

OFFERING MEMORANDUM



AIRPORT AUTHORITY

(a statutory body corporate established in Hong Kong under the Airport Authority Ordinance of Hong Kong)

Hong Kong Dollar 4.25% Bonds due 2026

Subscription Price: 100%

Stock Code: 4701

The Hong Kong Dollar 4.25% Bonds due 2026 (the “Bonds”) will be issued by the Airport Authority (which may also be referred to as the “Airport Authority Hong Kong”) (the “Airport Authority”). The Bonds are to be issued to the public in Hong Kong who satisfy the eligibility criteria as described herein. The Airport Authority reserves the right to determine the total principal amount of the Bonds to be issued in light of valid applications received subject to the maximum issue amount as set out herein.

The Airport Authority has a long-term local and foreign currency rating of AA+ by S&P Global Ratings. The Bonds do not have a specific credit rating. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

The subscription period will only commence on 17 January 2024, notwithstanding this Offering Memorandum being dated and published on 5 January 2024. Prior to the commencement of the subscription period, no application for the Bonds will be processed or accepted and no investor should make any investment decision in respect of the Bonds.

Applications for the Bonds can be made through: (i) a placing bank; or (ii) Hong Kong Securities Clearing Company Limited (“HKSCC”), either directly or through a designated securities broker. In respect of an application for the Bonds through a placing bank, in order to instruct a placing bank to apply for the Bonds on your behalf, you must already have, or you must open, a bank account and also an investment account with the placing bank you intend to instruct. In respect of an application for the Bonds through HKSCC or a designated securities broker (as the case may be), in order to instruct HKSCC or your designated securities broker to apply for the Bonds on your behalf, you must already have, or you must open, an investor account with HKSCC or, as the case may be, ensure that your designated securities broker holds an account with HKSCC.

The subscription price of the Bonds is 100%. The obligations of the Airport Authority to pay interest on the Bonds and to repay the principal amount of the Bonds when they mature are not guaranteed by, and are not obligations of, the Government of the Hong Kong Special Administrative Region of the People’s Republic of China (the “Government of Hong Kong”).

Only one application may be made for the benefit of any person. If an applicant is suspected of submitting more than one application (through a placing bank or HKSCC (either directly or through a designated securities broker)), all of his/her applications are liable to be rejected.

Application has been made to The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) for permission to deal in, and for listing of, the Bonds to be issued on the issue date and such Bonds are expected to be admitted to listing on 6 February 2024.

By applying for the Bonds, an applicant will be deemed to have made, for the benefit of the Airport Authority, a series of confirmations and acknowledgements as set out in the paragraph entitled “What confirmations do I have to make?” in the section entitled “How to Apply for the Bonds”.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Airport Authority or the quality of disclosure in this document. The Hong Kong Exchanges and Clearing Limited, the Hong Kong Stock Exchange, HKSCC, the Joint Lead Managers, the placing banks, the designated securities brokers, the Trustee and the Agents (as defined in the terms and conditions of the Bonds) take no responsibility for the contents of this document, make no representation as to its accuracy, completeness or sufficiency 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 document.

In order to provide liquidity and secondary trading for the Bonds, the market makers, as listed on pages 45 to 46 of this Offering Memorandum, have, subject to certain limitations, agreed to quote prices at which they will buy or sell the Bonds – see the paragraph entitled “What are the market making arrangements for the Bonds?” in the section entitled “Dealing in, Listing of and Early Redemption of the Bonds”. These arrangements do not assure an active secondary trading market for the Bonds.

The Bonds will be issued on the issue date in bearer form and a global bond representing the total principal amount of the Bonds to be issued on the issue date will be lodged on the issue date of the Bonds with a sub-custodian of the Central Moneymarkets Unit Service (the “CMU”), operated by the Hong Kong Monetary Authority (the “HKMA” or the “Operator”), which will be the bearer of the Bonds as long as the global bond is lodged with it. Investors of the Bonds must hold their interests in the Bonds in an investment account with a participant in the CMU (which must initially be one of the placing banks or HKSCC). Most banks and securities brokers in Hong Kong maintain, or have access to, an account with the CMU through which the Bonds may be held or transferred following issue, and investors of the Bonds will have to rely on their placing bank, HKSCC or their securities broker (as the case may be) to credit the accounts of such investors of the Bonds with interest and principal payments on the Bonds.

Joint Lead Managers

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

Placing Banks

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

Bank of Communications (Hong Kong) Limited

The Bank of East Asia, Limited

China CITIC Bank International Limited

China Construction Bank (Asia) Corporation Limited

Chiyu Banking Corporation Limited

Chong Hing Bank Limited

Citibank (Hong Kong) Limited

CMB Wing Lung Bank Limited

Dah Sing Bank, Limited

DBS Bank (Hong Kong) Limited

Fubon Bank (Hong Kong) Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of China (Asia) Limited

Nanyang Commercial Bank, Limited

OCBC Bank (Hong Kong) Limited

Shanghai Commercial Bank Limited

Standard Chartered Bank (Hong Kong) Limited

Designated Securities Brokers

Bright Smart Securities International (H.K.) Limited

Chief Securities Limited

Essence International Securities (Hong Kong) Limited

Everbright Securities Investment Services (HK) Limited

First Shanghai Securities Limited

Futu Securities International (Hong Kong) Ltd

Hong Kong International Securities Limited

Sanfull Securities Limited

Sinolink Securities (Hong Kong) Company Limited

SinoPac Securities (Asia) Limited

SoFi Securities (Hong Kong) Limited

South China Securities Limited

Tai Shing Stock Investment Co., Ltd

Tai Tak Securities (Asia) Limited

Tiger Brokers (HK) Global Limited

UOB Kay Hian (Hong Kong) Limited

Victory Securities Company Limited

Wocom Securities Limited

Offering Memorandum dated 5 January 2024

IMPORTANT

An investment in the Bonds is not equivalent to a time deposit and involves investment risks. See the sections entitled “Important Investment Considerations” and “Risk Factors” for further details.

You should read this Offering Memorandum in order to understand the offer of the Bonds, and ensure you fully understand the risks associated with any investment in the Bonds, before deciding whether to apply for any Bonds. If you are in any doubt about the contents of this Offering Memorandum, you should obtain independent professional advice.

None of the Airport Authority, the Joint Lead Managers, the placing banks, the designated securities brokers, the Trustee or the Agents will give you investment advice, and you must decide for yourself whether the Bonds meet your investment needs, taking professional advice if appropriate.

This Offering Memorandum, for which the Chief Executive Officer, the Chief Operating Officer and the Executive Directors of the Airport Authority collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purpose of giving information with regard to the Airport Authority. The Chief Executive Officer, the Chief Operating Officer and the Executive Directors of the Airport Authority, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Offering Memorandum 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 Offering Memorandum misleading.

Any application for the Bonds will be made solely on the basis of the information contained in this Offering Memorandum. No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Memorandum or any other information supplied by the Airport Authority in connection with the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Airport Authority, the Joint Lead Managers, the placing banks, the designated securities brokers, HKSCC, the Trustee or the Agents.

Neither this Offering Memorandum nor any other information supplied in connection with the Bonds is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Airport Authority, the Joint Lead Managers, the placing banks, the designated securities brokers, HKSCC, the Trustee or the Agents that any recipient of this Offering Memorandum or of any other information supplied in connection with the Bonds should purchase any of the Bonds. Each investor contemplating purchasing or holding any of the Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Airport Authority.

The delivery of this Offering Memorandum does not at any time imply that the information contained herein concerning the Airport Authority is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Bonds is correct as of any time subsequent to the date indicated in the document containing such information. Investors should review, *inter alia*, the financial information relating to the Airport Authority included in this Offering Memorandum when deciding whether or not to subscribe for, purchase, or hold any of the Bonds. Without prejudice to Rule 25.12 of the Listing Rules, in case any significant change affecting any matter contained in this Offering Memorandum arises between the date of this Offering Memorandum and the commencement date of the subscription period, and the inclusion of such information would have been required in this Offering Memorandum if it had arisen before the date of this Offering Memorandum, the issuer will promptly publish a supplemental offering memorandum disclosing any such significant change.

No offer or solicitation with respect to the Bonds may be made in any jurisdiction or under any circumstances where such offer or solicitation is unlawful or not properly authorised. The distribution of this Offering Memorandum and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Airport Authority, the Joint Lead Managers and the placing banks to inform themselves about, and to observe, any such restrictions.

ATTENTION

This Offering Memorandum is available in both English and Chinese, and the English version will prevail. The Airport Authority has only published an electronic version of this Offering Memorandum. The Airport Authority will not provide printed copies of this Offering Memorandum. You may download a copy of this Offering Memorandum on the Airport Authority's website at www.hongkongairport.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

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WAIVERS REQUESTED FROM THE HONG KONG STOCK EXCHANGE

The Airport Authority has applied for waivers from strict compliance with the following requirements in the Listing Rules for the Airport Authority to:

- (a) provide a consolidated capitalisation statement and indebtedness statement of the Airport Authority not earlier than three months prior to the date of this Offering Memorandum under paragraph 39 of Appendix D1C of the Listing Rules;
- (b) procure that any listing document, circular or announcement issued by the Airport Authority pursuant to the Listing Rules must disclose the name of each director as at the date of the relevant listing document, circular or announcement under Rule 2.14 of the Listing Rules;
- (c) procure that every director, and each new director, must, in the exercise of his powers and duties as a director of the Airport Authority, comply with the requirements under Rule 3.09B of the Listing Rules;
- (d) procure that every director, and each new director, whether when he is a director of the Airport Authority or after ceasing to be so, shall comply with the undertakings under Rule 3.09C of the Listing Rules;
- (e) procure that every director, and each new director before his appointment becomes effective, shall comply with the requirements under Rule 3.09D of the Listing Rules and procure the Airport Authority's compliance with the notes thereto;
- (f) procure that each of the directors informs the Hong Kong Stock Exchange (in the manner prescribed by the Hong Kong Stock Exchange from time to time), under Rule 3.20 of the Listing Rules:
 - (i) as soon as reasonably practicable after their appointment, their telephone number, mobile phone number, facsimile number (if available), email address (if available), residential address and contact address (if different from the residential address) for correspondence from and service of notices and other documents by the Hong Kong Stock Exchange or the SFC and other personal particulars as may be prescribed from time to time by the Hong Kong Stock Exchange;
 - (ii) for so long as they remain as directors, any change to the contact information as described in sub-rule (1) as soon as reasonably practicable and in any event within 28 days of such change; and
 - (iii) for a period of 3 years from the date on which they cease to be directors, any change to the contact information as described in sub-rule (1) as soon as reasonably practicable and in any event within 28 days of such change.

Any correspondence from and/or service of notices and other documents by the Hong Kong Stock Exchange or the SFC to the directors when they are directors or after they cease to be so, for whatever purposes (including but not limited to the service of notice of disciplinary proceedings), shall be deemed to have been validly and adequately served on them when the document or notice is served personally or is sent by post, facsimile or email to the address or number they provide to the Hong Kong Stock Exchange. It is the responsibility of directors and former directors to keep the Hong Kong Stock Exchange informed of their up-to-date contact details. If directors and former

directors fail to provide the Hong Kong Stock Exchange with their up-to-date contact details or arrange for notices, documents or correspondence to be forwarded to them, they may not be alerted to any proceedings commenced against them by the Hong Kong Stock Exchange or the SFC;

- (g) lodge with the Hong Kong Stock Exchange for initial review, at least fourteen clear days prior to the date on which the listing document is to be finalised for publication, the contact information and personal particulars as described in Rule 3.20(1) of the Listing Rules of each director/member of the Airport Authority's governing body (in such form and manner as prescribed by the Hong Kong Stock Exchange from time to time) under Rule 24.10(8) of the Listing Rules;
- (h) as soon as practicable after the issue of the listing document, lodge with the Hong Kong Stock Exchange as a condition for granting listing approval, a declaration substantially in the form set out in Form F (published in Regulatory Forms on the website of the Hong Kong Stock Exchange), duly signed by a director or the secretary of the Airport Authority, together with any annual listing fee which is payable and which has not previously been paid (see Fees Rules on the website of the Hong Kong Stock Exchange) under Rule 24.14(8) of the Listing Rules;
- (i) procure that each director and member of the Airport Authority's governing body, under Rule 24.17 of the Listing Rules:
 - (i) ensures that all information in the listing document referred to in Rule 24.11(2)(a) of the Listing Rules and each draft listing document subsequently submitted to the Hong Kong Stock Exchange during the listing application process contains all information about his biographical details as set out in Rule 13.51(2) of the Listing Rules and that those details are true, accurate and complete; and
 - (ii) where, before dealings of securities commence, there are any changes in the biographical details as referred to in Rule 24.17(a) of the Listing Rules, informs the Hong Kong Stock Exchange as soon as practicable of such changes; and
- (j) procure that each of the directors of the Airport Authority accepts responsibility for the information contained in this Offering Memorandum and that a statement to that effect is incorporated in this Offering Memorandum under Rule 25.11 and paragraph 2 of Appendix D1C of the Listing Rules.

On the basis of the alternative information and arrangements set out below, and in light of the immunity from personal liabilities available to the members of the Board of the Airport Authority pursuant to section 45 of the Ordinance, the Hong Kong Stock Exchange has granted the waivers sought:

- (a) a statement of no material change in the capitalisation and indebtedness of the Airport Authority covering the period from the date of the capitalisation statement to the date of this Offering Memorandum will be included in this Offering Memorandum;
- (b) any listing document, circular or announcement issued by the Airport Authority pursuant to the Listing Rules must disclose the name of each member of the Executive Management as at the date of the relevant listing document, circular or announcement under Rule 2.14 of the Listing Rules;
- (c) the Airport Authority shall procure that every member of the Executive Management and each new member of the Executive Management must, in the exercise of his/her powers and duties as a member of the Executive Management, comply with the requirements under Rule 3.09B of the Listing Rules;

- (d) the Airport Authority shall procure that every member of the Executive Management, and each new member of the Executive Management, whether when he/she is a member of the Executive Management or after ceasing to be so, shall comply with the undertakings under Rule 3.09C of the Listing Rules;
- (e) the Airport Authority shall procure that every member of the Executive Management, and each new member of the Executive Management before his/her appointment becomes effective, shall comply with the requirements under Rule 3.09D of the Listing Rules and procure the Airport Authority's compliance with the notes thereto. In particular:
 - (i) Linklaters, as the Airport Authority's legal adviser as to Hong Kong law, has provided training on 1 December 2023 and 4 December 2023 to each member of the Executive Management and has explained to them (i) all applicable requirements under the Listing Rules that are applicable to them as a member of the Executive Management of the Airport Authority being a listed issuer; and (ii) the possible consequences of making any false declaration or giving false information to the Hong Kong Stock Exchange, including but not limited to continuing compliance with the Listing Rules and the consequence of any breach of such provisions; each member of the Executive Management has confirmed he/she understood his/her obligations as a member of the Executive Management;
 - (ii) a statement will be disclosed in this Offering Memorandum (i) with the date of such training; and (ii) that each member of the Executive Management has confirmed he/she understood his/her obligations as a member of the Executive Management;
 - (iii) the Airport Authority will also engage Linklaters, as the Airport Authority's legal adviser as to Hong Kong law, to provide training to any new member of the Executive Management before his/her appointment becomes effective, to ensure that each new member will understand all applicable requirements under the Listing Rules that are applicable to him/her as a member of the Executive Management of the Airport Authority being a listed issuer and understand the possible consequences of making any false declaration or giving false information to the Hong Kong Stock Exchange, including but not limited to continuing compliance with the Listing Rules and the consequence of any breach of such provisions; and
 - (iv) a statement will be disclosed in the next published annual report following a new member's appointment (i) with the date of such training; and (ii) that the new member of the Executive Management has confirmed he/she understood his/her obligations as a member of the Executive Management;
- (f) the Airport Authority shall procure that each of the members of the Executive Management informs the Hong Kong Stock Exchange (in the manner prescribed by the Hong Kong Stock Exchange from time to time), under Rule 3.20 of the Listing Rules:
 - (i) as soon as reasonably practicable after their appointment, their telephone number, mobile phone number, facsimile number (if available), email address (if available), residential address and contact address (if different from the residential address) for correspondence from and service of notices and other documents by the Hong Kong Stock Exchange or the SFC and other personal particulars as may be prescribed from time to time by the Hong Kong Stock Exchange;
 - (ii) for so long as they remain as members of the Executive Management, any change to the contact information as described in sub paragraph (i) as soon as reasonably practicable and in any event within 28 days of such change; and

- (iii) for a period of 3 years from the date on which they cease to be members of the Executive Management, any change to the contact information as described in sub paragraph (i) as soon as reasonably practicable and in any event within 28 days of such change.

Any correspondence from and/or service of notices and other documents by the Hong Kong Stock Exchange or the SFC to the members of the Executive Management when they are such members or after they cease to be so, for whatever purposes (including but not limited to the service of notice of disciplinary proceedings), shall be deemed to have been validly and adequately served on them when the document or notice is served personally or is sent by post, facsimile or email to the address or number they provide to the Hong Kong Stock Exchange. It is the responsibility of members of the Executive Management and former members of the Executive Management to keep the Hong Kong Stock Exchange informed of their up-to-date contact details;

- (g) the Airport Authority shall lodge with the Hong Kong Stock Exchange for initial review, at least fourteen clear days prior to the date on which the listing document is to be finalised for publication, the contact information and personal particulars as described in Rule 3.20(1) of the Listing Rules of each member of the Executive Management (in such form and manner as prescribed by the Hong Kong Stock Exchange from time to time) under Rule 24.10(8) of the Listing Rules;
- (h) as soon as practicable after the issue of this Offering Memorandum, the Airport Authority must lodge with the Hong Kong Stock Exchange as a condition for granting listing approval, a declaration substantially in the form set out in Form F (published in Regulatory Forms on the website of the Hong Kong Stock Exchange), duly signed by a member of the Executive Management, together with the annual listing fee which is payable (see Fees Rules on the website of the Hong Kong Stock Exchange) under Rule 24.14(8) of the Listing Rules;
- (i) the Airport Authority shall procure that each member of the Executive Management, under Rule 24.17 of the Listing Rules:
 - (i) ensures that all information in the listing document referred to in Rule 24.11(2)(a) of the Listing Rules and each draft listing document subsequently submitted to the Hong Kong Stock Exchange during the listing application process contains all information about his/her biographical details as set out in Rule 13.51(2) of the Listing Rules and that those details are true, accurate and complete; and
 - (ii) where, before dealings of securities commence, there are any changes in the biographical details as referred to in Rule 24.17(a) of the Listing Rules, informs the Hong Kong Stock Exchange as soon as practicable of such changes; and
- (j) the Airport Authority shall procure that each member of the Executive Management accepts responsibility for the information contained in this Offering Memorandum and that a statement to that effect is incorporated in this Offering Memorandum under Rule 25.11 and paragraph 2 of Appendix DIC of the Listing Rules.

The statutory immunity available to the members of the Board of the Airport Authority forms the basis for the Hong Kong Stock Exchange's granting of the waivers from the Listing Rule requirements described in (b) to (j) on pages 3 to 4. For further details regarding the statutory immunity, see "General Information".

CERTAIN DEFINED TERMS USED IN THIS OFFERING MEMORANDUM

Many of the words and expressions used in this Offering Memorandum have a specific meaning. Words and expressions used in this Offering Memorandum have the meanings given in the following table unless the particular context in which a word or expression is used requires that it must have a different meaning. References in this Offering Memorandum to an investor of the Bonds or securities broker “holding” the Bonds mean the holding by that investor or securities broker of an indirect interest in the Bonds represented by the global bond that will be lodged on the issue date of the Bonds with a sub-custodian for the CMU, operated by the HKMA, which will be the bearer of the Bonds as long as the global bond is lodged with it.

3RS	three-runway system under which the HKIA will operate with three runways.
3RS Project	the expansion of HKIA into a three-runway system together with its associated works.
application monies	the amount paid by an applicant at the time of his/her application for the Bonds in respect of the Bonds themselves (excluding any fees). You can read more about application monies on page 30 under the paragraph entitled “What are “application monies”? How are “subscription monies” different?”.
Board or Board of the Airport Authority	has the meaning ascribed to it in the Airport Authority Ordinance (Cap. 483 of the Laws of Hong Kong).
Bondholders	has the meaning ascribed to it in the terms and conditions of the Bonds.
Bonds	Hong Kong Dollar 4.25% Bonds due 2026.
business day	a day (other than a Saturday, a Sunday or general holidays) on which both the CMU is operating and banks in Hong Kong are open for business, unless otherwise specified. For the avoidance of doubt, if the CMU is not operating or banks in Hong Kong are not open for business for all or any part of the normal business hours during such day, such day shall not be a business day.
CCASS	the Central Clearing and Settlement System operated by HKSCC.
designated bank accounts	the bank accounts designated by CCASS Investor Participants, CCASS clearing participants or CCASS custodian participants, and approved by HKSCC for money settlement purposes in CCASS.
designated securities broker	any of the designated securities brokers listed on pages 48 to 49 of this Offering Memorandum, which are the only securities brokers that you may use for the initial application of the Bonds during the subscription period.
eligibility criteria	the criteria set out on page 12 of this Offering Memorandum.

Executive Management	executive management of the Airport Authority, which consists of the Chief Executive Officer, the Chief Operating Officer and the Executive Directors of the Airport Authority.
global bond	the permanent global bond representing the aggregate principal amount of the Bonds.
HKIA	the Hong Kong International Airport.
HKSCC	Hong Kong Securities Clearing Company Limited.
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China.
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited.
investor account	an account maintained with HKSCC by an Investor Participant admitted to participate in CCASS.
investor compensation fund	the investor compensation fund established under section 236 of the Securities and Futures Ordinance.
investor compensation fund rules	the Securities and Futures (Investor Compensation – Claims) Rules (Cap. 571T of the Laws of Hong Kong) made by the SFC under section 244(2) of the Securities and Futures Ordinance.
Investor Participant	a person admitted to participate in CCASS as an Investor Participant who may be an individual or joint individuals or a corporation.
Joint Lead Managers	Bank of China (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited.
market maker	any of the market makers listed on pages 45 to 46 of this Offering Memorandum.
placing bank	any of the placing banks listed on pages 45 to 46 of this Offering Memorandum.
PRC	the People's Republic of China, and for the purpose of this Offering Memorandum, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan.
Principal Paying Agent	Bank of China (Hong Kong) Limited.
Securities and Futures Ordinance	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

securities broker

a CCASS clearing participant or CCASS custodian participant, including a securities broker, a custodian bank or any other institution admitted to CCASS as a clearing participant or custodian participant. All CCASS clearing participants and CCASS custodian participants are referred to in this Offering Memorandum as “securities brokers”.

SFC

the Securities and Futures Commission established under section 3 of the Securities and Futures Commission Ordinance (Cap. 24 of the Laws of Hong Kong) (now repealed) and continuing in existence under section 3 of the Securities and Futures Ordinance.

subscription monies

the amount actually paid by an applicant for the Bonds on the issue date in respect of the Bonds allocated to the applicant (excluding any fees). You can read more about subscription monies on page 30 under the paragraph entitled “What are “application monies”? How are “subscription monies” different?”.

Trustee

Bank of China (Hong Kong) Trustees Limited.

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OFFERING OF THE BONDS

The Bonds are offered on the terms summarised below and as described in this Offering Memorandum. Words and expressions defined in the terms and conditions of the Bonds shall have the same meanings in this summary. For a complete description of the terms and conditions of the Bonds, see the section entitled “Terms and Conditions of the Bonds”.

Bonds Hong Kong Dollar 4.25% Bonds due 2026

Stock code 4701

Subscription period 9:00 a.m. on 17 January 2024 to 2:00 p.m. on 25 January 2024

The Airport Authority may decide to close the offer early, or allow more time, without prior notice. The issue date (and hence the interest payment dates and the maturity date) may change accordingly. If there is any change to the issue date, the Airport Authority will promptly make an announcement of the new issue date and other relevant dates of the offering (including the listing date, the interest payment dates and the maturity date).

The Airport Authority also reserves the right to cancel the offer at any time on or before the issue date. If the Airport Authority so cancels the offer, the Airport Authority will make a prompt announcement of the cancellation on or before the issue date.

Currency Hong Kong dollars

Interest rate (coupon) 4.25% per annum, payable every three months in arrear.

The Bonds will be offered at 100% of the principal amount of the Bonds and, as a result, at issue the interest rate shall be equal to the yield of the Bonds. As the Airport Authority pays annual interests on the Bonds on a quarterly basis, your effective annualised yield may be slightly higher than the stated coupon (because of the time value of money) as you receive one-quarter of the annual interest every three months.

Issue date 5 February 2024, subject to adjustment as described on pages 21 to 22 of this Offering Memorandum.

Application price 100%

The application monies, being the application price multiplied by the principal amount of the Bonds you apply for, are the amount which you must pay at the time of your application.

Subscription price The subscription price is equal to the application price.

Redemption price 100%

Application channels	Applications can be made through (i) a placing bank; or (ii) HKSCC (either directly or through a designated securities broker).
Eligibility criteria	You can only apply for the Bonds if you hold a valid Hong Kong identity card.
Handling fee	0.15% For applications made through a placing bank, this is the fee that you pay your placing bank for handling your application, calculated as a percentage of the application monies of the Bonds you apply for. It is in addition to the application monies. Your placing bank may choose to waive or reduce the amount of the handling fee it charges. Placing banks that are also acting as the Joint Lead Managers will waive the handling fees in relation to the application for the Bonds.
Brokerage fee	For applications made directly through HKSCC, this is the fee that you pay HKSCC for handling your application, calculated as 0.15% of the application monies of the Bonds you apply for. For applications made through a designated securities broker, the level of brokerage fee that you pay is determined by your designated securities broker (and may be higher or lower than 0.15%). Please consult your designated securities broker on how this fee is charged. Upon application, the brokerage fee (if any) equal to a percentage of the application monies will be payable.
Principal application amount	The minimum principal amount of the Bonds you can apply for is HK\$10,000. You must apply for a principal amount of the Bonds which is an integral multiple of HK\$10,000. Applications for a principal amount of the Bonds which is less than HK\$10,000 or for a principal amount of the Bonds which is not an integral multiple of HK\$10,000 are liable to be rejected.
Minimum denomination	HK\$10,000
Total issue amount	The Airport Authority will decide the total principal amount of the Bonds to be issued in light of valid applications received subject to the maximum issue amount described below. The Airport Authority reserves the right to cancel the offer at any time on or before the issue date.
Maximum issue amount	The maximum issue amount of the Bonds is HK\$5,000,000,000.

Maturity date*

5 August 2026, provided that if such date is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

The Airport Authority will repay 100% of the principal amount of your Bonds on the maturity date.

If there is any change to the issue date, the Airport Authority will promptly make an announcement of the new issue date and other relevant dates of the offering (including the listing date, the interest payment dates and the maturity date).

Interest payment dates*

5 May 2024, 5 August 2024, 5 November 2024, 5 February 2025, 5 May 2025, 5 August 2025, 5 November 2025, 5 February 2026, 5 May 2026 and 5 August 2026, provided that if any interest payment date is not a business day, the relevant interest payment date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Early redemption at the option of Bondholders on an interest payment date

On each quarterly interest payment date of the Bonds, you will have the right to require the Airport Authority to redeem some or all of the Bonds held by you at 100% of their principal amount, together with accrued and unpaid interest to (but excluding) the date of redemption.

If you wish to exercise your early redemption right, you must submit an early redemption request by the specified deadlines and in the manner as described on pages 38 to 39 under the section entitled “How do I exercise my right to have my Bonds redeemed on an interest payment date?”.

Redemption at the option of Bondholders upon a Relevant Event

Upon the occurrence of a Relevant Event (as defined in the terms and conditions of the Bonds), you will have the right to require the Airport Authority to redeem some or all of the Bonds held by you at 100% of their principal amount, together with accrued and unpaid interest to (but excluding) the date of redemption.

If you wish to exercise your early redemption right, you must submit an early redemption request in the manner as described in Condition 4(b) of the terms and conditions of the Bonds.

* For the purposes of this term, “**business day**” shall have the meaning ascribed to it in Condition 3(d) of the terms and conditions of the Bonds.

