and Energy Company have been reliable and stable in the past, and therefore it is in the interest of the Company and the Shareholders to enter into the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement with the Power and Energy Company.

As discussed in the Letter from the Board, the Power and Energy Company is the only service provider for the provision of comprehensive operation and maintenance services for power and energy facilities in the area of Beijing Capital Airport and possesses ample experience in providing operation and maintenance services for power and energy facilities. As the operation of Beijing Capital Airport is highly dependent on a stable supply of water, electricity, natural gas, air-conditioning and heating, which shall be continuously provided around the clock, and equipment and facilities are required to be operated in a highly stable manner with managerial security and extremely high capability of emergency response in respect of maintenance services, the Company considers that the operation and maintenance services provided by the Power and Energy Company for power and energy facilities are conducive to ensuring the daily operation and stability of service quality of Beijing Capital Airport, maintaining the continuity of operation and maintenance services, as well as ensuring the rapid emergency response capability and the professionalism and efficiency required for operation in the isolated area of Beijing Capital Airport. As such, we concur with the Management that the services provided by the Power and Energy Company is crucial to the daily operation of Beijing Capital Airport.

In light of above, we consider the entering into the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement with the Power and Energy Company is in the ordinary and usual course of business of the Company, and in the interest of the Company and the Shareholders as a whole.

4.3 Material terms of the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement

Set out below are the principal terms of the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement:

Date

6 November 2023

Parties

- (a) the Company; and
- (b) the Power and Energy Company

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Services

Pursuant to the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, the Company agreed to appoint the Power and Energy Company to provide operation and maintenance services for the power and energy facilities to the Company at the terminals, airfield area, public area and other designated areas of Beijing Capital Airport, including:

- (i) the operation and maintenance services of heating, ventilation and air-conditioning system, electricity supply and distribution system, water supply and drainage system, and building automation system and energy facilities at the terminal areas of Beijing Capital Airport and the surrounding areas thereof;
- (ii) the operation and maintenance services of lighting and electricity facilities and systems in the airfield area and public area;
- (iii) the operation and maintenance services of sewage disposal and garbage incineration facilities;
- (iv) the operation and maintenance services of water, heating and electricity facilities in the near-end premises; and
- (v) other related services as requested by the Company.

The Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement is a framework agreement only. Subject to the applicable laws and regulations (including but not limited to the Listing Rules) and the Company's relevant procurement management regulations and requirements, the Company and the Power and Energy Company will separately enter into definitive service agreement(s) for the provision of specific services to stipulate the rights and obligations of each party and the detailed terms (including but not limited to the relevant scope of services, price and payment). In case of any inconsistencies between the terms of the definitive service agreement(s) and the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, the terms of the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement shall prevail.

Term

The Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement is for a term of three years, commencing from 1 January 2024 to 31 December 2026.

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Conditions precedent

The Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement and the transactions contemplated thereunder shall be subject to the approval by the Independent Shareholders at the EGM.

4.4 Pricing Policy

As set out in the Letter from the Board, the service fees for provision of the operation and maintenance services of power and energy facilities payable by the Company to the Power and Energy Company will be determined by the parties with reference to (i) the relevant labour costs incurred for the provision of various operation and maintenance services; (ii) all costs incurred for the provision of various operation and maintenance services; (iii) the costs of spare products, spare parts, materials and consumables required for the operation and maintenance of various systems; (iv) the reasonable profit margin (being approximately 8% to 12%) for the provision of operation and maintenance services by the Power and Energy Company to the Company; and (v) the relevant taxes.

As there are restrictions on the pipes and facilities for the transmission of power and energy at Beijing Capital Airport and the Power and Energy Company is the only service provider at Beijing Capital Airport who possesses such pipes and facilities, the Power and Energy Company is therefore capable of providing well-rounded operation and maintenance services for power and energy facilities to Beijing Capital Airport. As such, the Company is not able to obtain quotations from other independent service providers for the provision of services of power and energy facilities of the same or similar services in Beijing Capital Airport. Given the fact that no other service provider is available, we concur with the Management that it is reasonable to compare the profit margin charged by the Power and Energy Company to the Company with the profit margin charged by (i) the Power and Energy Company to the Independent Operators; and (ii) independent third parties which provide other types of facilities maintenance services, such as maintenance services for building automation system and equipment and facilities, to the Company. We understand from the Management that the profit margin charged by the Power and Energy Company to the Company is not higher than the profit margins charged by the Power and Energy Company to the Independent Operators.

In addition, we have obtained and reviewed a confirmation letter dated 23 August 2023 issued by the Power and Energy Company. As stated in the letter, the Power and Energy Company has provided confirmation to the Company that the profit margin charged to the Company under the Former Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement (i.e., approximately 5% to 8%) is not higher than those charged to the Independent Operators (i.e., approximately 8% to 12%).

In light of the above, we are of the view that the pricing policy under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement is fair and reasonable.

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4.5 *Historical figures*

The following table shows the historical transaction amount for the operation and maintenance services provided by the Power and Energy Company under the Former Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement:

	FY2021 (RMB)	FY2022 (RMB)	FY2023 (RMB)
Historical transaction amount for the operation and maintenance services provided by the Power and Energy Company	192,903,000	190,512,000	193,780,000 <i>(Note 11)</i>
Annual caps	215,000,000	225,000,000	235,000,000
Utilisation rate for the supply of operation and maintenance services	89.7%	84.7%	82.4%

Note 11: Since the audited figure for the historical transaction amount for the year ending 31 December 2023 is not yet available, it is only an estimated figure based on the aggregate amount of (i) the unaudited figure of the transaction amount for the nine months ended 30 September 2023 of approximately RMB135,227,000; and (ii) an estimate of the remaining portion of the total transaction amount for the three months ending 31 December 2023, which was agreed and set out in the relevant definitive agreements under the Former Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, and determined based on the raw material costs, labour costs, and the relevant taxes and in accordance with the pricing policy of such framework agreement as disclosed in the announcement of the Company dated 30 December 2020. The Company expected that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap.

4.6 *Proposed annual caps and basis of determination of annual caps*

The following table sets out the expected maximum aggregate annual fee payable by the Company under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement for each of FY2024, FY2025 and FY2026.

	FY2024 (RMB)	FY2025 (RMB)	FY2026 (RMB)
Proposed annual caps	203,000,000	213,000,000	223,000,000

As illustrated in the table above, the proposed annual cap for FY2024 represents a decrease of approximately 13.6% as compared with that for FY2023. The proposed annual caps will increase by approximately 4.9% and 4.7% for FY2025 and FY2026, respectively.

As disclosed in the Letter from the Board, the annual caps were determined after taking into account (i) the historical transaction amount for the operation and maintenance services provided by the Power and Energy Company for the power and energy facilities to the

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Company; (ii) the change in the volume of services required by the Company based on its daily operation needs; (iii) the potential increase in labour costs and costs of materials and consumables in the next three years; and (iv) the related taxes and reasonable profit margin.

The proposed annual caps for FY2025 and FY2026 represents an increase of approximately 4%, as compared with the annual caps for FY2024 and FY2025 respectively.

The year-on-year changes of the proposed annual caps are attributable to the following factors:

- (i) the annual cap for the year ending 31 December 2024 is expected to increase by approximately RMB9,000,000 (or approximately 5%) as compared with the estimated figure of historical transaction amount for the year ending 31 December 2023 due to the corresponding increase in service fees as a result of the introduction of new operations in the airfields, terminals and public areas of Beijing Capital Airport, including but not limited to the operation and maintenance of electrical equipment, the operation and maintenance of water and electrical facilities, and the handling of aviation waste;
- (ii) the annual cap for the year ending 31 December 2025 is expected to increase by approximately 4% as compared with the annual cap for the year ending 31 December 2024, as it is anticipated that the ageing of power and energy facilities and equipment will contribute to an increase in the frequency and complexity of necessary operation and maintenance services, leading to an increase of operation and maintenance service fees by approximately 3%. Additionally, with the gradual recovery of air traffic volume and passenger throughput, together with the possible full resumption of use of Terminal One, the operation and maintenance service fees are expected to increase by approximately 2.2%; and
- (iii) the annual cap for the year ending 31 December 2026 is expected to increase by approximately 4% as compared with the annual cap for the year ending 31 December 2025, as it is anticipated that certain relevant facilities and equipment will be constructed and commence operations at Beijing Capital Airport and there will be a corresponding increase in operation and maintenance service fees.

We noted that the respective utilisation rate of the relevant annual caps in FY2021, FY2022 and FY2023 was consistently above 80% which we consider the annual caps were sufficiently utilised and the internal forecast conducted by the Management was accurate in general.

In order to assess the fairness and reasonableness of the proposed annual caps under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, we have discussed with the Management and considered the following factors:

- (i) the high utilisation rate of the respective annual caps in the past three years;
- (ii) the proposed annual caps are in general lower than the previous annual caps of FY2021 to FY2023;

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- (iii) we understand that in the first half of 2023, as the destruction caused by the COVID-19 pandemic gradually eased, the domestic aviation market recovered gradually, while the recovery of the international aviation market remained relatively sluggish as affected by the global environment, geopolitical tensions and other factors;
- (iv) as stated in the 2023 Interim Report, in the first half of 2023, the cumulative passenger throughput of Beijing Capital Airport reached 23,100,384 person-times, representing an increase of approximately 318.3% as compared with the same period of the previous year;
- (v) according to the 2023 State Council Government Work Report, the consumer prices in the PRC is expected to increase by 3.0% in 2023;
- (vi) since Beijing Capital Airport commenced the revamp of Terminal One in May 2020, the terminal has yet to return to its full operation. It is expected that Terminal One will reach its full operation level in the next three years as a result of further recovery of air traffic volume and passenger throughput at Beijing Capital Airport and, in turn, will result in a growth in operation and maintenance service needs of power and energy facilities; and
- (vii) as disclosed in the announcement of the Company dated 27 September 2023, the Company would commence its operation and management of the two buildings located at Beijing Capital Airport (with a gross floor area of approximately 8,500 square metres in total) which are used for the security of operations for large-scale conferences and events and the emergency transportation of Beijing Capital Airport starting from 1 October 2023 for a term of three years, resulting in a growth in operation and maintenance service needs of power and energy facilities.

We have also reviewed the calculation of the proposed annual caps for the transactions contemplated under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, and noted that the proposed annual caps are derived based on (i) the estimated service fee to be paid by the Company to the Power and Energy Company for the supply of operation and maintenance services for FY2023; (ii) the service fee estimated by the Company for the additional operation and maintenance services as mentioned above to be incurred by the Company; and (iii) a buffer for the tax to be incurred in the transactions contemplated under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement.

In light of the above, we are of the view the proposed annual caps under the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement are fair and reasonable.

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5. The International Retail Management Agreement

5.1 *Background of the International Retail Management Agreement*

Reference is made to the announcement of the Company dated 3 November 2020 and the circular of the Company dated 4 December 2020 in respect of the Former International Retail Management Agreement, which will expire on 31 December 2023. As the parties intend to continue to carry out transactions of a similar nature from time to time after 31 December 2023, the Company entered into the International Retail Management Agreement.

On 7 November 2023, the Company entered into the International Retail Management Agreement with Beijing Airport Commercial and Trading, pursuant to which Beijing Airport Commercial and Trading agreed to provide operation and management services of retail resources to the Company in the international isolated area and international arrival area in Terminal Two and Terminal Three of Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026.

5.2 *Reasons for and benefits of entering into the International Retail Management Agreement*

We have discussed with the Management in relation to the reasons for and benefits of entering into the International Retail Management Agreement and understand that Beijing Airport Commercial and Trading has maintained a good cooperative relationship with the Company in the past and is familiar with the international retail business within Beijing Capital Airport. In addition, Beijing Airport Commercial and Trading has relatively strong capability in attracting and managing retail business as well as in retail operation and management.

During the term of the Former International Retail Management Agreement, in particular during the period of the COVID-19 pandemic, Beijing Airport Commercial and Trading actively cooperated with the Company to implement epidemic prevention measures, ensure realisation of the “Three Zeroes” epidemic protection target for Beijing Capital Airport, and strived to promote the resumption of normal work and production under regular pandemic prevention and control. In 2023, Beijing Airport Commercial and Trading has given better play to its initiatives and actively promoted for international retail operators to speed up restoration of store operations. At the same time, Beijing Airport Commercial and Trading has assisted the Company in handling matters related to international retail operation agreements.

