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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)

### ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS PROPERTY LEASING FRAMEWORK AGREEMENT

#### **PROPERTY LEASING FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 9 January 2018 in respect of, among other things, the Former Property Leasing Framework Agreement. The Former Property Leasing Framework Agreement will expire on 31 December 2020. As the parties intend to continue to carry out the transactions of a similar nature from time to time after 31 December 2020 due to the Company's daily operation needs, the Company entered into the Property Leasing Framework Agreement as a renewal agreement.

The Board announces that on 28 December 2020, the Company entered into the Property Leasing Framework Agreement with the Parent Company, pursuant to which the Company agreed to lease certain premises, including but not limited to the ITC Property and the Armed Police Property, from the Parent Company for a term of three years commencing from 1 January 2021 to 31 December 2023.

#### **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 announcement. The Parent Company is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Property Leasing Framework 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 Property Leasing Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Property Leasing Framework Agreement are therefore subject to the reporting, annual review and announcement requirements, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

# **PROPERTY LEASING FRAMEWORK AGREEMENT**

## **Background**

Reference is made to the announcement of the Company dated 9 January 2018 in respect of, among other things, the Former Property Leasing Framework Agreement. The Former Property Leasing Framework Agreement will expire on 31 December 2020. As the parties intend to continue to carry out the transactions of a similar nature from time to time after 31 December 2020 due to the Company's daily operation needs, the Company entered into the Property Leasing Framework Agreement as a renewal agreement.

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## **Material terms of the Property Leasing Framework Agreement**

### ***Date***

28 December 2020

### ***Parties***

- (a) the Company, as lessee; and
- (b) the Parent Company, as lessor

### ***Services***

Pursuant to the Property Leasing Framework Agreement, the Company agreed to lease certain premises, including but not limited to (i) the ITC Property, which consists of an area of approximately 2,760.3 square metres; and (ii) the Armed Police Property, which consists of an area of approximately 12,358 square metres, from the Parent Company for the daily operation of the Company.

The Property Leasing Framework Agreement is a framework agreement only. The Company will subsequently enter into individual leasing agreements with the Parent Company setting out specific terms of the leasing arrangements including the details of the relevant premises, the determination principle, settlement method and payment terms of rent. Such terms shall be consistent with the principles and the terms of the Property Leasing Framework Agreement.

## ***Term***

The Property Leasing Framework Agreement is for a term of three years commencing from 1 January 2021 to 31 December 2023.

## ***Consideration and payment***

- (1) The amount of rent is determined by arm's length negotiations between the parties with reference to the leasing area of the premises multiplied by the agreed rent per square metre, which is arrived at with reference to the market rent (per square metre) of similar properties within the area of Beijing Capital Airport from time to time.
- (2) Depending on the usage, location and scale of the annual rent of the relevant premises, the rent is payable by the Company to the Parent Company on a monthly, quarterly, half-yearly or yearly basis by bank transfer or cheque.
- (3) The transactions contemplated under the Property Leasing Framework Agreement will be conducted in the ordinary and usual course of business of the Company on normal commercial terms and on terms not less favourable from independent third parties for leasing similar properties.

## **Historical figures**

The following table shows the historical figures of the rents paid by the Company to the Parent Company for the leasing of certain premises, including but not limited to the ITC Property and the Armed Police Property:

	<b>For the year ended 31 December 2018 (RMB)</b>	<b>For the year ended 31 December 2019 (RMB)</b>	<b>For the year ending 31 December 2020 (RMB)</b>
Rents for the leasing of certain premises, including but not limited to the ITC Property and the Armed Police Property	12,116,000	12,943,000	12,903,000 <i>(Note)</i>
Annual caps	16,000,000	17,000,000	18,000,000

*Note:* The annual rents paid by the Company for the leasing of the premises under the Property Leasing Framework Agreement for the eleven months ended 30 November 2020 is approximately RMB11,827,443. Since the audited figure for the annual rents payable by the Company for the

leasing of the premises under the Property Leasing Framework Agreement for the year ending 31 December 2020 is not yet available, it is an estimated figure only. The Company expects that the relevant annual rents payable for the year ending 31 December 2020 will not exceed its annual cap.

### **Annual caps**

It is expected that the annual caps, which represent the total value of right-of-use assets relating to leases to be entered into by the Company with the Parent Company each year under the Property Leasing Framework Agreement, for the three years ending 31 December 2023 are as follows:

	<i>(RMB)</i>
For the year ending 31 December 2021	20,785,000
For the year ending 31 December 2022	42,667,000
For the year ending 31 December 2023	5,000,000

The above annual caps are determined after taking into account (i) the historical annual rents paid by the Company to Parent Company for the leasing of certain premises, including but not limited to the ITC Property and the Armed Police Property; (ii) the anticipated increase in the area of premises to be leased from the Parent Company to the Company; and (iii) the anticipated adjustment to the rental costs of certain premises to be leased from the Parent Company to the Company.

Pursuant to IFRS 16, the leases to be entered into by the Company as lessee under the Property Leasing Framework Agreement will be recognised as right-of-use assets. The proposed annual caps are set on the total value of the right-of-use assets relating to the individual leasing agreements expected to be entered into by the Company in each year, which are calculated with reference to the aggregate annual rents under the full lease term of each individual leasing agreement newly entered into each year, discounted by the Company's incremental borrowing rate.

The values of the right-of-use assets expected to be recognised by the Company as a result of the entry into the Property Leasing Framework Agreement for the next three years ending 31 December 2023 amount to approximately RMB20,784,852, RMB42,666,400 and RMB5,000,000, respectively, in accordance with IFRS 16. Incremental borrowing rate of 4.75% is applied to compute the present value of the right-of-use assets recognised by the Company as a result of the entry into the Property Leasing Framework Agreement.