Negative pledge

So long as any Bond or Coupon remains outstanding, the Airport Authority shall not create or permit to be outstanding any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking or assets in order to secure any existing or future Securities (or Guarantees in respect thereof granted by it) unless in any case at the same time the Bonds and the Coupons are equally and rateably secured so as to rank *pari passu* with such Securities or Guarantees or other security is granted in respect of the Bonds as the Trustee shall in its absolute discretion deem to be no less beneficial to Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders.

No guarantee

The Bonds are not guaranteed by the Government of Hong Kong.

When you buy the Bonds, you will be relying on the creditworthiness of the Airport Authority.

Listing

Application has been made to the Hong Kong Stock Exchange for permission to deal in, and for listing of, the Bonds to be issued on the issue date and such Bonds are expected to be admitted to listing on 6 February 2024.

If there is any change to the issue date, the Airport Authority will promptly make an announcement of the new issue date and other relevant dates of the offering (including the listing date, the interest payment dates and the maturity date).

The Bonds to be listed on the Hong Kong Stock Exchange will be traded in units of HK\$100 each in principal amount and each trading lot of the Bonds has 100 units (in other words, one trading lot is equivalent to HK\$10,000 in principal amount of the Bonds).

The Bonds will not be listed on any other stock exchange.

Clearance and settlement

ISIN: HK0000979754

Common Code: 273958142

CMU Instrument Number: BCHKFB24001

Meetings

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter relating to the Bonds, including the modification of any provision of the terms and conditions of the Bonds. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Airport Authority and the Trustee upon request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the Bonds held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more Persons holding or representing not less than two-thirds or, at any such adjourned meeting, one-fifth of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the Bondholders of not less than 90% in principal amount of the Bonds who for the time being are entitled to receive notice of a meeting of Bondholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

Market making arrangements

The Airport Authority intends to maintain market making arrangements during the tenor of the Bonds. The Airport Authority has appointed some of the placing banks listed on pages 45 to 46 of this Offering Memorandum to act as the market makers in respect of the Bonds to use their best efforts to maintain a market in the Bonds in over-the-counter transactions for retail investors. They will do this by quoting prices at which they are willing to purchase the Bonds (bid prices) from you and prices at which they are willing to sell the Bonds (offer prices) to you during normal banking hours of each market maker on any business day.

The offer prices will be quoted on a best efforts basis only and the market makers can only quote if they are holding Bonds for their own account as market makers. The bid prices quoted will be firm prices subject to each market maker's internal guidelines on restricting exposure to any single entity.

Please note that in addition to selling your Bonds to a market maker, you also have the right to require the Airport Authority to redeem your Bonds on each quarterly interest payment date as further described under "Early redemption at the option of Bondholders on an interest payment date" above.

The market makers may, however, discontinue their market making service at any time. The Airport Authority may also at any time appoint additional market makers or replacement market makers (in the event a market maker discontinues its market making service). The market making arrangements do not assure an active secondary trading market for the Bonds or that you will have access to a firm bid price or a firm offer price for the Bonds in a principal amount which you may wish to purchase or sell.

See further the paragraph entitled “What are the market making arrangements for the Bonds?” in the section entitled “Dealing in, Listing of and Early Redemption of the Bonds”.

Further issues

The Airport Authority may from time to time without the consent of the Bondholders create and issue additional Bonds which are (a) expressed to be consolidated and form a series with the Bonds; and (b) identical to the Bonds in all respects except for their respective issue prices, issue dates and interest commencement dates and the dates of first payment of interest on them, and so that the same shall be consolidated and form a single series with the Bonds.

Use of proceeds

The proceeds from the issue of the Bonds will be used by the Airport Authority to fund its capital expenditure (including capital expenditure of the 3RS Project) and for general corporate purposes.

IMPORTANT INVESTMENT CONSIDERATIONS

An investment in the Bonds is not equivalent to a time deposit and involves investment risks. For further details, please also see the section entitled “Risk Factors”.

Investment in the Bonds involves risks. The Bonds are investment products and an investment in the Bonds is not equivalent to a time deposit. The Bonds are not protected under the Hong Kong Deposit Protection Scheme, nor guaranteed by the Government of Hong Kong’s Exchange Fund. Besides, the Bonds may not be protected by the investor compensation fund. You should not invest in the Bonds unless the Bonds are suitable according to your financial situation, investment experience and investment objectives. If in doubt, please consult your own independent professional adviser.

The pay-out under the Bonds is limited to the principal amount of the Bonds together with all interest payments payable during the tenor of the Bonds.

You have the right to require the Airport Authority to redeem the Bonds held by you at 100% of their principal amount, together with accrued and unpaid interest to (but excluding) the date of redemption, on each quarterly interest payment date of the Bonds. If you do not exercise your right to have your Bonds redeemed early on the next interest payment date, the market value of the Bonds and your ability to sell your Bonds in the secondary market will be subject to interest rate and/or liquidity risks in the period between interest payment dates. Your investment in the Bonds is subject to interest rate risk because the market value of a Hong Kong dollar fixed rate investment (including the Bonds) will generally decrease if the prevailing Hong Kong dollar interest rates increase during the tenor of the Bonds. Accordingly, the market value of your Bonds could be lower than the amount you invested. Your investment in the Bonds may be subject to liquidity risk because there may not be an active secondary market or any secondary market at all, and, accordingly, you may not find a buyer for your Bonds. Although the Bonds will be listed and traded on the Hong Kong Stock Exchange, you should be aware that this does not guarantee an active secondary trading market for the Bonds or that you will have access to a firm bid price or a firm offer price for the Bonds, nor does it guarantee the ready availability of pricing information in relation to the Bonds. If this information is not available, your ability to make an informed decision about whether to sell your Bonds may be affected. In addition, although the Airport Authority has appointed certain market makers to maintain a market in the Bonds, there may only be a limited trading market for the Bonds. You will have to rely on your placing bank, HKSCC or your securities broker (as the case may be) if you wish to sell your Bonds to a market maker. The relevant market maker, HKSCC and/or your securities broker (as the case may be) may charge you fees for this transfer.

Like investments in any other fixed income instruments, your investment in the Bonds is also subject to credit risk of default on the repayment of principal or any payment of interest. The Airport Authority has a long-term local and foreign currency rating of AA+ by S& P Global Ratings (which, as at the date of this Offering Memorandum, is the same as that assigned to the Government of Hong Kong). The Bonds do not have a specific credit rating. The credit rating of the Airport Authority may not reflect the potential impact of all risks related to structure, market, other risk factors discussed herein, and other factors that may affect the value of the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency. There can be no assurance that the rating will remain in effect for any given period or that the rating will not be revised by the assigning rating agency in the future based on its judgement or circumstances so warrant, or otherwise suspended or withdrawn at any time by the assigning rating agency.

The Bonds are not secured and are not guaranteed by the Government of Hong Kong. When you buy the Bonds, you will be relying on the creditworthiness of the Airport Authority. Although the Airport Authority is wholly-owned by the Government of Hong Kong, its borrowings and other obligations, including the Bonds, are not guaranteed by the Government of Hong Kong. Changes in the creditworthiness of the Airport Authority and in market conditions such as the economic and political environment in Hong Kong and other parts of the world may reduce the market value of your Bonds and may affect the Airport Authority's ability to make payments of principal of and interest on your Bonds. If the Airport Authority becomes insolvent or defaults on its obligations under the Bonds, Bondholders can only claim against the Airport Authority as an unsecured creditor. In the worst case scenario, you could lose all of your investment.

The Bonds will be represented by a global bond and no individual definitive bonds will be issued to you with respect to your holding of the Bonds. You cannot hold the Bonds directly and you cannot exercise any early redemption right directly. To assert your rights as an investor in the Bonds (including any early redemption right), you will have to rely on your placing bank, HKSCC or your securities broker (as the case may be) to take action on your behalf. If your placing bank, HKSCC or your securities broker (as the case may be) fails to take action in accordance with your instructions or it becomes insolvent or defaults on its obligations, you will need to take action against your placing bank, HKSCC or your securities broker (as the case may be) in accordance with the terms of arrangement between you and your placing bank, HKSCC or your securities broker (as the case may be).

EXPECTED TIMETABLE FOR APPLYING FOR THE BONDS

9:00 a.m. on 17 January 2024
(Wednesday) Commencement date
of subscription period
Commencement date

Applications for the Bonds may be made from this date onwards.
See further the section entitled “How to apply for the Bonds”.

2:00 p.m. on 25 January 2024
(Thursday) Closing date of
subscription period
Closing date

If you are instructing a placing bank to apply for the Bonds on your behalf:

All applications in person, by internet, telephone or mobile banking service must have been submitted by 2:00 p.m. on the closing date. No applications shall be accepted by any placing bank after this time.

The application monies will be collected by debit from 00:00 a.m. on the closing date onwards from your specified bank account with the placing bank to which you gave your application instructions.

If you are instructing HKSCC to apply for the Bonds on your behalf (either directly or through a designated securities broker):

All instructions to apply for the Bonds, whether given directly by you as a holder of an investor account with HKSCC or indirectly through your designated securities broker, must be received by HKSCC by 2:00 p.m. on the closing date. No instructions for applications for the Bonds will be accepted after this time. Please note that your designated securities broker may under the terms and conditions of your securities account or, as the case may be, custody account stipulate its own deadline for the submission of instructions to it. You should check with your designated securities broker as to its deadline for the submission of application instructions.

The application monies will be collected by debit on this date from your designated bank account or, as the case may be, the designated bank account of your designated securities broker.

See further the paragraphs entitled “Does it matter which application channel I use?”, “How can I apply for the Bonds through a placing bank?”, “How can I apply for the Bonds directly through HKSCC?” and “How can I apply for the Bonds through a designated securities broker?” in the section entitled “How to apply for the Bonds”.

1 February 2024 (Thursday)
Allocation date

The allocation date is relevant to the Airport Authority’s internal procedures. This is only relevant to you because a change to the allocation date may result in a change to the issue date, as described below.

5 February 2024 (Monday)
Issue date

On or before the issue date, the Airport Authority will announce on its website at www.hongkongairport.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk:

- the issue amount;
- the principal amount of valid applications received; and
- the maximum principal application amount per investor (if any is imposed).

If you have instructed a placing bank to apply for the Bonds on your behalf:

Your placing bank has agreed that, commencing on and from the issue date, it will notify you by mail (or by any alternative methods agreed with them) of your allocation of the Bonds (if any), the applicable subscription monies and the amount of any refund of your application monies. The placing banks have agreed to complete all notifications within five business days from (and including) the issue date (i.e. by 9 February 2024).

The Bonds allocated to you will be issued against payment in full of your subscription monies for those Bonds by your placing bank. Your placing bank has agreed that the Bonds allocated to you will be credited within the same day to your securities or investment account maintained with the relevant placing bank. You will only be able to trade in the Bonds after the Bonds have been credited into your specified account and after notification by your placing bank has been completed.

All refunds of application monies and/or any applicable handling fee will be made as described in the paragraph entitled “What happens if I am owed a refund for any application monies and/or handling fee or brokerage fee?” in the section entitled “How to apply for the Bonds”.

If you have instructed HKSCC to apply for the Bonds on your behalf (either directly or through a designated securities broker):

HKSCC has agreed to notify you or, as the case may be, your designated securities broker of your allocation of the Bonds (if any), the applicable subscription monies and the amount of any refund of your application monies. HKSCC has agreed to complete all notifications on or before the issue date. If you apply through a designated securities broker, you will have to rely on your designated securities broker to pass this information on to you in a timely manner. The Airport Authority has, during a securities brokers’ briefing on 28 November 2023, asked the designated securities brokers who have attended such briefing to complete all notifications within five business days from (and including) the issue date (i.e. by 9 February 2024), although there is no assurance that they will do so.

The Bonds allocated to you will be issued against payment in full of your subscription monies for those Bonds by HKSCC. HKSCC has agreed that the Bonds allocated to you will be credited within the same day to your investor account with HKSCC or, as the case may be, your designated securities broker's account with HKSCC. You will only be able to trade in the Bonds after the Bonds have been credited into your specified account and after notification by HKSCC or, as the case may be, your designated securities broker has been completed. If you wish to find out more about the notification and refund arrangements in connection with the application for the Bonds, you should consult HKSCC or your designated securities broker (as the case may be) for further details. See further the paragraph entitled "Does it matter which application channel I use?" in the section entitled "How to apply for the Bonds".

All refunds of application monies and/or any brokerage fee will be made as described in the paragraph entitled "What happens if I am owed a refund for any application monies and/or handling fee or brokerage fee?" in the section entitled "How to apply for the Bonds".

6 February 2024 (Tuesday)
Listing date

Listing of the Bonds on the Hong Kong Stock Exchange will become effective and dealings in the Bonds on the Hong Kong Stock Exchange will commence on this date.

References to times are to Hong Kong time.

Subject to the Airport Authority's right to shorten or extend the subscription period without prior notice, the commencement date and any dates after the commencement of the subscription period will not be adjusted or extended for any reason except that:

- (1) if any day (other than a Saturday, Sunday or general holiday in Hong Kong) between the closing date and the issue date (exclusive of both dates) falls on a day which is not a business day for any reason, the allocation date and/or the issue date shall be postponed to such dates that the adjusted allocation date and the adjusted issue date are expected to be the fifth business day and the seventh business day respectively following the closing date;
- (2) if the closing date:
 - (a) falls on a day which is not a business day for any reason, the closing date will be the next business day (which shall become the adjusted closing date), and the adjusted allocation date and the adjusted issue date are expected to be the fifth business day and the seventh business day respectively following the adjusted closing date; or
 - (b) falls on a day which is not a business day because banks are not open for business in Hong Kong for part of the day commencing after 12:00 (noon) (for example, if there is a black rainstorm warning, a tropical cyclone warning signal number 8 or above, or "extreme conditions" in force in Hong Kong with effect from a time later than 12:00 (noon)), then that day shall remain the closing date (and that day shall be deemed to remain a business day) but the adjusted allocation date and the adjusted issue date are expected to be the sixth business day and the eighth business day, respectively, following the closing date;

- (3) if the allocation date:
 - (a) falls on a day which is not a business day for any reason, the allocation date will be the next business day (which shall become the adjusted allocation date) and the adjusted issue date is expected to be the seventh business day following the closing date; or
 - (b) falls on a day which is not a business day because banks are not open for business in Hong Kong for part of the day commencing after 12:00 (noon) (for example, if there is a black rainstorm warning, a tropical cyclone warning signal number 8 or above, or “extreme conditions” in force in Hong Kong with effect from a time later than 12:00 (noon)), then that day shall remain the allocation date (and that day shall be deemed to remain a business day) but the adjusted issue date is expected to be the eighth business day following the closing date;
- (4) if the issue date falls on a day which is not a business day for any reason, the issue date will be the next business day which shall become the adjusted issue date;
- (5) the listing date is one business day after the issue date. If for any reason the issue date is postponed, the listing date will be postponed accordingly, subject to the approval from the Hong Kong Stock Exchange; and
- (6) if the listing date falls on a day which is not a business day for any reason, the listing date will not be postponed to the next business day (and that day shall remain as the listing date).

HOW TO APPLY FOR THE BONDS

WHERE CAN I GET A COPY OF THIS OFFERING MEMORANDUM?

During the subscription period for the Bonds and while any Bonds are outstanding, you can download a copy of this Offering Memorandum on the Airport Authority's website at www.hongkongairport.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The Airport Authority has only published an electronic version of this Offering Memorandum. The Airport Authority will not provide printed copies of this Offering Memorandum.

AM I ELIGIBLE TO APPLY FOR THE BONDS?

You can only apply for the Bonds if you hold a valid Hong Kong identity card. This is referred to in this Offering Memorandum as the eligibility criteria. An application using a joint account can only be made if either you or one of your joint account holder(s) hold(s) a valid Hong Kong identity card. The Airport Authority has the right to redeem any Bonds allocated to an applicant who did not satisfy the eligibility criteria at the time of application for the Bonds. Such Bonds will be redeemed at an amount equal to their principal amount multiplied by the subscription price, on the date specified in the notice without any payment of accrued and unpaid interest.

See further the paragraph entitled "What confirmations do I have to make?" below in relation to other restrictions and the paragraph entitled "Can I make multiple applications for the Bonds?" below for more information about making an application using a joint account.

HOW CAN I APPLY FOR THE BONDS?

The subscription period for the Bonds is from 9:00 a.m. on Wednesday, 17 January 2024 to 2:00 p.m. on Thursday, 25 January 2024. You can apply for the Bonds through any of the following three application channels:

- through any of the placing banks listed on pages 45 to 46 of this Offering Memorandum;
- through HKSCC as the operator of CCASS directly (you will need to have an investor account with HKSCC to do this); or
- through any of the designated securities brokers listed on pages 48 to 49 of this Offering Memorandum.

Applications for the Bonds must be submitted before 2:00 p.m. on Thursday, 25 January 2024.

If you apply through a designated securities broker, your designated securities broker may stipulate its own deadline for the submission of application instructions to it. Please consult your designated securities broker if in doubt.

CAN I APPLY TO THE AIRPORT AUTHORITY DIRECTLY FOR THE BONDS?

No. You can only apply for the Bonds through a placing bank or through HKSCC (either directly or through a designated securities broker).

WHAT OTHER MATTERS SHOULD I BE AWARE OF IN APPLYING FOR THE BONDS?

You may only subscribe for the Bonds in a principal amount which is an integral multiple of HK\$10,000. Applications for a principal amount which is less than HK\$10,000 or for a principal amount of the Bonds which is not an integral multiple of HK\$10,000 are liable to be rejected.

Notwithstanding the maximum principal amount of HK\$5,000,000,000 permitted for a single application of Bonds, the Airport Authority reserves the right to set a maximum principal application amount per investor for the Bonds at any time on or before the issue date without prior notice, where it considers it necessary to prevent an over-concentration of holdings in the Bonds by a single investor.

If the Airport Authority sets a maximum principal application amount per investor for the Bonds, then any application for a principal amount of the Bonds which is greater than that maximum principal application amount will be treated as an application for the maximum principal application amount and any application monies paid in excess of the application monies for that maximum principal application amount (and, for applications made through a placing bank, any handling fee or, for applications made directly through HKSCC, any brokerage fee) will be refunded without interest. For applications made through a designated securities broker, applicants should consult their designated securities broker for the details of how it will refund to them any application monies and/or brokerage or other fee. See further the paragraph entitled “What happens if I am owed a refund for any application monies and/or handling fee or brokerage fee?” below in relation to refund arrangements.

Any application to the Airport Authority by a placing bank or HKSCC (whether made for an investor who has an investor account with HKSCC or for an investor applying through a designated securities broker) will constitute an offer to subscribe for the Bonds.

DOES IT MATTER WHICH APPLICATION CHANNEL I USE?

Different fees may apply depending on how you apply for the Bonds. Fees which may apply are described in the paragraphs entitled “How can I apply for the Bonds through a placing bank?”, “How can I apply for the Bonds directly through HKSCC?” and “How can I apply for the Bonds through a designated securities broker?” below.

How you apply for the Bonds also affects how you hold the Bonds if your application is successful. While you may change the way in which you hold the Bonds from time to time, fees may apply when you do so.

How you hold the Bonds affects whom you have to rely on to make and receive payments and give and receive notices in relation to the Bonds, how you trade in the Bonds, how you prove your interest in the Bonds and how you make claims for any payments which are due on the Bonds but have not been paid by the Airport Authority.

See the sections entitled “Holding the Bonds” and “Dealing in, Listing of and Early Redemption of the Bonds” below for more information. If you are unsure about the most suitable method for you to apply for the Bonds, you should seek professional advice.

In addition, how you apply for the Bonds may affect when you will be notified of (i) whether your application is successful; and (ii) your allocation of the Bonds (if your application is successful) or the amount of refund of your application monies (if your application is unsuccessful or partially unsuccessful). If you apply for the Bonds through a placing bank, the placing banks have agreed to complete all notifications within five business days from (and including) the issue date. If you apply for the Bonds directly through HKSCC, HKSCC has agreed to complete all notifications on or before the issue date. If you apply through a designated securities broker, although HKSCC has agreed to complete all notifications to

the designated securities brokers on or before the issue date, you will have to rely on your designated securities broker to pass this information on to you in a timely manner (which may be more than five business days from (and including) the issue date). The Airport Authority has, during a securities brokers' briefing on 28 November 2023, asked the designated securities brokers who have attended such briefing to complete all notifications within five business days from (and including) the issue date, although there is no assurance that they will do so. You will only be able to trade in the Bonds after the Bonds have been credited into your specified account and after notification by your placing bank, HKSCC or your designated securities broker (as the case may be) has been completed. If you wish to find out more about the notification and refund arrangements in connection with the application for the Bonds, you should consult your placing bank, HKSCC or your designated securities broker (as the case may be) for further details.

HOW CAN I APPLY FOR THE BONDS THROUGH A PLACING BANK?

The placing banks for the Bonds are specified on pages 45 to 46 of this Offering Memorandum.

If you wish to apply for the Bonds through a placing bank, you must have a bank account and a securities or investment account with that placing bank. Please note that if you need to open a bank account and/or a securities or investment account with a placing bank in order to apply for the Bonds, your placing bank may require you to undergo an assessment to satisfy the placing bank's regulatory and internal requirements. Each placing bank may apply different terms and conditions to your securities or investment account with it and charge different handling and other fees.

You can apply for the Bonds through a placing bank at its designated branches, through the placing bank's internet, telephone or mobile banking service as specified on pages 46 to 47 of this Offering Memorandum. You should contact the relevant placing bank to find out the locations of the designated branches and the availability of internet, telephone and mobile banking services.

When you apply for the Bonds through a placing bank, you must pay the application monies for those Bonds plus a handling fee, if any. A handling fee may be charged by the placing banks at their sole discretion. The maximum amount of the handling fee which may be charged by a placing bank is 0.15% of the application monies of the Bonds you apply for. Your placing bank may choose to waive or reduce the amount of the handling fee it charges. Placing banks that are also acting as the Joint Lead Managers will waive the handling fees in relation to the application for the Bonds. A placing bank may charge additional fees for any other services it performs for you in connection with the Bonds. For example, a placing bank may charge fees for custody of the Bonds and/or for transferring the Bonds.

You must ensure that your application complies with the requirements specified by your placing bank.

HOW CAN I APPLY FOR THE BONDS DIRECTLY THROUGH HKSCC?

If you wish to apply for the Bonds directly through HKSCC, you must have an investor account with HKSCC. If you need to open one for this purpose, HKSCC may require you to undergo an assessment to satisfy its regulatory and internal requirements.

When you apply for the Bonds through HKSCC, you must pay the application monies for the Bonds you are applying for plus a brokerage fee. The brokerage fee which will be charged when you apply for the Bonds directly through HKSCC is 0.15% of the application monies of the Bonds you apply for. HKSCC may charge additional fees for any other services it performs for you in connection with the Bonds. For example, HKSCC may charge fees for custody of the Bonds and/or for transferring the Bonds.

See further the paragraph entitled "How can I apply through HKSCC (either directly or through a designated securities broker) by giving electronic instructions to HKSCC?" below.

HOW CAN I APPLY FOR THE BONDS THROUGH A DESIGNATED SECURITIES BROKER?

If you wish to apply for the Bonds through a securities broker, you may only do so if the securities broker is a designated securities broker. The designated securities brokers for the Bonds are specified on pages 48 to 49 of this Offering Memorandum.

To apply through a designated securities broker, you must have a securities or custody account with that designated securities broker. Please note that if you need to open a securities or custody account with a designated securities broker in order to apply for the Bonds, your designated securities broker may require you to undergo an assessment to satisfy the designated securities broker's regulatory and internal requirements. Different designated securities brokers may apply different terms and conditions to your securities or custody account and charge different brokerage and other fees.

When you apply for the Bonds through a designated securities broker, you must pay the application monies for the Bonds you are applying for plus a brokerage fee, if any. The level of the brokerage fee, if any, that you must pay is determined by your designated securities broker (and may be higher or lower than 0.15%). HKSCC and/or your designated securities broker may charge additional fees for any other services they perform for you in connection with the Bonds. For example, HKSCC and/or your designated securities broker may charge fees for custody of the Bonds and/or for transferring the Bonds.

See further the paragraph entitled "How can I apply through HKSCC (either directly or through a designated securities broker) by giving electronic instructions to HKSCC?" below.

HKSCC accepts no responsibility for the services provided by the designated securities brokers or for any losses arising from the application by any person for the Bonds through a designated securities broker.

HOW CAN I APPLY THROUGH HKSCC (EITHER DIRECTLY OR THROUGH A DESIGNATED SECURITIES BROKER) BY GIVING ELECTRONIC INSTRUCTIONS TO HKSCC?

1. Decide what principal amount of the Bonds you want to buy. The Bonds are in denomination of HK\$10,000 each, so the principal amount of Bonds you decide to buy must be HK\$10,000 (at the minimum) or an integral multiple of HK\$10,000, up to HK\$5,000,000,000 which is the maximum principal amount of Bonds permitted for a single application. As the offering of the Bonds is by non-competitive tender, you do not need to specify any bid price. Please see further the section entitled "Expected Timetable for Applying for the Bonds" in this Offering Memorandum for more details.
2. A designated securities broker may, as a nominee, lodge more than one application in its own name on behalf of different clients. In the input field in its application instructions to HKSCC, a designated securities broker needs to provide for each beneficial owner:
 - (a) the name of the beneficial owner as set out in the beneficial owner's Hong Kong identity card;
 - (b) an account number; and
 - (c) the beneficial owner's Hong Kong identity card number.
3. The application monies for the Bonds you apply for is 100% of the principal amount of the Bonds you apply for excluding any brokerage fee. You must make sure that the full amount of your application monies and any brokerage fee (if applicable) are available in your designated bank account for money settlement purposes in HKSCC or made available by your designated securities broker you apply through. No receipt will be issued for application monies paid.

4. If you have your own investor account with HKSCC already, you should apply by giving electronic instructions to HKSCC through the CCASS Phone System or CCASS Internet System or Customer Service Centre in accordance with the procedures set out in HKSCC's "An Operating Guide for Investor Participants" and the "General Rules of HKSCC" in effect from time to time.
5. If you apply for the Bonds through a designated securities broker, you will need to make the necessary arrangements directly with your designated securities broker to open an appropriate account with it if you do not already have a securities or custodian account, complete the application form, and to make payment to your designated securities broker of the application monies together with any fees or commissions charged by your designated securities broker. Your designated securities broker should then apply for the Bonds and pay the application monies on your behalf through HKSCC.
6. You must ensure that the appropriate application instructions, either given directly by yourself as an Investor Participant of HKSCC or indirectly by your designated securities broker, are accepted by HKSCC by 2:00 p.m. on Thursday, 25 January 2024. No instruction to apply for the Bonds will be accepted after this time.

DO I NEED AN APPLICATION FORM?

The Airport Authority will not issue an application form for the Bonds. However, in order to standardise and streamline the application process, the Airport Authority has prepared a standard application template (the form of which is attached to this Offering Memorandum as Appendix 1) for use by the placing banks and a standard application template (the form of which is attached to this Offering Memorandum as Appendix 2) for use by the designated securities brokers, respectively, in executing your instructions. You will be required to make a series of confirmations and acknowledgements as set out in the paragraph entitled "What confirmations do I have to make?" below.

WHAT CONFIRMATIONS DO I HAVE TO MAKE?