We also understand from the Management that Beijing Airport Commercial and Trading has ample client resources in international retail and strong capability of attracting and managing retail business, which can generate more revenue for the international retail business of Beijing Capital Airport and increase the non-aeronautical revenue of the Company. Beijing Airport Commercial and Trading conducts tender process for the Company in order to select duty-free businesses that operate in the international isolated areas at Beijing Capital Airport. The tender results of duty-free businesses in the past, including the supplementary agreements entered into with China Duty Free Group Co., Ltd. (*中國免稅品(集團)有限責任公司) and Sunrise Duty Free (China) Co., Ltd. (*日上免稅行(中國)有限公司) as disclosed in the inside information announcement of the Company dated 4 January 2018, has helped to ensure the scale of duty-

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free revenue of Beijing Capital Airport. In view of the tender results of duty-free business, Beijing Airport Commercial and Trading has fully demonstrated its extensive experience in international duty-free business and a solid understanding of the duty-free policy in the PRC, which will enable it to reasonably maximise the value of duty-free resources in Beijing Capital Airport in accordance with the laws and regulations. Therefore, it is expected that the management of the international retail resources of Beijing Capital Airport by Beijing Airport Commercial and Trading will facilitate the recovery and an increase in the value of retail resources in Beijing Capital Airport.

We consider the management of retail business operations in airport requires specific expertise in different areas such as safety requirements, emergency treatment and understanding of duty-free policy, etc.. Since Beijing Airport Commercial and Trading is experienced in managing retail business in Beijing Capital Airport, the Company is therefore satisfied with the good quality of international retail management services provided by Beijing Airport Commercial and Trading,

We noticed that the last tender process in relation to the international duty-free retail business of Beijing Capital Airport was conducted in 2018 and will be conducted again in 2026 once the current contract expires. Based on our discussions with the Management, we understand that in the past six years, Beijing Airport Commercial and Trading: (i) during the COVID-19 pandemic, demonstrated strong cooperation, coordination and rapid response capabilities in relation to airport safety, prevention and control of epidemics, management of merchants and assisted the Company to ensure the safe operation of Beijing Capital Airport; (ii) after the COVID-19 pandemic, has actively cooperated with the Company in promoting the recovery of the international retail business, and maintained good communication and coordination with the operators. In addition, a new tender process in relation to the international duty-free retail business of Beijing Capital Airport will be conducted in 2026, therefore the Company will need the expert advice and services from Beijing Airport Commercial and Trading based on their past experiences. As such, we consider Beijing Airport Commercial and Trading remains the suitable service provider of the Company.

In light of the above, we are of the view that the entering into the International Retail Management Agreement is in the ordinary and usual course of business of the Company, and in the interest of the Company and the Shareholders as a whole.

5.3 *Principal terms of the International Retail Management Agreement*

Date

7 November 2023

Parties

- (a) the Company; and
- (b) Beijing Airport Commercial and Trading

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Services

Pursuant to the International Retail Management Agreement, Beijing Airport Commercial and Trading agreed to provide operation and management services of retail resources to the Company in the international isolated area and international arrival area in Terminal Two and Terminal Three of Beijing Capital Airport.

Term

The International Retail Management Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026.

Conditions precedent

The transactions under the International Retail Management Agreement are subject to the approval by the Independent Shareholders at the EGM.

Consideration and payment

The method of calculating the entrusted management fees payable by the Company to Beijing Airport Commercial and Trading for the provision of international retail management services are set out as follows:

Total international retail revenue of the Company for the current year \times 20% *(Note 12)*

Note 12: The international passenger throughput and international retail business is undergoing a period of recovery subsequent to the pandemic. Taking into account the effect of the above factor, the Company has negotiated with Beijing Airport Commercial and Trading to reduce the entrusted management fee rate to 20% as compared with the previous fee rate of 22% under the Former International Retail Management Agreement, and the parties have agreed to continue suspension of the incremental sharing mechanism.

The Company shall pay the entrusted management fees to Beijing Airport Commercial and Trading in accordance with the above-mentioned calculation method. Beijing Airport Commercial and Trading shall issue a written payment request to the Company in relation to the fees payable for the preceding month and the amount of such fees shall be confirmed by the Company on or before the fifth working day of each month. Within 5 working days from the day on which the Company receives such written payment notice from Beijing Airport Commercial and Trading, the Company shall settle the payment of such fees by way of bank transfer to the designated account of Beijing Airport Commercial and Trading.

5.4 Pricing policy

We have discussed with the Management and understand that the entrusted management fees payable by the Company to Beijing Airport Commercial and Trading for the provision of international retail management services were arrived at after arm's length negotiation between the Company and Beijing Airport Commercial and Trading with reference to the respective

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percentage of the amounts of entrusted management fees received by Beijing Airport Commercial and Trading for each year over the total international retail revenue received by the Company for the corresponding year, which is the same for each year for FY2021 and FY2022, i.e., approximately 22%.

As advised by the Management, the Company has considered the following factors to assess the reasonableness and fairness of the above calculation method:

- (i) during the term of the International Retail Management Agreement, Beijing Airport Commercial and Trading has demonstrated strong cooperation, coordination and rapid response capabilities in relation to airport safety, prevention and control of epidemics and management of merchants, and assisted the Company to ensure the safe operation of Beijing Capital Airport;
- (ii) Beijing Airport Commercial and Trading has actively cooperated with the Company in promoting the recovery of the international retail business, and maintained good communication and coordination with operators;
- (iii) Beijing Airport Commercial and Trading possesses rich customer resources for international retail business and strong investment management capabilities;
- (iv) Beijing Airport Commercial and Trading has demonstrated its rich experience in international duty-free business and its grasp of the domestic duty-free policy in the previous tender invitations for international retail business; and
- (v) the entrusted fee management rate has been reduced to 20% of the Company's international retail revenue, after taking into account the passenger throughput and international retail business of Beijing Capital Airport, which continued to be under pressure during the post-pandemic period of economic recovery.

Based on our discussion with the Management, we understand that the international retail business in other airports in the PRC have not adopted modes of operation under contractual arrangement that is similar or equivalent to the entrusted management mode of operation adopted under the International Retail Management Agreement, thus there is no direct comparable pricing policies for similar transactions. Furthermore, while some of the shopping centres in urban districts in the PRC have adopted a similar operation model involving entrusted management, the transactions of such shopping centres are not comparable to those in Beijing Capital Airport in view of the geographical locations of the shopping centres and the special requirements of safety, emergency treatment and service satisfaction for the provision of international management services in airports, which resulted in a different basis and method for determining the amount of entrusted management fees.

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In order to assess the fairness and reasonableness of the level adopted in calculating the basis point of fees (i.e. 20% of total international retail revenue) under the pricing mechanism, we have conducted our research for entrustment management operation model of international retail management in other airports in the PRC but did not find any direct comparable transactions.

We have also discussed with the Management and understand that Beijing Airport Commercial and Trading also provides entrusted management services to Daxing Airport, Tianjin Binhai International Airport (“**Tianjin Airport**”) and Nanchang Changbei International Airport (“**Nanchang Airport**”) in respect of their respective retail businesses, though the contractual arrangement does not solely relate to international retail management (as reflected in the International Retail Management Agreement) but includes the provision of both domestic and international retail management services. We have reviewed the respective agreements entered into between Beijing Airport Commercial and Trading with Daxing Airport, Tianjin Airport and Nanchang Airport in 2023 in relation to the provision of the international retail management service in such airport and noted that the entrusted management fee charged by Beijing Airport Commercial and Trading to: (i) Daxing Airport and Tianjin Airport were 22% of the total international retail revenue of such airport, respectively; and (ii) Nanchang Airport was 23% of the total international retail revenue of Nanchang Airport. As such, the pricing basis for the entrusted management fees charged by Beijing Airport Commercial and Trading under the International Retail Management Agreement (i.e. 20% of the total international retail revenue of the Company) is lower than the rate of entrusted management fees charged by Beijing Airport Commercial and Trading to Daxing Airport, Tianjin Airport and Nanchang Airport. Consequently, we are of the view that the basis of determination of the basis point of fees under the International Retail Management Agreement is comparable to market practice and on the normal commercial terms.

We have, in addition, reviewed the pricing mechanism and the historical transactions figures of the Company under the terms of the Former International Retail Management Agreement. For further details of the historical figures, please refer to the following section headed “5.5 Historical figures” in this letter. We noted that the calculation basis of the entrustment management fees paid by the Company to Beijing Airport Commercial and Trading for FY2021, FY2022 and the nine months ended 30 September 2023 was based on the terms stated in the Former International Retail Management Agreement and which the amount of the entrustment management fees continuously maintained at a stable level of approximately 22% of the international retail revenue of the Company. We noted that the Company has negotiated with Beijing Airport Commercial and Trading to reduce the entrusted management fee rate to 20% as compared with the previous fee rate of 22% under the Former International Retail Management Agreement, and the parties have agreed to continue suspension of the incremental sharing mechanism. Regarding the reduction of the basis point of fees from 22% to 20%, we noted that the existing basis points of fees charged by Beijing Airport Commercial and Trading to Daxing Airport, Tianjin Airport and Nanchang Airport ranged from 22% to 23%. Therefore we consider the reduction of basis point under the International Retail Management Agreement to below the market comparable basis fees is fair and reasonable.

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We have also discussed with the Management and understand that Beijing Airport Commercial and Trading provides value-added services, which are crucial to achieve a higher international retail revenue, to the Company in different aspects including but not limited to market development and merchandising, daily operation and management of retail businesses, marketing and financial settlements.

In respect of market development and merchandising, Beijing Airport Commercial and Trading will be responsible for the formulation and detailed implementation of the merchandising proposals.

For daily operation and management of retail businesses, Beijing Airport Commercial and Trading is responsible for undertaking the daily operation and managerial work in respect of the tenants, including safety, servicing, logistics, cashier services, renovation, management of resources, premises and other related entrusted resources.

In respect of marketing, Beijing Airport Commercial and Trading will execute the industry marketing and store promotion work in accordance with the overall marketing framework set by the Company.

In respect of financial settlements, each of the retailers shall pay fees directly into the Company's designated account pursuant to the International Retail Management Agreement, and the Company shall pay entrusted management fees to Beijing Airport Commercial and Trading. Beijing Airport Commercial and Trading shall manage the designated account of the Company, and shall be responsible for account processing, settlement of payments (including collection and return of payments), ageing analysis, invoicing etc.

We are of the view that the effort contributed by Beijing Airport Commercial and Trading is crucial and has a direct effect on the international retail revenue of the Company. In light of the above, we consider the pricing basis for the entrusted management fees charged by Beijing Airport Commercial and Trading to the Company under the International Retail Management Agreement is fair and reasonable and on normal commercial terms.

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5.5 Historical figures

The following table shows the historical transaction amounts for the provision of international retail management services from Beijing Airport Commercial and Trading to the Company:

	FY2021	FY2022	FY2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Historical transaction amounts for the provision of international retail management services by Beijing Airport Commercial and Trading	12,613,000	18,127,000	120,000,000 <i>(Note 13)</i>
Percentage of entrusted management fees paid by Beijing Airport Commercial and Trading over the international retail revenue of the Company	22%	22%	22%
Annual caps	394,000,000	658,000,000	812,000,000
Utilisation rate of the annual cap	3.2%	2.8%	14.8%

Note 13: Since the audited figure of the historical transaction amount for the year ending 31 December 2023 is not yet available, it is an estimated figure only. For the nine months ended 30 September 2023, the entrusted management fees for international retail business paid by the Company to Beijing Airport Commercial and Trading were approximately RMB71,344,000. The Company expects that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap. The increment in the estimate of historical transaction amount for year ending 31 December 2023 is relatively significant as compared with those for the preceding two years due to the relatively small base figures of international retail revenue of the Company for the preceding two years ended 31 December 2022 under the impact of epidemic prevention and control measures on international flights and international passenger throughput of Beijing Capital Airport for the corresponding periods.

In light of the historical low utilisation rate of the relevant annual caps under the Former International Retail Management Agreement, we have discussed with the Management and understand that the historical international retail revenue of the Company decreased by approximately 92.6% and 41.2% for FY2021 and FY2022 respectively. As advised by the Management, such decreases were mainly attributable to (i) international passenger throughput decline caused by the COVID-19 pandemic travel restrictions; and (ii) the diversion effect of Daxing Airport.

Due to the COVID-19 pandemic, we noted the international aircraft movements decreased significantly in FY2021 and FY2022. As disclosed in the 2022 Annual Report, the decrease in international aircraft movements of Beijing Capital Airport was approximately 27.9% year-on-year.

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In light of the above, we consider that the respective low utilisation rate of the relevant annual caps for the last three years was directly caused by the effect arising from COVID-19 pandemic and the related travel restrictions imposed by various nations around the world and should not be considered as a factor for the determination of the relevant annual caps under the International Retail Management Agreement.

5.6 Proposed annual caps and basis of determination for annual caps

The following table sets out the expected maximum aggregate annual fees payable by the Company under the International Retail Management Agreement for each of FY2024, FY2025 and FY2026.