The Directors (including the independent non-executive Directors) are of the view that the annual caps as stated above are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### **Pricing policy**

The relevant department of the Company will use the following approaches to assess the reasonableness and fairness of such quotation:

The relevant department of the Company, which is responsible for the signing of individual definitive leasing agreements, will regularly designate staff to compare the level of rent with that offered under other leasing agreements or by independent third parties (including at least three lease counterparties within the area of Beijing Capital Airport) according to the conditions of the agreements, as well as to report the comparison results to their supervisors who will, based on the above research and comparison results, ensure that the level of rent payable by the Company to the Parent Company will not be higher than that offered by other independent third parties during the same period.

### **Internal control on pricing**

The Company has implemented a management system to monitor the pricing standards for the transactions under the Property Leasing Framework Agreement to ensure that the terms are on normal commercial terms as follows:

1. Prior to entering into the Property Leasing Framework Agreement, the information technology department and the quality and safety department of the Company are responsible for gathering information on the historical annual rents paid by the Company to Parent Company under the Former Property Leasing Framework Agreement and conducting cross-checks against the rents offered by other independent third parties within the area of Beijing Capital Airport. Thereafter, the information technology department and the quality and safety department are responsible for the monitoring, assessment and ratings of the transactions contemplated under the Property Leasing Framework Agreement. The finance department and the secretariat to the Board are responsible for gathering information of connected transactions and monitoring the implementation of connected transactions.
2. Prior to the signing of the definitive agreements and the implementation of the transactions contemplated under the Property Leasing Framework Agreement, the principal officers in the information technology department and the quality and safety department who handle the relevant matters shall lodge applications with the information technology department and the quality and safety department, the finance department, the legal department and the secretariat to the Board. Such applications would only be approved upon 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 relevant definitive agreements will be considered and approved by the Board.
3. The independent non-executive Directors have reviewed and would continue to review the transactions contemplated under the Property Leasing 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.

4. The auditors of the Company will conduct annual review on the transactions contemplated under the Property Leasing 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 rents payable by the Company under the Property Leasing 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 rents on a monthly basis.
2. The secretariat to the Board is responsible for monitoring such transactions to ensure that the total amount of rents does not exceed the annual caps.
3. If such amount of rents 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 PROPERTY LEASING FRAMEWORK AGREEMENT**

The Company considers that the leasing of the relevant business premises and properties from the Parent Company will facilitate the administration and daily operation of Beijing Capital Airport, thereby achieving overall steady operation.

In light of the above, the Directors are of the view that the Property Leasing Framework Agreement is entered into on normal commercial terms that are fair and reasonable, and the transactions under the Property Leasing Framework 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.

#### **GENERAL**

The Company is principally engaged in the operation of Beijing Capital Airport.

The Parent Company is principally engaged in the provision of ground handling services for domestic and international aviation enterprises, including supply of water, electricity, steam and energy; airport management services and counter services. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the ultimate beneficial owner of the Parent Company is the Civil Aviation Administration of China, which is a state bureau administered by the Ministry of Transport of the PRC.

## **BOARD'S APPROVAL**

The Property Leasing Framework Agreement was approved by the Board.

As at the date of this announcement, there are no overlapping directors between the Company and the Parent Company. Certain executive and non-executive Directors concurrently serve as the general manager and deputy general managers of the Parent Company only. Moreover, none of the Directors personally has any material interest in the transactions contemplated under the Property Leasing Framework Agreement. Therefore, none of the Directors has abstained from voting at the Board meeting to approve the Property Leasing Framework Agreement and the transactions contemplated thereunder.

## **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 announcement. The Parent Company is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Property Leasing Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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## **DEFINITIONS**

“Armed Police Property”	collectively, the five premises located at Beijing Capital Airport for the use of armed police force that is responsible for the security of the area of Beijing Capital Airport
“Beijing Capital Airport”	Beijing Capital International Airport
“Board”	the board of Directors
“Company”	Beijing Capital International Airport Co., Ltd., 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”	has the meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning as ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Former Property Leasing Framework Agreement”	the property leasing framework agreement dated 9 January 2018 entered into between the Company and the Parent Company, details of which were disclosed in the announcement of the Company dated 9 January 2018
“H Share(s)”	overseas listed foreign shares of nominal value of RMB1.00 each in the registered capital of the Company
“IFRS”	the International Financial Reporting Standard(s) issued by the International Accounting Standards Board from time to time
“Independent Shareholders”	the Shareholders other than the Parent Company, its associates and any Shareholder with a material interest in the Property Leasing Framework Agreement and the transactions contemplated thereunder
“ITC Property”	the information technology centre at Terminal Three
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parent Company”	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”	the People’s Republic of China
“Property Leasing Framework Agreement”	the property leasing framework agreement dated 28 December 2020 entered into between the Company and the Parent Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of RMB1.00 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Terminal Three”	the passenger terminal numbered three which forms part of Beijing Capital Airport
“%”	per cent



By order of the Board  
**Meng Xianwei**  
*Secretary to the Board*

Beijing, the PRC  
28 December 2020

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

*Executive Directors: Mr. Liu Xuesong, Mr. Han Zhiliang and Mr. Zhang Guoliang*

*Non-executive Directors: Mr. Gao Shiqing, Mr. Jia Jianqing and Mr. Song Kun*

*Independent non-executive Directors: Mr. Jiang Ruiming, Mr. Liu Guibin, Mr. Zhang Jiali and Mr. Stanley Hui Hon-chung*

*An announcement 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”, the website of the Company at <http://www.bcia.com.cn> and the website of Irasia.com at <http://www.irasia.com/listco/hk/bcia>.*

*\* For identification purpose only*