When you apply for the Bonds, you are deemed to confirm for the benefit of the Airport Authority and your placing bank (if you apply through a placing bank), HKSCC (if you apply through HKSCC directly), or designated securities broker (if you apply through a designated securities broker) that:

- (1) you agree to accept the Bonds applied for, or any lesser amount allocated to you;
- (2) you understand that no certificates of title will be available for your Bonds, that the Bonds are in book-entry form only and that you acquire no direct rights against the Airport Authority in respect of your Bonds;
- (3) you agree that if you are not allocated any Bonds or if the Bonds you have applied for are not issued to you in full for any reason, the whole or an appropriate portion of the application monies will be refunded to you without interest and at your own risk and that all interest which may have accrued between the date of your application and the date of such refund will be retained for the benefit of the holder(s) of the account(s) to which such amounts have been credited (being such of the Airport Authority and/or your placing bank, HKSCC and/or your designated securities broker as may be applicable). If you apply through a designated securities broker, you should consult your designated securities broker for the details of how it will refund to you any application monies and/or brokerage fee or other fee. Please see further the paragraph entitled "What happens if I am owed a refund for any application monies and/or handling fee or brokerage fee?" below;
- (4) you understand that the Bonds will be held through the CMU, a debt securities custodian, clearing and settlement system operated by the HKMA, which means that:

- (a) if you hold your Bonds through a placing bank or HKSCC, you will have to rely on such placing bank or HKSCC:
 - (i) to credit the account you hold with your placing bank or HKSCC with interest and principal payments credited to its settlement account;
 - (ii) to distribute notices to you which your placing bank or HKSCC receives from the Airport Authority; and
 - (iii) to prove your holding in your Bonds; and
- (b) if you hold your Bonds through a securities broker:
 - (i) you will have to rely on HKSCC to credit the designated bank account of your securities broker with interest and principal payments credited to HKSCC's settlement account, and you will also have to rely on HKSCC to distribute to your securities broker notices which HKSCC receives from the Airport Authority and to prove your securities broker's holding in the Bonds; and
 - (ii) you will have to rely on your securities broker to credit the account you hold with it with interest and principal payments credited by HKSCC to its designated bank account, and you will also have to rely on your securities broker to distribute notices to you which it receives from HKSCC and to prove your holding in your Bonds.

In this paragraph (4), “**settlement account**” means, in relation to a placing bank, the account maintained by that placing bank with the HKMA through which its own clearing balance is settled or, in relation to HKSCC, the account maintained by its designated correspondent bank with the HKMA for the purpose of settling, *inter alia*, interbank payments;

- (5) you have obtained an electronic version of this Offering Memorandum, have read and understood this Offering Memorandum and have relied on no other information or material in applying for the Bonds;
- (6) you understand and agree that the Airport Authority accepts no responsibility for the provision of brokerage, custody, banking (including internet, telephone and mobile banking service) or any other services by any placing bank, HKSCC or securities broker or for any consequences of, or any losses arising from the use of, any bank account, securities or investment account, custody account or brokerage, custody, banking or any other services of any placing bank, HKSCC or securities broker;
- (7) you have not made more than one application for the Bonds in accordance with the paragraph entitled “Can I make multiple applications for the Bonds?” below;
- (8) you hold a valid Hong Kong identity card or, if you are making an application using a joint account, either you or one of your joint account holder(s) hold(s) a valid Hong Kong identity card;
- (9) you are not located within the United States or Canada and are not a U.S. Person within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (which includes any person resident in the United States and any partnership or corporation organised or incorporated under the laws of the United States) or a resident of Canada; and you are not acting as an agent of a U.S. Person or a resident of Canada; and
- (10) you agree to the personal information collection statement in the section entitled “Personal Information Collection Statement”.

By applying for the Bonds, you make these confirmations to the Airport Authority and your placing bank (if you apply through a placing bank), HKSCC (if you apply through HKSCC directly) or your designated securities broker (if you apply through a designated securities broker). You understand that the Airport Authority would not otherwise issue you the Bonds for which you are applying. Your placing bank, your designated securities broker and/or HKSCC may as well require you to make these and other confirmations at the time you make your application.

HOW WILL I KNOW IF MY APPLICATION IS SUCCESSFUL?

The total principal amount of the Bonds issued and any other relevant information will be notified by the Airport Authority to the placing banks and HKSCC on the allocation date. The Airport Authority will make an announcement on (i) the issue amount, (ii) the principal amount of valid applications received, and (iii) the maximum principal application amount per investor (if any is imposed) on its website at www.hongkongairport.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk, on or before the issue date.

The Bonds will be issued on the issue date.

- If you apply for the Bonds through a placing bank, your placing bank agrees to notify you within five business days from (and including) the issue date whether your application is successful or unsuccessful and, if your application is successful, of your allocation of the Bonds.
- If you apply for the Bonds through HKSCC directly, HKSCC agrees to notify you on or before the issue date whether your application is successful or unsuccessful and, if your application is successful, of your allocation of the Bonds.
- If you apply for the Bonds through a designated securities broker, HKSCC agrees to notify your designated securities broker on or before the issue date whether your application is successful or unsuccessful and, if your application is successful, of your allocation of the Bonds. You will have to rely on your designated securities broker to pass this notification on to you in a timely manner. The Airport Authority has, during a securities brokers' briefing on 28 November 2023, asked the designated securities brokers who have attended such briefing to complete all notifications within five business days from (and including) the issue date, although there is no assurance that they will do so. If you wish to find out more about the notification and refund arrangements in connection with the application for the Bonds, you should consult your designated securities broker for further details. See further the paragraph entitled "Does it matter which application channel I use?" above.

On the issue date, the Bonds will be issued in the form of computerised book entries in the respective CMU accounts of HKSCC and the placing banks who have made successful applications for the Bonds and all subscription monies paid by successful applicants for purchase of the Bonds allotted to them will be released to the Airport Authority by HKSCC and the placing banks.

The Airport Authority reserves the right to cancel all or a portion of the offering of the Bonds at any time on or before the issue date and to extend or shorten the subscription period for the Bonds without prior notice. If the Airport Authority so cancels the offering of the Bonds, in part or in whole:

- the Airport Authority will give prompt public notice of the cancellation on or before the issue date, and will publish an announcement in such event on its website at www.hongkongairport.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk;
- the Bonds, or the relevant portion of it, will not be issued; and

- all applicants for the Bonds will be refunded all, or the relevant portion, of their application monies (and, for applications made through a placing bank, any handling fee or, for applications made directly through HKSCC, any brokerage fee) without interest. For applications made through a designated securities broker, applicants should consult their designated securities broker for the details of how it will refund to them any application monies and/or brokerage fee or other fee. See further the paragraph entitled “What happens if I am owed a refund for any application monies and/or handling fee or brokerage fee?” below.

CAN I MAKE MULTIPLE APPLICATIONS FOR THE BONDS?

You may not make more than one application for the Bonds. For this purpose, each application for the Bonds will be identified by a Hong Kong identity card number and will be treated as an application by the person with that Hong Kong identity card number, irrespective of whether the application is made using an account in the sole name of that person, or by that person using a joint account with one or more other persons.

Any applications identified by the same Hong Kong identity card number will be treated as multiple applications, which will be rejected.

- If your application is made using an account in your sole name, the application will be identified by your Hong Kong identity card number.
- If your application is made using a joint account in the joint name of you and one or more joint account holders, the application will be identified either by your Hong Kong identity card number or by that of one of your joint account holders. Please confirm with the placing bank, HKSCC and/or the designated securities broker (as may be applicable) through which your application is made which joint account holder’s Hong Kong identity card number will be used for this purpose.

WHAT ARE “APPLICATION MONIES”? HOW ARE “SUBSCRIPTION MONIES” DIFFERENT?

Application monies are the amount which you must pay for the principal amount of the Bonds you are applying for at the time of your application. They are equal to the application price for the Bonds multiplied by the principal application amount. The application monies will be held from the time you make your application pending release to the Airport Authority of the subscription monies and/or payment of any refund. See further the paragraph entitled “What happens if I am owed a refund for any application monies and/or handling fee or brokerage fee?” below in relation to refund arrangements.

The subscription monies are the amount which you actually pay for the principal amount of the Bonds allocated to you at the time of issue. The subscription monies are paid to the Airport Authority out of your application monies.

The subscription monies are equal to the principal amount of the Bonds allocated to you multiplied by the subscription price for those Bonds. The subscription price of the Bonds is equal to the application price.

Neither the application monies nor the subscription monies include any handling fee, brokerage fee or other fees.

WHAT ARE THE ARRANGEMENTS WITH THE PLACING BANKS AND MARKET MAKERS FOR SELLING THE BONDS?

The placing banks have entered into a placing bank agreement with the Airport Authority dated 6 December 2023 which govern the offering, issue and placing of the Bonds. The market makers have entered into a market making agreement with the Airport Authority dated 6 December 2023 (the “**Market Making Agreement**”) which govern the market making arrangements in relation to the Bonds. As an investor in the Bonds, you do not have any rights under these agreements.

Each placing bank will receive a combined placing and distribution fee from the Airport Authority of 0.15% of the principal amount of the Bonds issued to such placing bank to be paid within 30 days of the issue date. They may also receive a handling fee from successful applicants in respect of the Bonds allocated to them. Your placing bank may choose to waive or reduce the amount of the handling fee it charges. Placing banks that are also acting as the Joint Lead Managers will waive the handling fees in relation to the application for the Bonds. If you are not allocated the full amount of the Bonds you have applied for, or are allocated no Bonds at all, any handling fee you have paid for the Bonds which you are not allocated will be refunded in full without interest. Please see further the paragraph entitled “What happens if I am owed a refund for any application monies and/or handling fee or brokerage fee?” below for more information about refund arrangements.

There are no soft commission or rebate arrangements between the Airport Authority and any of the placing banks.

WHAT ARRANGEMENTS ARE IN PLACE WITH HKSCC AND THE DESIGNATED SECURITIES BROKERS?

The Airport Authority’s arrangement with HKSCC is governed by the CCASS admission agreement dated 15 December 2023 between the Airport Authority and HKSCC in connection with the offering of the Bonds, as well as by the rules and regulations of the CMU and CCASS.

The designated securities brokers have each given certain undertakings to the Airport Authority in connection with, among others, the subscription and early redemption of any Bonds.

The Airport Authority has not otherwise entered into any direct arrangements or agreements with any designated securities brokers. The interests of any designated securities brokers in the Bonds will be held through HKSCC.

As an investor in the Bonds, you do not have any rights under the agreement or undertakings mentioned above.

HKSCC, for itself and on behalf of the designated securities brokers, will receive from the Airport Authority a placing fee of 0.15% of the principal amount of the Bonds issued to HKSCC. Each of HKSCC and the designated securities brokers may also receive a brokerage fee charged directly to successful applicants for the Bonds. If you are not allocated the full amount of the Bonds you have applied for, or are allocated no Bonds at all, any brokerage fee you have paid to HKSCC for the Bonds which you are not allocated will be refunded in full without interest. If you apply through a designated securities broker, you should consult your designated securities broker for the details of whether or not, and if so how, it will refund to you any brokerage fee you have paid to it. Please see further the paragraph entitled “What happens if I am owed a refund for any application monies and/or handling fee or brokerage fee?” below for more information about refund arrangements.

There are no soft commission or rebate arrangements between the Airport Authority and HKSCC or any of the designated securities brokers.

IS THE OFFER UNDERWRITTEN?

The offering of the Bonds is not underwritten.

WHAT HAPPENS IF THE BONDS ARE OVER-SUBSCRIBED?

The maximum issue amount of the Bonds is HK\$5,000,000,000. The Airport Authority may determine or adjust the final issue amount in light of investor demand so long as the final issue amount does not exceed the maximum issue amount set out above. The maximum issue amount will not be adjusted.

If the Bonds are over-subscribed (that is, if the total principal amount of valid applications for the Bonds exceeds the final issue amount for the Bonds), the allocation of the Bonds will depend on the number of valid applications received in respect of the Bonds:

- If the number of valid applications received is equal to or smaller than the number of the Bonds to be issued (i.e. the quotient arrived at by dividing the final issue amount by HK\$10,000), the Airport Authority intends first to satisfy investors applying for a smaller number of the Bonds as much as possible and then to distribute any remaining Bonds by ballot, at the Airport Authority's sole discretion.
- For illustrative purpose, each applicant will receive one trading lot (which is equivalent to HK\$10,000 in principal amount of the Bonds). If there are sufficient remaining Bonds, the Airport Authority will, at its sole discretion, allocate the second trading lot to each of those applicants who applies for two trading lots or more. If there are sufficient Bonds remaining thereafter, the Airport Authority will then allocate the third trading lot to each of those applicants who applies for three trading lots or more. This process will continue until all remaining Bonds are not sufficient for another cycle of distribution to be made and the remaining Bonds will then be allocated by ballot.
- If the Bonds are so over-subscribed that the Airport Authority cannot even allocate one trading lot of the Bonds to each applicant who has made a valid application, the Airport Authority will allocate the Bonds by ballot through CMU. Those valid applications which are successful in the ballot will each be allocated the Bonds in a principal amount of HK\$10,000.

If you are not allocated the full amount of the Bonds you have applied for, or are allocated no Bonds at all, the application monies (and, if you apply through a placing bank, any handling fee or, if you apply directly through HKSCC, any brokerage fee) you have paid for the Bonds which you are not allocated will be refunded in full without interest. If you apply through a designated securities broker, you should consult your designated securities broker for the details of whether or not, and if so how, it will refund to you any application monies and/or brokerage fee or other fee you have paid to it. See further the paragraph entitled "What happens if I am owed a refund for any application monies and/or handling fee or brokerage fee?" below.

WHAT HAPPENS IF I AM OWED A REFUND FOR ANY APPLICATION MONIES AND/OR HANDLING FEE OR BROKERAGE FEE?

Some or all of the application monies and handling fee or brokerage fee, if any, you have paid will be refunded if:

- your application is wholly or partly unsuccessful;

- the Bonds are over-subscribed and as a result you are not allocated all of the Bonds you have applied for;
- at any time on or before the issue date, the Airport Authority imposes a maximum principal application amount per investor for the Bonds in order to prevent an over-concentration of holdings in the Bonds by a single investor and your application is for a principal amount of the Bonds which exceeds that maximum principal application amount; and/or
- at any time on or before the issue date, the Airport Authority cancels the offering of the Bonds.

If you apply for the Bonds through a placing bank, your placing bank agrees to transfer the corresponding amount of any such refund to your designated bank account with that placing bank within five business days from (and including) the issue date.

If you apply for the Bonds through HKSCC directly, HKSCC agrees to refund to you the corresponding amount of any such refund on or before the issue date.

If you apply for the Bonds through a designated securities broker, HKSCC agrees to refund to your designated securities broker the corresponding amount of any such refund on or before the issue date. You will have to rely on your designated securities broker to pass on such refund to you in a timely manner. The Airport Authority has, during a securities brokers' briefing on 28 November 2023, asked the designated securities brokers who have attended such briefing to complete all notifications within five business days from (and including) the issue date, although there is no assurance that they will do so. See further the paragraph entitled "Does it matter which application channel I use?" above. You should consult your designated securities broker for the details of how it will refund to you any application monies and/or brokerage fee or other fee in any of the circumstances listed above.

WHAT ARE THE ADMINISTRATIVE FUNCTIONS PERFORMED BY THE TRUSTEE OF THE BONDHOLDERS AND THE AGENTS OF THE AIRPORT AUTHORITY?

Administrative matters relating to the Bonds are dealt with in a trust deed and a paying agency agreement, which the Airport Authority will enter into on or about 5 February 2024 (respectively, the "**Trust Deed**" and the "**Paying Agency Agreement**"), with (in the case of the Trust Deed) Bank of China (Hong Kong) Trustees Limited as the Trustee, and with (in the case of the Paying Agency Agreement) the Trustee and Bank of China (Hong Kong) Limited as the Airport Authority's Principal Paying Agent, calculation agent (the "**Calculation Agent**") and CMU lodging agent (together, the "**Agents**").

The Trust Deed sets out the arrangement between the Airport Authority and the Trustee, including:

- the Trustee's holding the Bonds on behalf of the Bondholders (as defined in the Trust Deed); and
- organising and running Bondholders' meetings.

The Bondholders shall have power, exercisable by Extraordinary Resolution (as defined in the Trust Deed), to remove any trustee provided that the removal of any trustee shall not become effective unless there remains a trustee in respect of the Bonds (being a Trust Corporation (as defined in the Trust Deed)) in office after such removal.

The Paying Agency Agreement sets out the arrangements between the Airport Authority and the Agents, including:

- making payments of principal and interest on the Bonds;

- authenticating the global bond;
- issuing individual Bonds, in the unlikely event that the Airport Authority ever needs to do so; and
- keeping records and dealing with other administrative matters.

The appointment of the Principal Paying Agent may at any time be terminated by the Airport Authority by its giving to the Trustee and the Principal Paying Agent at least 60 days' prior written notice to that effect, provided that, so long as any Bond is outstanding, (i) such notice shall expire at least 30 days before or after any due date for payment in respect of the Bonds or Coupons (as defined in the terms and conditions of the Bonds); and (ii) such notice shall be given in accordance with the terms and conditions of the Bonds at least 30 days and not more than 45 days prior to any removal or appointment of the Principal Paying Agent.

In addition, subject to the automatic termination as provided for under the Paying Agency Agreement, no resignation or termination of the appointment of the Principal Paying Agent or the Calculation Agent shall, however, take effect until a new Principal Paying Agent (which shall be a bank or trust company) or Calculation Agent (as the case may be) has been appointed and no resignation or termination of the appointment of a Paying Agent (as defined in the Paying Agency Agreement) shall take effect if there would not then be Paying Agents as required by the terms and conditions of the Bonds.

HOLDING THE BONDS

HOW DO I HOLD MY BONDS?

The Bonds will be issued in bearer form and represented by a global bond representing the total principal amount of the Bonds to be issued on the issue date. The global bond will be lodged on the issue date of the Bonds with a sub-custodian of the CMU, operated by the HKMA, which will be the bearer of the Bonds as long as the global bond is lodged with it and no individual definitive bonds will be issued to you with respect to your holding of the Bonds. Accordingly, you cannot hold the Bonds directly. There will also not be any temporary documents of title in respect of the Bonds. References made in this Offering Memorandum to you “holding” the Bonds mean the holding of an indirect interest in the Bonds represented by the global bond.

Investors of the Bonds cannot open a personal account with the CMU. You can therefore only hold the Bonds through a placing bank or HKSCC (either directly or through a securities broker). Securities or investment accounts and other services provided to you by your placing bank, HKSCC or your securities broker are based on its terms and conditions. The Airport Authority is not responsible for the way your placing bank, HKSCC or securities broker handles your account or the nature or quality of the services it provides.

Discuss this with your placing bank or securities broker and shop around if you wish. Placing banks and securities brokers charge varying fees for their services and have different arrangements for processing applications. Ensure you are familiar with the terms and conditions which your placing bank or securities broker will apply to your account. Ask your placing bank or securities broker to explain if you are not familiar with these arrangements.

Your total return on an investment in the Bonds will be affected by charges levied by your placing bank, HKSCC and/or securities broker.

WHAT MUST I RELY ON MY PLACING BANK, HKSCC AND/OR SECURITIES BROKER TO DO FOR ME?

If you hold the Bonds through a placing bank or an investor account with HKSCC, your placing bank or HKSCC (as the case may be) will hold your Bonds for you (and any other investors who hold the Bonds through them) in a CMU account. The Airport Authority will pay interest on and principal amounts of your Bonds to them and you will have to rely on them to ensure that payments on your Bonds are credited to your account with them in a timely manner and, if necessary, prove your interest in the Bonds and make claims for any sums due under the Bonds which the Airport Authority has not paid. Any notices the Airport Authority gives to investors of the Bonds after your Bonds are issued will be given to your placing bank or HKSCC and you will have to rely on them to ensure that the Airport Authority’s notices reach you in a timely manner. Similarly, you will have to rely on your placing bank or HKSCC to forward any notices from you to the Airport Authority in a timely manner.

If you hold the Bonds through a securities broker, your securities broker will arrange to hold your Bonds for you (together with any Bonds it holds on behalf of any other investors) in its CCASS account maintained with HKSCC, which will arrange to hold your Bonds (together with any Bonds it holds on behalf of any other investors) in HKSCC’s CMU account. The Airport Authority will pay interest on and principal amounts of your Bonds to HKSCC for payment to your securities broker and you will have to rely on both HKSCC and your securities broker to ensure that payments on your Bonds are credited to your account with your securities broker in a timely fashion and, if necessary, prove your interest in the Bonds and make claims for any sums due under the Bonds which the Airport Authority has not paid. Any notices the Airport Authority gives after your Bonds are issued will be given to HKSCC for forwarding to your securities

broker and you will have to rely on HKSCC and your securities broker to ensure that the Airport Authority's notices reach you in a timely manner. Similarly, you will have to rely on your securities broker and HKSCC to forward any notices from you to the Airport Authority in a timely manner.

The Airport Authority does not accept any responsibility for any account or service provided to you (whether directly or indirectly) by any placing bank, HKSCC or any securities broker.

HOW DO I PROVE MY HOLDING OF THE BONDS?

The Bonds will be issued in bearer form and represented by a global bond representing the total principal amount of the Bonds to be issued on the issue date. The global bond will be lodged on the issue date of the Bonds with a sub-custodian of the CMU, operated by the HKMA, which will be the bearer of the Bonds as long as the global bond is lodged with it.

- If you hold the Bonds through a placing bank, you must rely on the records and account statements provided by your placing bank to prove your interest in the Bonds.
- If you hold the Bonds through an investor account held by you with HKSCC, you must rely on the records and account statements provided to you by HKSCC through CCASS to prove your interest in the Bonds.
- If you hold the Bonds through a securities broker, you must rely on both the records and account statements provided to you by your securities broker and the records and account statements provided to your securities broker by HKSCC through CCASS to prove your interest in the Bonds.

In all cases, a placing bank or HKSCC must rely on the computerised records of the CMU to prove its holdings of the Bonds in the CMU. The CMU will from time to time issue a statement of your placing bank's or HKSCC's holding of the Bonds in the CMU. This statement will be conclusive evidence of their holding of the Bonds in the CMU – you will still need to prove your interest in the Bonds held by your placing bank or HKSCC and, where applicable, your securities broker, as described above.

HOW DOES THE AIRPORT AUTHORITY MAKE PAYMENTS AND SEND NOTICES?

The Airport Authority makes payments of principal of and interest on the Bonds to your placing bank or HKSCC through Bank of China (Hong Kong) Limited as its Principal Paying Agent. Once the Airport Authority has so made a payment, it will be under no further obligation to anyone in relation to that payment, even if your placing bank, HKSCC or your securities broker fails to transmit to you your share of the payment or transmits it late.

The Airport Authority issues notices in relation to the Bonds using electronic means to your placing bank or HKSCC through the CMU. You will have to rely on your placing bank or HKSCC and, where applicable, your securities broker, to pass these notices to you. For so long as the Bonds are listed on the Hong Kong Stock Exchange, the Airport Authority shall ensure that notices disseminated to Bondholders are also published on the Airport Authority's website at www.hongkongairport.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

HOW DO I ISSUE NOTICES AND INSTRUCTIONS TO MY PLACING BANK, HKSCC OR MY SECURITIES BROKER?

- If you hold the Bonds through a placing bank, you can issue notices and instructions as specified in the terms and conditions applicable to your account with your placing bank.

- If you hold the Bonds through an investor account with HKSCC, you can issue notices and instructions through CCASS.
- If you hold the Bonds through a securities broker, you can issue notices and instructions as specified in the terms and conditions applicable to your account with your securities broker, which can be passed on by your securities broker through CCASS.

DEALING IN, LISTING OF AND EARLY REDEMPTION OF THE BONDS

WHAT CAN I DO TO EXIT MY INVESTMENT IN THE BONDS BEFORE MATURITY?

If you wish to exit your investment in the Bonds before maturity, you can either:

- exercise your early redemption right under the Bonds to require the Airport Authority to redeem your Bonds on an interest payment date – see “How do I exercise my right to have my Bonds redeemed on an interest payment date?” below; or
- sell your Bonds – see “How do I sell my Bonds?” below.

HOW DO I EXERCISE MY RIGHT TO HAVE MY BONDS REDEEMED ON AN INTEREST PAYMENT DATE?

As an investor of the Bonds, you have an early redemption right to require the Airport Authority to redeem some or all of your Bonds (if some, only in a principal amount which is an integral multiple of HK\$10,000) on each quarterly interest payment date under the terms and conditions of the Bonds. If you exercise such early redemption right, your Bonds will be redeemed at 100% of their principal amount, together with interest accrued to (but excluding) the date of redemption.

- If you hold your Bonds through a placing bank or through an investor account with HKSCC, you must submit an early redemption request to your placing bank or HKSCC (in the manner prescribed by your placing bank or HKSCC) during the specified period below corresponding to the interest payment date on which you wish your Bonds to be redeemed, being between 30 and 60 calendar days before such interest payment date.

Timing for submission of an early redemption request to your placing bank or HKSCC ^(Note 1)		Interest payment date on which Bonds are to be redeemed (Bondholder Put Early Redemption Date) ^(Note 2)
Not earlier than:	Not later than 5:00 p.m. on:	
1. 6 March 2024	1. 5 April 2024	5 May 2024
2. 6 June 2024	2. 6 July 2024	5 August 2024
3. 6 September 2024	3. 6 October 2024	5 November 2024
4. 7 December 2024	4. 6 January 2025	5 February 2025
5. 6 March 2025	5. 5 April 2025	5 May 2025
6. 6 June 2025	6. 6 July 2025	5 August 2025
7. 6 September 2025	7. 6 October 2025	5 November 2025
8. 7 December 2025	8. 6 January 2026	5 February 2026
9. 6 March 2026	9. 5 April 2026	5 May 2026

1. *If any deadline falls on a public holiday in Hong Kong or a weekend, it shall be moved to the immediately preceding business day.*

2. *The interest payment dates are subject to adjustment in accordance with Condition 3 of the terms and conditions of the Bonds.*
- If you hold your Bonds through a securities broker, your securities broker will need to submit the early redemption request to HKSCC (in the manner prescribed by HKSCC) by the timing specified above. Accordingly, you should check with your securities broker as to the prescribed manner for submitting an early redemption request and the earliest and last dates on which you need to submit the early redemption request to your securities broker in order to effect a redemption on the specified interest payment date.

You should note that after your Bonds are redeemed, the Bonds will be cancelled and you will have no further rights under such Bonds and you will not be entitled to receive any further payments on such Bonds.

HOW DO I SELL MY BONDS?

The Bonds can be sold:

- through the Hong Kong Stock Exchange; or
- over-the-counter, including to market makers appointed by the Airport Authority in relation to the Bonds. (You may also sell them over-the-counter to a placing bank or any other person who is willing to buy them from you. Any such sale will be subject to your agreement with the relevant placing bank or other person.)

You can sell the Bonds through the Hong Kong Stock Exchange only if you hold them through HKSCC directly or through your securities broker.

If you hold the Bonds through HKSCC directly, you will need to transfer the Bonds to your securities broker in order to place a sale order. If you hold the Bonds through a securities broker, you are able to sell the Bonds through the Hong Kong Stock Exchange, and you can also sell the Bonds over-the-counter to a placing bank or any other person who is willing to buy them from you, including to a market maker. If you sell any Bonds to a market maker, you can instruct your securities broker to transfer the Bonds to that market maker. The relevant market maker or your securities broker may charge you fees for this transfer. See further the paragraph entitled “What are the market making arrangements for the Bonds?” below.

If you do not hold the Bonds through HKSCC directly or through a securities broker but instead hold the Bonds through a placing bank, then you have the following options for selling the Bonds:

- if you hold the Bonds through a placing bank, you can sell the Bonds over-the-counter to a placing bank or any other person who is willing to buy them from you, including to a market maker. You can contact a market maker to ask for a price at which it will buy the Bonds. See further the paragraph entitled “What are the market making arrangements for the Bonds?” below. A market maker may require you to transfer your Bonds to a securities or investment account held with it in order for it to buy your Bonds from you. Fees may be charged for the transfer. Please note that if you need to open an account with a market maker for this purpose, that market maker may require you to undergo an assessment to satisfy its regulatory and internal requirements;
- if you hold the Bonds through a placing bank and wish to trade any of the Bonds through the Hong Kong Stock Exchange, you will need to instruct your placing bank to transfer the Bonds from your securities or investment account with that placing bank to your securities or custody account with your securities broker beforehand. Your placing bank, HKSCC and/or your securities broker may

charge you fees for this transfer. If you do not have a securities or custody account with a securities broker, you will need to open one for this purpose. In that case, your securities broker may require you to undergo an assessment to satisfy its regulatory and internal requirements; or

- alternatively, your placing bank may be able to transfer the Bonds to a stock account it holds with HKSCC through the CMU and CCASS (in other words, your placing bank may be able to perform the role of a securities broker). Your placing bank and/or HKSCC may charge you fees for this transfer.

HOW DO I TRANSFER MY BONDS?

To transfer the Bonds, you must give a transfer instruction to your placing bank, HKSCC or securities broker in accordance with the terms and conditions applicable to your account with them.