	FY2024	FY2025	FY2026
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Proposed annual caps for provision of international retail management services	240,000,000	370,000,000	510,000,000

The proposed annual cap for FY2024 represents a decrease of approximately 70.4% as compared with the annual cap for FY2023, and the proposed annual caps for FY2024 and FY2026 represent an increase of approximately 54.1% and 37.8%, respectively, as compared with the annual cap of the preceding year. As set out in the Letter from the Board, the proposed annual caps are determined based on the following factors:

- (i) percentage of the historical service fees paid by the Company to Beijing Airport Commercial and Trading for the provision of international retail management services over the international retail revenue of the Company;
- (ii) the Company's estimate of the number of international passenger throughput, the amount of retail consumption per international passenger, and the total turnover of international retail business at Beijing Capital Airport, for each of the three years ending 31 December 2024, 31 December 2025 and 31 December 2026; and
- (iii) the related taxes.

The proposed annual cap for the year ending 31 December 2024 represents an increase of 100% as compared with the estimated figure of historical transaction amount for the year ending 31 December 2023, while such annual cap represents a decrease of approximately 70% as compared with the annual cap for the year ending 31 December 2023. The proposed annual cap for each of the two years ending 31 December 2025 and 31 December 2026 represents an increase of approximately 54% and 38%, respectively, as compared with the annual cap of the preceding year.

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The reasons for the year-on year changes in the proposed annual caps are set out below:

- (i) expected international passenger throughput (including Hong Kong, Macau and Taiwan regions): Based on the performance of international and regional flights and the existing flight schedule of Beijing Capital Airport during the first half of 2023, the Company cautiously estimates an annual growth rate of approximately 20% for international passenger throughput (including Hong Kong, Macau and Taiwan regions) for the next three years. With the gradual recovery of international travels during the second half of 2023, the Company believes that there is more room for growth in the number of international and regional flights in the next three years. Therefore, it is currently estimated that the international passenger throughput (including Hong Kong, Macau and Taiwan regions) for the three years ending 31 December 2026 will increase by approximately 46%, 17% and 19% respectively, compared with that of the preceding years; and
- (ii) expected amount of consumption per international passenger: Taking into account the growth rate of the amount of consumption per international passenger in 2018 and 2019 (with no reference being made to the growth rate in 2020 which was affected by exceptional circumstances under the pandemic) and the recovery of the amount of consumption per international passenger since 2023, it is anticipated that the year-on-year growth rate of the amount of consumption per international passenger in 2024 will be approximately 61%, the amount of consumption per international passenger in 2025 will be recovered to a level comparable to that of 2019, and the year-on-year growth rate of the amount of consumption per international passenger in each of the year of 2025 and 2026 will be approximately 38% and 19%, respectively.

In order to assess the fairness and reasonableness of the proposed annual caps, we have reviewed the calculation of the annual caps for the transactions contemplated under the International Retail Management Agreement and understand that the annual caps were principally derived by the pricing mechanism as discussed in the section headed “5.3 Principal terms of the International Retail Management Agreement” in this letter and the international retail revenue of the Company in each of the next three years.

For the international retail revenue of the Company for FY2024, FY2025 and FY2026, we have discussed with the Management and understand that it is derived based on the estimated total turnover of international retail sales. In this regard, we have also assessed the Management’s estimation of the total turnover of international retail sales which is the product of (i) the international passenger throughput at Beijing Capital Airport in each of the next three years; and (ii) the average retail consumption amounts of international passengers at Beijing Capital Airport.

We noted that for the first half of FY2023, the international passenger throughput of Beijing Capital Airport reached 1,747,371 person-times, representing an increase of over 2,000% as compared with the same period of the previous year. We have reviewed the estimation of the international passenger throughput made by the Company for FY2024, FY2025 and FY2026 and noted that the Company has taken reference of the historical annual international passenger

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throughput figures of Beijing Capital Airport before the COVID-19 pandemic in the forecast of the international passenger throughput for FY2024, FY2025 and FY2026. Based on our understanding from the Management, the international air traffic volumes of Beijing Capital Airport are expected to further recover from FY2024 to FY2026. It is currently estimated there will be increases of approximately 46%, 17% and 19% in the international passenger throughput (including Hong Kong, Macau and Taiwan regions) in Beijing Capital Airport for the three years ending 31 December 2026, respectively, as compared to that in the preceding year. In addition, we noted that these estimations of yearly increases do not represent any growth in comparison to the historical annual international passenger throughput figures of Beijing Capital Airport before the COVID-19 pandemic. As such we consider such estimations of the international passenger throughputs at Beijing Capital Airport to be fair and reasonable.

We have reviewed the estimations of the average retail consumption amounts of international passengers by the Company for FY2024, FY2025 and FY2026. We noted that the Company had taken into account the growth rate of the amount of consumption per international passenger in 2018 and 2019 (with no reference being made to the growth rate in 2020 which was affected by exceptional circumstances under the pandemic) and the recovery of the amount of consumption per international passenger since 2023. It is anticipated that the year-on-year growth rate of the amount of consumption per international passenger in 2024 will be approximately 61%, and the amount of consumption per international passenger in 2025 will recover to a level comparable to that of 2019, whilst the year-on-year growth rate of the amount of consumption per international passenger in each of 2025 and 2026 will be approximately 38% and 19%, respectively. In addition, we noted that these estimations of annual growth rate do not represent any growth in comparison to the historical annual amount of consumption per international passenger figures of Beijing Capital Airport before the COVID-19 pandemic. As such we consider such estimations of the amount of consumption per international passenger at Beijing Capital Airport to be fair and reasonable.

As aforementioned, the total turnover of international retail sales is the product of (i) the international passenger throughput at Beijing Capital Airport; and (ii) the average retail consumption amounts of international passengers at Beijing Capital Airport. As both of the estimations of the international passenger throughput at Beijing Capital Airport and the average retail consumption amounts of international passengers at Beijing Capital Airport are fair and reasonable, we consider the estimation of the total turnover of international retail sales is also fair and reasonable.

We have reviewed the calculation of the proposed annual caps for FY2024, FY2025 and FY2026 prepared by the Management and understand that the calculation method of the annual caps is the same as the pricing formula stated in the International Retail Management Agreement. For each of the proposed annual caps in FY2024, FY2025 and FY2026, we noted that they are determined based on 20% of the expected international retail revenue to be received by the Company.

Having considered the above review and our internal assessment, we are of the view that the determination of the proposed annual caps for the International Retail Management Agreement is fair and reasonable.

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6. The Advertising Management Agreement

6.1 *Background of the Advertising Management Agreement*

Reference is made to the announcement of the Company dated 30 December 2020 in respect of, among other things, the Former Advertising Management Agreement, which will expire on 31 December 2023. As the parties intend to continue to carry out transactions of a similar nature from time to time after 31 December 2023, the Company and Beijing Airport Media entered into the Advertising Management Agreement.

On 7 November 2023, the Company entered into the Advertising Management Agreement with Beijing Airport Media, pursuant to which Beijing Airport Media shall operate and manage designated advertising resources within or in the vicinity of Beijing Capital Airport for a term of three years commencing from 1 January 2024 to 31 December 2026.

6.2 *Reasons for and benefits of entering into the Advertising Management Agreement*

We have discussed with the Management in relation to the reasons for and benefits of entering into the Advertising Management Agreement and understand that Beijing Airport Media has maintained a good cooperative relationship with the Company in the past and is familiar with the advertising business within Beijing Capital Airport.

We also understand from the Management that Beijing Airport Media has ample client resources and the capability of specialised and scaled operations of advertising business at airports with its operation networks covering 40 airports across the country. Beijing Airport Media has strong capability of initiating tender invitation and management for advertising business. By employing the entrusted management mode of operation, Beijing Airport Media is able to bring the development of its core capability into better play, so as to facilitate the increase in value of advertising resources of Beijing Capital Airport. Beijing Airport Media has also demonstrated good capability to respond to pandemic and other special circumstances by maintaining stable operations of the advertising business at Beijing Capital Airport.

Since Beijing Airport Media is experienced in managing advertising business in Beijing Capital Airport and the Company is satisfied with the consistent good quality of advertising management services provided by Beijing Airport Media, we are of the view that the entering into of the Advertising Management Agreement is in the ordinary and usual course of business of the Company, and in the interest of the Company and the Shareholders as a whole.

6.3 *Principal terms of the Advertising Management Agreement*

Date

7 November 2023

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Parties

- (a) the Company; and
- (b) Beijing Airport Media

Services

Pursuant to the Advertising Management Agreement, Beijing Airport Media agreed to provide advertising management services in respect of the designated advertising resources within or in the vicinity of the indoor and outdoor areas of Beijing Capital Airport. The indoor areas include the advertising spaces set up in the indoor public area of Terminal One, Terminal Two, Terminal Three and the GTC (other than levels B1 and B2), the public area of public walkways, waiting area and lanes outside Beijing Capital Airport building. The outdoor areas include the advertising spaces set up on the outer body and in the extension area of Terminal One, Terminal Two, Terminal Three and the GTC (other than levels B1 and B2).

Term

The Advertising Management Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026.

Conditions precedent

The Advertising Management Agreement and the transactions contemplated thereunder shall be subject to the approval by the Independent Shareholders at the EGM.

Consideration and payment

The method of calculating the entrusted management fee payable by the Company to Beijing Airport Media for the provision of the advertising management services is set out as follows:

Total advertising revenue (*Note 14*) for the current year $\times 22\%$

Note 14: The advertising revenue comprises (i) the advertising operating fee paid by third party operators under the advertising business operating agreements entered into between Beijing Airport Media (acting for and on behalf of the Company) and third party operators in respect of the designated advertising resources; and (ii) the actual amount received by the Company in relation to breach of contract or compensation liability incurred by third party operators (including but not limited to liquidated damages and security deposit).

The Company shall pay the entrusted management fee to Beijing Airport Media through fund transfer and remittance on a monthly basis in accordance with the above-mentioned calculation method. Within 3 working days from the beginning of each month, the Company and Beijing Airport Media shall verify and confirm the amount of advertising revenue for the preceding month. Within 5 working days from the beginning of each month, the Company and Beijing Airport Media shall confirm the amount of entrusted management fee with reference to the

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advertising revenue for the preceding month and the fee percentage of 22%. Within 5 working days from the Company's receipt of such written confirmation, the Company shall pay the entrusted management fee to Beijing Airport Media in respect of the advertising revenue for the preceding month.

6.4 Pricing policy

Entrusted management fee

We have discussed with the Management and understand that the entrusted management fee payable by the Company to Beijing Airport Media for the provision of advertising management services was arrived at after the Company has taken into account of (i) the costs of Beijing Airport Media in providing the advertising management services; (ii) the reasonable profit margin (i.e. approximately 8%) to be charged by Beijing Airport Media for the provision of advertising management services to the Company; and (iii) the relevant taxes.

As advised by the Management, the Company has considered the following factors to assess the reasonableness and fairness of the above calculation method:

- (i) Beijing Airport Media has maintained a good cooperative relationship with the Company in the past and is familiar with the advertising business within Beijing Capital Airport;
- (ii) Beijing Airport Media has ample client resources and the capability of scaled operations with its operation networks covering 40 airports across the country;
- (iii) Beijing Airport Media has demonstrated strong capability of initiating tender invitation and management for advertising business;
- (iv) Beijing Airport Media has also demonstrated good capability to respond to pandemic and other special circumstances by maintaining stable operations of the advertising business at Beijing Capital Airport; and
- (v) the entrusted management fee rate has been reduced to 22% of the Company's advertising revenue, after taking into account the gradual recovery of the passenger throughput of Beijing Capital Airport after the COVID-19 pandemic.

In order to assess the fairness and reasonableness of the level adopted in calculating the basis point of fees (i.e. 22% of total advertising revenue) under the entrusted management fee, we have discussed with the Management and understand that Beijing Airport Media also provides similar advertising management services to a total of eight airports that have annual passenger throughput of at least 10 million in the PRC including Beijing Capital Airport. In this regard, we have reviewed four other existing advertising management agreements between Beijing Airport Media and Harbin Airport, Changchun Airport, Nanchang Airport and Shijiazhuang Airport and noted that the entrusted management fee charged by Beijing Airport Media to the four airports ranged from approximately 29% to 40% of the respective turnover of the

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operation of the advertising resources. Furthermore, we note that the Company considers that the above comparison method of the entrusted management fee rate is reasonable in view of the unique strength and track record of Beijing Airport Media in the field of airport advertising. Since the pricing basis for the entrusted management fee charged by Beijing Airport Media under the Advertising Management Agreement (i.e. 22% of the total advertising revenue of the Company) is lower than the rates of entrusted management fees charged by Beijing Airport Media to other airports in the PRC, we are of the view the basis of determination of the basis point under the Advertising Management Agreement is comparable to market practice and on the normal commercial terms.

We have, in addition, reviewed the pricing mechanism and the historical transactions figures of the Company under the terms of the Former Advertising Management Agreement. For further details of the historical figures, please refer to the following section headed “6.5 Historical figures” in this letter. We noted that the calculation basis of the entrusted management fee paid by the Company to Beijing Airport Media for FY2021, FY2022 and the nine months ended 30 September 2023 was based on the terms stated in the Former Advertising Management Agreement and the amount of the entrusted management fee continuously maintained at a stable level of approximately 25% of the total advertising revenue of the Company. We noted that the Company has negotiated with Beijing Airport Media to reduce the entrusted management fee rate to 22% as compared with the previous fee rate of 25% under the Former Advertising Management Agreement, and the parties have agreed to continue suspension of the incremental sharing mechanism. Regarding the reduction of the basis point of fees from 25% to 22%, we noted that the existing basis points of fees charged by Beijing Airport Commercial and Trading to Harbin Airport, Changchun Airport, Nanchang Airport and Shijiazhuang Airport ranged from approximately 29% to 40%. As such, we consider the reduction of the basis point under the Advertising Management Agreement to further below the market comparable basis fees is fair and reasonable.

Moreover, we have discussed with the Management and understand that Beijing Airport Media provides value-added services, which are crucial to achieve a higher advertising revenue, to the Company in different aspects including but not limited to the formulation of standards, market development and merchandising and daily operation and management of advertising businesses.

In respect of the formulation of standards, Beijing Airport Media is responsible for the establishment of brand library to realise the sharing of brand information.

In respect of market development and merchandising, Beijing Airport Media is responsible for formulating reasonable merchandising proposals based on the resource planning of Beijing Capital Airport and the implementation of advertising contracts to avoid situations such as considerable amount of commercial resources being invested in merchandising at one time, or the long-term idleness of commercial resources

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In respect of the daily operation and management of advertising businesses, Beijing Airport Media is entrusted by the Company to undertake daily operation and management of third party operators, including safety, servicing, logistics, cashier services, renovation, as well as management of resources, premises and other related entrusted resources.

We are of the view that the effort contributed by Beijing Airport Media is crucial and has a direct effect on the advertising revenue of the Company. In light of the above, we consider the pricing basis for the entrusted management fee charged by Beijing Airport Media to the Company under the Advertising Management Agreement to be fair and reasonable and on normal commercial terms.

Furthermore, we considered that the basis point of fees under the Advertising Management Agreement is below the market practice and Beijing Airport Media has ample client resources and the capability of specialised and scaled operations of advertising business at airports with its operation networks covering 40 airports across the country. Therefore, we are of the view that the selection basis of advertising service provider is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Profit margin

As stated in the Letter from the Board, after receiving the quotation from Beijing Airport Media for the provision of advertising management services, the Company has considered the following factors to assess the reasonableness and fairness of such quotation: (i) the costs of Beijing Airport Media in providing the advertising management services; (ii) the reasonable profit margin to be charged by Beijing Airport Media for the provision of advertising management services to the Company; and (iii) the relevant taxes.

Based on our discussions with the Management, we understand that the profit margin of Beijing Airport Media is approximately 8%. In order to assess the reasonableness and fairness of the profit margin of Beijing Airport Media, we have obtained and reviewed a confirmation letter dated November 2023 issued by Beijing Airport Media to the Company which stated that the average profit margin of Beijing Airport Media for the transactions under the Former Advertising Management Agreement was lower than the average profit margin charged to the other airports.

In light of the above, we consider the pricing policy in relation to quotation from Beijing Airport Media is fair and reasonable.

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6.5 *Historical figures*

The following table shows the historical transaction amounts for the provision of advertising management services from Beijing Airport Media to the Company:

	FY2021 (RMB)	FY2022 (RMB)	FY2023 (RMB)
Historical transaction amount for the provision of advertising management services by Beijing Airport Media to the Company	185,197,000	102,432,000	177,250,000 <i>(Note 15)</i>
Percentage of entrusted management fees over the total advertising revenue of the Company	25%	25%	25%
Annual caps	200,000,000	250,000,000	270,000,000
Utilisation rate of the annual cap	92.6%	41.0%	65.6%

Note 15: Since the audited figure of the historical transaction amount for the year ending 31 December 2023 is not yet available, this is an estimated figure only. The unaudited figure of the transaction amount for the nine months ended 30 September 2023 was approximately RMB125,020,000. The Company expects that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap.

We noted that the respective utilisation rate of the relevant annual caps in FY2021 and FY2023 was above 60%. In relation to the utilisation rate of the annual cap in FY2022, we have discussed with the Management and noted that the advertising revenue of the Company decreased by approximately 33.3% year-on-year in FY2022. As such, we consider the annual caps were sufficiently utilised and the internal forecast conducted by the Management was accurate in general.

6.6 *Proposed annual caps and basis of determination of annual caps*

The Company expects that the annual caps of the entrusted management fee payable by the Company to Beijing Airport Media under the Advertising Management Agreement are as follows.

	FY2024 (RMB)	FY2025 (RMB)	FY2026 (RMB)
Proposed annual caps for provision of advertising management services	200,000,000	225,000,000	250,000,000

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We have discussed with the Management and understand that the above proposed annual caps are determined based on the following factors:

- (i) the anticipated change in passenger throughput at Beijing Capital Airport in the next three years and its possible impact on the advertising business; and
- (ii) the average advertising revenue per traveller during the period from 2015 to 2023 (excluding the pandemic period) and the expected recovery and development potential of the outdoor advertising market in the future.

The proposed annual cap for FY2024 represents an increase of approximately 13% as compared with the historical transaction amounts for the year ending 31 December 2023. It is expected that the proposed annual cap for each of the two years ending 31 December 2025 and 31 December 2026 will increase by approximately 13% and 11%, respectively, as compared with the annual cap of the preceding years.

The year-on-year changes of proposed annual caps and the relevant factors are set out below:

- (i) anticipated total passenger throughput: based on the overall flight performance and existing flight schedule of Beijing Capital Airport during the first half of 2023, the Company cautiously estimates an annual growth rate of approximately 12% for passenger throughput for the next three years. With the continuous improvement of domestic flight business and gradual recovery of international travels during the second half of 2023, the Company believes that there is more room for growth in total passenger throughput in the next three years, which will increase by 25%, 9% and 5%, respectively, as compared with that of the preceding years; and
- (ii) average advertising revenue per traveller: the average advertising revenue per traveller for 2015 to 2023 (with no reference being made to the growth rate from 2020 to 2022 which is an exceptional case under the influence of the pandemic) have been used as the basis for estimating the average advertising revenue per traveller for 2024 to 2026. Meanwhile, taking into account the possible growth in average advertising revenue per traveller for 2024 to 2026, as well as the expected recovery and development potential of the outdoor advertising market in the future, the Company believes that the average advertising revenue per traveller for the next three years will increase by 10%, 4% and 5%, respectively, as compared with that of the preceding years.

In order to assess the fairness and reasonableness of the proposed annual caps, we have reviewed the calculation of the annual caps for the transactions contemplated under the Advertising Management Agreement and understand that the annual caps were principally derived by the pricing mechanism as discussed in the section headed “6.4 Pricing policy” in this letter and the advertising revenue of the Company in each of the next three years.

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For the advertising revenue of the Company for FY2024, FY2025 and FY2026, we have discussed with the Management and understand that it is derived based on: (i) the estimated passenger throughput at Beijing Capital Airport in each of the next three years; and (ii) the average retail consumption amounts of passengers at Beijing Capital Airport.

We noted that for the first half of FY2023, the total passenger throughput of Beijing Capital Airport reached 23,100,384 person-times, representing an increase of approximately 318.3% as compared with the same period of the previous year. We have reviewed the estimation of the total passenger throughput made by the Company for FY2024, FY2025 and FY2026 and we noted that the Company has made reference to the estimation of the historical annual passenger throughput figures of Beijing Capital Airport before the COVID-19 pandemic in the forecast of the total passenger throughput for FY2024, FY2025 and FY2026. Based on our understanding from the Management, the international air traffic volumes of Beijing Capital Airport are expected to further rebound for FY2024 and is expected to further increase in FY2025 and FY2026. It is currently estimated there will be increases of approximately 46%, 17% and 19% in the international passenger throughput (including Hong Kong, Macau and Taiwan regions) in Beijing Capital Airport for the three years ending 31 December 2026, respectively, as compared to that in the preceding years. We further noted that it is currently estimated that the domestic passenger throughput for the three years ending 31 December 2026 will increase by approximately 22%, 7% and 2% respectively, compared with that of the preceding years. In addition, we noted that these estimations of yearly increases in passenger throughput, both international or domestic, do not represent any growth in comparison to the historical annual international or domestic passenger throughput figures of Beijing Capital Airport before the COVID-19 pandemic. As such we consider such estimations of the passenger throughputs at Beijing Capital Airport to be fair and reasonable.

We have reviewed the estimations of the expected growth of the average advertising revenue per traveller by the Company for FY2024, FY2025 and FY2026. We noted that the Company has taken into account the average advertising revenue per traveller for 2015 to 2023 (with no reference being made to the growth rate for 2020 to 2022 which is an exceptional case under the influence of the pandemic) have been used as the basis for estimating the average advertising revenue per traveller for 2024 to 2026. Meanwhile, taking into account the possible growth in average advertising revenue per traveller for 2024 to 2026, as well as the expected recovery and development potential of the outdoor advertising market in the future, the Company believes that the average advertising revenue per traveller for the next three years will increase by 10%, 4% and 5%, respectively, as compared with that of the preceding years. In addition, we noted that these estimations of annual growth rate do not represent any growth in comparison to the historical average advertising revenue per traveller figures of Beijing Capital Airport before the COVID-19 pandemic. As such we consider such estimations of the amount of consumption per passenger at Beijing Capital Airport to be fair and reasonable.

As both of the estimations of the total passenger throughput at Beijing Capital Airport and the average retail consumption amounts of passengers at Beijing Capital Airport are fair and reasonable, we consider the estimation of the total advertising revenue is also fair and reasonable.

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We have reviewed the calculation of the annual caps for FY2024, FY2025 and FY2026 prepared by the Management and understand that the calculation method of the annual caps is the same as the pricing formula stated in the Advertising Management Agreement. For each of the proposed annual caps in FY2024, FY2025 and FY2026, we noted that they are determined based on 22% of the expected advertising revenue to be received by the Company.

Having considered the above review and our internal assessment, we are of the view that the determination of the proposed annual caps for the Advertising Management Agreement is fair and reasonable.

7. The Food and Beverage Management Agreement

7.1 Background of the Food and Beverage Management Agreement

Reference is made to the announcement of the Company dated 29 December 2020 in respect of, among other things, the Former Food and Beverage Management Agreement, which will expire on 31 December 2023. As the parties intend to carry out transactions of a similar nature from time to time, the Company and Beijing Airport Food Management entered into the Food and Beverage Management Agreement.

On 7 November 2023, the Company entered into the Food and Beverage Management Agreement with Beijing Airport Food Management, pursuant to which Beijing Airport Food Management agreed to operate and manage the designated food and beverage resources at Beijing Capital Airport for the Company for a term of three years commencing from 1 January 2024 to 31 December 2026.

7.2 Reasons for and benefits of entering into the Food and Beverage Management Agreement

We have discussed with the Management in relation to the reasons for and benefits of entering into the Food and Beverage Management Agreement and understand that Beijing Airport Food Management has maintained a good cooperative relationship with the Company in the past and is familiar with the food and beverage business within the area of Beijing Capital Airport.

We also understand from the Management that Beijing Airport Food Management has ample client resources and strong capability in food and beverage operation and management. Therefore, it is expected that the management of the food and beverage resources of Beijing Capital Airport by Beijing Airport Food Management will facilitate both the continued increase in the value of food and beverage resources and the enhancement of satisfaction and service quality of food and beverage in Beijing Capital Airport. In addition, we note that the Company considers that the operation model of entrusted management will strengthen the Company's right to direct the food and beverage business, enable the Company to keep abreast of demand in a rapidly evolving market and make timely adjustment to food and beverage brand layout at Beijing Capital Airport in view of the increasingly rapid replacement of food and beverage brands, as well as expanding the market in collaboration with Beijing Airport Food Management, in order to improve the quality of food and beverage business at the business district of Beijing Capital Airport. Meanwhile, the calculation method of entrusted

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management fees which is directly linked with sales revenue may further incentivise Beijing Airport Food Management, accelerate store opening, reduce the vacancy ratio of resources and enhance the revenue of food and beverage resources at Beijing Capital Airport.

Since Beijing Airport Food Management is experienced in operating and managing food and beverage business in Beijing Capital Airport and the Company is satisfied with the food and beverage operation and management services provided by Beijing Airport Food Management, we are of the view that the entering into of the Food and Beverage Management Agreement is in the ordinary and usual course of business of the Company, and in the interest of the Company and the Shareholders as a whole.

7.3 Principal terms of the Food and Beverage Management Agreement

Date

7 November 2023

Parties

- (a) the Company; and
- (b) Beijing Airport Food Management

Services

Pursuant to the Food and Beverage Management Agreement, Beijing Airport Food Management 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.

Term

The Food and Beverage Management Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026.

Conditions precedent

The Food and Beverage Management Agreement and the transactions contemplated thereunder shall be subject to the approval by the Independent Shareholders at the EGM.