The Bonds can be transferred from one CMU account to another through book entries. You can therefore only transfer your Bonds to a person who:

- is a placing bank;
- holds an investment or securities account with a placing bank;
- holds an investor account with HKSCC;
- is a securities broker; or
- holds a securities or custody account with a securities broker.

Settlement and clearing of transfers are performed through the CMU in accordance with the rules applicable to the CMU.

WHO ARE THE MARKET MAKERS?

The Airport Authority has appointed some of the placing banks listed on pages 45 to 46 of this Offering Memorandum to act as the market makers in respect of the Bonds. The contact details of the market makers are listed on pages 45 to 46 of this Offering Memorandum.

WHAT ARE THE MARKET MAKING ARRANGEMENTS FOR THE BONDS?

The Airport Authority intends to maintain market making arrangements during the tenor of the Bonds. The Airport Authority has appointed some of the placing banks listed on pages 45 to 46 of this Offering Memorandum to act as the market makers to use their best efforts to maintain a market in the Bonds in over-the-counter transactions for retail investors. They will do this by quoting prices at which they are willing to purchase the Bonds (bid prices) from retail investors and prices at which they are willing to sell the Bonds (offer prices) to retail investors during normal banking hours of each market maker on any business day.

The offer prices will be quoted on a best efforts basis only and the market makers can only quote if they are holding Bonds for their own account as market makers. The bid prices quoted will be firm prices subject to each market maker's internal guidelines on restricting exposure to any single entity.

Moreover, the market makers may discontinue their market making service at any time. The Airport Authority may also at any time appoint additional market makers or replacement market makers (in the event a market maker discontinues its market making service). It is the current intention of the Airport

Authority to maintain market making arrangements similar to those described above for as long as the Bonds remain outstanding, so far as reasonably practicable. In any event, the market making arrangements do not assure an active secondary trading market for the Bonds or that you will have access to a firm bid price or a firm offer price for the Bonds in a principal amount which you may wish to purchase or sell.

The prices quoted by the market makers may be different from the last traded price of the Bonds on the Hong Kong Stock Exchange and the information which a market maker may rely on when quoting a price may be very limited. Prices quoted by different market makers may not be the same.

A market maker may require you to transfer your Bonds to a securities or investment account held with it in order for it to buy your Bonds from you or to open a securities or investment account with it in order for it to sell to you its Bonds. Fees may be charged for the transfer. Please note that if you need to open an account with a market maker for this purpose, that market maker may require you to undergo an assessment to satisfy its regulatory and internal requirements.

WHAT ARE THE ARRANGEMENTS FOR LISTING THE BONDS ON THE HONG KONG STOCK EXCHANGE?

Application has been made to the Hong Kong Stock Exchange for permission to deal in, and for listing of, the Bonds to be issued on the issue date and such Bonds are expected to be admitted to listing on 6 February 2024. Bonds traded on the Hong Kong Stock Exchange will be traded in units of HK\$100 each in principal amount and each trading lot of the Bonds has 100 units (in other words, one trading lot is equivalent to HK\$10,000 in principal amount of the Bonds). The Bonds will not be listed on any other stock exchange. The Bonds will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the listing date or any other date HKSCC chooses. The Bonds will be quoted and traded on the basis of a price expressed as a percentage of their principal amount. For example, a price of “99.50” means 99.50% of the principal amount of the Bonds.

Settlement of trades in the Bonds listed on the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after the trade date. The following fees and levies will be chargeable on both the buyer and the seller:

- a SFC transaction levy of 0.0027%;
- a trading fee of 0.00565%; and
- an Accounting and Financial Reporting Council transaction levy of 0.00015%,

in each case, of the consideration amount of the Bonds traded.

An investor compensation levy of 0.002% administered by the SFC may also apply to the consideration amount of the Bonds traded although as at the date of this Offering Memorandum the SFC has temporarily suspended this levy.

All activities under CCASS are subject to the General Rules of HKSCC and CCASS Operational Procedures in effect from time to time.

Listing does not assure an active secondary trading market for the Bonds or that you will have access to a firm bid price or a firm offer price for the Bonds in a principal amount which you wish to purchase or sell.

Upon listing of the Bonds on the Hong Kong Stock Exchange, your interest in the Bonds and any transactions in the Bonds you engage in may be protected by the investor compensation fund. Whether you are eligible for this protection will depend on whether you and the persons you are dealing with (including your placing bank, HKSCC and/or your securities broker) satisfy certain criteria set out in the Securities and Futures Ordinance and the investor compensation fund rules. If you wish to find out more about your eligibility for protection under the investor compensation fund in connection with the Bonds, you should seek independent advice and consult your placing bank, HKSCC or securities broker (as appropriate).

FREQUENTLY ASKED QUESTIONS

(A) GENERAL INFORMATION

What are the ratings of the Bonds?

The Bonds have not been given a credit rating specific to them. However, as of the date of this Offering Memorandum, the Airport Authority has a long-term local and foreign currency rating of AA+ by S& P Global Ratings. Such credit rating reflects only the views of the credit rating agency and it is not a recommendation to buy, sell or hold the Bonds and is subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Like investments in any other fixed income instruments, your investment in the Bonds is also subject to credit risk of default on the repayment of principal or any payment of interest. This credit risk can be assessed by referring to the credit rating of the issuer of the instruments or the instruments themselves if available but you should not rely solely on such credit ratings.

The Bonds are not secured and are not guaranteed by the Government of Hong Kong. When you buy the Bonds, you will be relying on the creditworthiness of the Airport Authority. Changes in the creditworthiness of the Airport Authority and in market conditions such as the economic and political environment in Hong Kong and other parts of the world may reduce the market value of your Bonds and may affect the Airport Authority's ability to make payments of principal of and interest on your Bonds. In the worst case scenario, you could lose all of your investment.

(B) INVESTMENT RETURN

What are the key benefits of investing in the Bonds?

The Bonds:

- are issued by the Airport Authority, which has a strong, "investment grade", credit rating: the term "investment grade" is generally used to describe issuers and issues with relatively high levels of creditworthiness and credit quality. In S& P Global Ratings, issuers that receive a rating of "BBB-" or above are generally considered to be "investment-grade". The Airport Authority has a long-term local and foreign currency rating of AA+ by S& P Global Ratings; and
- offer regular, quarterly interest payments for the entire term of your investment.

What will be my investment return from the Bonds?

The Airport Authority will repay 100% of the principal amount of the Bonds at maturity.

In addition, the Airport Authority will pay interest at 4.25% per annum, which is a yearly rate, on each scheduled interest payment date of the Bonds every three months. As the Airport Authority pays annual interests on the Bonds on a quarterly basis, your effective annualised yield may be slightly higher than the stated coupon (because of the time value of money) as you receive one-quarter of the annual interest every three months.

In calculating your return, you should also remember to take into account the fees you will incur in applying for the Bonds and in setting up and maintaining a securities or investment account with a placing bank, your securities broker and/or HKSCC to hold the Bonds and any other costs you may incur.

Can I re-invest interest received into the Bonds?

The interest payments received cannot be re-invested into the Bonds.

(C) OTHERS

Do I have to hold a valid Hong Kong identity card to buy the Bonds in the secondary market?

There is no Hong Kong identity card requirement for participants in the secondary market of the Bonds.

How is interest allocated on a secondary market trade of the Bonds?

The current market convention for the allocation of interest on a secondary market trade of the Bonds on the Hong Kong Stock Exchange (and related information) is described on the Hong Kong Stock Exchange's website at www.hkex.com.hk. Please note that the market convention may change from time to time. You should obtain independent professional advice if you are in doubt.

Who is responsible for this Offering Memorandum?

The Chief Executive Officer, the Chief Operating Officer and the Executive Directors of the Airport Authority collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

None of the Hong Kong Exchanges and Clearing Limited, the Hong Kong Stock Exchange, the Joint Lead Managers, the placing banks, HKSCC, the designated securities brokers, the Trustee or the Agents is responsible in any way to ensure the accuracy of this Offering Memorandum.

Is this Offering Memorandum available in Chinese?

This Offering Memorandum is available in English and Chinese. The Chinese version of this Offering Memorandum is a translation for your reference only and the English version shall prevail in the event of any discrepancy.

APPLICATION CHANNELS

PLACING BANKS

Please contact one of the following placing banks if you wish to find out how to apply for the Bonds through a placing bank. As at the date of this Offering Memorandum, the banks listed below have been appointed as placing banks for the Bonds and the telephone numbers provided are the hotlines of each of the placing banks for enquiries in relation to how to give application instructions for the Bonds.

Those placing banks indicated in the below table with a “tick mark” in the column headed “Market Maker” have also been appointed to act as the market makers in respect of the Bonds and to use their best efforts to maintain a market in the Bonds in over-the-counter transactions for retail investors.

You can give instructions to apply for the Bonds through a placing bank at its designated branches, through the placing bank’s internet, telephone or mobile banking service as specified below.

		Enquiry hotline	Application channels			Market Maker
			Branch	Internet banking	Telephone banking	
1.	<i>Bank of China (Hong Kong) Limited</i>	3669 3668	✓	✓	✓	✓
2.	<i>The Hongkong and Shanghai Banking Corporation Limited</i>	2269 2121	✓	✓	✓	✓
3.	<i>Bank of Communications (Hong Kong) Limited</i>	2239 5559	✓	✓	✓	✓
4.	<i>The Bank of East Asia, Limited</i>	2211 1311	✓	✓	x	x
5.	<i>China CITIC Bank International Limited</i>	2287 6767	✓	x	x	x
6.	<i>China Construction Bank (Asia) Corporation Limited</i>	2903 8343	✓	✓	✓	✓
7.	<i>Chiyu Banking Corporation Limited</i>	2232 3633	✓	✓	✓	x
8.	<i>Chong Hing Bank Limited</i>	3768 6888	✓	x	x	x
9.	<i>Citibank (Hong Kong) Limited</i>	2860 0222	✓	x	x	x
10.	<i>CMB Wing Lung Bank Limited</i>	2309 5555	✓	✓	x	✓
11.	<i>Dah Sing Bank, Limited</i>	2828 8001	✓	✓	x	✓
12.	<i>DBS Bank (Hong Kong) Limited</i>	2290 8888	✓	x	x	x
13.	<i>Fubon Bank (Hong Kong) Limited</i>	2566 8181 (Press 3 after selecting language)	✓	x	✓	x
14.	<i>Hang Seng Bank Limited</i>	2826 8866	✓	✓	✓	✓

		Enquiry hotline	Application channels				Market Maker
			Branch	Internet banking	Telephone banking	Mobile banking	
15.	<i>Industrial and Commercial Bank of China (Asia) Limited</i>	2189 5588	✓	✓	×	×	✓
16.	<i>Nanyang Commercial Bank, Limited</i>	2622 2633	✓	✓	✓	×	✓
17.	<i>OCBC Bank (Hong Kong) Limited</i>	2815 9919	✓	✓	×	×	✓
18.	<i>Shanghai Commercial Bank Limited</i>	2818 0282	✓	✓	×	×	×
19.	<i>Standard Chartered Bank (Hong Kong) Limited</i>	2886 8868	✓	✓	×	×	✓

- **In person:** You may go to any designated branch of a placing bank to give instructions in person to apply for the Bonds. The list of designated branches for each placing bank can be obtained by calling the relevant enquiry hotline above.
- **By internet:** The websites of the placing banks that offer internet banking services through which you can apply for the Bonds are set out below:

1. *Bank of China (Hong Kong) Limited* www.bochk.com
2. *The Hongkong and Shanghai Banking Corporation Limited* www.hsbc.com.hk/ipo
3. *Bank of Communications (Hong Kong) Limited* www.hk.bankcomm.com
4. *The Bank of East Asia, Limited* www.hkbea.com
5. *China Construction Bank (Asia) Corporation Limited* www.asia.ccb.com
6. *Chiyu Banking Corporation Limited* www.chiyubank.com
7. *CMB Wing Lung Bank Limited* www.cmbwinglungbank.com
8. *Dah Sing Bank, Limited* www.dahsing.com
9. *Hang Seng Bank Limited* www.hangseng.com
10. *Industrial and Commercial Bank of China (Asia) Limited* www.icbcasia.com
11. *Nanyang Commercial Bank, Limited* www.ncb.com.hk
12. *OCBC Bank (Hong Kong) Limited* www.ocbc.com.hk
13. *Shanghai Commercial Bank Limited* www.shacombank.com.hk

14. *Standard Chartered Bank (Hong Kong) Limited* www.sc.com/hk

- **By telephone:** The telephone banking numbers for the placing banks that offer telephone banking services through which you can apply for the Bonds are set out below:

	Phone banking number	Service hours
1. <i>Bank of China (Hong Kong) Limited</i>	Investment Service Hotline: 3988 2688 (Press 3 after selecting language) Wealth Management Hotline: 3988 2888 (Press 6 after selecting language) Enrich Banking Hotline: 3988 2988 (Press 6 after selecting language)	Monday to Friday: 8:00 am to 8:00 pm Saturday: 8:00 am to 3:00 pm
2. <i>The Hongkong and Shanghai Banking Corporation Limited</i>	2269 2121	Monday to Friday: 8:00 am to 7:00 pm Saturday: 8:00 am to 1:00 pm
3. <i>Bank of Communications (Hong Kong) Limited</i>	2269 9033	Monday to Friday: 9:00 am to 6:00 pm Saturday: 9:00 am to 1:00 pm
4. <i>China Construction Bank (Asia) Corporation Limited</i>	2903 8343	Monday to Friday: 9:00 am to 6:00 pm
5. <i>Chiyu Banking Corporation Limited</i>	Cantonese: 2232 3882 English: 2232 3887 Putonghua: 2232 3883 Wealth Management/Enrich Banking Hotline: 2232 3638 (Press 4, then 2 after selecting language)	Monday to Friday: 8:00 am to 8:00 pm Saturday: 8:00 am to 3:00 pm
6. <i>Fubon Bank (Hong Kong) Limited</i>	2806 4303	Monday to Friday: 9:30 am to 5:00 pm Saturday: 9:30 am to 12:30 pm
7. <i>Hang Seng Bank Limited</i>	2826 8866	Monday to Friday: 8:45 am to 5:40 pm Saturday: 9:00 am to 1:00 pm
8. <i>Nanyang Commercial Bank, Limited</i>	Cantonese: 2850 1228 English: 2850 1227 Putonghua: 2850 1229 NCB Wealth Management/Enrich Banking: 2616 6166 (Press 4, then 3 after selecting language)	Monday to Friday: 8:00 am to 8:00 pm Saturday: 8:00 am to 3:00 pm

- **By mobile banking:** The placing banks that offer mobile banking service through which you can apply for the Bonds are set out above. Enquiries on how to make an application through the mobile banking channel of such placing bank can be made by calling the relevant enquiry hotline above.

By making an application through the internet, telephone or mobile banking service channel, you are required to comply with the terms and conditions in respect of the internet, telephone or mobile banking facilities, as the case may be, provided by such placing bank.

HKSCC AND DESIGNATED SECURITIES BROKERS

Please contact HKSCC at telephone number 2979 7888 if you hold an investor account with HKSCC and wish to find out how to apply for the Bonds directly through HKSCC. Otherwise, you may contact one of the designated securities brokers listed below to find out the procedures of applying for the Bonds through such designated securities broker. For further details, please refer to the paragraph entitled “How can I apply through HKSCC (either directly or through a designated securities broker) by giving electronic instructions to HKSCC?” on pages 26 to 27 of this Offering Memorandum.

Designated securities brokers

Please note that if you wish to apply for the Bonds through a securities broker, you may only do so if the securities broker is a designated securities broker.

Please contact one of the following designated securities brokers if you wish to find out how to apply for the Bonds through a designated securities broker. As at the date of this Offering Memorandum, the securities brokers listed below have been appointed as designated securities brokers for the Bonds and the telephone numbers provided are the hotlines of each of the designated securities brokers for enquiries in relation to how to give application instructions for the Bonds.

You can give instructions to apply for the Bonds through a designated securities broker at its designated branches or through the designated securities broker’s internet, telephone or mobile application service as specified below.

		CCASS Participant ID	Enquiry hotline	Application channels			
				Branch	Internet application	Telephone application	Mobile application
1.	<i>Bright Smart Securities International (H.K.) Limited</i>	B01668	2537 1371	✓	✓	✓	✓
2.	<i>Chief Securities Limited</i>	B01584	2500 9228	✓	✓	✓	✓
3.	<i>Essence International Securities (Hong Kong) Limited</i>	B01905	2213 1830	✓	×	✓	×
4.	<i>Everbright Securities Investment Services (HK) Limited</i>	B01086	2822 5001	✓	✓	✓	✓
5.	<i>First Shanghai Securities Limited</i>	B01686	2532 1580	✓	✓	✓	✓
6.	<i>Futu Securities International (Hong Kong) Ltd</i>	B01955	2523 3588	×	×	×	✓
7.	<i>Hong Kong International Securities Limited</i>	B01231	2853 8038	✓	×	✓	×
8.	<i>Sanfull Securities Limited</i>	B01275	2853 2128	✓	×	✓	×
9.	<i>Sinolink Securities (Hong Kong) Company Limited</i>	B01256	3523 6121	✓	×	✓	×
10.	<i>SinoPac Securities (Asia) Limited</i>	B01497	2523 6685	✓	✓	✓	×
11.	<i>SoFi Securities (Hong Kong) Limited</i>	B01940	2693 8888	×	×	×	✓
12.	<i>South China Securities Limited</i>	B01289	2330 5881	✓	×	✓	×

				Application channels			
		CCASS Participant ID	Enquiry hotline	Branch	Internet application	Telephone application	Mobile application
13.	<i>Tai Shing Stock Investment Co., Ltd</i>	B01676	2542 1727	✓	x	✓	x
14.	<i>Tai Tak Securities (Asia) Limited</i>	B01439	2545 5333	✓	x	✓	x
15.	<i>Tiger Brokers (HK) Global Limited</i>	B02142	2760 2550	✓	x	✓	✓
16.	<i>UOB Kay Hian (Hong Kong) Limited</i>	B01353	2136 1818	✓	✓	✓	✓
17.	<i>Victory Securities Company Limited</i>	B01445	2525 2437	✓	✓	✓	✓
18.	<i>Wocom Securities Limited</i>	B01129	2853 0111	✓	x	x	x

- **In person:** You may go to any designated branch of a designated securities broker to give instructions in person to apply for the Bonds. The list of designated branches for each designated securities broker can be obtained by calling the relevant enquiry hotline above.
- **By internet:** The websites of the designated securities brokers that offer internet application services through which you can apply for the Bonds are set out below:

1. *Bright Smart Securities International
(H.K.) Ltd* www.bsgroup.com.hk
2. *Chief Securities Limited* <https://chiefeasy.chiefgroup.com.hk/>
3. *Everbright Securities Investment
Services (HK) Limited* <https://www.ebshkdirect.com/>
<https://trade.ebscn.hk/>
<https://www.ebshkfg.com/>
4. *First Shanghai Securities Limited* www.mystockhk.com
5. *SinoPac Securities (Asia) Limited* <https://www.sinopacasia.com/>
6. *UOB Kay Hian (Hong Kong) Limited* www.utrade.com.hk
7. *Victory Securities Company Limited* www.victorysec.com.hk

- **By telephone:** The telephone application numbers for the designated securities brokers that offer telephone application services through which you can apply for the Bonds are set out below:

		Phone application number	Service hours
1.	<i>Bright Smart Securities International (H.K.) Ltd</i>	3127 0888 3604 1888 3188 0928 3768 7188	Monday to Friday: 8:30 am to 6:00 pm Saturday: 10:00 am to 5:00 pm Sunday: 11:00 am to 5:00 pm

	Phone application number	Service hours
	3961 6688 3666 5688 3768 0888 3929 2798 3193 1688 3763 3388 2537 1371	Monday to Friday: 8:30 am to 6:00 pm Saturday: 10:00 am to 5:00 pm
2. <i>Chief Securities Limited</i>	2500 9118 2203 0500 2500 9199	Monday to Friday: 8:30 am to 7:00 pm Monday to Friday: 8:30 am to 5:30 pm Saturday: 10:00 am to 1:00 pm
3. <i>Essence International Securities (Hong Kong) Limited</i>	2213 1830	Monday to Friday: 9:00 am to 5:30 pm
4. <i>Everbright Securities Investment Services (HK) Limited</i>	Please contact your Wealth Manager	Monday to Friday: 9:00 am to 4:00 pm
5. <i>First Shanghai Securities Limited</i>	2532 1928	Monday to Friday: 9:00 am to 6:00 pm
6. <i>Hong Kong International Securities Limited</i>	400 882 1066 2853 8038	Monday to Friday: 9:00 am to 6:00 pm Monday to Friday: 9:00 am to 5:30 pm
7. <i>Sanfull Securities Limited</i>	2853 8000 2853 2143 2853 2146 2853 2100	Monday to Friday: 9:30 am to 5:00 pm
8. <i>Sinolink Securities (Hong Kong) Company Limited</i>	3523 6121	Monday to Friday: 9:30 am to 5:30 pm
9. <i>SinoPac Securities (Asia) Limited</i>	2523 6685	Monday to Friday: 9:00 am to 6:00 pm
10. <i>South China Securities Limited</i>	2330 5881	Monday to Friday: 9:30 am to 5:30 pm
11. <i>Tai Shing Stock Investment Co., Ltd</i>	2542 1727	Monday to Friday: 8:45 am to 12:00 pm; 1:00 pm to 5:30 pm
12. <i>Tai Tak Securities (Asia) Limited</i>	2545 5333	Monday to Friday: 9:30 am to 5:00 pm
13. <i>Tiger Brokers (HK) Global Limited</i>	2760 2588	Monday to Friday: 9:30 am to 5:30 pm
14. <i>UOB Kay Hian (Hong Kong) Limited</i>	2136 1818 or please contact your investment consultant	Monday to Friday: 9:00 am to 6:00 pm
15. <i>Victory Securities Company Limited</i>	2525 2437	Monday to Friday: 9:00 am to 6:00 pm

- **By mobile application:** The designated securities broker that offers mobile application service through which you can apply for the Bonds is set out above. Enquiries on how to make an application through the mobile application channel of such designated securities broker can be made by calling the relevant enquiry hotline above.

By making an application through the internet, telephone or mobile application channel, you are required to comply with the terms and conditions in respect of the internet, telephone or mobile application facilities, as the case may be, provided by such designated securities broker.

TERMS AND CONDITIONS OF THE BONDS

The following (excluding any paragraphs in italics) are the terms and conditions (the “Conditions”) substantially in the form in which they will be endorsed on the Bonds.

The Global Bond (as defined below), Definitive Bonds (as defined below) and related terms and conditions will be issued in the English language, which shall prevail over any Chinese language version in the event of conflict or discrepancy.

The issue of the Hong Kong Dollar 4.25% Bonds due 2026 (the “**Bonds**”) was authorised by the Board of the Airport Authority Hong Kong (the “**Airport Authority**”) on 27 November 2023. The Bonds are constituted by a trust deed (as amended, supplemented or novated from time to time, the “**Trust Deed**”) to be entered into on or about 5 February 2024 between the Airport Authority and Bank of China (Hong Kong) Trustees Limited (the “**Trustee**” which expression shall wherever the context permits, include all other persons or companies for the time being acting as trustee under the Trust Deed). A paying agency agreement is to be entered into on or about 5 February 2024 (the “**Paying Agency Agreement**”) in relation to the Bonds between the Airport Authority, Bank of China (Hong Kong) Limited as principal paying agent (the “**Principal Paying Agent**”), as CMU lodging agent (the “**CMU Lodging Agent**”) and as calculation agent (the “**Calculation Agent**”) and the Trustee. The Principal Paying Agent for the time being (and any paying agent as may be appointed from time to time in respect of the Bonds) are referred to below as the “**Paying Agents**”. In these Conditions, references to the “**Agents**” are to the Paying Agents, the CMU Lodging Agent and the Calculation Agent and any reference to an “**Agent**” is to any one of them. In connection with the Bonds, a deed poll (the “**Deed Poll**”) is to be executed by the Airport Authority on or about 5 February 2024 in favour of certain accountholders of the Central Moneymarkets Unit Service (the “**CMU**”) (as specified therein).

Copies of the Trust Deed, the Paying Agency Agreement and the Deed Poll are available for inspection during normal business hours at the specified offices of the Trustee and the Paying Agents. The holders of the Bonds (the “**Bondholders**”) and the holders of the Coupons (as defined below) (whether or not attached to the Bond) (the “**Couponholders**”) are deemed to have notice of all the provisions of the Trust Deed, the Paying Agency Agreement and the Deed Poll applicable to them.

References herein to the “**Bonds**” shall mean (i) in relation to any Bonds represented by a permanent global bond (the “**Global Bond**”, which term shall include, unless the context requires otherwise, any further permanent global bond(s) that are issued in relation to any additional Bonds issued in accordance with Condition 11), such Global Bond and any unit of HK\$10,000 in principal amount of the Bonds, and (ii) in relation to any definitive bonds (“**Definitive Bonds**”) issued in exchange for interests in the Global Bond, such Definitive Bonds.

Words and expressions defined in the Trust Deed, the Paying Agency Agreement or the Deed Poll shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated.

1 FORM, DENOMINATION AND TITLE

(a) Form of the Global Bond

Upon issue, the Bonds will be represented by the Global Bond, without interest coupons (“**Coupons**”) attached, substantially in the form set out in Schedule 2 to the Trust Deed. The Global Bond will be lodged with a sub-custodian of the CMU, operated by the Hong Kong

Monetary Authority (the “**Operator**”), which will be the bearer of the Bonds as long as the Global Bond is lodged with it, and will be exchangeable for Bonds in definitive form only in the circumstances set out below.

If (i) principal in respect of any Bonds is not paid when due and repayable or following the Bonds being declared immediately due and repayable under Condition 7, or (ii) the Global Bond is held on behalf of the CMU or any alternative clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, the Airport Authority will issue Definitive Bonds in exchange for the Global Bond.

Except in these very limited circumstances, owners of interests in the Global Bond will not be entitled to receive physical delivery of Definitive Bonds.

The Airport Authority has executed the Deed Poll in favour of certain Accountholders (as defined in the Deed Poll) with the CMU in order to facilitate enforcement by individual Bondholders if (i) there should be any such exchange events pursuant to Condition 1(a) and (ii) the Trustee having become bound to proceed directly against the Airport Authority in accordance with the Trust Deed, fails to do so within a reasonable period and such failure is continuing.

(b) Form and denomination of Definitive Bonds

Definitive Bonds (if issued) will be serially numbered and in bearer form in the denomination of HK\$10,000 each with Coupons attached on issue and may be lodged with the CMU.

(c) Title

For so long as any of the Bonds are represented by the Global Bond, each person who is for the time being shown in the records of the Operator as the holder of a particular principal amount of the Bonds (in which regard any certificate or other document issued by the Operator as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Airport Authority, the Trustee, the Paying Agents and the Operator as the holder of such principal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on the Bonds, the right to which shall be vested, as against the Airport Authority, the Trustee, the Paying Agents and the Operator solely in the bearer of the Global Bond in accordance with and subject to its terms (and the expressions “**Bondholder**” and “**Holder of Bonds**” and related expressions shall be construed accordingly). Bonds which are represented by the Global Bond will be transferable only in accordance with the rules and procedures for the time being of the Operator.

Except as set out above, title to the Bonds and Coupons appertaining thereto will pass by delivery. The Airport Authority, the Trustee, the Paying Agents and the Operator may deem and treat the bearer of the Global Bond or Definitive Bond(s) (and any Coupon appertaining thereto) as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of the Global Bond, without prejudice to the provisions set out in the preceding paragraph.

2 STATUS OF BONDS AND NEGATIVE PLEDGE

(a) Status

The Bonds and any Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Airport Authority which will at all times rank *pari passu* amongst themselves and at least *pari passu* with all other present and future unsecured obligations of the Airport Authority, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) Negative pledge

So long as any Bond or Coupon remains outstanding (as defined in the Trust Deed), the Airport Authority shall not create or permit to be outstanding any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking or assets in order to secure any existing or future Securities (or Guarantees in respect thereof granted by it) unless in any case at the same time the Bonds and the Coupons are equally and rateably secured so as to rank *pari passu* with such Securities or Guarantees or other security is granted in respect of the Bonds and the Coupons as the Trustee shall in its absolute discretion deem to be no less beneficial to Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders.