Consideration and payment

The method of calculating the entrusted management fee payable by the Company to Beijing Airport Food Management under the Food and Beverage Management Agreement is set out as follows:

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Total sales revenue from the entrusted resources for the current year $\times 15\%$ + increase of total operating income $\times 60\%$ (Notes 16 and 17)

Note 16: Increase of total operating income = total operating income of the current year – base of total operating income

Base of total operating income = total operating income in the preceding year

Total operating income represents the remaining income after deducting the portion of food and beverage merchants' income from the total sales revenue

Note 17: To avoid the impact from exceptional circumstances in the year of 2023, the increase of total operating income for the year of 2024 will be deemed as 0. The base of total operating income for each of the years of 2025 and 2026 will be the total operating income of the preceding year.

Within the first 5 working days of each month, the Company and Beijing Airport Food Management shall complete the confirmation of the entrusted management fee payable by the Company for the previous month and the fees payable by the food and beverage operators. Upon confirmation of the entrusted management fee of the previous month by both parties, the Company shall pay the entrusted management fee of the previous month to Beijing Airport Food Management within 10 working days.

Within the first 10 working days of the first month of the following year, Beijing Airport Food Management shall report to the Company the total operating income of the preceding year. Upon confirmation by both parties, the Company shall pay, together with the entrusted management fees for the first month, the commission at the rate of multiplying the increase of total operating income by 60%.

7.4 Pricing policy

Entrusted management fee

We have discussed with the Management and understand that the entrusted management fee payable by the Company to Beijing Airport Food Management for the provision of food and beverage operation and management services was arrived at after arm's length negotiation between the Company and Beijing Airport Food Management with reference to the respective proportion of the amounts of entrusted management fee received by Beijing Airport Food Management over the total sales amount of the Company for FY2021 and FY2022 and the nine months ended 30 September 2023, which is the same for each year, i.e., approximately 15.5%.

As advised by the Management, the Company has considered the following factors to assess the reasonableness and fairness of the above calculation method:

- (i) Beijing Airport Food Management has maintained a good cooperative relationship with the Company in the past and is familiar with the food and beverage business within Beijing Capital Airport;

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- (ii) Beijing Airport Food Management has ample client resources and strong capability in food and beverage operation and management; and
- (iii) the entrusted management fee rate has been reduced to 15% of the Company's food and beverage revenue, after taking into account the gradual recovery of the passenger throughput of Beijing Capital Airport after the COVID-19 pandemic.

In order to assess the fairness and reasonableness of the level adopted in calculating the basis point of fees (i.e. 15% of the total sales amount) under the entrusted management fee, we have discussed with the Management and understand that the basis point of fees was bench-marked against other independent commercial operators with entrustment arrangements in Beijing, such as COFCO China (China National Cereals, Oils and Foodstuffs Corporation) and Wanda commercial properties, which ranged from approximately 30% to 40% (the “**Bench-mark Range**”). As such we consider the basis of determination of the basis point under the Food and Beverage Management Agreement is comparable to market practice and on the normal commercial terms.

In addition, we have reviewed the pricing mechanism and the historical transactions figures of the Company under the terms of the Former Food and Beverage Management Agreement. For further details of the historical figures, please refer to the following section headed “7.5 Historical figures” in this letter. We note that the calculation basis of the entrusted management fee paid by the Company to Beijing Airport Food Management for FY2021, FY2022 and the nine months ended 30 September 2023 was based on the terms stated in the Former Food and Beverage Management Agreement and which the amount of the entrusted management fee continuously maintained at a stable level of approximately 15.5% of the total sales amount of the Company. We note that the Company has negotiated with Beijing Airport Food Management to reduce the entrusted management fee rate to 15% as compared with the previous fee rate of 15.5% under the Former Food and Beverage Management Agreement. In relation to the reduction of the basis point of fees from 15.5% to 15%, we noted that the Bench-mark Range is from 30% to 40%. Therefore, we consider the reduction of the basis point under the Food and Beverage Management Agreement to further below the market comparable basis fees is fair and reasonable.

We have also discussed with the Management and understand that Beijing Airport Food Management provides value-added services, which are crucial to achieve a higher sales revenue, to the Company in different aspects including but not limited to the tender, daily operation and management of food and beverage businesses.

In respect of the tender, Beijing Airport Food Management is responsible for the initiation of tender invitation for food and beverage business at Beijing Capital Airport.

In respect of the daily operation and management of food and beverage businesses, Beijing Airport Food Management shall be responsible for the daily operation and managerial work in respect of the food and beverage operators, including safety, servicing, logistics, cashier services, renovation, premises and managerial work of relevant entrusted assets.

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We are of the view that the effort contributed by Beijing Airport Food Management is crucial and has a direct effect on the food and beverage revenue of the Company.

In light of the above, we consider the pricing basis for the entrusted management fee charged by Beijing Airport Food Management to the Company under the Food and Beverage Management Agreement to be fair and reasonable and on normal commercial terms.

Furthermore, we considered that the basis point of fees under the Food and Beverage Management Agreement is below the market practice and the operation model of entrusted management will strengthen the Company's right to direct the food and beverage business, enable the Company to keep abreast of demand in a rapidly evolving market and make timely adjustment to food and beverage brand layout at Beijing Capital Airport in view of the increasingly rapid replacement of food and beverage brands, as well as expanding the market in collaboration with Beijing Airport Food Management, in order to improve the quality of food and beverage business at the business district of Beijing Capital Airport. Therefore, we are of the view that the selection basis of food and beverage service provider is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Profit margin

As stated in the Letter from the Board, after receiving the quotation from Beijing Airport Food Management for the provision of food and beverage management services, the Company has considered the following factors to assess the reasonableness and fairness of such quotation: (i) the reasonable costs of Beijing Airport Food Management in providing the food and beverage management services; (ii) the reasonable profit margin to be made by Beijing Airport Food Management for the provision of food and beverage management services to the Company; and (iii) the relevant taxes.

As the operation and management of entrusted resources of food and beverage are relatively comprehensive and require a higher level of management services in respect of investments in equipment, facilities, operating costs, service, construction management, 24-hour supervision of the business district, protection under special circumstances and other special cost due to the distinctiveness of the business district of Beijing Capital Airport as compared with that of current entrusted management services for other business districts in Beijing, there is no similar or equivalent entrusted management operation mode of food and beverage business in other airports in the PRC or in the business districts of Beijing Capital Airport. Accordingly, there is no direct comparables of similar transactions.

Beijing Airport Food Management has demonstrated its capability to fulfil the high standards for safety, operation and service at Beijing Capital Airport, especially in light of its contribution to food and beverage service support during the pandemic period. Subsequent to the COVID-19 pandemic period, the expertise of Beijing Airport Food Management in business development and daily operation management has also enabled the food and beverage business at Beijing Capital Airport to quickly recover.

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Based on our discussions with the Management, we understand that in the past three year and due to the COVID-19 pandemic, Beijing Airport Food Management was in a loss-making position under the Former Food and Beverage Management Agreement. The profit margin of Beijing Airport Food Management before the COVID-19 pandemic is approximately 6%. In order to assess the reasonableness and fairness of the profit margin of the Beijing Airport Food Management, we have conducted research through public domain and reviewed the net profit margin of the companies listed on the Main Board of the Stock Exchange in 2019 before the COVID-19 pandemic with main business in the provision of food and beverage services, with at least 30% of its revenue generated in China and with presences in Beijing. We noted that such profit margin ranged from 13.3% to 14.2%, which is higher than the profit margin of Beijing Airport Food Management under the Food and Beverage Management Agreement.

As the profit margin charged by Beijing Airport Food Management is lower than the profit margin of the comparable companies as mentioned above and within the market practice, we consider the pricing policy in relation to quotation from Beijing Airport Food Management to be fair and reasonable.

7.5 *Historical figures*

The following table shows the historical transaction amounts for the provision of food and beverage management services from Beijing Airport Food Management to the Company:

	FY2021 (RMB)	FY2022 (RMB)	FY2023 (RMB)
Historical transaction amount for the services provided by Beijing Airport Food Management	24,375,000	9,134,000	48,390,000 <i>(Note 18)</i>
Percentage of entrusted management fees over the total food and beverage revenue of the Company	15.5%	15.5%	15.5%
Annual caps	70,000,000	110,000,000	100,000,000
Utilisation rate of the annual cap	34.8%	8.3%	48.4%

Note 18: Since the audited figure of the historical transaction amount for the year ending 31 December 2023 is not yet available, this is an estimated figure only. The unaudited figure of the transaction amount for the nine months ended 30 September 2023 was approximately RMB34,028,000. The Company expects that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap.

In light of the historical low utilisation rate of the relevant annual caps under the Former Food and Beverage Management Agreement, we have discussed with the Management and understand that the historical food and beverage revenue of the Company decreased by approximately 40.8% and 56.3% for FY2021 and FY2022 respectively. As advised by the Management, such decreases were mainly attributable to passenger throughput decline caused by the COVID-19 pandemic travel restrictions.

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As a result of the COVID-19 pandemic, we noted the total passenger throughput decreased significantly in FY2021 and FY2022. As disclosed in the 2022 Annual Report, the decrease in total passenger throughput of Beijing Capital Airport was approximately 61.1% year-on-year.

In light of the above, we consider that the respective low utilisation rate of the relevant annual caps for the last three years was directly caused by the COVID-19 pandemic and the related travel restrictions imposed by various nations around the world and should not be considered as a factor for the determination of the relevant annual caps under the Food and Beverage Management Agreement.

7.6 *Proposed annual caps and basis of determination for annual caps*

The Company expects that the annual caps for the transactions contemplated under the Food and Beverage Management Agreement are as follows.

	FY2024 (RMB)	FY2025 (RMB)	FY2026 (RMB)
Proposed annual caps	117,000,000	121,000,000	125,000,000

We have discussed with the Management and understand that the above annual caps are determined based on the following factors:

- (i) the increase in the scope of designated food and beverage resources to be operated under an entrusted management model at Beijing Capital Airport;
- (ii) the average sales turnover per traveller for the year-to-date period ended 30 September 2023, and the development potential of the food and beverage market in the future; and
- (iii) the anticipated change in passenger throughput at Beijing Capital Airport in the next three years and its possible impact on the food and beverage business.

The proposed annual cap for FY2024 represents an increase of 17% as compared with the annual cap for FY2023, and the proposed annual caps for FY2025 and FY2026 represent increases of approximately 3.4% and 3.3%, respectively, as compared with the annual cap of the preceding year.

The year-on-year changes of proposed annual caps and the relevant factors are set out below:

- (i) New food and beverage resources under entrusted management: Given that the operation model of entrusted management will help strengthen the Company's power to direct the food and beverage business, and further motivate the proactiveness of Beijing Airport Food Management, the Company will adjust substantially all of the food and beverage resources at Beijing Capital Airport to entrusted management model in the next three years. The resources under entrusted management of the food and beverage business after the adjustment are expected to increase by approximately 60% as compared to the

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existing resources under entrusted management of the food and beverage business at Beijing Capital Airport. According to preliminary estimation, the food and beverage turnover at Beijing Capital Airport will increase by approximately 90% in the first year (i.e. the year ending 31 December 2024) under the Food and Beverage Management Agreement, leading to a pro-rata increase of approximately 90% in the entrusted management fees that were charged in proportion to the turnover;

- (ii) Average food and beverage revenue per traveller: The average food and beverage turnover per traveller for year 2024 to 2026 will be based on the average food and beverage turnover per traveller for the year-to-date period ended 30 September 2023. Meanwhile, taking into account the development of the food and beverage market and the possibility of growth in food and beverage revenue in the future, the Company is of the view that the average food and beverage turnover per traveller for year 2024 to 2026 will increase by approximately 12%, 4% and 2% respectively, compared with that of the preceding years;
- (iii) Expected overall passenger throughput: Based on the overall flight performance of Beijing Capital Airport during the first half of 2023 and its existing flight schedule, the Company cautiously estimates an annual growth rate of approximately 12% for passenger throughput for the next three years. With continuous improvement of domestic flight business in the second half of 2023 and gradual recovery of international travels, the Company believes that there is more room for growth in the overall passenger throughput in the next three years, which will increase by approximately 25%, 9% and 5% respectively, compared with that of the preceding years.

In order to assess the fairness and reasonableness of the proposed annual caps, we have reviewed the calculation of the annual caps for the transactions contemplated under the Food and Beverage Management Agreement and understand that the annual caps were principally derived from the pricing mechanism as discussed in the section headed “7.4 Pricing policy” in this letter and the food and beverage revenue of the Company in each of the next three years.

For the food and beverage revenue of the Company for FY2024, FY2025 and FY2026, we have discussed with the Management and understand that it is derived based on: (i) the estimated passenger throughput at Beijing Capital Airport in each of the next three years; and (ii) the average food and beverage revenue per traveller at Beijing Capital Airport.