In these Conditions:

“**3RS Project**” means the expansion of the Airport into a three-runway system together with its associated works;

“**Airport**” means the airport that is provided, operated, developed and maintained as an airport for civil aviation at and in the vicinity of Chek Lap Kok, Hong Kong together with such facilities, amenities and services as are requisite or expedient for its operation, and includes any part of the airport and its facilities, amenities and services;

“**Guarantee**” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Indebtedness” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

“Land Grant” means the (i) New Grant No. 7996 in respect of Chek Lap Kok Lot No. 1 dated 1 December 1995 and as agreed to be extended for a further term from 1 July 2047 to 30 August 2071 by an agreement dated 31 August 2021, (ii) New Grant No. 22378 in respect of Chek Lap Kok Lot No. 3 dated 21 September 2016, and (iii) New Grant No. 22924 in respect of Chek Lap Kok Lot No. 4 dated 31 August 2021, each as supplemented, modified or replaced from time to time, made between the Government of Hong Kong and the Airport Authority and any lease created pursuant thereto including any actual or deemed lease;

“Permitted Security Interest” means:

- (i) any Security Interest over any interest of the Airport Authority in land or buildings effected for the purpose of the development (for such purposes and in such manner as the Airport Authority may think fit) of the Airport Related Development (as defined in the relevant documents under the Land Grant);
- (ii) any Security Interest over any assets purchased by the Airport Authority (or documents of title thereto) as security for all or part of the purchase price thereof or for funds borrowed to finance the purchase price of any such asset;
- (iii) any Security Interest over any assets (or documents of title thereto) purchased by the Airport Authority subject to that Security Interest;
- (iv) any leasing, sale and leaseback or sale and repurchase of any assets of the Airport Authority;
- (v) liens arising in the ordinary course of business (including the operation of the Airport and/or the development of all or any of the land or buildings of the Airport Authority) and not in connection with the borrowing of money, which in the aggregate do not materially and adversely affect or impair the operations or financial condition of the Airport Authority; and
- (vi) any Security Interest created over the present and future assets of the Airport Authority in connection with the SKYCITY CLK No.3 Portion or the 3RS Project;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Securities**” means any Indebtedness in the form of or represented by bonds, notes, debentures or other similar securities, or by bills of exchange drawn or accepted for the purpose of raising money, which are, or are at the time of issue or acceptance intended to be, quoted, listed or ordinarily traded on any stock exchange or over-the-counter securities market or traded through any clearing system between financial institutions or institutional investors;

“**Security Interest**” means any mortgage, charge, pledge, lien, hypothecation or other security interest or security arrangement of any kind, and anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**SKYCITY CLK No.3 Portion**” means the proposed developments of Chek Lap Kok Lot No. 3 or any part(s) thereof to be developed by the Airport Authority as the Airport Operational Development or by the tenant(s) of the Airport Authority of such part(s) as the Airport Related Development under the New Grant No. 22378 dated 21 September 2016; and the Airport Authority may specify to such tenant(s) what size and further restrictions, and which particular type of Airport Related Development (such as hotel, office, retail, dining, entertainment or other commercial purposes, and other services and facilities related to the Airport) is required for a particular part of Chek Lap Kok Lot No. 3.

3 INTEREST

(a) Accrual of interest and payments

The Bonds shall bear interest at the Rate of Interest (as defined below) from and including 5 February 2024 (the “**Issue Date**” or the “**Interest Commencement Date**”), payable quarterly in arrear on 5 May 2024, 5 August 2024, 5 November 2024, 5 February 2025, 5 May 2025, 5 August 2025, 5 November 2025, 5 February 2026, 5 May 2026 and 5 August 2026, provided that if any such date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day (each, an “**Interest Payment Date**”). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date is herein called an “**Interest Period**”.

(b) Cessation of interest

Each Bond will cease to bear interest from the due date for redemption therefor unless upon due presentation or surrender thereof, payment in full of principal on such Bond is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue at the Rate of Interest (or, if higher, the rate of interest on judgment debts for the time being provided by Hong Kong law) on the principal amount in respect of which payment has been improperly withheld or refused or default has been made (as well after as before any demand or judgment) until whichever is the earlier of (i) the date on which, upon further presentation or surrender of the relevant Bond, all sums due in respect of such Bond up to that day are received by or on behalf of the Holder of such Bond; and (ii) the seventh day after the Paying Agents have notified the holder thereof (either in accordance with Condition 10 or individually) of the receipt of all sums due in respect thereof up to that date.

(c) **Rate of Interest**

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 4.25% per annum (the “**Rate of Interest**”), payable quarterly in arrear.

(d) **Calculations of interest**

The amount of interest payable in respect of any Bond for any Interest Period shall be calculated by the Calculation Agent by multiplying the Rate of Interest, the principal amount of such Bonds and the actual number of days elapsed in such Interest Period and then dividing the product thereof by 365 days (half a cent being rounded upwards).

In this Condition 3, “**business day**” means (i) if the relevant Bond(s) is/are not lodged with the CMU, any day (other than a Saturday or a Sunday) on which banks are open for business in the relevant place or, if the relevant Bond(s) is/are lodged with the CMU, any day (other than a Saturday or a Sunday) on which the CMU is operating and (ii) any day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open in Hong Kong.

4 **REDEMPTION AND PURCHASE**

(a) **Final redemption**

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 5 August 2026. The Bonds may not be redeemed at the option of the Airport Authority other than in accordance with this Condition 4(a).

(b) **Redemption at the option of Bondholders upon a Relevant Event**

The Airport Authority will, at the option of the Holder of any Bond, redeem the Bonds held by that Bondholder in whole or in part (if in part, only in a principal amount which is an integral multiple of HK\$10,000) on the Relevant Event Early Redemption Date at their principal amount, together with interest accrued (if any) to (but excluding) the Relevant Event Early Redemption Date, on the occurrence of either of the following events (each, a “**Relevant Event**”):

- (1) as a result of any action on the part of the Airport Authority or the Government of Hong Kong or as a result of any new law or regulation of Hong Kong, the Government of Hong Kong either (i) ceases to have power to control the composition of the majority of the Board of the Airport Authority; or (ii) ceases to hold, directly or indirectly, more than half in nominal value of the voting share capital of the Airport Authority; or
- (2) the Airport Authority disposes of all or substantially all of the Restricted Assets other than (i) pursuant to or as part of a privatisation, amalgamation, reconstruction or arrangement, the effect of which is to vest in some other body corporate (having, after such vesting, a similar financial standing to the Airport Authority or where the Trustee is satisfied, or the Trustee is advised by a merchant or investment bank in Hong Kong, that such vesting will not materially prejudice the interests of the Bondholders) all or substantially all of the Restricted Assets, and to impose upon such other body corporate all or substantially all of the obligations and liabilities of the Airport Authority or, as the case may be, such of them as relate to the Restricted Assets, including all the

obligations and liabilities of the Airport Authority under the Trust Deed, the Paying Agency Agreement, the Bonds and the Deed Poll; or (ii) by any sub-lease or licence of the whole or any part of the Restricted Assets which is on arm's length commercial terms and is permitted under the Land Grant; or (iii) where that disposal is or constitutes a Permitted Security Interest; or (iv) by any sub-lease or licence to the Government of Hong Kong for the provision of any accommodation or facilities required to be provided to the Government of Hong Kong in connection with the operation of the Airport; or (v) by any sub-lease or licence to MTRC for the provision of facilities for the operation and development of the Airport Railway; or (vi) any disposal pursuant to any leasing, sale and leaseback or sale and buyback arrangement relating to any assets of the Airport Authority; or (vii) any disposal made by the Airport Authority in connection with the SKYCITY CLK No.3 Portion or the 3RS Project.

The “**Relevant Event Early Redemption Date**” means the date specified as such by the Airport Authority, which date shall fall no earlier than 45 days and no later than 60 days after a Relevant Event.

The Airport Authority shall give notice to Bondholders in accordance with Condition 10 no later than 10 days following any Relevant Event, giving a brief explanation of the nature of the Relevant Event and specifying the Relevant Event Early Redemption Date and the relevant procedures for exercising the early redemption option under this Condition 4(b).

To exercise its option to require early redemption under this Condition 4(b), the Bondholder must deposit the relevant Bonds, together with all Coupons relating to them which mature after the Relevant Event Early Redemption Date (if any), with the Principal Paying Agent together with a duly completed redemption notice (which notice shall be irrevocable) in the form obtainable from the Principal Paying Agent, at least 21 days prior to the Relevant Event Early Redemption Date.

For the purposes of these Conditions:

“**Airport Railway**” means the railway constructed between Hong Kong Island, Lantau Island and the Airport via West Kowloon by MTRC and comprising the Airport Express Line and the Tung Chung Line;

“**MTRC**” means MTR Corporation Limited of Hong Kong; and

“**Restricted Assets**” means the Airport Operational Development and the Airport Support Development (each as defined in the relevant documents under the Land Grant), together with the Airport Authority's rights under the Land Grant to the area of land on which they stand.

(c) Early redemption at the option of Bondholders on an Interest Payment Date

The Holder of any Bond will have the right, at such Holder's option, to require the Airport Authority to redeem the Bonds held by that Bondholder in whole or in part (if in part, only in a principal amount which is an integral multiple of HK\$10,000) on a Bondholder Put Early Redemption Date at their principal amount, together with interest accrued to but excluding the relevant Bondholder Put Early Redemption Date.

To exercise its option to require early redemption under this Condition 4(c), the Bondholder must deposit the relevant Bonds, together with all Coupons relating to them which mature after the relevant Bondholder Put Early Redemption Date (if any), with the Principal Paying Agent

together with a duly completed redemption notice (which notice shall be irrevocable) in the form obtainable from the Principal Paying Agent, at least 21 days prior to the relevant Bondholder Put Early Redemption Date.

The “**Bondholder Put Early Redemption Date**” shall be the Interest Payment Date immediately following the date a redemption notice has been given in accordance with this Condition 4(c).

While the Bonds are represented by the Global Bond and are lodged with CMU, an investor of the Bonds must submit its early redemption request through the institution that holds its Bonds.

If an investor holds its Bonds through a placing bank or HKSCC, the investor must submit an early redemption request to its placing bank or HKSCC during the specified period below corresponding to the Interest Payment Date on which it wishes its Bonds to be redeemed.

Timing for submission of an early redemption request to the relevant placing bank or HKSCC ^(Note 1)		Interest Payment Date on which Bonds are to be redeemed (Bondholder Put Early Redemption Date) ^(Note 2)
Not earlier than:	Not later than 5:00 p.m. on:	
1. 6 March 2024	1. 5 April 2024	5 May 2024
2. 6 June 2024	2. 6 July 2024	5 August 2024
3. 6 September 2024	3. 6 October 2024	5 November 2024
4. 7 December 2024	4. 6 January 2025	5 February 2025
5. 6 March 2025	5. 5 April 2025	5 May 2025
6. 6 June 2025	6. 6 July 2025	5 August 2025
7. 6 September 2025	7. 6 October 2025	5 November 2025
8. 7 December 2025	8. 6 January 2026	5 February 2026
9. 6 March 2026	9. 5 April 2026	5 May 2026

1. *If any deadline falls on a public holiday in Hong Kong or a weekend, it shall be moved to the immediately preceding business day.*
2. *The interest payment dates are subject to adjustment in accordance with Condition 3.*

If an investor holds its Bonds through a securities broker, its securities broker will need to submit the early redemption request to HKSCC (in the manner prescribed by HKSCC) by the timing specified above. Accordingly, an investor should check with its securities broker as to the prescribed manner for submitting an early redemption request and the earliest and last dates on which the investor needs to submit its early redemption request to its securities broker in order to effect a redemption on the specified Interest Payment Date.

(d) Redemption from unqualified applicant(s)

The Bonds can only be applied for by the holder of a valid Hong Kong identity card. The Airport Authority may at any time, by giving no less than five days' notice, redeem any Bonds allocated to an applicant who did not hold a valid Hong Kong identity card at the time of application for the Bonds at an amount equal to their principal amount multiplied by the subscription price, on the date specified in the notice without any accrued and unpaid interest.

(e) Purchases

The Airport Authority or any of its subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price provided that, in the case of Bonds represented by the Global Bond, such Bonds are purchased together with the right to receive payments of interest thereon and, in the case of any Definitive Bond, all unmatured Coupons appertaining thereto are surrendered therewith. If purchases are made by tender, tenders must be available to all Holders of the Bonds alike. Any Bonds purchased pursuant to this Condition 4(e) may be held, reissued, resold or surrendered to the Principal Paying Agent for cancellation.

(f) CMU records and partial redemption

The Bondholders' put option in Condition 4(b) or 4(c) may be exercised by the Holder of the Bonds represented by the Global Bond giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in Condition 4(b) or 4(c), as the case may be. The Airport Authority shall procure that any exercise of any option under the Bonds shall be entered in the records of the CMU and upon any such entry being made, the principal amount of the Bonds represented by such Global Bond shall be adjusted accordingly. In the case of any Definitive Bond and a partial redemption, the notice shall also contain the serial numbers of the Bonds to be redeemed, subject to compliance with any applicable laws and rules, regulations and requirements of any stock exchange or other relevant authority.

(g) Cancellation

Any Bonds redeemed pursuant to Condition 4(b) or 4(c) shall be surrendered to the Principal Paying Agent for cancellation and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Airport Authority in respect of any such Bonds shall be discharged.

5 PAYMENTS

(a) Method of payment

Subject as provided below, payments will be made by transfer to a Settlement Account. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in Hong Kong or other place of payment.

For the purpose of this Condition 5(a), "**Settlement Account**" means, in relation to a payee which is a licensed bank, the account maintained by that payee with the Operator through which its own clearing balance is settled or, in relation to a payee which is not a licensed bank, the account maintained by its designated correspondent bank with the Operator for the purpose of settling, *inter alia*, interbank payments.

(b) **Presentation of Bonds and Coupons**

- (i) *Global Bond:* Payments of principal and interest in respect of the Bonds represented by the Global Bond, will (subject as provided below) be made in Hong Kong Dollars in the manner specified above and otherwise in the manner specified in the Global Bond, against presentation or surrender, as the case may be, of the Global Bond at the specified office of any Paying Agent. A record of each such payment of principal will be made on the Global Bond by any Paying Agent and of each such payment of interest either on the Global Bond or in the records of any Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of the Global Bond (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Bonds represented by the Global Bond and the Airport Authority's obligation will be discharged by payment to, or to the order of, the holder of the Global Bond (or the Trustee, as the case may be) with respect to each amount so paid. Each of the persons shown in the records of the Operator as the holder of a particular principal amount of Bonds must look solely to the Operator for its share of each payment so made by the Airport Authority to, or to the order of, the holder of the Global Bond. Without prejudice to the provisions of the Deed Poll, no person other than the holder of the Global Bond shall have any claim against the Airport Authority in respect of payments due on the Global Bond.

- (ii) *Definitive Bonds:* Payments of principal in respect of Definitive Bonds will (subject as provided below) be made in Hong Kong Dollars against presentation or surrender, as the case may be, of Definitive Bonds and payments of interest in respect of the Definitive Bonds will (subject as provided below) be made in Hong Kong Dollars against presentation or surrender, as the case may be, of Coupons, in each case at the specified office of any Paying Agent.
- (iii) *Coupons:* Definitive Bonds should be presented for payment together with all unmatured Coupons appertaining thereto. Upon the date on which any such Definitive Bond becomes due and repayable, unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (iv) *Payments on business days:* A Bond or Coupon may only be presented for payment and payment will only be made on a day which is a business day in the place of presentation (and, in the case of payment by transfer to a Settlement Account, in Hong Kong). No further interest or other payment will be made as a consequence of the day on which the relevant Bond or Coupon may be presented for payment under this paragraph falling after the due date. In this Condition 5(b), "**business day**" means (i), if the relevant Bond(s) is/are not lodged with the CMU, any day (other than a Saturday or a Sunday) on which banks are open for business in the relevant place or, if the relevant Bond(s) is/are lodged with the CMU, any day (other than a Saturday or a Sunday) on which the CMU is operating and (ii), in the case of payment by transfer to a Settlement Account as referred to above, any day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open in Hong Kong.
- (v) *Interest payable:* If the due date for redemption of any Definitive Bond is not an Interest Payment Date, interest (if any) accrued with respect to such Bond from and including the preceding Interest Payment Date or, as the case may be, Issue Date shall be payable only against presentation or surrender of the relevant Definitive Bond.

(c) **Paying Agents**

The Airport Authority reserves the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will maintain a Paying Agent having a specified office in Hong Kong. Notice of any change in the Paying Agent or its specified office will promptly be given to the Bondholders.

6 TAXATION AND WITHHOLDING

All payments of principal and/or interest in respect of the Bonds and the Coupons will be made subject to withholding or deduction for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Hong Kong or any other authority having power to levy tax in Hong Kong.

Under current Hong Kong law, no withholding tax is imposed in respect of payments of principal and/or interest made to holders of debt securities.

7 EVENTS OF DEFAULT

If any of the following events (“**Events of Default**”) occurs and is continuing:

- (a) *Payment default*: there is a default for more than 14 days in the payment of any principal, interest or other amount due in respect of any Bond; or
- (b) *Cross default*: (i) the Airport Authority shall default in the payment of any principal of or interest on any Borrowed Money beyond any period of grace provided in respect thereof, or (ii) the Airport Authority shall fail to honour when due and called upon any guarantee of any Borrowed Money, or (iii) any Borrowed Money of the Airport Authority shall become due and repayable prior to its specified maturity by reason of any default or event of default (howsoever described), in each case in an aggregate principal amount of at least HK\$400,000,000 or the equivalent thereof in another currency or currencies, or (iv) a general moratorium shall be declared on the payment of the debts of the Airport Authority; or
- (c) *Other default*: the Airport Authority shall default in the performance or observance of any other obligation contained in the Bonds (or to the extent it relates to the Bonds) or the Trust Deed and (i) such default is in the opinion of the Trustee incapable of remedy or, (ii) if such default is in the opinion of the Trustee capable of remedy, such default shall not have been remedied within 60 days after written notice shall have been given to the Airport Authority by the Trustee requiring the same to be remedied; or
- (d) *Liquidation*: an order is made or an effective resolution is passed or an enactment is passed for the winding up, liquidation or dissolution of the Airport Authority, other than in the case of a Relevant Event (as defined in Condition 4(b)); or
- (e) *Enforcement of security*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Airport Authority or a distress or execution shall be levied or enforced upon or sued out against any substantial part of the undertaking, assets and revenues of the Airport Authority and is not discharged within 60 days of being levied or enforced,

then:

- (i) the Trustee at its discretion may declare the Bonds immediately due and repayable; and
- (ii) the Trustee shall, if so directed either in writing by the Holders of at least 25% in principal amount of the Bonds then outstanding or by Extraordinary Resolution of the Holders of the Bonds, declare all of the Bonds immediately due and repayable, whereupon the Bonds shall become so due and repayable at their principal amount together with accrued interest (if any). If the Bonds become due and repayable pursuant to this Condition 7, they shall continue to bear interest in accordance with the provisions of these Conditions, which will continue to apply.

At any time after the Bonds shall have become immediately due and repayable pursuant to this Condition 7 or otherwise, the Trustee may, at its discretion and without further notice, institute such proceedings as it may think fit against the Airport Authority to enforce repayment of the principal of the Bonds, together with accrued interest, and to enforce the provisions of the Trust Deed, but it shall not be bound to take any such proceedings unless (1) it shall have been so directed by the Holders of at least 25% in principal amount of the Bonds then outstanding or by Extraordinary Resolution of the Holders of the Bonds, and (2) it shall have been indemnified to its satisfaction.

No Holder of a Bond or beneficiary under the Deed Poll shall be entitled to proceed directly against the Airport Authority unless the Trustee, having become bound in accordance with the Trust Deed so to proceed, fails to do so within a reasonable period and such failure is continuing.

In this Condition 7:

“**Borrowed Money**” means indebtedness for borrowed money, acceptances and the principal amount of any notes, debentures, bonds, bills of exchange, promissory notes or similar instruments drawn, made, accepted, issued, endorsed or guaranteed by the Airport Authority for the purpose of raising money but shall exclude bills of exchange drawn under or in respect of letters of credit or contracts for the provision of goods or services for the purpose of effecting payment and not in connection with the raising of money.

8 MEETINGS, MODIFICATION OF CONDITIONS, WAIVER AND SUBSTITUTION

(a) Generally

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter relating to the Bonds, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Airport Authority and the Trustee upon request in writing of Bondholders holding not less than one-tenth of the aggregate principal amount of the outstanding Bonds. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the Bonds held or represented; provided, however, that Reserved Matters (as defined in the Trust Deed) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more Persons holding or representing not less than two-thirds or, at any such adjourned meeting, one-fifth of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the Holders of not less than 90% in principal amount of the Bonds who for the time being are entitled to receive notice of a meeting of Bondholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

Where an investor of the Bonds is a recognised clearing house (within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of the Holders of Bonds provided that, if more than one person is so authorised, the authorisation or proxy form must specify the amount of Bonds in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise if it were an individual Bondholder.

(b) Trustee's discretions

The Trustee may, subject as aforesaid, without the consent of the Holders of Bonds at any time and from time to time:

- (i) agree to any modification of the Bonds, the Coupons, these Conditions or the provisions of the Trust Deed which, in the opinion of the Trustee, is of a formal, minor or technical nature or is made to correct a manifest error or proven error to comply with mandatory provisions of law or for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained in the Bonds, the Coupons, these Conditions or provisions of the Trust Deed or is not materially prejudicial to the interests of the Holders of Bonds; or
- (ii) waive or authorise any breach or proposed breach by the Airport Authority of the provisions of the Trust Deed or the Bonds or any other act or omission which is or would or might otherwise on its own or together with any other act or omission constitute an Event of Default which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Holders of Bonds, or determine that such first mentioned act or omission shall, notwithstanding Condition 7, not be an Event of Default.

Any such modification or waiver shall be binding on the Bondholders and Couponholders and, unless the Trustee agrees otherwise, any such modification or waiver shall be notified to the Bondholders in accordance with Condition 10 as soon as practicable thereafter.

9 PRESCRIPTION

The right of the Holder to receive any payment under the Bonds shall become void 10 years (in the case of principal) or six years (in the case of interest) after the Relevant Date for such payment.

For the purposes of this Condition 9, the “**Relevant Date**” in relation to any payment due on a Bond means the date on which such payment first becomes due, except that if the full amount of the monies payable on such date in respect of such Bond has not been received by the Paying Agents on or prior to such date, the “**Relevant Date**” means the date 14 days after the date on which notice is duly given to the Holder of this Bonds in accordance with Condition 10 that such monies have been so received.

10 NOTICES

(a) Global Bond

Until such time as any Definitive Bonds are issued and so long as the Global Bond is held in its entirety on behalf of the Operator, any notice to the Holders of the Bonds shall be validly given by the delivery of the relevant notice to the Paying Agents and the Operator for communication to the Holders of Bonds using electronic means. Any such notice shall be deemed to have been given to the Holders of Bonds on the seventh day after the day on which the said notice was given to the Paying Agents and the Operator.

(b) Definitive Bonds

Any notice to the holder of any Definitive Bond shall be validly given if published (i) in the South China Morning Post in Hong Kong or, if that newspaper shall cease to be published or timely publication therein shall not be practicable, in another English language newspaper with general circulation in Hong Kong; and (ii) in the Hong Kong Economic Journal in Hong Kong or, if that newspaper shall cease to be published or timely publication therein shall not be practicable, in another Chinese language newspaper with general circulation in Hong Kong or, in either case, in such other manner as the Airport Authority, with the approval of the Trustee, shall determine. Any such notice shall be deemed to have been given on the date of first publication in an English or Chinese language newspaper. Couponholders (if any) will be deemed for all purposes to have notice of the contents of any notice given to the holders of Definitive Bonds in accordance with this Condition 10.

(c) Notices from Bondholders

If Definitive Bonds have been issued, notices to be given by any investor of the Bonds shall be in writing and given by lodging the same, together with the relevant Bond or Bonds, with the Trustee (with a copy to the Paying Agents). While any Bonds are represented by the Global Bond, such notice may be given by any Bondholder to the Paying Agents in such manner as the Trustee, the Paying Agents and the Operator may approve for this purpose.

(d) Stock Exchange Requirements

For so long as the Bonds are listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”), the Airport Authority shall ensure that notices disseminated to the Holders of the Bonds are also published on its own website and the website of the Hong Kong Stock Exchange.

11 FURTHER ISSUES

The Airport Authority may from time to time without the consent of the Bondholders or Couponholders create and issue additional Bonds which are (a) expressed to be consolidated and form a series with the Bonds; and (b) identical to the Bonds in all respects except for their respective issue prices, issue dates and interest commencement dates and the dates of first payment of interest on them, and so that the same shall be consolidated and form a single series with the Bonds, and references in these Conditions to Bonds include (unless the context requires otherwise) any other bonds issued pursuant to this Condition 11 and forming a single series with the Bonds.

12 REPLACEMENT OF BONDS

If any Bond (including, for the purposes of this Condition 12, any Coupon) is lost, stolen, mutilated, defaced or destroyed, it may be replaced (if it is in definitive form) at the specified office of the Paying Agents upon payment by the claimant of the expense incurred in connection with such replacement and on such terms as to evidence, indemnity, security or otherwise as the Airport Authority may reasonably require. While the Bonds are listed on the Hong Kong Stock Exchange, such expenses shall not exceed any maximum amount prescribed by the rules and regulations of the Hong Kong Stock Exchange from time to time. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

13 INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Airport Authority without accounting for any profit resulting therefrom.

14 GOVERNING LAW AND JURISDICTION

(a) Governing law

The Bonds and the Coupons are governed by, and shall be construed in accordance with, the laws of Hong Kong.

(b) Jurisdiction

For the exclusive benefit of the Trustee and the Bondholders, the Airport Authority hereby irrevocably agrees that the courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and that accordingly any suit, action or proceedings (together in this Condition 14 referred to as “**Proceedings**”) arising out of or in connection with the Bonds may be brought in such courts.

(c) Waiver of immunity

To the extent that the Airport Authority may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Airport Authority or its assets or revenues, the Airport Authority agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

(d) Consent to enforcement

The Airport Authority consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

RISK FACTORS

Potential investors in the Bonds should carefully consider all the information set out in this Offering Memorandum, including the risk factors highlighted below:

RISKS RELATING TO THE BONDS

Not equivalent to a time deposit

Investment in the Bonds involves risks. The Bonds are investment products and an investment in the Bonds is not equivalent to a time deposit. The Bonds are not protected under the Hong Kong Deposit Protection Scheme nor guaranteed by the Government of Hong Kong's Exchange Fund. Besides, the Bonds may not be protected by the investor compensation fund. You should not invest in the Bonds unless the Bonds are suitable according to your financial situation, investment experience and investment objectives. If in doubt, please consult your own independent professional adviser.

The Bonds have limited pay-out and upside

The pay-out under the Bonds is limited to the principal amount of the Bonds together with all interest payments payable during the tenor of the Bonds.

Interest rate and liquidity risks

You have the right to require the Airport Authority to redeem the Bonds held by you at 100% of their principal amount, together with accrued and unpaid interest to (but excluding) the date of redemption, on each quarterly interest payment date of the Bonds. If you do not exercise your right to have your Bonds redeemed early on the next interest payment date, the market value of the Bonds and your ability to sell your Bonds in the secondary market will be subject to interest rate and/or liquidity risks in the period between interest payment dates.

Your investment in the Bonds is subject to interest rate risk because the market value of a Hong Kong dollar fixed rate investment (including the Bonds) will generally decrease if the prevailing Hong Kong dollar interest rates increase during the tenor of the Bonds. Accordingly, the market value of your Bonds could be lower than the amount you invested.