We noted that for the first half of FY2023, the total passenger throughput of Beijing Capital Airport reached 23,100,384 person-times, representing an increase of approximately 318.3% as compared with the same period of the previous year. We have reviewed the estimation of the total passenger throughput made by the Company for FY2024, FY2025 and FY2026 and we noted that the Company has made reference to the estimation of the historical annual passenger throughput figures of Beijing Capital Airport before the COVID-19 pandemic in the forecast of the total passenger throughput for FY2024, FY2025 and FY2026. Based on our understanding from the Management, the international air traffic volumes of Beijing Capital Airport are expected to further rebound from 2024 and is expected to further increase in FY2025 and FY2026. There will be increases of approximately 46%, 17% and 19% in the international

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passenger throughput (including Hong Kong, Macau and Taiwan regions) in Beijing Capital Airport for the three years ending 31 December 2026, respectively, as compared to that in the preceding years. We further noted that it is currently estimated that the domestic passenger throughput for the three years ending 31 December 2026 will increase by approximately 25%, 10% and 2% respectively, compared with that of the preceding years. In addition, we noted that these estimations of yearly increases in passenger throughput, both international or domestic, do not represent any growth in comparison to the historical annual international or domestic passenger throughput figures of Beijing Capital Airport before the COVID-19 pandemic. As such we consider such estimations of the passenger throughputs at Beijing Capital Airport to be fair and reasonable.

We have reviewed the estimations of the expected growth of the average food and beverage revenue per traveller by the Company for FY2024, FY2025 and FY2026. We noted that the Company has taken into account the average food and beverage turnover per traveller for the year-to-date period ended 30 September 2023, the development of the food and beverage market and the possibility of growth in food and beverage revenue in the future. The Company is of the view that the average food and beverage turnover per traveller for year 2024 to 2026 will increase by approximately 12%, 4% and 2% respectively, compared with that of the preceding years. We have considered that (i) it is currently estimated that there will be increases of approximately 46%, 17% and 19% in the international passenger throughput (including Hong Kong, Macau and Taiwan regions) in Beijing Capital Airport for the three years ending 31 December 2026; and (ii) it is currently estimated that the domestic passenger throughput for the three years ending 31 December 2026 will increase by approximately 22%, 7% and 2% respectively, compared with that of the preceding years. As such we are of the view that the estimation of the Company in relation to the average food and beverage turnover per traveller at Beijing Capital Airport for year 2024 to 2026 is fair and reasonable.

As both of the estimations of the total passenger throughput at Beijing Capital Airport and the average food and beverage revenue per traveller at Beijing Capital Airport are fair and reasonable, we consider the estimation of the total food and beverage revenue is also fair and reasonable.

We have reviewed the calculation of the annual caps for FY2024, FY2025 and FY2026 prepared by the Management and understand that the calculation method of the annual caps is the same as the pricing formula stated in the Food and Beverage Management Agreement. For each of the annual caps in FY2024, FY2025 and FY2026, we noted that they are determined based on 15% of the expected food and beverage revenue to be received by the Company.

Having considered the above review and our internal assessment, we are of the view that the determination of the proposed annual caps for the Food and Beverage Management Agreement to be fair and reasonable.

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8. The Domestic Retail Resources Usage Agreement

8.1 *Background of the Domestic Retail Resources Usage Agreement*

Reference is made to the announcements of the Company dated 28 December 2020, 13 August 2021 and 28 September 2022 and the circular of the Company dated 8 October 2021 in respect of, among other things, continuing connected transactions contemplated under the Former Domestic Retail Resources Usage Agreement (as amended by the Flexible Retail and F&B Resources Usage Agreement and the Former Supplemental Domestic Retail Resources Usage Agreement), which will expire on 31 December 2023. As the parties intend to continue to carry out the transactions of a similar nature from time to time after 31 December 2023, the Company entered into the Domestic Retail Resources Usage Agreement.

On 6 November 2023, the Company entered into the Domestic Retail Resources Usage Agreement with Beijing Airport Commercial and Trading, pursuant to which the Company permitted Beijing Airport Commercial and Trading to occupy and use the commercial retail premises and resources (including the Adjusted Retail Resources) and the premises and 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 for a term of three years commencing from 1 January 2024 to 31 December 2026.

8.2 *Reasons for and benefits of entering into the Domestic Retail Resources Usage Agreement*

We have discussed with the Management in relation to the reasons for and benefits of entering into the Domestic Retail Resources Usage Agreement and understand that Beijing Airport Commercial and Trading has maintained a good cooperative relationship with the Company in the past and is familiar with the domestic retail business within Beijing Capital Airport. In addition, Beijing Airport Commercial and Trading has relatively strong capability in attracting and managing retail business as well as in retail operation and management.

We also understand from the Management that Beijing Airport Commercial and Trading has ample experience in conducting trading and retail businesses at Beijing Capital Airport, and will be able to operate the designated retail resources in Beijing Capital Airport independently and more effectively.

We consider the management of retail business operations in airports requires specific expertise in different areas such as safety requirements, emergency treatment and understanding of marketing strategy, etc.. Since Beijing Airport Commercial and Trading is experienced in managing retail business in Beijing Capital Airport and the Company is therefore satisfied with the domestic retail resources usage services provided by Beijing Airport Commercial and Trading, we are of the view that the entering into of the Domestic Retail Resources Usage Agreement is in the ordinary and usual course of business of the Company, and in the interest of the Company and the Shareholders as a whole.

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8.3 *Principal terms of the Domestic Retail Resources Usage Agreement*

Date

6 November 2023

Parties

- (i) the Company; and
- (ii) Beijing Airport Commercial and Trading

Subject matter

Pursuant to the Domestic Retail Resources Usage Agreement, the Company permitted Beijing Airport Commercial and Trading to occupy and use the commercial retail premises and resources (other than the Adjusted Retail Resources) and the premises and resources of taxable domestically manufactured goods situated in the domestic isolated area and public area in Terminal One, Terminal Two and Terminal Three of Beijing Capital Airport. Upon the expiry of the Flexible Retail and F&B Resources Usage Agreement on 31 December 2023, the Adjusted Retail Resources contemplated thereunder will be incorporated into the scope of resources usage under the Domestic Retail Resources Usage Agreement, with a separate fee standard of resources usage fee for the Adjusted Retail Resources.

Term

The Domestic Retail Resources Usage Agreement is for a term of three years commencing from 1 January 2024 to 31 December 2026.

Conditions precedent

The transactions contemplated under the Domestic Retail Resources Usage Agreement are subject to the approval by the Independent Shareholders at the EGM.

Consideration and payment

- (a) In respect of the domestic retail resources at Beijing Capital Airport (other than the Adjusted Retail Resources), the resources usage fee payable by Beijing Airport Commercial and Trading to the Company shall be calculated as follows:

Guaranteed resources usage fee + commission for increase in resources usage fee (*Note 19*)

Note 19: Commission for increase in resources usage fee = (total rental income of Beijing Airport Commercial and Trading for the current year – total rental income of Beijing Airport Commercial and Trading for the preceding year) × 40%

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Total rental income of Beijing Airport Commercial and Trading = actual amount of rental received from the sub-contracting of commerce and trading resources + rental for the self-operation of commerce and trading resources

Guaranteed resources usage fee

The guaranteed resources usage fee for each of the three years ending 31 December 2026 shall be determined as follows:

Base figure of unit resources usage fee (per square metre) x actual area of resources usage (in square metres) for the current year

In respect of the guaranteed resources usage fee for the year ending 31 December 2024, the base figure of unit resources usage fee (per square metre) is calculated by applying a 5% increase to the actual amount of resources usage fee (including guaranteed resources usage fee and commission for increase) per square metre charged to Beijing Airport Commercial and Trading in respect of its usage of domestic retail resources of Beijing Capital Airport for the year ending 31 December 2023, in order to take into account the expected increase in the domestic retail sales revenue as a result of the recovery of passenger throughput as compared with the year ending 31 December 2023.

In respect of the guaranteed resources usage fee for each of the years ending 31 December 2025 and 31 December 2026, the base figure of unit resources usage fee (per square metre) is equal to the actual amount of resources usage fee (including guaranteed resources usage fee and commission for increase) per square metre charged to Beijing Airport Commercial and Trading in respect of its usage of domestic retail resources of Beijing Capital Airport for the preceding year, i.e., the year ending 31 December 2024 and 31 December 2025, respectively.

The Company shall issue a written payment notice to Beijing Airport Commercial and Trading within three working days at the end of each month in respect of the guaranteed resources usage fee. Within seven working days from the beginning of the following month, Beijing Airport Commercial and Trading shall make such payment to the Company.

Commission for increase in resources usage fee

There will not be any commission for increase in resources usage fee for the year ending 31 December 2024. Subsequently, from the year ending 31 December 2025 onwards, Beijing Airport Commercial and Trading and the Company shall audit the commission for increase in resources usage fee for the preceding year on the first month of each year. Upon the confirmation by Beijing Airport Commercial and Trading and the Company, the commission for the increase shall be paid together with the guaranteed resources usage fee in the following month.

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- (b) In respect of the Adjusted Retail Resources at Beijing Capital Airport, the resources usage fee payable by Beijing Airport Commercial and Trading to the Company shall be calculated as follows:

Guaranteed resources usage fee + commission for increase (*Note 20*)

Note 20: Commission for increase = (total amount of rental payable by third party operators of the Adjusted Retail Resources – guaranteed resources usage fee) × 52%

Guaranteed resources usage fee

The guaranteed resources usage fee for each of the three years ending 31 December 2026 shall be determined as follows:

Base figure of unit resources usage fee (per square metre) x actual area of resources usage (in square metres) for the current year

In respect of the guaranteed resources usage fee for the year ending 31 December 2024, the base figure of unit resources usage fee (per square metre) is calculated by applying a 5% increase to the actual amount of resources usage fee (including guaranteed resources usage fee and commission for increase) per square metre charged to Beijing Airport Commercial and Trading in respect of its usage of domestic retail resources of Beijing Capital Airport for the year ending 31 December 2023, in order to take into account the expected increase in the domestic retail sales revenue as a result of the recovery of passenger throughput as compared with the year ending 31 December 2023.

In respect of the guaranteed resources usage fee for each of the years ending 31 December 2025 and 31 December 2026, the base figure of unit resources usage fee (per square metre) is equal to the actual amount of resources usage fee (including guaranteed resources usage fee and commission for increase) per square metre charged to Beijing Airport Commercial and Trading in respect of its usage of domestic retail resources of Beijing Capital Airport for the preceding year, i.e., the year ending 31 December 2024 and 31 December 2025, respectively.

The Company shall issue a written payment notice to Beijing Airport Commercial and Trading within three working days at the end of each month in respect of the guaranteed resources usage fee. Within seven working days from the beginning of the following month, Beijing Airport Commercial and Trading shall make such payment to the Company.

Commission for increase

The Adjusted Retail Resources involve (i) an international premium brand which has a higher level of brand influence and more significant potential for growth in retail income; and (ii) the operation of stores of gold and jewellery products which are subject to industry licence requirements and are expected to generate more stable rental income.

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Therefore, in order to better realise the resource value of the Adjusted Retail Resources, the commission for increase will be calculated on a different basis and at a higher rate of commission (i.e. 52%) as compared with the other domestic retail resources under the Domestic Retail Resources Usage Agreement.

Beijing Airport Commercial and Trading and the Company shall audit the commission for increase in resources usage fee for the preceding year on the first month of each year. Upon the confirmation by Beijing Airport Commercial and Trading and the Company, the commission for the increase shall be paid together with the guaranteed resources usage fee in the following month.

8.4 Pricing policy

We have discussed with the Management and understand that in determining the unit price of resources usage fee per square metre for calculation of the guaranteed resources usage fee under the Domestic Retail Resources Usage Agreement, the Company compared against the unit price (per square metre) of rental for retail outlets in other similar shopping malls in Beijing. It is currently estimated that the unit price (per square metre) of resources usage fee in respect of the domestic retail resources at Beijing Capital Airport under the Domestic Retail Resources Usage Agreement will be no less favourable to the Company as compared with such unit price of rental for retail outlets in other similar shopping malls in Beijing.

Under the Domestic Retail Resources Usage Agreement, the unit price of resources usage fee per square metre per year is approximately RMB14,600. We have researched and reviewed the average rental price list of large scale shopping malls in the four (4) major commercial districts located in the north east region of Beijing, which is in the similar location of Beijing Capital Airport, for the first half of 2023 and noted the average rental price ranged from approximately RMB11,169 to approximately RMB18,469 per square metre per year. As the unit price of resources usage fee is within the range of the comparable rental fee in similar shopping malls, we consider the pricing policy under the Domestic Retail Resources Usage Agreement is fair and reasonable.

We have discussed with the Management and understand that Beijing Airport Commercial and Trading provides value-added services, which are crucial to achieve a higher domestic retail revenue, to the Company in different aspects including but not limited to daily operation and management of retail businesses, tender process and marketing execution.

For daily operation and management of retail businesses, Beijing Airport Commercial and Trading is responsible for undertaking the daily operation and managerial work in respect of the tenants, including safety, servicing, logistics, cashier services, renovation, and managerial work of resources, premises and related leasing assets.