Your investment in the Bonds may be subject to liquidity risk because there may not be an active secondary market or any secondary market at all, and, accordingly, you may not find a buyer for your Bonds. Although the Bonds will be listed and traded on the Hong Kong Stock Exchange, you should be aware that this does not guarantee an active secondary trading market for the Bonds or that you will have access to a firm bid price or a firm offer price for the Bonds, nor does it guarantee the ready availability of pricing information in relation to the Bonds. If this information is not available, your ability to make an informed decision about whether to sell your Bonds may be affected. In addition, although the Airport Authority has appointed certain market makers to maintain a market in the Bonds, there may only be a limited trading market for the Bonds. You will have to rely on your placing bank, HKSCC or your securities broker (as the case may be) if you wish to sell your Bonds to a market maker. The relevant market maker, HKSCC and/or your securities broker (as the case may be) may charge you fees for this transfer.

Credit risk

Like investments in any other fixed income instruments, your investment in the Bonds is also subject to credit risk of default on the repayment of principal or any payment of interest. The Airport Authority has a long-term local and foreign currency rating of AA+ by S & P Global Ratings (which as at the date of this

Offering Memorandum, is the same as that assigned to the Government of Hong Kong). The Bonds do not have a specific credit rating. The credit rating of the Airport Authority may not reflect the potential impact of all risks related to structure, market, other risk factors discussed herein, and other factors that may affect the value of the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency. There can be no assurance that the rating will remain in effect for any given period or that the rating will not be revised by the assigning rating agency in the future based on its judgment or circumstances so warrant, or otherwise suspended or withdrawn at any time by the assigning rating agency.

The Bonds are unsecured and not guaranteed by the Government of Hong Kong

The Bonds are not secured and are not guaranteed by the Government of Hong Kong. When you buy the Bonds, you will be relying on the creditworthiness of the Airport Authority. Although the Airport Authority is wholly-owned by the Government of Hong Kong, its borrowings and other obligations, including the Bonds, are not guaranteed by the Government of Hong Kong. Changes in the creditworthiness of the Airport Authority and in market conditions such as the economic and political environment in Hong Kong and other parts of the world may reduce the market value of your Bonds and may affect the Airport Authority's ability to make payments of principal of and interest on your Bonds. If the Airport Authority becomes insolvent or defaults on its obligations under the Bonds, the Bondholders can only claim against the Airport Authority as an unsecured creditor. In the worst case scenario, you could lose all of your investment.

No direct contractual rights to enforce any of the obligations under the Bonds

The Bonds will be represented by a global bond and no individual definitive bonds will be issued to you with respect to your holding of the Bonds. You cannot hold the Bonds directly and you cannot exercise any early redemption right directly. To assert your rights as an investor in the Bonds, you will have to rely on your placing bank, HKSCC or your securities broker (as the case may be) to take action on your behalf. If your placing bank, HKSCC or your securities broker (as the case may be) fails to take action in accordance with your instructions or it becomes insolvent or defaults on its obligations, you will need to take action against your placing bank, HKSCC or your securities broker (as the case may be) in accordance with the terms of arrangement between you and your placing bank, HKSCC or your securities broker (as the case may be).

The Bonds may not be a suitable investment for all investors

The Bonds are investment products. A potential investor should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Memorandum;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Modification and waivers

The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Developments in other markets may adversely affect the market price of the Bonds

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries. At times of global financial crisis, the international financial markets may experience significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

The Airport Authority may be unable to redeem the Bonds

If a Bondholder exercises its put option pursuant to Condition 4(b) (upon the occurrence of a Relevant Event (as defined in the terms and conditions of the Bonds)) or Condition 4(c) (upon the Bondholder exercising its early redemption right on a Bondholder Put Early Redemption Date (as defined in the terms and conditions of the Bonds)) of the terms and conditions of the Bonds, the Airport Authority will be required to redeem all or part of the Bonds held by such Bondholder. If such an event were to occur, the Airport Authority may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to redeem the Bonds by the Airport Authority in such circumstances, would constitute an Event of Default (as defined in the terms and conditions of the Bonds), which may also constitute a default under the terms of other indebtedness of the Airport Authority or its subsidiaries.

Any change in Hong Kong law which governs the Bonds may adversely affect Bondholders

The terms and conditions of the Bonds are governed by the laws of Hong Kong. No assurance can be given as to the impact of any possible judicial decision or change to the laws of Hong Kong or administrative practice after the issue date of the Bonds.

The Bonds may not be protected by investor compensation fund

Investors should note that, upon listing of the Bonds on the Hong Kong Stock Exchange, your interest in the Bonds and any transactions in the Bonds you engage in may or may not be protected by the investor compensation fund. The investor compensation fund is established to pay compensation to investors who

suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to products traded on the Hong Kong Stock Exchange. Whether you are eligible for this protection will depend on whether you and the persons you are dealing with (including HKSCC and/or your securities broker) satisfy certain criteria set out in the Securities and Futures Ordinance and the investor compensation fund rules. If you wish to find out more about your eligibility for protection under the investor compensation fund in connection with the Bonds, you should seek independent advice and consult your securities broker (as appropriate).

RISKS RELATING TO THE AIRPORT AUTHORITY AND ITS ACTIVITIES AND OPERATIONS

The Airport Authority is exposed to pandemic risk and disruptions caused by coronavirus disease (“COVID-19”) and it is vulnerable to any future outbreaks of other mass communicable diseases

The outbreak of COVID-19 since 2019 has resulted in a widespread and global health crisis, which led to various social distancing measures and restrictions on travel, and has severely impacted the global economy and in particular, the aviation and travel industry.

Entry restrictions, travel bans and quarantine measures implemented across the globe since the outbreak of COVID-19 negatively impacted the aviation and travel industry, resulted in a significant shortage of labour and caused a significant drop in the Hong Kong International Airport (“**HKIA**” or the “**Airport**”)’s passenger traffic and cargo throughput. For example, in 2020 during the outbreak of COVID-19, passenger throughput and flight movements were recorded at 8.8 million and 160,655 movements, representing decreases of 87.7% and 61.7%, respectively from 2019 prior to the COVID-19 outbreak. The drop in traffic throughput in HKIA brought by the COVID-19 pandemic had an adverse impact on the overall business, financial condition and results of operations of the Airport Authority.

Similarly, aviation support businesses including ramp handling, aircraft maintenance, inflight catering and other aviation support business operators have all been impacted by the reduced aviation traffic in Hong Kong and globally due to the COVID-19 pandemic, which has had an adverse impact on the Airport Authority’s business, financial conditions and results of operations.

As at the date of this Offering Memorandum, the Airport Authority’s business, financial conditions and results of operations are still recovering from the adverse impacts brought by the COVID-19 pandemic. There is no assurance that the COVID-19 pandemic would not resurge and become more severe in the near future and the fear caused by the COVID-19 pandemic may also have a continued adverse impact on the aviation and travel industry. If the demand for air travel globally is unable to return to pre-pandemic levels, then slower passenger and air cargo growth rates, or even market contractions within the Asia Pacific region and between the Asia Pacific region and other regions will continue to adversely impact the Airport Authority’s operations and financial condition.

In addition to the outbreak of COVID-19, there were other outbreaks of contagious diseases in the past, such as Severe Acute Respiratory Syndrome (SARS) in 2003, H5N1 virus or “Avian Influenza A” in 2005, H1N1 virus or “Swine Influenza A” in 2009, and measles in Hong Kong in 2019, and these events had a significant adverse impact on the economies of the affected countries and regions. Any further significant outbreak of a highly contagious disease such as COVID-19 may adversely affect the financial condition and results of operations of the Airport Authority.

External financing may expose the Airport Authority to interest rate and exchange rate risks which could affect its financial condition and results of operations

The Airport Authority has borrowed, and may continue to borrow, significant amounts in foreign currencies. As at 30 September 2023, the Airport Authority had total interest-bearing borrowings of HK\$102,705 million and all of the borrowings were fixed rate borrowings (after taking account of the impact of designated interest rate swaps). Any external financing raised by the Airport Authority may expose it to the impact of interest rate and currency rate fluctuations. As at 30 September 2023, 32% and 68% of the Airport Authority's total borrowings were denominated in Hong Kong dollars and U.S. dollars, respectively. There can be no assurance that any hedging transactions carried out by the Airport Authority will reduce or eliminate the impact of interest rate and foreign currency movements. An increase in interest rates, such as the recent tapering of the stimulative quantitative easing policy, and the interest rate increases by the U.S. Federal Reserve which result in interest rate increases in Hong Kong, or fluctuations in exchange rates between the Hong Kong dollar and other currencies may limit the availability or increase the cost of swaps or hedging instruments when the Airport Authority further enters into such arrangements in the future. This may increase the Airport Authority's borrowing costs or reduce the availability of funding. Moreover, there can be no assurance as to the effectiveness of any such risk management techniques or the availability of such hedging instruments in the future or on acceptable terms.

The Airport Authority is exposed to credit risk which could affect its financial condition and the results of its operations

The Airport Authority's credit risk arises from its trade and other receivables, over-the-counter derivative financial instruments entered into primarily for hedging purposes, cash and cash equivalents and interest-bearing investments. The Airport Authority's financial condition may be affected by the risk that such amounts owed to the Airport Authority may not be recovered in full.

In particular, a large majority of the Airport Authority's counterparties operate in sectors of the economy that have been impacted by the COVID-19 pandemic – namely aviation and retail. While cargo services have been relatively less affected, passenger traffic has been severely impacted by the pandemic, and airlines around the globe have experienced liquidity and other stresses on their businesses. This trend has a trickle-down effect on other industries that service the aviation sector, including ramp handling, catering, aviation fuel system, ground support, aircraft maintenance, lounge services, retail shops at HKIA and other services, all of which are major counterparties of the Airport Authority. The Airport Authority's trade debtors are generally due within 14 to 30 days from the date of billing; however, during that extraordinary time, the Airport Authority had previously relaxed certain credit terms and undertaken other measures to help its counterparties weather the storm. The Airport Authority will closely monitor its business and operations and, if appropriate, will take into account the operating environment of the Airport Authority and its counterparties. The Airport Authority had previously exercised its power under the Airport Authority Ordinance (Cap. 483 of the Laws of Hong Kong) (the “**Ordinance**”) to detain aircraft to seek recovery of receivables from airlines.

As a result of the foregoing, as at 30 September 2023, the Airport Authority has recognised a loss allowance in respect of trade debtors of HK\$1,072 million, which is a slight decrease comparing to the year ended 31 March 2023. The Airport Authority has also incurred net losses of HK\$2,755 million and HK\$1,930 million, respectively, for the years ended 31 March 2022 and 2023, which represent a year-on-year decrease of 30%.

However, there can be no assurance that the Airport Authority's counterparties will not experience significant financial distress and that, in such an event, the Airport Authority may not be able to collect its trade and other receivables in a timely manner or at all.

The Airport Authority relies on numerous franchisees and other business counterparties to operate HKIA

Of the approximately 53,000 airport workforce as at 31 March 2023, only 2,646 or about 5% of the total workforce were directly employed by the Airport Authority (excluding its subsidiaries). This reflects the significant scope of operations at HKIA that are conducted by franchisees and other business counterparties. For example, the Airport Authority's franchisees provide key aviation logistics services, namely air cargo, ramp handling, aircraft catering, aviation fuel system, into-plane fuelling services, aircraft maintenance, airside vehicle fuel filling services and ground support equipment maintenance, all of which are essential to airlines and airport operators for safe and efficient flows of passengers, cargo and aircraft. Additionally, all passenger airlines, cargo operations, operation of the Business Aviation Centre and retail and dining options at the airport are provided by third parties.

There can be no assurance that the Airport Authority's franchisees and other business counterparties will be able to continue to provide services at HKIA in the manner they have in the past or at all. In particular, many of the Airport Authority's counterparties have experienced financial difficulty during the COVID-19 pandemic. See "The Airport Authority is exposed to credit risk which could affect its financial condition and the results of its operations" above. There can also be no assurance that the Airport Authority's new franchisees which are yet to commence operations or become fully operational, such as the premium logistics centre led by Cainiao Network, the logistics arm of Alibaba Group, or 11 SKIES (as further described in the paragraph entitled "Transform HKIA into a new landmark" in the section entitled "The Airport Authority") will perform at their expected levels. In the event that one of the Airport Authority's franchisees or other business counterparties is unable or unwilling to continue to provide the services it has provided in the past or one of the Airport Authority's new franchisees is unable to perform at the expected levels, it could cause a disruption to the operations of HKIA, which could have a material adverse effect on the Airport Authority's business, financial condition and results of operations.

Labour shortages could materially and adversely affect the recovery of the aviation industry in Hong Kong and the Airport Authority's business, prospects and results of operations

HKIA and the airport community rely on extensive labour to perform various functions and provide different services to support the operation of HKIA. The previous pandemic-related travel restrictions have resulted in a significant shortage of labour. This has caused and may continue to cause, among others, increased difficulties in hiring staff and workers to support HKIA's operation as well as resumption of services and flights even after uplift of travel restrictions. With the increasing air passenger volume after uplift of travel restrictions, manpower demand in the aviation industry is expected to be higher. In June 2023, the Government of Hong Kong announced the introduction of sector-specific labour importation schemes which allow import of up to 6,300 non-supervisory workers for the aviation industry, on the premise that local workers' priority for employment is safeguarded. The 10 job types under the scheme for the aviation industry include passenger services officers, customer services agents, aircraft tug drivers, tractor drivers, cabin workers, ramp services agents, warehouse operator/cargo handlers, aircraft maintenance mechanic/technicians, equipment/loader operators and maintenance technicians. The recruitment process is ongoing. However, there can be no assurance that the new scheme alone would be able to alleviate the shortage of labour and meet the increasing manpower demand of the aviation industry. Any labour shortages could materially and adversely affect the recovery of the aviation industry in Hong Kong and the Airport Authority's business, prospects and results of operations.

The Airport Authority will need to refinance some of its debt as it matures

As at 30 September 2023, the Airport Authority had total interest-bearing borrowings of HK\$102,705 million. The Airport Authority's interest payments in respect of notes and bank loans for the year ended 31 March 2023 and the six months ended 30 September 2023 amounted to HK\$2,014 million and HK\$1,790

million, respectively. For example, in January 2023, the Airport Authority issued U.S.\$3 billion multi-tranche notes comprising the U.S.\$500 million 4.875 per cent. senior notes due 2026, the U.S.\$1 billion 4.750 per cent. green notes due 2028, the U.S.\$700 million 4.875 per cent. senior notes due 2030 and the U.S.\$800 million 4.875 per cent. senior notes due 2033. In January 2022, the Airport Authority issued U.S.\$4 billion multi-tranche notes comprising the U.S.\$1.2 billion 2.500 per cent. notes due 2032, the U.S.\$1.2 billion 3.250 per cent. notes due 2052, the U.S.\$600 million 3.500 per cent. notes due 2062 and the U.S.\$1 billion 1.750 per cent. green notes due 2027. In February 2021, the Airport Authority issued U.S.\$900 million principal amount of notes and U.S.\$600 million principal amount of notes due 2031 and 2051, respectively. In June 2020, the Airport Authority established five-year unsecured HK\$35 billion term and revolving credit facilities with 21 local and international banks. The facilities comprise a term loan tranche of HK\$17.5 billion and a revolving credit facility tranche of the same amount. At the scheduled maturity of the notes issued and the term and revolving credit facilities, and subject to the recovery of traffic in HKIA, the Airport Authority may need to refinance a portion of the notes and the term and revolving credit facilities. The availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and, therefore, any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the price or availability of funding for entities within any of these markets. In addition, factors such as the geopolitical risks may adversely affect market confidence, which in turn, affects the cost and availability of funding. No assurance can be given that refinancing or additional financing will be readily available or on attractive or historically comparable terms or that the cost of such refinancing or additional financing will not have a material adverse effect on the Airport Authority's business, financial condition and results of operations.

The Airport Authority requires significant funding for its business

The Airport Authority incurs substantial capital expenditure and other expenses each year to provide, operate, develop and maintain HKIA. Substantial portions of the Airport Authority's operating cash flows are used to pay for these capital expenditures and other expenses. The Airport Authority also incurs substantial capital expenditure when it undertakes new projects, including the 3RS Project, which is estimated to cost HK\$141.5 billion at money-of-the-day prices. In addition to operational surplus, the Airport Authority is expected to fund the 3RS Project through debt and collection of airport construction fees (the "ACF"). If the Airport Authority's operating cash flows are significantly reduced, the Airport Authority may need to significantly increase borrowings in order to meet these capital expenditure commitments.

In addition, the Airport Authority's budgeted amounts for capital expenditure may prove to be inaccurate, necessitating an increase in leverage in the short to medium term to meet the shortfall. In particular, the Airport Authority is currently undertaking a number of significant expansion projects, which may be subject to delays and cost overruns. Significant budget overrun or delays in projects which require significant capital expenditure could lead to a further increase in capital expenditure. Any delay in handover of completed projects may also result in an increase of capital expenses. There can be no assurance that the Airport Authority will not experience delays or cost overruns in the future, which may increase the funding costs for its business and have an adverse effect on the business, financial condition and results of operations of the Airport Authority.

Increased competition, such as from other regional airports and high-speed trains, may adversely affect the Airport Authority's operations

HKIA faces competition from other airports in the region and other forms of transportation. In particular:

- The improvements and expansions of airports in the region will intensify competition in the Greater Bay Area region and this may reduce HKIA's share of passenger volume and cargo throughput in this area; and
- China is planning large-scale railway infrastructure development projects connecting its main cities with high-speed trains. The Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link was opened to the public on 23 September 2018. The high-speed rail is expected to dramatically improve rail service quality and raise train transportation to a competitive level to air travel. These high-speed rail connections may compete with air transportation and reduce the number of passengers using HKIA.

The military conflicts between Russia and Ukraine, and the resulting sanctions brought by the United States and other countries against Russia, have resulted in significant market disruptions

The military conflicts between Russia and Ukraine have resulted in significant market disruptions, volatility to the prices of energy, oil and other commodities and disruptions to the supply chain globally. The United States and other countries and certain international organisations have imposed broad-ranging financial and economic sanctions on, and export controls and import restrictions against Russia and certain Russian individuals, banking entities and corporations, including Russian airlines and Russian-operated airplanes. In particular, the United States and certain other countries have imposed a flight ban on Russian planes and Russia has also closed off its airspace to airlines from certain countries. In order for foreign registered aircraft to operate scheduled journeys to and from Hong Kong, an operating permit must be obtained from the Director-General of Civil Aviation under section 3(1)(a) of the Air Transport (Licensing of Air Services) Regulations (Cap. 448A of the Laws of Hong Kong). In addition, all airline or aircraft operators shall obtain a slot allocated by the Civil Aviation Department for each aircraft movement (arrival and departure) before operating to or from HKIA. The Airport Authority is accordingly not empowered to direct or reject aircraft to land at or depart from HKIA. Pursuant to section 34 of the Ordinance, the Airport Authority has a statutory obligation to charge for services that it provides. The Airport Authority is obliged to charge for services provided (e.g. landing and parking services) to all flights that land at HKIA, including Russian-operated flights that are authorised by the Civil Aviation Department. The extent and duration of the military conflicts, actions taken by Russia, resulting sanctions taken by the United States and other countries and market disruptions in the region and globally are impossible to predict, but could have material adverse effects on the regional and global financial markets and economic conditions.

As at the date of this Offering Memorandum, the Russia-Ukraine war is still ongoing and continues to cause unexpected changes to the aviation and travel industries. The situation is rapidly evolving and unpredictable and may evolve in a way that could adversely affect the Airport Authority's financial condition and results of operations. Depending on the facts and circumstances and enforcement priorities of the relevant sanctions authorities, the Airport Authority may potentially face sanctions or export control risks.

The Airport Authority may not be able to detect and prevent fraudulent activities or other misconduct committed by its officers, employees, representatives, agents, contractors, sub-contractors, customers or other third parties

The Airport Authority may be exposed to fraudulent activities or other misconduct committed by its officers, employees, representatives, agents, contractors, sub-contractors, customers or other third parties that could subject it to financial or other losses, regulatory actions, litigations and reputational harm. Different types of

misconduct may include making or accepting bribes; hiding unauthorised or illegal activities, resulting in unknown and unmanaged risks or losses; intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Airport Authority in making investment and other decisions; improperly using or disclosing confidential information; recommending products, services or transactions that are not suitable for the Airport Authority's customers; misappropriation of funds; conducting transactions that exceed authorised limits; engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities; engaging in unauthorised or excessive transactions to the detriment of the Airport Authority's customers; conducting any insider dealing; or otherwise not complying with applicable laws and regulations or the Airport Authority's internal policies and procedures.

For example, in August 2022, four staff of the Airport Authority who were employed on short-term contracts were arrested by the Independent Commission Against Corruption for alleged corruption over the awarding of works and material supplies contracts, and related administrative and financial arrangements in connection with the 3RS Project. This incident has resulted in commencement of prosecutions against the relevant former staff.

The Airport Authority's internal control procedures may not be able to identify all incidents of non-compliance or suspicious transactions in a timely manner, if at all. Furthermore, precautionary measures may not always detect and prevent fraudulent activities and other misconduct. There is no assurance that fraudulent activities or other misconduct will not occur in the future. If such fraudulent activities or other misconduct does occur, it could have a material adverse effect on the Airport Authority's business, financial condition and results of operations, or may cause negative publicity of and reputational harm to the Airport Authority as a result.

The growth of the Airport Authority's business depends on runway capacity that the Airport Authority may not be able to control

The growth of the Airport Authority's business depends on runway capacity and whether the runway capacity can be increased in a timely and effective manner in order to accommodate more aircraft movements. There is no assurance that HKIA's runway capacity can be increased to meet its future growth.

In April 2016, the Chief Executive of Hong Kong acting after consultation with the Executive Council of Hong Kong (the "**Chief Executive in Council**") granted approval for the draft Chek Lap Kok Outline Zoning Plan ("**Chek Lap Kok OZP**"), as well as authorisation of the reclamation under the Foreshore and Sea-bed (Reclamations) Ordinance (Cap. 127 of the Laws of Hong Kong) (the "**Foreshore and Sea-bed (Reclamations) Ordinance**") for the expansion of HKIA into a 3RS.

On 1 August 2016, the construction works of the 3RS kicked off.

In September 2017, the Airport Authority released the report on the detailed funding study for the 3RS Project submitted by its financial adviser. The overall financial arrangements for the 3RS Project are based on the "joint contribution and user-pay" principle, whereby funding will be provided through the Airport Authority's retained operating surplus, the ACF levied on passengers departing from HKIA and borrowings from the market.

The 3RS Project includes seven core projects and facilities: (i) formation of 650 hectares of land; (ii) building a 3,800-metre-long new runway and supporting taxiways and the reconfiguration of the centre runway; (iii) building a new terminal concourse and an apron with 63 parking positions; (iv) building a 2,600-metre-long new automated people mover ("**APM**") system; (v) building a new baggage handling system; (vi) expansion of Terminal 2; and (vii) construction of other associated airport support infrastructure, road network and transportation facilities. The expansion of Terminal 2 consists of an 8-

level Main Building, and North and South Annex Buildings, which also include the new APM system and the new baggage handling system. The Terminal 2 expansion achieved an overall score of 91 and a provisional platinum rating by BEAM Plus, a certification scheme offered by the Hong Kong Green Building Council Limited that provides a comprehensive set of performance criteria for a wide range of sustainability issues relating to the planning, design, construction, commissioning, management, operation and maintenance of buildings. The design and construction of the third runway and associated works has been commended with the Whole Team Award with a top rating “Excellent” under the Civil Engineering Environmental Quality Assessment (“CEEQUAL”). In April 2022, a series of flight checks for the third runway was completed. In July 2022, operation familiarisation for flights on the third runway commenced. On 25 November 2022, the third runway was officially commissioned on time and within budget. Subsequent to the commissioning of the new runway, operation of the centre runway has been suspended to allow construction of vehicle tunnels and relevant reconfiguration. The 3RS is a highly complex project comprising numerous components with intertwined works and programme interfaces. Various challenges could impact individual construction fronts. With various programme control and enhancement measures in place, as at the date of this Offering Memorandum, works progress steadily on all fronts with the target to complete the 3RS in 2024. The Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand.

Although the 3RS Project is underway, there is no assurance that HKIA’s runway capacity can be increased to meet its future growth. There is also no guarantee that there will be sufficient demand for aircraft services in the future as HKIA’s runway capacity increases. If the runway capacity is constrained or if demand for aircraft services falls, it could have a material adverse effect on the development of HKIA and its future revenue growth. Additionally, the time taken and the costs involved in completing the 3RS Project may be adversely affected by many factors and unforeseen circumstances. Any of these factors or circumstances could give rise to construction delays and/or cost overruns in the 3RS Project, which could have a material adverse effect on the Airport Authority’s ability to expand its runway capacity and grow its business, and in turn on its financial condition and results of operations.

Investment in new projects related to the Airport Authority’s expansion will increase the Airport Authority’s overall depreciation charges, which could have a material adverse effect on the Airport Authority’s financial condition and results of operations

Investment in the Airport Authority’s infrastructure and facility development, expansion and enhancement (including, without limitation, the 3RS Project) generally involves substantial capital expenditure. These investments may require long periods of time to generate the necessary returns and may lead to increased depreciation expenses in the future, which could have a material adverse effect on the Airport Authority’s financial condition and results of operations. Moreover, any failure to generate the necessary returns on these investments could materially reduce the Airport Authority’s financial condition and results of operations.

The Airport Authority relies on information technology systems for its business and any information technology system limitations or failures could adversely affect its business, financial condition and results of operations

The business operations of the Airport Authority rely on a number of information technology systems, applications and business processes utilised in the delivery of business functions. The business operations of the Airport Authority depend on the continued operation of the relevant computer systems and network infrastructure for many of their critical functions. System interruptions may result from occurrences such as the replacement of systems, equipment failure, human error, natural disasters, sabotage (including hacking) and power outages. Such interruptions may result in the unavailability of services, erroneous processing of

third-party instructions and may reduce the relevant businesses' ability to maintain efficient operations. In turn, interruptions of the information technology systems may adversely influence the revenues of the Airport Authority and impair the relations with its customers.

In addition, the Airport Authority may be subject to cyberattacks, computer viruses, malicious code, phishing attacks or information security breaches that could result in the unauthorised release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of the Airport Authority, its employees or customers, or otherwise disrupt its or its customers' or other third parties' business operations.

The Airport Authority also relies on information technology systems in the operation of autonomous vehicles, such as autonomous electric tractors ("AETs"), autonomous tractors, patrol cars, and other vehicles as described further in the paragraph entitled "High level of focus on efficiency with a focus on passenger experience" in the section entitled "The Airport Authority". Any system interruptions may result in unavailability of services and disruption in the Airport Authority's business operations, which may adversely affect the Airport Authority's revenue and customer relationships.

There can be no assurance that its systems would not experience system failures and data leakage in the future, or the measures taken by the Airport Authority to reduce the risk of system disruptions are effective or adequate.

Any failure to comply with the laws or regulations regarding data privacy could adversely affect the Airport Authority's reputation, business, financial condition and results of operations

The Airport Authority is subject to the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) (the "PDPO") and the data privacy laws and regulations of other applicable jurisdictions which aim to protect the privacy of individuals in relation to personal data. The Airport Authority possesses a substantial amount of personal information relating to its employees and customers. In addition, the Airport Authority may also provide such personal information to certain third party contractors and service providers. Improper use or disclosure of, or a failure to protect or properly control such personal information could result in violations of the PDPO and/or other applicable data privacy laws and regulations, which could adversely affect the Airport Authority's reputation, business, financial condition and results of operations. There is no assurance that any misuse and unauthorised or accidental disclosure of personal information will not occur. In addition, new or additional laws and regulations concerning data privacy may be enacted in the future which could cause the Airport Authority to incur additional and substantial costs or require the Airport Authority to change its business practices to comply with the new laws and regulations.

The Airport Authority faces litigation risks in the course of its business

In the ordinary course of the Airport Authority's business, claims involving project contractors, sub-contractors, joint venture partners, customers and other parties may be brought against it or by it from time to time, including commercial claims, contractual claims, customer claims, injury claims, environmental claims and prosecutions, occupational health and safety claims, employee claims, and regulatory disputes. Even if the Airport Authority is ultimately successful in defending claims against it (or in pursuing claims made by it), reputational harm may be inflicted and substantial legal and associated costs may be incurred that may not be recoverable from other parties. Please see the paragraph entitled "Legal and other proceedings" in the section entitled "The Airport Authority" for further information.