In respect of tender process, Beijing Airport Commercial and Trading is responsible for initiating tender invitation for retail business in Beijing Capital Airport, review of the tender results and filings with the Company.

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In respect of marketing, Beijing Airport Commercial and Trading will execute the marketing plan and store promotion works in accordance with the overall marketing framework set by the Company.

We are of the view that the effort contributed by Beijing Airport Commercial and Trading is crucial and has a direct effect on the domestic retail revenue of the Company. In light of the above, we consider the pricing basis for the resources usage fee charged by Beijing Airport Commercial and Trading to the Company under the Domestic Retail Resources Usage Agreement to be fair and reasonable and on normal commercial terms.

8.5 *Historical figures*

The following table shows the historical transaction amounts for the Former Domestic Retail Resources Usage Agreement:

	FY2021	FY2022	FY2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Historical transaction amount	86,991,000	36,240,000	90,000,000
			<i>(Note 21)</i>
Annual caps	156,000,000	100,000,000	125,000,000
Utilisation rate of the annual cap	55.8%	36.2%	72%

Note 21: Since the audited figure of the historical transaction amount for the year ending 31 December 2023 is not yet available, it is an estimated figure only. The unaudited figure of the transaction amount for the nine months ended 30 September 2023 was approximately RMB49,640,000. The Company expected that the actual transaction amount for the year ending 31 December 2023 will not exceed its annual cap. The increment in the estimate of historical transaction amount for year ending 31 December 2023 is relatively significant as compared with those for the year ended 31 December 2022 due to the relatively small base figures of resources usage fee from the merchants of domestic retail resources for the year ended 31 December 2022 under the impact of epidemic prevention and control measures on domestic flights and domestic passenger throughput of Beijing Capital Airport for the corresponding periods.

In light of the historical low utilisation rate of the relevant annual caps under the Former Domestic Retail Resources Usage Agreement, we have discussed with the Management and understand that the historical retail revenue of the Company decreased by approximately 15.6% and 33.3% for FY2021 and FY2022 respectively. As advised by the Management, such decreases were mainly attributable to (i) domestic passenger throughput decline caused by the COVID-19 pandemic travel restrictions; and (ii) the diversion effect of Daxing Airport.

As a result of the COVID-19 pandemic, the domestic passenger throughput decreased significantly in FY2021 to FY2022. As disclosed in the 2022 Annual Report, the decrease in domestic passenger throughput of Beijing Capital Airport was approximately 61.6% year-on-year.

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8.6 Proposed annual caps and basis of determination of annual caps

It is expected that the annual caps for the transactions contemplated under the Domestic Retail Resources Usage Agreement for the three years ending 31 December 2026 are as follows:

	FY2024 (RMB)	FY2025 (RMB)	FY2026 (RMB)
Proposed annual caps	190,000,000	200,000,000	220,000,000

The proposed annual cap for FY2024 represents an increase of approximately 52% as compared with the annual cap for FY2023, and the proposed annual caps for FY2025 and FY2026 represent increases of approximately 5.3% and 10%, respectively, as compared with the annual cap of the preceding year. Such percentage increase of annual cap is in line with the cumulative effect of the factors set out below. As set out in the Letter from the Board, the proposed annual caps are determined based on the following factors:

- (i) the historical transaction amounts for the Former Domestic Retail Resources Usage Agreement in the past three years;
- (ii) the anticipated change in domestic passenger throughput at Beijing Capital Airport in the next three years and its possible impact on the domestic retail business;
- (iii) the expected change of rental income from the operating merchants of the domestic retail resources in the future; and
- (iv) the expected operating conditions of the domestic retail resources at Beijing Capital Airport.

The year-on-year changes of proposed annual caps are attributable to the following factors:

- (i) based on the domestic flight performance and the flight schedule of Beijing Capital Airport during the first half of 2023, the Company cautiously estimates an annual growth rate of approximately 10% for domestic passenger throughput for the next three years. With the continuous improvement of domestic flight business since the second half of the year, the Company believes that there is more room for growth in the domestic flight performance and passenger throughput in the next three years. Therefore, it is currently estimated that the domestic passenger throughput for the three years ending 31 December 2026 will increase by approximately 22%, 7% and 2% respectively, compared with that of the preceding years.
- (ii) on the basis of the projection of domestic passenger throughput, the Company estimates that there will be an expected year-on-year increase of total rental income payable by operating merchants of the domestic retail resources (including the Adjusted Retail Resources) to Beijing Airport Commercial and Trading by approximately 20%, 5% and 5% for the three years ending 31 December 2026; and

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- (iii) a reasonable buffer of approximately 5% to cater for the commissions payable by Beijing Airport Commercial and Trading for year-on-year increase in resources usage income generated from the domestic retail resources (including the Adjusted Retail Resources) in accordance with the terms of the Domestic Retail Resources Usage Agreement.

In order to assess the fairness and reasonableness of the proposed annual cap, we have reviewed the calculation of the annual caps for the transactions contemplated under the Domestic Retail Resources Usage Agreement and understand that the annual caps were principally derived from the pricing mechanism as discussed in the section headed “8.3 Principal terms of the Domestic Retail Resources Usage Agreement” in this letter and the domestic retail revenue of the Company in each of the next three years.

For the domestic retail revenue of the Company for FY2024, FY2025 and FY2026, we have discussed with the Management and understand that it is derived with reference to (i) the expected domestic passenger throughput at Beijing Capital Airport in each of the next three years; and (ii) the expected rental income from the operating merchants of the domestic retail resources in the future.

We noted that for the first half of FY2023, the domestic passenger throughput of Beijing Capital Airport reached 21,353,013 person-times, representing an increase of approximately 292.4% as compared with the same period of the previous year. We have reviewed the estimation of the domestic passenger throughput made by the Company for FY2024, FY2025 and FY2026 and we noted that the Company has made reference to the historical passenger throughput figures of Beijing Capital Airport before the COVID-19 pandemic in the forecast of the domestic passenger throughput for FY2024, FY2025 and FY2026. Based on our understanding from the Management, the domestic air traffic volumes of Beijing Capital Airport are expected to further recover from 2024 and is expected to further increase in FY2025 and FY2026. There will be increases of approximately 25%, 10% and 2% in the domestic passenger throughput in Beijing Capital Airport for FY2024, FY2025 and FY2026, respectively, as compared to that in the preceding years. In addition, we noted that these estimations of increases do not represent any growth in comparison to the historical domestic passenger throughput figures of Beijing Capital Airport before the COVID-19 pandemic. As such we consider such estimations of domestic passenger throughput at Beijing Capital Airport to be fair and reasonable.

On the basis of the projection of domestic passenger throughput, the Company estimates that there will be an expected year-on-year increase of total rental income payable by operating merchants of the domestic retail resources (including the Adjusted Retail Resources) to Beijing Airport Commercial and Trading by approximately 20%, 5% and 5% for the three years ending 31 December 2026.

Having considered the above review and our internal assessment, we are of the view that the determination of the proposed annual caps for the Domestic Retail Resources Usage Agreement is fair and reasonable.

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9. Internal control measures

In respect of monitoring the pricing standards for the Continuing Connected Transactions under the CCT Agreements, the Company has implemented a management system to ensure that the terms are on normal commercial terms as follows:

1. In respect of the Supply of Miscellaneous Property Services Agreement, prior to entering into the relevant agreements, the relevant departments of the Company are responsible for gathering information on the historical transaction amounts and the profit margin under the Former Supply of Miscellaneous Property Services Agreement and conducting cross-checks against the service fees and profit margin charged by the Property Management Company to other independent service units at Beijing Capital Airport for the provision of comparable property services, as well as the service fees charged by other property management companies at Beijing Capital Airport for the provision of comparable property services.
2. In respect of the Supply of Miscellaneous Energy Services Agreement, prior to the entering into of the relevant agreements, the relevant department of the Company is responsible for gathering information on the historical service fees under the Former Supply of Power and Energy Agreement and profit margin thereunder and conducting cross-checks against the service fees and profit margin to be charged by the Energy Services Suppliers to other independent third parties operating in Beijing Capital Airport for the provision of comparable services, such as the airline companies, ground services companies, catering companies and other airports, as well as the service fees and profit margin of other service providers to Beijing Capital Airport in respect of comparable services that are essential to its daily operations, such as property management services and environmental and cleaning services.
3. In respect of the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, prior to entering into the relevant agreements, the relevant departments of the Company are responsible for gathering information on the historical transaction amounts of service fees and the profit margin for the relevant services provided by the Power and Energy Company under the Former Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement, and conducting cross-checks against the service fees and profit margin charged by the Power and Energy Company to other independent third parties.
4. In respect of the International Retail Management Agreement, prior to entering into the relevant agreements, the relevant departments of the Company are responsible for gathering information on the historical entrusted management fees and relevant transactions under the Former International Retail Management Agreement as well as conducting cross-checks against the entrusted fee management fee charged by Beijing Airport Commercial and Trading to Daxing Airport, Tianjin Airport and Nanchang Airport in respect of their international retail business.
5. In respect of the Advertising Management Agreement, prior to entering into the relevant agreements, the relevant departments of the Company are responsible for gathering information on the historical transaction amount and profit margin under the Former Advertising

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Management Agreement and conducting crosschecks against the management fees charged by Beijing Airport Media to other airports in the PRC for the provision of similar advertising management services, as well as the profit margin charged by other services providers for other related services at Beijing Capital Airport.

6. In respect of the Food and Beverage Management Agreement, prior to entering into the relevant agreements, the relevant departments of the Company are responsible for gathering information on the historical figures of entrusted management fees and relevant transactions under the Former Food and Beverage Management Agreement and conducting cross-checks against the profit margin charged by other service providers for the provision of related services at Beijing Capital Airport.
7. In respect of the Domestic Retail Resources Usage Agreement, prior to the entering into of the relevant agreements, the relevant departments of the Company are responsible for gathering information on the historical transaction amounts under the Former Domestic Retail Resources Usage Agreement (as amended by the Flexible Retail and F&B Resources Usage Agreement and the Former Supplemental Domestic Retail Resources Usage Agreement) and conducting cross-checks against the quotations provided by at least three independent third parties for the provision of similar services.
8. Prior to the signing of the definitive agreement(s) and the implementation of the transactions contemplated under the CCT Agreements, the principal officer(s) in the relevant department(s) of the Company is required to lodge applications within the Company, which are subject to a preliminary review conducted by the managers of the relevant departments of the Company, followed by a final review at the general manager office in accordance with the relevant internal control policies of the Company. Upon completion of the above internal review procedures, the relevant definitive agreement(s) and the implementation of the transactions contemplated thereunder will be considered and approved by the Board.
9. The independent non-executive Directors have reviewed and would continue to review the transactions contemplated under the CCT Agreements to ensure that such transactions are entered into on normal commercial terms, fair and reasonable, and carried out pursuant to its contractual terms.
10. The auditors of the Company will conduct annual review on the transactions contemplated under the CCT Agreements in relation to the pricing policy and annual caps contemplated thereunder in accordance with the Listing Rules.

The Company has implemented the following internal control measures to ensure that the annual caps for the transactions contemplated under the CCT Agreements will not be exceeded:

1. The finance department of the Company provides the secretariat to the Board with information in relation to the actual transaction amounts on a monthly basis.
2. The secretariat to the Board is responsible for monitoring such transactions to ensure that the total amount of transactions does not exceed the annual caps.

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3. If such amount of transactions is estimated to exceed the relevant annual cap, the person-in-charge of the relevant department of the Company will be notified so that the scale of transactions in the future may be re-estimated and arrangements may be made to issue announcements and/or to obtain the relevant approvals from the Board and the Independent Shareholders in accordance with the requirements of the Listing Rules.

Regarding the effectiveness of the internal control procedures to safeguard the continuing connected transactions of the Group, we have obtained and reviewed the internal control policies of the Group governing the Group's connected transactions to ensure that the transactions are on normal commercial terms and are fair and reasonable. It is noted that the internal control procedures as set out in the internal control policies are in line with the abovementioned procedures. The Management also confirmed that the internal policies of the Group as mentioned above form an adequate system of control to monitor the Continuing Connected Transactions.

We also noted the independent non-executive Directors have reviewed and will continue to review the Continuing Connected Transactions contemplated under the CCT Agreements to ensure that such transactions are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to its contractual terms. In addition, the auditors of the Company will conduct annual review on the transactions contemplated under the CCT Agreements in relation to the pricing policy and annual caps contemplated thereunder in accordance with the Listing Rules.

We have reviewed: (i) the reports from the auditors of the Company to the Audit and Risk Management Committee of the Company, which comprised all the independent non-executive Directors, for FY2021 and FY2022; and (ii) the 2021 Annual Report and 2022 Annual Report. We noted that the transactions under the former agreements were reviewed by the independent non-executive Directors and they confirmed that such transactions were entered into in the ordinary and usual course of business of the Company, on normal commercial terms or on terms no less favourable than the terms offered by independent third parties to the Company and according to the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole. We also noted the auditors of the Company was engaged to report on the continuing connected transactions of the Group and issued unqualified letter in respect of continuing connected transactions for each of FY2021 and FY2022.