In certain circumstances, the Government of Hong Kong has the power to revoke the Airport Authority's aerodrome licence under the Air Navigation (Hong Kong) Order 1995

The Chief Executive of Hong Kong or a person authorised by him or her may, if he or she thinks fit, provisionally suspend or vary any licence issued under the Air Navigation (Hong Kong) Order 1995 and may, on sufficient grounds being shown to his/her satisfaction after due inquiry, revoke, suspend or vary any such licence. If the Airport Authority's aerodrome licence were to be suspended or revoked, the Airport Authority would not be able to operate its airport business and, accordingly, will not generate revenues from that business.

Breach or non-renewal of the Land Grant may affect the Airport Authority's business

The Government of Hong Kong is entitled to re-enter and take possession of the relevant lot of land that it has granted to the Airport Authority and all buildings thereon upon any failure or neglect by the Airport Authority to perform, observe or comply with any of the conditions of the relevant Land Grant (as defined in the terms and conditions of the Bonds). This is in addition to any rights and claims of the Government of Hong Kong in respect of any such breach, non-observance or non-performance. Accordingly, any breach of the Land Grant could have a material adverse effect on Airport Authority's business, financial condition and results of operations.

In addition, the Airport Authority will need to obtain a land grant for other expansion projects such as the Automated Carparks, SkyPier Terminal, Airportcity Link and for projects on the Hong Kong Boundary Crossing Facilities ("HKBCF"). There can be no assurance that the Airport Authority will be able to obtain any such additional land grants in a timely manner or at all. Any failure to obtain the additional land grant may affect the implementation of these projects and lead to an increase in capital expenditure.

Risks related to ventures in the Greater Bay Area and other parts of the PRC

The Airport Authority is currently engaged in discussions with relevant authorities and third parties regarding projects in the Greater Bay Area and is exploring deeper collaboration with Zhuhai Airport. For instance, the Airport Authority signed an agreement with Dongguan Port Group to establish a joint venture for the development of HKIA Dongguan Logistics Park. For further details, see the paragraph entitled "Enhance HKIA's value contribution in the Greater Bay Area and beyond" in the section entitled "The Airport Authority". There can be no assurance that due to other factors such ventures will materialise as envisaged or at all. Any failure of such new ventures may have a material adverse effect on the Airport Authority's business, financial condition and results of operations. In addition, there can also be no assurance that existing joint ventures of the Airport Authority in the PRC will continue to operate or will continue to operate at the same levels in the future. Any cessation of operation of such joint ventures may have a material adverse effect on the Airport Authority's business, financial condition and results of operations.

The Airport Authority's ability to raise airport charges is limited

The scheme of airport charges and any amendment thereof require the approval of the Chief Executive in Council. There is no guarantee that any new scheme or proposed amendment will be approved by the Chief Executive in Council. Also, any increase in airport charges as approved may not necessarily be able to cover the increase in the costs to be incurred by the Airport Authority. Accordingly, the limited ability of the Airport Authority to raise airport charges may have a material adverse effect on the Airport Authority's business, financial condition and results of operations.

Accidents, inclement weather, natural disasters and security incidents could lead to decreased revenues and increased expenditure and reduce the Airport Authority’s operating flexibility

The Airport Authority’s operations could be affected by accidents, inclement weather, natural disasters and security and cybersecurity incidents resulting in major equipment, facilities, systems and power failures and closure of runways, taxiways and other airport facilities, which in turn may interrupt or prevent the operation of HKIA and lead to decreased revenues, increased expenditure, claims for damages, prolonged interruptions in, or reductions of, aircraft movements, a reduction in the Airport Authority’s operating flexibility, increased liabilities for the Airport Authority and pressure for greater regulation. The Airport Authority cannot assure investors that the insurance put in place, which are in line with industry practice, will be sufficient to cover losses or that such insurance will continue to be available on the same terms.

Climatic or environmental factors within the region or elsewhere in key aviation centres might adversely affect provision of and demand for air travel

The Airport Authority’s operations could be affected by climatic or environmental factors within the region or elsewhere in key aviation centres. Increases in the frequency of super typhoons, amount of rainfall and storm wave heights may cause flooding to HKIA and or other roads and bridges leading to HKIA. This may create disruption to operations and the time required to resolve such disruption may incur significant cost. These may adversely impact the provision of and demand for air travel and could have a material adverse effect on the Airport Authority’s business, financial condition and results of operation. Other climate changes such as increasing temperature in Hong Kong may also result in higher energy consumption and increase the operating costs of the Airport Authority in running HKIA.

The Government of Hong Kong may also adopt new policies or enact new laws, including those in relation to environmental matters, which may increase the operating costs of the Airport Authority or adversely affect the development of HKIA.

The Airport Authority is subject to risks relating to environmental, social, governance and sustainability (“ESG/Sustainability”) matters that could materially and adversely affect its reputation, business, financial condition and results of operation

The Airport Authority is subject to a variety of risks, including reputational risk, associated with ESG/Sustainability matters. Adverse incidents with respect to ESG/Sustainability activities could impact the Airport Authority’s reputation and relationships with investors, all of which could materially and adversely affect its business and results of operations. For example, the Airport Authority has in the past been, and may in the future be, subject to allegations of “greenwashing” (e.g., over-stating the credentials or environmental benefits of its projects, or not delivering on commitments made). The Airport Authority’s expectations, estimates and aspirational statements regarding ESG/Sustainability matters, including the potential environmental impacts of its projects and initiatives, involve known and unknown risks, uncertainties and other factors beyond the Airport Authority’s control that could cause the actual results to be different from such expectations, estimates and aspirational statements. As a result, there can be no assurance that the Airport Authority’s ESG/Sustainability initiatives, including the use of proceeds from its previously issued green notes and any further issuances of green notes going forward, will not be subject to heightened scrutiny or public commentary in the future. Such scrutiny or public commentary could materially and adversely affect the Airport Authority’s reputation, business, financial condition and results of operations and, in particular, could create legal and reputational risks.

RISKS RELATING TO THE AIRPORT AUTHORITY'S RELATIONSHIP WITH THE GOVERNMENT OF HONG KONG

There is no Government guarantee in respect of the Bonds

Although the Airport Authority is wholly-owned by the Government of Hong Kong, the Government of Hong Kong has not provided, and has not expressed an intention to provide, any guarantee in respect of the Bonds and such ownership by the Government of Hong Kong does not necessarily correlate to, or provide any assurance to, the Airport Authority's financial condition. There is no statutory or other requirement for the Government of Hong Kong to provide the Airport Authority with direct or indirect financial support to meet the Airport Authority's outstanding debt obligations, including the Bonds. As such, the repayment obligations under the Bonds remain the sole obligation of the Airport Authority. There can therefore be no assurance that in the event of non-payment under the Bonds, the Government of Hong Kong will make any payment of principal or distribution thereon in respect of the Bonds. The Airport Authority believes that the fact it is wholly-owned by the Government of Hong Kong is reflected, amongst other factors, in its credit rating. There can be no assurance that if the Airport Authority ceased to be wholly-owned by the Government of Hong Kong, its credit standing would not be adversely affected.

The Government of Hong Kong can exert significant influence on the Airport Authority, and could cause the Airport Authority to make decisions, modify the scope of its activities or its capital structure, or impose new obligations on the Airport Authority that may not be in the best interests of investors

The Airport Authority is a statutory body corporate governed by the Ordinance. Its business is required to be carried out in accordance with the Ordinance. Furthermore, the Chief Executive in Council may give directions in relation to the performance of the Airport Authority's functions, make regulations in relation to the operation of HKIA and approve scheme of airport charges. The Director-General of Civil Aviation may give directions in relation to international obligations regarding civil aviation. Under the aerodrome licence granted by the Director-General of Civil Aviation, the Airport Authority may have to carry out airport-related activities as the Chief Executive of Hong Kong may assign to it by order. By virtue of various control provisions in the Ordinance, the Government of Hong Kong is in a position to exert significant influence on the Airport Authority's activities, financial condition and operations.

In addition, the Government of Hong Kong can exert significant influence on the Airport Authority's share capital. The Ordinance states that the Financial Secretary may, after consulting the Airport Authority, increase the capital of the Airport Authority and the Legislative Council may, on the recommendation of the Financial Secretary, by resolution provide for a reduction of the capital of the Airport Authority to a specified amount. The Airport Authority is also not permitted to issue shares other than in accordance with the Ordinance.

The Airport Authority's decisions and acts may in certain circumstances be subject to judicial review that may be sought by persons aggrieved by such decisions and acts. Court rulings on any such judicial review cases could result in increased capital and operating costs for the Airport Authority and adversely affect the Airport Authority's financial position and results of operations.

RISKS RELATING TO HONG KONG, THE PRC AND OTHER COUNTRIES

Adverse economic developments in Hong Kong, the PRC or other countries in the world could have a material adverse effect on the Airport Authority's financial condition and the results of its operations

A majority of the Airport Authority's revenues are derived from travellers and economic activities in Hong Kong and the PRC. Due to close business relations between Hong Kong, the PRC, and neighbouring Asian countries, Hong Kong's economy is in turn affected, directly and indirectly, by the performance of the economies of these areas and countries. The growth or decline in economic activity directly affects demand for business travel by air and for cargo space with respect to international trade, as well as leisure travel as discretionary income will also be affected. As a result, adverse economic developments in Hong Kong, the PRC or elsewhere in Asia, in particular a sustained slowdown in economic activities, could bring about a drop in demand for aircraft services and have a material adverse effect on the Airport Authority's financial condition and results of operations. Please also see "Hong Kong is exposed to geopolitical risk which may affect the Airport Authority's financial condition and the results of its operations" below.

The Hong Kong economy is also affected, to a significant extent, by the economic and political conditions of the United States, Europe and other world economies. The Airport Authority derives a majority of its revenue from the operation of HKIA which is a major international hub for passengers and cargo. As a result, the Airport Authority's financial condition and the results of its operations may be adversely affected by a sustained downturn, if any, market volatility and uncertain political environment in the United States, Europe or other world economies.

The COVID-19 pandemic has severely impacted the global economy since the beginning of 2020, and in particular the travel and aviation industry. See "Risks relating to the Airport Authority and its activities and operations – The Airport Authority is exposed to pandemic risk and disruptions caused by coronavirus disease ("COVID-19") and it is vulnerable to any future outbreaks of other mass communicable diseases" above for further details.

The global credit markets have also experienced significant volatility in recent years by the global financial and economic crisis and events, including the European debt crisis, the potential withdrawal of countries from the Euro-zone, the United Kingdom's official exit from the European Union in 2020, the military conflicts between Russia and Ukraine which started in February 2022, the Israel-Palestinian conflict which began in October 2023, hikes in interest rate (such as the increases in interest rates in the United States), fears of a slowdown in the PRC economy and volatility of the PRC stock market, and the collapse of a number of financial institutions, all of which have led to less favourable financial and economic conditions.

In addition, the Sino-U.S. trade tensions since July 2018 have also caused volatility in the global markets. For example, air cargo continues to face headwinds from the trade war between the United States and the PRC, and the trade tension has had a negative impact on HKIA's cargo throughput. The considerable uncertainties of the trade tensions between the United States and the PRC may lead to unexpected consequences on the economies of Hong Kong and other Asia Pacific countries, which could, in turn, harm the Airport Authority's business and growth prospects.

The Hong Kong economy is sensitive to global economic conditions and depends in part upon economic performance of the United States, the PRC and other developed countries. It is impossible to predict how the Hong Kong economy will develop in the future and whether it may slow down due to a global crisis or experience a financial crisis. If there is any renewed economic downturn or slowdown in global economic recovery, there can be no assurance that the Hong Kong economy or the Airport Authority's business, financial condition and results of operations will not be adversely affected.

Any changes to import duties in Hong Kong could affect the Airport Authority’s leasing of retail spaces for duty free shops

A portion of the Airport Authority’s revenue is derived from the leasing of retail spaces for duty free shops at HKIA. Any changes to import duties in Hong Kong may adversely affect the gross sales turnover generated from these retail areas and the overall rental income for the Airport Authority, which could in turn have an adverse impact on the Airport Authority’s business, financial condition and results of operations. For more details, please see “Adverse economic developments in Hong Kong, the PRC or other countries in the world could have a material adverse effect on the Airport Authority’s financial condition and the results of its operations” above.

A devaluation of the Hong Kong dollar may increase costs associated with the Airport Authority’s capital obligations and will increase the Hong Kong dollar cost of repaying its indebtedness

The Hong Kong dollar has been linked to the U.S. dollar at the rate of approximately HK\$7.80 to U.S.\$1.00 since 17 October 1983. In May 2005, the Hong Kong Monetary Authority broadened the 22-year trading band from the original rate of HK\$7.80 per U.S. dollar to a new range varying between HK\$7.75 and HK\$7.85 per U.S. dollar (the “**Linked Exchange Rate System**”). The Government of Hong Kong has repeatedly reaffirmed its commitment to the Linked Exchange Rate System. However, in the event this policy were to be changed and there were to be a devaluation of the Hong Kong dollar, this would increase the Hong Kong dollar cost of the Airport Authority’s future liabilities denominated in foreign currencies. As substantially all of the Airport Authority’s revenues are denominated in Hong Kong dollars, a devaluation of the Hong Kong dollar against the U.S. dollar would increase its Hong Kong dollar interest expense on U.S. dollar denominated indebtedness. This would in turn reduce the Airport Authority’s net income, and make it more difficult or more expensive for the Airport Authority to repay its U.S. dollar denominated debt obligations in a timely manner.

Hong Kong is exposed to geopolitical risk which may affect the Airport Authority’s financial condition and the results of its operations

The majority of the Airport Authority’s assets are located in, and its revenues are derived from activities in, Hong Kong. Hong Kong became a Special Administrative Region of the PRC on 1 July 1997 and has maintained its role as an international financial centre. Accordingly, the Airport Authority is subject to geopolitical risk, in particular any relationship tension between China and other countries such as the United States. Such tension may result in economic, political and legal developments which may affect the Airport Authority’s financial condition and results of operations.

On 14 July 2020, the U.S. President signed into law the Hong Kong Autonomy Act (the “**Autonomy Act**”) and issued The President’s Executive Order on Hong Kong Normalization (“**EO 13936**”). Under EO 13936, among other things, existing licence exceptions and preferential status for Hong Kong under relevant U.S. export control laws and regulations are revoked. As a result, exports to Hong Kong of certain U.S. controlled software, commodities, and technology are subject to the enhanced requirements applicable to exports to the PRC.

Pursuant to EO 13936, the U.S. Department of the Treasury’s Office of Foreign Assets Control has imposed sanctions on certain Hong Kong and PRC government officials, one of whom is a member of the board of directors of Aviation Security Company Limited (“**AVSECO**”), a subsidiary of the Airport Authority. The sanctions mean that all property and interests in property of these individuals are blocked to the extent that they are in the United States or come into the possession of U.S. persons, who are prohibited from dealing in the property of the blocked individuals. For the avoidance of doubt, the said individual is not a member of the Board of the Airport Authority, the Chief Executive Officer, the Chief Operating Officer, an Executive Director or an employee of the Airport Authority. The Airport Authority also has construction and other

contracts with certain contractors that have been, or are subsidiaries or affiliates of companies that have been, included in a list of “Communist Chinese Military Companies/Chinese Military Companies” or “Chinese Military-Industrial Complex Companies” issued by the U.S. Department of Defense, the Office of Foreign Assets Control of the U.S. Department of the Treasury or any other U.S. government authority under the U.S. Executive Order 13959, as amended by U.S. Executive Order 14032, as amended, rescinded and/or superseded by applicable U.S. Executive Order(s) as of the date of this Offering Memorandum which prohibits various investments by U.S. persons in the entities named in such Executive Order(s). These contractors or their affiliates or parents may be subject to the aforementioned restrictions imposed by the U.S. government, although such restrictions currently do not affect their ability to perform their contracts with the Airport Authority. As at the date of this Offering Memorandum, the Airport Authority does not have any investment in the entities named in such Executive Order(s).

Amid such geopolitical instability, there is no assurance that there will not be further or new sanctions imposed by the United States, including under the Autonomy Act or EO 13936, trade-related restrictions under EO 13936, U.S. Executive Order 13959, as amended by U.S. Executive Order 14032, as amended, rescinded and/or superseded by applicable U.S. Executive Order(s), or sanctions imposed by other governments on any counterparty to which the Airport Authority contracts and deals with in the course of its operations, or even on the Airport Authority or its members of the Board, Chief Executive Officer, Chief Operating Officer, Executive Directors or subsidiaries and affiliates. In the event that further or new sanctions are imposed, the Airport Authority’s financial condition, results of operations and business operations may be materially and adversely impacted.

There can be no assurance that the political and legal environment in Hong Kong will remain favourable to the Airport Authority’s business in future. Future geopolitical instability, social unrest or a sustained slowdown in domestic and global economic activities as a result of such instability may adversely affect the Airport Authority’s financial condition and results of operations.

USE OF PROCEEDS

The estimated amount of the expenses of the offering of the Bonds and of the application for listing will be approximately HK\$38 million (assuming the maximum issue amount is issued) and will be payable by the Airport Authority. The net proceeds of the issue of the Bonds (assuming the maximum issue amount is issued), after deducting expenses in connection with the issue of the Bonds, will be approximately HK\$4,962 million. The net proceeds from the issue of the Bonds will be used by the Airport Authority to fund its capital expenditure (including capital expenditure of the 3RS Project) and for general corporate purposes.

THE AIRPORT AUTHORITY

To convey the scope and scale of HKIA's operations, unless otherwise indicated, this section entitled "The Airport Authority" also provides data prior to the COVID-19 pandemic. Such data should not be considered as indicative of the current scale of HKIA's operations after the COVID-19 pandemic.

OVERVIEW

The Airport Authority is a statutory body corporate wholly-owned by the Government of Hong Kong. The Airport Authority is established under the Ordinance, which provides that its purpose is to provide, operate, develop and maintain an airport for civil aviation in the vicinity of Chek Lap Kok. Pursuant to the Ordinance, the Airport Authority operates HKIA, one of the busiest airports worldwide in terms of international passenger throughput and international freight throughput.

HKIA is located on a largely man-made island of reclaimed land at Chek Lap Kok, part of Lantau Island, 30 kilometres northwest of Hong Kong Island. It began commercial operations at Chek Lap Kok on 6 July 1998 with a single runway. A second runway was added and the passenger terminal was extended a year later. The construction works of the 3RS Project started in August 2016, which entails the formation of 650 hectares of land by reclamation, the construction of a third runway, a supporting taxiway system, an expanded Terminal 2 building, a terminal concourse and associated infrastructure, and the reconfiguration of the centre runway. In April 2022, a series of flight checks for the third runway was completed. In July 2022, operation familiarisation for flights on the third runway commenced. On 25 November 2022, the third runway was officially commissioned on time and within budget. Subsequent to the commissioning of the new runway, operation of the centre runway has been suspended to allow construction of vehicle tunnels and relevant reconfiguration. The 3RS is a highly complex project comprising numerous components with intertwined works and programme interfaces. Various challenges could impact individual construction fronts. With various programme control and enhancement measures in place, as at the date of this Offering Memorandum, works progress steadily on all fronts with the target to complete the 3RS in 2024. The Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand.

As of May 2023, the total floor area of Terminal 1 ("T1"), T1 Midfield Concourse, T1 Satellite Concourse, Sky Bridge and SkyPier was around 752,000 square metres. As of December 2023, there are 118 passenger stands, 69 cargo stands, 21 long-term and maintenance stands and seven temporary stands.

HKIA can handle 69 aircraft movements per hour at peak hours. HKIA has ranked as the world's busiest cargo airport 12 times since 2010 according to airport traffic data released by Airports Council International ("ACI"). Prior to the outbreak of the COVID-19 pandemic, for the year ended 31 March 2019, HKIA recorded passenger traffic of 75.1 million. While recording a significant drop in passenger traffic due to the impact of the COVID-19 pandemic, HKIA remained as the world's busiest airport in terms of international cargo throughput in the calendar year 2020, with 4.5 million tonnes of cargo throughput in the same year. For the years ended 31 March 2022 and 2023, HKIA's cargo and airmail throughput reached 4.9 million tonnes and 4.1 million tonnes, respectively, again making HKIA the world's busiest cargo airport. The drop in cargo throughput to 4.1 million tonnes for the year ended 31 March 2023 was due to global weak freight and global economic uncertainties.

The following table sets forth passenger traffic, cargo and airmail throughput and aircraft movements of HKIA for the periods indicated.

	For the six months ended		For the year ended 31 March		
	30 September 2023	2022	2023	2022	2021
Passenger traffic ⁽¹⁾ (in millions of passengers)	20.7	2.0	12.4	1.4	0.8
Cargo and airmail throughput ⁽²⁾ (in millions of tonnes)	2.2	2.1	4.1	4.9	4.6
Aircraft movements (in thousands)	139	66	161	145	128

Notes:

1. Passenger traffic includes originating, terminating, transfer and transit passengers. Transfer and transit passengers are counted twice.
2. Cargo throughput includes originating, terminating and transshipment cargo. Transshipment cargo is counted twice. Airmail throughput includes airmail from Hongkong Post and transit mail from airlines.

For the years ended 31 March 2021, 2022 and 2023 and for the six months ended 30 September 2022 and 2023, the consolidated revenue of the Airport Authority and its subsidiaries (collectively, the “**Group**”) amounted to HK\$5,936 million, HK\$5,798 million, HK\$8,217 million, HK\$3,468 million and HK\$6,304 million, respectively. The revenue streams of the Group can be divided into aeronautical and non-aeronautical.

Aeronautical revenue consists of airport charges, security charges and aviation security services. For the years ended 31 March 2021, 2022 and 2023 and for the six months ended 30 September 2022 and 2023, aeronautical revenue of the Group amounted to HK\$2,240 million, HK\$2,714 million, HK\$3,017 million, HK\$1,252 million and HK\$2,590 million, respectively, representing approximately 38%, 47%, 37%, 36% and 41%, respectively, of the Group’s revenue.

Non-aeronautical revenue consists of airside support services franchises, retail licences and advertising revenue, other terminal commercial revenue, real estate revenue, convention and exhibition revenue and other income. For the years ended 31 March 2021, 2022 and 2023 and for the six months ended 30 September 2022 and 2023, non-aeronautical revenue of the Group amounted to HK\$3,696 million, HK\$3,084 million, HK\$5,200 million, HK\$2,216 million and HK\$3,714 million, respectively, representing approximately 62%, 53%, 63%, 64% and 59%, respectively, of the Group’s revenue.

The following table sets out the sources of revenue of the Airport Authority for the years ended 31 March 2021, 2022 and 2023, and for the six months ended 30 September 2022 and 2023:

	For the six months ended 30		For the year ended 31 March		
	September 2023	2022	2023	2022	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Airport charges	1,828	911	2,173	2,101	1,731
Security charges	564	57	343	46	23
Aviation security services	198	284	501	567	486
Airside support services franchises . . .	1,073	747	1,673	1,759	1,755
Retail licences and advertising revenue	1,774	59	752	62	203
Other terminal commercial revenue . . .	316	294	613	677	915
Real estate revenue	138	76	178	169	188
Convention and exhibition revenue . . .	305	842	1,605	–	–
Other income	108	198	379	417	635
Revenue	<u>6,304</u>	<u>3,468</u>	<u>8,217</u>	<u>5,798</u>	<u>5,936</u>

Recent Developments

Gradual traffic resumption

Passenger traffic at HKIA has been rising since the relaxation of travel restrictions. In November 2023, HKIA handled 3.8 million passengers and 27,855 flight movements.

From January to November of 2023, passenger volume increased eight times to 35 million. Flight movements nearly doubled to 246,240 compared to the same period in 2022. Cargo volume increased by 1.7% year-on-year to 3.9 million tonnes for the same period.

On a 12-month rolling basis, passenger volume was 36.8 million, eight times higher compared to the previous comparable period, while flight movements rose by 90.6% to 262,015 movements. Cargo throughput saw a decrease of 1.4% to 4.3 million tonnes.

In December 2023, passenger traffic at HKIA had recovered to 80% of the pre-pandemic level, in line with the Airport Authority's forecast. During 2023 Christmas holiday travel peak, HKIA handled more than 160,000 passengers daily on 22 and 23 December 2023 consecutively. The approximately 164,000 passengers handled on 23 December 2023 is a new daily record after the pandemic.

Flight movements have exceeded 80% of the pre-pandemic level since mid-December 2023. A new post-pandemic record of 1,034 flights movements in a single day was seen on 23 December 2023.

Rebuilding passenger traffic

In March 2023, the Airport Authority launched the HKIA "World of Winners" Tickets Giveaway Campaign. Around 500,000 air tickets will be given away to travellers in major passenger markets in support of the Government of Hong Kong's global promotions, with a view to expediting the recovery of the aviation and tourism industries. The Airport Authority purchased these 500,000 air tickets in advance from the four home-based airlines at HK\$1.2 billion as part of its relief measures to support the aviation industry amid the pandemic in April 2020. When the quarantine measures were eventually lifted in 2023, the giveaway of tickets started in Southeast Asia markets on 1 March 2023, followed by the Mainland China, Northeast Asia, Hong Kong and other markets. With the steady recovery of air traffic, HKIA also welcomed new passenger airlines.

Labour importation schemes

In June 2023, the Government of Hong Kong announced the introduction of sector-specific labour importation schemes which allow the import of up to 6,300 non-supervisory workers for the aviation industry, on the premise that local workers' priority for employment is safeguarded. The 10 job types under the scheme for the aviation industry include passenger services officers, customer services agents, aircraft tug drivers, tractor drivers, cabin workers, ramp services agents, warehouse operator/cargo handlers, aircraft maintenance mechanic/technicians, equipment/loader operators and maintenance technicians. The recruitment process is ongoing. The labour importation schemes also cover the construction sector, which aims to alleviate the shortage of construction workers and provide support to the progress of major airport projects. See also "Risks relating to the Airport Authority and its activities and operations – Labour shortages could materially and adversely affect the recovery of the aviation industry in Hong Kong and the Airport Authority's business, prospects and results of operations" above.

Progress of the 3RS Project

The third runway was officially commissioned on 25 November 2022. The third runway has been operating smoothly and the air traffic at HKIA has been undergoing solid recovery since COVID-19 related travel restrictions were lifted. Subsequent to the commissioning of the new runway, operation of the centre runway has been suspended to allow construction of vehicle tunnels and relevant reconfiguration. The 3RS is a highly complex project comprising numerous components with intertwined works and programme interfaces. Various challenges could impact individual construction fronts. With various programme control and enhancement measures in place, as at the date of this Offering Memorandum, works progress steadily on all fronts with the target to complete the 3RS in 2024. While all building and infrastructural works for the 3RS are proceeding, the Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand. The 3RS Project in full operation is expected to enable HKIA to handle 120 million passengers and 10 million tonnes of cargo per year. As at 30 September 2023, the Airport Authority has utilised approximately 81% of the capital expenditure of the 3RS Project which has a budget of HK\$141.5 billion.

Competitive Strengths

The Group believes the competitive strengths which contribute to its success are as follows:

HKIA is strategically located in Asia

Hong Kong is strategically located in Asia, and HKIA is the only airport for civil aviation in Hong Kong, connecting Hong Kong with Mainland China and the rest of the world. HKIA benefits from the geographical advantages of Hong Kong. Located within a five-hour flight to approximately half of the world's population, HKIA hosted flights serving around 220 destinations around the world, including about 50 destinations in Mainland China, including all key markets, before the outbreak of COVID-19. HKIA plays an important role in facilitating the flow of business activities and supports Hong Kong's status as a financial and aviation hub. HKIA's strategic location at the heart of Asia positions it as a convenient transit hub as well as for capturing market share within the aviation industry.

Rights of Government to negotiate flight routes and air services agreements

Under the Basic Law of Hong Kong (the "**Basic Law**"), the Government of Hong Kong negotiates and concludes bilateral air services agreements with aviation partners to provide the legal framework for scheduled air services between Hong Kong and other places. The Government of Hong Kong also reviews traffic rights and air services arrangements with its aviation partners to expand Hong Kong's aviation network and allow more competition in the market.

Leveraging the rights of the Government of Hong Kong to independently negotiate flight routes and air services agreements, HKIA, as the only airport for civil aviation in Hong Kong, is uniquely positioned to capitalise on opportunities that arise in the aviation industry.