Accordingly, we concur with the Management's view that the internal policies of the Group as mentioned above form an adequate system of internal control to monitor the Continuing Connected Transactions.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- (i) the entering into the Continuing Connected Transactions is in the ordinary and usual course of business of the Company;

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- (ii) the terms of the Continuing Connected Transactions are fair and reasonable and in the interest of the Company and Shareholders as a whole;
- (iii) the determination of the proposed annual caps for each of the Continuing Connected Transactions are fair and reasonable;
- (iv) the pricing mechanism for the Continuing Connected Transactions are fair and reasonable; and
- (v) the Company has implemented stringent internal control measures to govern the Continuing Connected Transactions of the Group.

Having considered the above, we are of the view that the CCT Agreements and the Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Company on normal commercial terms, the terms of the CCT Agreements and the Continuing Connected Transactions and the relevant proposed annual caps are fair and reasonable, and in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the CCT Agreements and the Continuing Connected Transactions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Koh Kwai Yim
Managing Director

Ms Koh Kwai Yim is the Managing Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Ms. Koh has over 19 years of corporate finance experience in Hong Kong and has participated in and completed various financial advisory and independent financial advisory transactions.

** For identification purpose only*

1. RESPONSIBILITY STATEMENT

This supplemental circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this supplemental circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this supplemental circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Interests and short positions of Directors, supervisors and chief executive in the Shares, underlying Shares or debentures of the Company and its associated corporations**

To the best knowledge of the Directors, supervisors and chief executive of the Company, as at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company had interests and short positions in the Shares, underlying Shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors, supervisors or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

(b) Interests and short positions of substantial shareholders in the Shares, underlying Shares or debentures of the Company and its associated corporations

To the best knowledge of the Directors, supervisors and chief executive of the Company, as at the Latest Practicable Date, the interest and short positions of the substantial shareholders in the issued share capital of the Company which were required, pursuant to section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company were as follows:

Name of Shareholder	Class of		Number of Shares	Approximate percentage of the relevant class of Shares (%)	Approximate percentage of the total issued Shares (%)	
	Notes	Shares Capacity				
Capital Airports Holdings Limited	1	Domestic	Beneficial owner	(L) 2,699,814,977	100	58.96
Causeway Capital Management LLC	2	H	Investment manager	(L) 188,316,000	10.02	4.11
The Bank of New York Mellon Corporation		H	Interest of corporation controlled by substantial shareholder	(L) 150,289,328 (P) 148,508,573	7.99 7.90	3.28 3.24
BlackRock, Inc.		H	Interest of corporation controlled by substantial shareholder	(L) 143,872,675 (S) 6,260,000	7.66 0.33	3.14 0.14
Causeway Capital Management LLC	2	H	Investment manager	(L) 131,274,700	6.99	2.87
Aberdeen Asset Management PLC and its associates	2	H	Investment manager	(L) 114,868,000	6.11	2.51
Mitsubishi UFJ Financial Group, Inc.		H	Interest of corporation controlled by substantial shareholder	(L) 114,706,000	6.10	2.51
Mr. Jiang Jinzhi (蔣錦志)	3	H	Interest of corporation controlled by substantial shareholder	(L) 105,602,000	5.62	2.31
Invesco Asset Management Limited	2	H	Investment manager	(L) 99,325,400	5.28	2.17
Hermes Investment Funds PLC		H	Beneficial owner	(L) 94,613,662	5.03	2.07

(L): Long Position

(S): Short Position

(P): Lending Pool

Notes:

- Capital Airports Holdings Limited 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 and the chairman of the board 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. Jia Jianqing, a non-executive Director, is the deputy general manager of Capital Airports Holdings Limited. Mr. Song Kun, a non-executive Director, is the deputy general manager of Capital Airports Holdings Limited. Mr. Du Qiang, a non-executive Director, is the deputy general manager of Capital Airports Holdings Limited.
- These Shares are held in the capacity of investment manager.

3. Based on the disclosure form dated 26 February 2021 of Mr. Jiang Jinzhi (being the latest disclosure form filed up to 30 June 2023), 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.
4. The information in the above table is based on information publicly available to the Company as at the Latest Practicable Date.
5. The numbers in the above table have been subject to rounding adjustments. Any discrepancies in the numbers are due to roundings.

As at the Latest Practicable Date, save as disclosed above and to the best knowledge of the Directors, supervisors and chief executive of the Company, (i) no person had any interests or short positions in the Shares or underlying Shares of the Company which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein, or holding 5% or above in the issued share capital of the Company which would be required to be notified to the Company; and (ii) none of the Directors, supervisors and chief executive of the Company was also a director or employee of a company which has an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

(I) DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or proposed service contract with the Company, which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

(II) MATERIAL ADVERSE CHANGES

Reference is made to the profit warning announcement of the Company dated 2 August 2023 and the interim results announcement and the interim report of the Company for the six months ended 30 June 2023 published on 29 August 2023 and 22 September 2023, respectively. In the first half of 2023, the civil aviation market experienced significant rebound under a positive trend of economic recovery in China. The Company strived to seize the opportunities arising from the recovery of demand in the aviation transportation market by insisting on safety first, focusing on the enhancement

of quality and efficiency, and strengthening cost control for the recovery of production and operation. However, due to the relatively slow recovery of international routes, coupled with the impact of diversion of flights to Daxing Airport, the operating results of the Company remained under pressure, as a result of which the Company continued to incur operating loss during the six months ended 30 June 2023. During the six months ended 30 June 2023, the Company recorded a net loss after tax in the amount of RMB1,041,495,000, representing a decrease of approximately 25.9% as compared with the net loss after tax of RMB1,404,644,000 for the same period of the previous year.

Save as disclosed above, as at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Company since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

(III) INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Director or supervisors of the Company had any interest, direct or indirect, in any asset which have been acquired or disposed of by or leased to the Company or are proposed to be acquired or disposed of by or leased to the Company since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

None of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date, which was significant in relation to the business of the Company.

(IV) COMPETING INTEREST

As disclosed in section 2(b) of this appendix, as at the Latest Practicable Date, five of the Directors concurrently held the position of director (the chairman of the board) or deputy general managers of the Parent Company, which is the controlling shareholder of the Company. As such, they shall be deemed to have interests in the Parent Company pursuant to Rule 8.10 of the Listing Rules.

The Parent Company is currently engaged in the aeronautical and non-aeronautical businesses of Beijing Daxing International Airport as a result of the approval in writing on 28 June 2018 by the Company which has retained the option to purchase the assets of Beijing Daxing International Airport in accordance with the requirements set out in the deed of non-competition dated 26 October 1999 entered into between the Company and the Parent Company. Therefore, the Parent Company is competing with the Company which is engaged in the operation of the aeronautical and non-aeronautical businesses of Beijing Capital Airport. For further details, please refer to the inside information announcement of the Company dated 28 June 2018 and pages 38 to 39 of the annual report of the Company for the year ended 31 December 2022 published on 27 April 2023.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates had any competing interest (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company for the purpose of the Listing Rules).

(V) EXPERT AND CONSENT

The following sets out the qualification of the expert which has given its opinion or advice as contained in this supplemental circular:

Name	Qualification
Opus Capital Limited	a corporation licensed by the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this supplemental circular with the inclusion of its letter and references to its name, opinion, logo and qualification, in the form and context in which they are included.

As at the Latest Practicable Date, the above expert:

- (a) did not have any shareholding, direct or indirect, in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company; and
- (b) did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to the Company, or which were proposed to be acquired or disposed of by or leased to the Company, since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

(VI) DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.bcia.com.cn>) for 14 days from the date of this supplemental circular:

- (a) the Supply of Miscellaneous Property Services Agreement;
- (b) the Supply of Miscellaneous Energy Services Agreement;
- (c) the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement;
- (d) the International Retail Management Agreement;
- (e) the Advertising Management Agreement;
- (f) the Food and Beverage Management Agreement;
- (g) the Domestic Retail Resources Usage Agreement;

- (h) the letter of advice from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders;
- (i) the consent letter from the Independent Financial Adviser referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (j) this supplemental circular.

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this supplemental notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this supplemental notice.



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)

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

Reference is made to (i) the notice of extraordinary general meeting of Beijing Capital International Airport Company Limited (the “**Company**”) dated 2 November 2023 (the “**EGM Notice**”), which sets out the time and venue of the EGM and contains the relevant resolution to be put forward at the EGM for consideration and approval by the Shareholders of the Company; and (ii) the proxy form of the Company dated 2 November 2023.

After the date of the EGM Notice, the board of directors of the Company (the “**Board**”) received from its controlling shareholder, Capital Airports Holdings Limited, a proposal for adding additional ordinary resolutions for the consideration and approval by the Shareholders at the EGM.

According to the Articles of Association of the Company, any Shareholder holding 5% or more voting rights of the Company is entitled to propose additional resolutions to be passed at the EGM.

As a result, the following ordinary resolutions shall be added to the EGM Notice.

SUPPLEMENTAL NOTICE IS HEREBY GIVEN that the EGM of the Company will be held at 9:00 a.m. on Thursday, 28 December 2023 at the Conference Room, Room 112, the Office Building of the Company, No. 9 Siwei Road, Capital Airport, Beijing, the People’s Republic of China (the “**PRC**”) to consider and, if thought fit, pass the following ordinary resolutions, in addition to the resolution set out in the EGM Notice:

ORDINARY RESOLUTIONS

1. To consider and approve the Supply of Miscellaneous Property Services Agreement entered into between the Company and the Property Management Company and the transactions contemplated thereunder, including the annual caps.
2. To consider and approve the Supply of Miscellaneous Energy Services Agreement entered into between the Company, the Power and Energy Company and the Energy Saving Technology Company and the transactions contemplated thereunder, including the annual caps.

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

3. To consider and approve the Supply of Operation and Maintenance Services of Power and Energy Facilities Framework Agreement entered into between the Company and the Power and Energy Company and the transactions contemplated thereunder, including the annual caps.
4. To consider and approve the International Retail Management Agreement entered into between the Company and Beijing Airport Commercial and Trading and the transactions contemplated thereunder, including the annual caps.
5. To consider and approve the Advertising Management Agreement entered into between the Company and Beijing Airport Media and the transactions contemplated thereunder, including the annual caps.
6. To consider and approve the Food and Beverage Management Agreement entered into between the Company and Beijing Airport Food Management and the transactions contemplated thereunder, including the annual caps.
7. To consider and approve the Domestic Retail Resources Usage Agreement entered into between the Company and Beijing Airport Commercial and Trading and the transactions contemplated thereunder, including the annual caps.

By the order of the Board
Li Bo
Secretary to the Board

11 December 2023
Beijing, the PRC

Notes:

- (i) Save as the additional ordinary resolutions and other information as set out in this supplemental notice of EGM, all the information set out in the EGM Notice remains unchanged.
- (ii) **IMPORTANT NOTE:** A revised proxy form for use at the EGM (“**Revised Proxy Form**”) is enclosed herewith. The revised proxy form shall supersede and replace the proxy form enclosed with the notice of extraordinary general meeting of the Company dated 2 November 2023 (the “**Previous Proxy Form**”) and the Previous Proxy Form shall be deemed invalid. Shareholders who have signed and returned the Previous Proxy Form should complete and return the Revised Proxy Form in accordance with the instructions provided in the supplemental notice of EGM. Completion and return of the Revised Proxy Form will not preclude a Shareholder from attending and voting at the EGM in person.
- (iii) The reply slip for the EGM published by the Company on 2 November 2023 is still valid for use in respect of the proposed resolutions set out in this supplemental notice of EGM. Holders of H Shares who intend to attend the EGM are requested to deliver the reply slip to the Company’s H Share registrar, Hong Kong Registrars Limited at Shops 1712-1716, 17/F Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (facsimile no.: 852-2865 0990), on or before Thursday, 7 December 2023. The reply slip may be delivered in person, by post or facsimile.
- (iv) For details of the continuing connected transactions contemplated under the proposed additional resolutions, please refer to the supplemental circular of the Company dated 11 December 2023.
- (v) Unless the context otherwise requires, capitalised terms used in this supplemental notice shall have the same meanings as defined in the supplemental circular of the Company dated 11 December 2023.

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

As at the date of this supplemental notice, the Directors of the Company are:

Executive Directors: *Mr. Wang Changyi and Mr. Han Zhiliang*

Non-executive Directors: *Mr. Jia Jianqing, Mr. Song Kun and Mr. Du Qiang*

Independent Non-executive Directors: *Mr. Zhang Jiali, Mr. Stanley Hui Hon-chung, Mr. Wang Huacheng and Ms. Duan Donghui*

A notice containing details of the matter is available for viewing on the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> under "Latest Listed Company Information" and the website of the Company at <http://www.bcia.com.cn>.