Favourable policy regime for trade and travel

HKIA operates under a favourable policy regime that supports its growth and competitiveness. Hong Kong is a free port under the Basic Law and does not maintain barriers on trade, with no tariffs charged on import or export of goods. Hong Kong is also highly accessible by international visitors, with nationals of almost 150 countries and territories that may visit Hong Kong visa-free, comparing well with other international destinations. Hong Kong passport holders can also visit more than 100 countries and territories visa-free, in line with passport holders of other developed markets.

The Airport Authority is a statutory body wholly-owned by the Government of Hong Kong and is responsible for the operation and development of HKIA. Since many of the Airport Authority's business strategies are in line with government policies, such as greater connectivity with the Greater Bay Area, the Airport Authority receives strong policy support from the Government of Hong Kong, allowing it to rapidly develop its business.

First mover competitive advantage and well-positioned to capture future air traffic growth

Since HKIA commenced its operations in Chek Lap Kok in 1998, HKIA has developed into a multi-modal transport centre offering travellers extensive connectivity. Before the outbreak of COVID-19, in 2019, HKIA connected to 220 destinations worldwide and served around 120 airlines, operating as a global "Super Hub" and outperforming its regional peers in terms of flight frequency. HKIA's largest home based carrier Cathay Pacific, operates frequent daily flights to key global aviation hubs with limited landing and take-off slots, such as London Heathrow.

HKIA's cargo facilities enable HKIA to handle large volumes of air freight and maintain its position as a global logistics hub. HKIA has three cargo terminals and an express integrator hub in operation, employing advanced logistics and handling systems and allowing smooth and efficient turnaround for its cargo operations.

High level of focus on efficiency with a focus on passenger experience

HKIA's resilient track record is underpinned by its operational excellence, having been named the Top Asian Airport Efficiency Excellence for six consecutive years by the Air Transport Research Society from 2016 to 2021 and the Best Airport in China for 10 consecutive years by Business Traveller China Awards from 2010 to 2019. HKIA has continuously maintained optimal efficiency compared to peer airports in terms of workload unit per runway. In particular, HKIA has the ability to connect flights as fast as 50 minutes for transiting and maintains a high target key performance indicator for baggage delivery of under an hour. Although the outbreak of COVID-19 has had an adverse impact on the Airport Authority's business and operations, particularly passenger throughput, the number of flights and passengers rebounded significantly after the pandemic-related travel restrictions were lifted. During the COVID-19 pandemic, the Airport Authority had positioned and prepared itself, including the enhancement of facilities and services and the construction of the 3RS Project, with a view to meeting the increase in travel and cargo demand once the outbreak subsided.

The Airport Authority has consistently invested in HKIA's amenities and initiatives to provide a passenger-centric experience. These include smart airport initiatives such as utilising biometric technology to offer a more convenient choice to passengers, while increasing its security and handling capacity, as well as enhancement works to T1 and a reinvigorated dining and shopping experience. For example, in 2019, the AETs commenced operation for delivering baggage. It was the first autonomous vehicle used in live operation in Hong Kong. The autonomous vehicle fleet has since expanded to include autonomous tractors for transporting cargo, autonomous patrol cars and autonomous staff shuttle buses. The Airport Authority is committed to making substantial investments in new technologies and services to reinforce its status as one of the world's premier aviation hubs.

Strategies

The Group intends to seek to increase its revenues and improve efficiencies through the following key measures:

Develop HKIA into a 3RS

The Airport Authority is expanding HKIA into a 3RS to fulfil long-term air traffic demand. The 3RS Project includes seven core projects and facilities: (i) formation of 650 hectares of land; (ii) building a 3,800-metre-long new runway and supporting taxiways and the reconfiguration of the centre runway; (iii) building a new terminal concourse and an apron with 63 parking positions; (iv) building a 2,600-metre-long new APM system connecting Terminal 2 with the Terminal 2 Concourse; (v) building a new baggage handling system linking Terminal 2 with the Terminal 2 Concourse; (vi) expansion of Terminal 2 consisting of an 8-level Main Building, and North and South Annex Buildings; and (vii) construction of other associated airport support infrastructure, road network and transportation facilities. The 3RS Project in full operation is expected to enable HKIA to meet the projected demand of 120 million passengers and 10 million tonnes of cargo per year by 2035. The Terminal 2 expansion achieved an overall score of 91 and a provisional platinum rating by BEAM Plus. The design and construction of the third runway and associated works has been commended with the Whole Team Award with a top rating “Excellent” under CEEQUAL.

In April 2022, a series of flight checks of the third runway was satisfactorily completed. In May 2022, the renewed aerodrome licence to operate HKIA was issued by the Civil Aviation Department to the Airport Authority, with the third runway and associate taxiways included in the licence. Furthermore, amendments were made to the Map of Restricted Area Order under the Ordinance to reflect the changes in the boundaries of the restricted area arising from the latest developments at HKIA. The new boundaries of the restricted area delineated under the Ordinance include the third runway and associated infrastructure. In July 2022, operation familiarisation for flights on the third runway commenced. On 25 November 2022, the third runway was officially commissioned on time and within budget. Subsequent to the commissioning of the new runway, operation of the centre runway has been suspended to allow construction of vehicle tunnels and relevant reconfiguration. The 3RS is a highly complex project comprising numerous components with intertwined works and programme interfaces. Various challenges could impact individual construction fronts. With various programme control and enhancement measures in place, as at the date of this Offering Memorandum, works progress steadily on all fronts with the target to complete the 3RS in 2024. The Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand.

For further details, see “– Business Operations” below.

Transform HKIA into a new landmark

In view of the long-term global air traffic growth, especially in the Greater Bay Area, the Airport Authority is undertaking a series of expansion and development projects to reinforce HKIA’s status as an international aviation hub and transform it from a city airport to an airport city under the airport city blueprint (the “**Airport City**”). In addition to the expenditure on the 3RS, the Airport City blueprint entails an investment of over HK\$40 billion for the 10 years until 2030 by Airport Authority to enhance HKIA’s capacity and functionality, while transforming into a new landmark and propelling the economic development of Hong Kong and the region.

In October 2016, the Airport Authority announced its plan for SKYCITY, a core element of the Airport City. Situated at HKIA and adjacent to the passenger terminals, SKYCITY will feature retail complexes, entertainment facilities, dining areas, hotels and office towers located on the north of the Chek Lap Kok island (“**Airport Island**”).

In April 2017, the right to develop and operate a hotel of 33,700 metres gross floor area was awarded to Capital Charm Holdings Limited. With 1,200 rooms, the Regala Skycity Hotel was completed and opened in December 2021.

In May 2018, the Airport Authority awarded the right to develop and manage two sites of SKYCITY (maximum gross floor area of 350,000 square metres) to Roxy Limited, a subsidiary wholly-owned by New World Development Company Limited (“NWD”) for an integrated retail, dining and entertainment development, which is scheduled to open in phases from 2022. Subsequently, in November 2020, NWD announced its HK\$20 billion mixed-use development project at SKYCITY, named 11 SKIES, which will be Hong Kong’s largest hub for retail, dining and entertainment, and the first to combine wealth management and wellness services, providing unique connectivity across the region, and redefining the traveller and consumer experience in the Greater Bay Area. 11 SKIES is planned to feature a gross floor area of 3.8 million square feet, including 2.66 million square feet dedicated to dining and retail outlets, 570,000 square feet for experiential entertainment facilities and 570,000 square feet for grade A office space. The office space at 11 SKIES was opened in July 2022. NWD has planned over 800 shops including more than 120 dining concepts, entertainment and access to world-class financial and medical services, all under one roof. HKIA will in time become an attraction in its own right. The 11 SKIES complex, will upon completion, be Hong Kong’s largest retail, dining and entertainment facility.

In addition, the future Phase 2 development of AsiaWorld-Expo will house the largest indoor performance multi-purpose venue in Hong Kong, which accommodates over 20,000 people. Upon completion, the total gross floor area of AsiaWorld-Expo’s exhibition facilities will increase to 100,000 square metres. The Airport Authority aims to capture a synergy between AsiaWorld-Expo and other parts of the SKYCITY in order to transform the airport into a new landmark for both visitors and local residents.

With 11 SKIES and other projects, SKYCITY will redefine the consumer experience for both residents and visitors from around the world and make HKIA a unique attraction on top of being an international air transport hub.

Enhance HKIA’s value contribution in the Greater Bay Area and beyond

The Airport Authority continues to contribute to the economic development of the Greater Bay Area and provide value contribution to other countries.

To improve convenience and service level for cross-boundary intermodal passengers, HKIA will strengthen its land and sea connectivity with the Greater Bay Area with parking facilities and enhancement of connection infrastructure through clean and autonomous transportation with nearby boundary facilities for the Hong Kong-Zhuhai-Macao Bridge (“HZMB”) and HKIA’s nearby local community at Tung Chung. The Airport Authority has already owned 55% of the joint venture that has managed the Zhuhai Airport, the PRC and has also deepened its collaboration with Zhuhai by signing a memorandum of understanding with the Zhuhai Municipal People’s Government in November 2022. A key collaboration project in discussion is the development of international passenger and cargo business. Through the memorandum of understanding, the Airport Authority would be able to synergise the networks of HKIA and the Zhuhai Airport with the enhanced connectivity provided by HZMB to develop transit services for both passengers and cargo. The SkyPier Terminal and the associated bonded bridge at HKIA commenced operation in August 2023 and welcomed the first group of transfer passengers who travelled by bonded bus from Macao to HKIA’s restricted area directly via the Hong Kong – Zhuhai – Macao Bridge on 30 August 2023. The “Fly-Via-Zhuhai-HK” passenger link was launched in December 2023 to provide passengers from Mainland China with seamless “air-to-bridge-to-air” transfer service between HKIA and Zhuhai Airport, whereby passengers can fly to Zhuhai Airport and take a transfer coach via the HZMB to the SkyPier Terminal inside HKIA’s restricted area, from which they will arrive directly at the boarding gates for transfer to destinations worldwide. This unleashes the advantage of the complementary strengths of HKIA and Zhuhai Airport. In addition, passengers from the western part of the Greater Bay Area can travel to HKIA’s restricted area via the HZMB, better serving the Greater Bay Area.

HKIA's coach network in Mainland China, which served more than 110 destinations, further expanded with the addition of Zhuhai Chimelong, Zhuhai Hengqin, Huizhou, Heyuan and the Macao Port at HZMB, and HKIA has also opened a 24-hour city terminal at HZMB's Macao Port where airlines can offer check-in services and smart check-in kiosks are available. After checking in at the Macao Port, passengers can take an airport shuttle bus to the HKBCF, where they complete immigration and customs formalities. Passengers then re-join the bus, which takes them to HKIA. The journey from the Macao Port to HKIA takes about 55 minutes. This service has been enhanced since the SkyPier Terminal commenced its operation, which is linked to the HKBCF by a bonded vehicular bridge. Passengers will then be able to check in on the Mainland China side or on Macao side and travel to HKIA via the HZMB, and proceed directly to HKIA's restricted area without having to undergo border clearance at the HKBCF. Travellers arriving in Hong Kong en route to Mainland China and Macao via the HZMB will enjoy the same convenience.

As part of its Airport City initiative, the Airport Authority developed automated carparks on the HKBCF Island that will provide around 6,000 parking spaces in phases. The "Park and Fly" and "Park and Visit" carparks will cater to air transfer passengers and visitors, respectively. "Park and Fly" passengers will transfer to HKIA boarding gates directly from the HKBCF restricted area, facilitated by a bonded vehicular bridge connected to HKIA's SkyPier Terminal, without having to go through immigration procedures in Hong Kong. "Park and Visit" visitors may go from HKBCF to SKYCITY or to other parts of Hong Kong on "Airportcity Link", a vehicular and pedestrian bridge. The Airport Authority plans to introduce an autonomous transportation system on the Airportcity Link to connect HKBCF Island and SKYCITY, and extend the system to Tung Chung town centre. The construction of the marine section of the Airportcity Link, which connects SKYCITY to the Hong Kong Port of HZMB, has begun in February 2022.

In addition, in February 2023, the Airport Authority signed a cooperation framework agreement with the Dongguan Municipal People's Government to deepen collaboration on the development of a novel sea-air intermodal cargo transshipment model for the Greater Bay Area. The HKIA Dongguan Logistics Park and a new airside intermodal cargo pier are planned to be set up as part of the collaboration. The signing of the cooperation framework agreement confirms the long-term development of the HKIA Dongguan Logistics Park in Dongguan, and outlines enhancement in air cargo services in the Greater Bay Area and initiatives in implementing customs clearance by PRC authorities.

In March 2023, HKIA Consultancy Limited, a company established and wholly-owned by the Airport Authority, signed a memorandum of understanding with U-Tapao International Aviation Company regarding collaboration on the U-Tapao International Airport and Eastern Airport City Development Project near Bangkok, Thailand. HKIA Consultancy Limited will provide advisory services on matters relating to airport planning, operations, smart technology and commercial development.

In October 2023, the Airport Authority signed an agreement with Dongguan Port Group to establish a joint venture for the development of HKIA Dongguan Logistics Park, where the world's first sea-air intermodal transshipment arrangement directly connecting a logistics park to an airport's airside is operated. The novel sea-air intermodal transshipment arrangement enables cargo security screening, palletisation and airline acceptance for export cargo of the Greater Bay Area to be completed upstream in Dongguan in compliance with Hong Kong's air cargo regulations before shipping the cargo by secured vessels to HKIA for direct uplift to overseas destinations as transshipments. Vice versa, international shipments can be imported to the Greater Bay Area via HKIA and the logistics park.

Transform passengers' airport experience through innovation and technology

The Airport Authority continues to enhance passenger experience and operations efficiency. Technology and process innovations will be pursued through automation and application of robotics, artificial intelligence, video analytics, 5G-enabled sensors and data analytics where appropriate.

In October 2022, the Airport Authority launched the biometrics-based “Flight Token” (“**Flight Token**”) by which Hong Kong residents can enjoy the convenience of completing the entire departure process at different checkpoints of HKIA, including the immigration departure procedures. Hong Kong residents who check in their flights using the smart check-in kiosks or at airline check-in counters no longer have to produce their identity documents repeatedly when they pass through different checkpoints at the airport.

In addition, HKIA now has e-Boarding Gates that support passenger self-boarding with Flight Token. Passengers can enrol in the Flight Token programme at smart check-in kiosks and airline check-in counters or e-security gate. The Airport Authority is also working with its airline partners to enable enrolment through their mobile apps. Flight Token won the “Award of the Year” and “Smart Mobility Grand Award” at the Hong Kong ICT Awards 2022.

Further, to meet increasing passenger demand for mobile connectivity, the Airport Authority has increased the number of high-speed Wi-Fi zones. It has also introduced advanced Wi-Fi technology that improves data transmission rates and connection stability in environments with many connected devices. It has also established 5G infrastructure and a digital apron management system to further improve operational efficiency. In March 2021, “My HKG”, the revamped mobile app, was unveiled. The app has a vibrant design and a more user-friendly interface. It enables a new digital experience to airport users, including booking of new airport services, shop and dining recommendations, and other personalised experiences. “My HKG” was named “Best in Future of Digital Innovation” at the Hong Kong IDC Future Enterprise Awards 2022.

In 2020, HKIA embarked on a transformation into a data-driven airport. An enterprise analytics platform was launched. With tools that let staff access data generated throughout HKIA and perform self-service analytics, the platform provides insights into passenger behaviours and operational bottlenecks. These insights facilitate more timely decisions, better management and an enhanced passenger experience.

In addition, in 2022, the Airport Authority also introduced a centralised system to manage the growing number of robots at HKIA. The system, which includes location tracking, event or task control and teleoperation, now manages the patrol robots.

AETs started operating at HKIA in 2019 for delivery of baggages. It marked the first time AETs were put into live airport operations anywhere in the world. In August 2022, after successful trials on driverless technology for cargo delivery at the airfield, AETs commenced full operation for transporting cargo, moving freight around the clock between the cargo terminals and the West Cargo Apron. With a towing capacity of 25 tonnes, the AETs can operate with a range of dollies and speeds to suit different types of cargo. To support an even wider range of airport functions, the Airport Authority unveiled an autonomous shuttle bus, which is set to carry airport staff to work in various locations across the restricted area of HKIA, marking the first passenger-carrying autonomous bus put into service in Hong Kong.

Airport sustainability commitment

The Airport Authority is committed to achieving net-zero emissions of carbon dioxide (“**Net Zero Carbon**”) by 2050. The Airport Authority launched an airport-wide carbon reduction campaign in 2010. Between 2010 and 2015, the Airport Authority and its over 40 business partners successfully collaborated to reduce airport-wide carbon emissions by 25.6% per workload unit from a 2008 baseline. In 2012, the Airport Authority, together with other entities operating in HKIA, pledged to make HKIA the world’s greenest airport and the Airport Authority started publishing sustainability reports in the same year. In 2013, HKIA was awarded level 3 “Optimisation” in the ACI Airport Carbon Accreditation scheme (“**ACA**”), being the first airport in APAC to achieve this rating, and HKIA was also the first airport in APAC to secure a 3-yearly renewal in 2016. In the same year, the Airport Authority set a new pledge to further reduce carbon emissions intensity by 10% by 2020 from 2015 levels. Although on track to achieve the second intensity reduction through to

early 2019 with an 8.7% reduction in 2018, the substantial drop in passenger traffic since then has derailed achievement of the 2020 target, notwithstanding that the major drop in air traffic has significantly reduced HKIA's absolute emissions. To continue sustainable carbon management, in 2021, the Airport Authority and its key aviation-related business partners committed to achieving Net Zero Carbon by 2050, with a midpoint target of 55% absolute emissions reduction by 2035 from a 2018 baseline (the “**midpoint 2035 target**”). The Airport Authority has developed a carbon management action plan to meet the midpoint 2035 target which aims to reduce both direct emissions at the airport (Scope 1), indirect emissions from consumption of electricity and gas (Scope 2), and emissions associated with the operation of the business partners (Scope 3). In 2019, HKIA successfully achieved the second 3-yearly renewal of Level 3 under ACA. In February 2023, the Airport Authority was awarded the ACA Level 4 “Transformation” accreditation, which recognises airports that align with the goals of the United Nations’ Paris Agreement. This higher level of accreditation demonstrates the Airport Authority’s ongoing commitment to transition to a net zero carbon and climate resilient airport. Various initiatives will continue to be launched to further reduce HKIA’s environmental footprint in the areas of carbon management, climate adaptation and resilience, waste management, biodiversity and green airport design and construction as part of the Airport Authority’s overall business strategy. The Airport Authority has embedded robust governance at multiple levels of the organisation (including responsibility at the board-level) to oversee, lead and implement sustainability-related activities. This will help the Airport Authority achieve its sustainability vision, which is to strengthen HKIA’s ability to operate and grow profitably in a changing and challenging economic, ecological, technological and social environment, while developing a robust culture of sustainability throughout the organisation. To further help the pledged business partners to reach the midpoint 2035 target, the Airport Authority is continuously enhancing the HKIA Business Partner Carbon Support Programme by introducing a HK\$20 million Green Innovation and Technology Fund to support business partners to pilot new decarbonisation technologies, and delivering, a capacity building programme to equip the airport community with carbon-management knowledge and skills.

The Airport Authority implements and regularly updates a Climate Adaptation and Resilience Plan which includes key measures to manage future climate-related risks and opportunities facing the airport. Furthermore, HKIA aims to increase its recyclables recovery rate by 25% by 2025, from a 2018 baseline.

The Airport Authority has also established the Airport Authority Sustainable Finance Framework (the “**Framework**”), which is available on the Airport Authority’s website at www.hongkongairport.com. The contents of the Airport Authority’s website and the Framework do not form part of this Offering Memorandum and are not incorporated by reference in it.

Provide an excellent dining and shopping experience

The Airport Authority has in the past and will continue to undertake efforts to upgrade HKIA’s retail and dining offers in order to provide an excellent dining and shopping experience. In the year ended 31 March 2020, the Airport Authority completed a revamp of the East Hall food court, which features a vibrant design echoing Hong Kong’s hills and peaks, and it introduced a convenient service that helps diners avoid queuing by ordering meals via their mobile device or self-service kiosks located in the food court. To enrich the shopping experience at HKIA, the Airport Authority is also focused on refreshing HKIA’s retail offering and has been carefully monitoring the recovery in the retail sector after the COVID-19 pandemic to realign the retail portfolio in line with prevailing market trends. In the year ended 31 March 2021, the Airport Authority also refurbished T1’s luxury shopping zone to widen the retail mix and elevate the shopping experience. T1’s departure area has been transformed into 12 vibrant zones with themes of entertainment, family-friendliness and relaxation.

In November 2022, the Airport Authority launched its Hkairport Rewards loyalty programme to the public. In October 2023, the programme had around 300,000 members. In addition to year-round privileges, members of Hkairport Rewards receive points for purchases in HKIA’s shops and restaurants, and the online

shop, HkairportShop.com. Points can be converted into e-coupons for purchases at HKIA. To further delight shoppers, in March 2023 the Airport Authority debuted a luxury concierge service on HkairportShop.com that allows customers to explore their favourite premium products before they fly. Using WhatsApp, WeChat and video calls, passengers can obtain personalised advice, check availability, and buy or reserve products. Meanwhile, product showcases and personal shopping services are available upon request for passengers using the HKIA VIP Lounge.

Ensure safety and security

The Airport Authority's first priority is always the safety and security of passengers, staff and business partners. As HKIA becomes a data-driven airport, the Airport Authority will continue to focus on cybersecurity by using an array of advanced technologies to monitor, analyse and prevent security threats and to protect airport systems and data. In the year ended 31 March 2023, the airport's cyber-resilience was modernised and centralised with cloud security, advanced email security, zero trust network access, managed detection and response to tackle cyber-attacks.

In the year ended 31 March 2023, 37 drills and exercises and 72 training workshops, respectively, were held by the Airport Authority, covering emergency response, public health, security, fire safety, adverse weather preparedness, training for new airline and ground handling staff.

History and Constitution

In April 1990, the Provisional Airport Authority (the "PAA") was established by the Provisional Airport Authority Ordinance (Cap. 407 of the Laws of Hong Kong) to carry forward the task of planning and building HKIA to replace its predecessor at Kai Tak, pending the establishment of the Airport Authority in its permanent form.

Following the passage of the Ordinance in July 1995 and its commencement of operation in December 1995, the PAA was reconstituted as the Airport Authority on 1 December 1995.

The Airport Authority is a statutory body corporate, whose capital is wholly-owned by the Government of Hong Kong. The Airport Authority is established under the Ordinance in Hong Kong on 1 December 1995. Its primary function is to provide, operate, develop and maintain HKIA, with the objective of maintaining Hong Kong's status as a centre of international and regional aviation. The powers of the Airport Authority and its duty to ensure the safe and efficient operation of HKIA, are set out in the Ordinance. The Ordinance does not state whether the liabilities of the Airport Authority are limited.

The Board consists of a Chairman, Chief Executive Officer and other members (including public officers of the Government of Hong Kong). The Chief Executive Officer is appointed by the Airport Authority with the approval of the Chief Executive of Hong Kong and all other members of the Board are appointed by the Chief Executive of Hong Kong.

The day-to-day conduct of the business of the Airport Authority is carried out by the Chief Operating Officer, the Executive Directors and other employees under the direction and co-ordination of the Chief Executive Officer.

Other than Hong Kong IEC Limited, the Airport Authority did not have any subsidiaries which contributed more than 10% of its consolidated net assets as at 31 March 2023 or consolidated net loss for the year ended 31 March 2023.

The status and authority of the Airport Authority to undertake the operation of HKIA is underpinned by two key constitutional documents, both of which came into effect on 1 December 1995:

- (a) the Ordinance, which establishes the Airport Authority's status as a statutory body corporate with all appropriate powers to carry out its task; and
- (b) the Land Grant (as defined below), under which the Government of Hong Kong has granted to the Airport Authority, up to the year 2066 in relation to Chek Lap Kok Lot No. 3 and up to the year 2071 in relation to the 3RS site and has agreed to extend the land grant to year 2071 for the remainder of the HKIA site, together with the rights necessary to develop such site for the purposes of its business.

The Ordinance

Functions and Powers

The Ordinance confers on the Airport Authority the right and duty to provide, operate, develop and maintain HKIA, and to provide any airport-related facilities, amenities and services.

The Airport Authority is given general power to do anything which is requisite or expedient for the performance of this duty, together with a range of specific powers such as to acquire and dispose of all kinds of property, make contracts, carry out works and set the level of, and collect, charges and fees from users of HKIA facilities, franchisees and licensees.

The Ordinance requires the Airport Authority to conduct its business according to prudent commercial principles, to ensure, as far as practicable, its revenue is at least sufficient to meet its expenditure, taking one year with another, and to have regard to safety, security, economy and operational efficiency.

Financial

The Airport Authority is given appropriate powers to manage its financial affairs including the right to invest surplus funds, borrow monies and to enter into financial transactions, including those for the purposes of financial risk management.

The Ordinance states that the initial capital of the Airport Authority is HK\$36,648 million, and that the Airport Authority is wholly-owned by the Government of Hong Kong. The Airport Authority has the power to declare and pay dividends to the Government of Hong Kong. To allow for a more efficient capital structure, in June 2004, the Legislative Council approved an amendment to the Ordinance to permit a reduction of the share capital of the Airport Authority. The Airport Authority repaid an amount of HK\$6,000 million to the Government of Hong Kong and cancelled shares in relation thereto. As at the date of this Offering Memorandum, the issued share capital of the Airport Authority is HK\$30,648 million.

Pursuant to the Airport Authority (Permitted Airport-Related Activities) Order (Cap. 483E of the Laws of Hong Kong), the Airport Authority shall obtain the approval of the Financial Secretary before undertaking to engage in any specified airport-related activity in respect of an airport outside Hong Kong if the aggregate of the amount of consideration exceeds 2.5% of the issued share capital of the Airport Authority.

Controls

The Airport Authority's activities are subject to a number of controls laid down in the Ordinance. The nature and extent of these controls reflect the Airport Authority's status as a statutory body corporate in which the Government of Hong Kong has a substantial financial interest and which is charged with the management, operation and development of one of Hong Kong's key economic assets.

Land Grant

By virtue of the New Grant No. 7996 in respect of Chek Lap Kok Lot No. 1 (“**CLK No. 1**”) dated 1 December 1995, the Government of Hong Kong granted the Airport Authority the entire island on which HKIA is constructed, comprising approximately 1,248 hectares, for the period up to 30 June 2047. CLK No. 1 has since been amended and supplemented from time to time. An area of approximately 24.7 hectares of CLK No. 1 was surrendered by and re-granted to the Airport Authority as Chek Lap Kok Lot No. 3, under the New Grant No. 22378 dated 21 September 2016 for the period up to 20 September 2066 (“**CLK No. 3**”). A significant part of the SKYCITY development is being undertaken on CLK No. 3. By an agreement dated 31 August 2021, the Government of Hong Kong agreed to extend the land grant for CLK No. 1 for a further term from 1 July 2047 to 30 August 2071.

In April 2016, the Chief Executive in Council has granted approval for the authorisation of reclamation under the Foreshore and Sea-bed (Reclamations) Ordinance (Cap. 127 of the Laws of Hong Kong) of land not included in such CLK No. 1 for the expansion of HKIA into the 3RS.

The Airport Authority has negotiated with the Government of Hong Kong to obtain an additional land grant for the expansion of HKIA into the 3RS and such grant has now been made by way of New Grant No 22924. The 3RS land grant is known as Chek Lap Kok Lot No. 4 (“**CLK No. 4**”) and covers approximately 651 hectares. It commenced on 31 August 2021 and covers a period of 50 years, up to 30 August 2071.

CLK No. 1, CLK No. 3 and CLK No. 4 are together referred to as the “**Land Grant**”.

The Land Grant gives the Airport Authority the rights necessary to develop Airport Island for the purposes of its business. Such Land Grant contains controls over land use on Airport Island. Such controls include the requirement for the Government of Hong Kong approval of plans, and compliance with environmental and transport regulations. The Land Grant also reserves rights of the Government of Hong Kong as the ultimate owner and grantor of such Land Grant, as is the common practice with such documents.

In addition, the Airport Authority has applied to the Government of Hong Kong for a new land grant for the land at HKBCF Island and East Coast Support Area (ECSA) as well as the water body between Airport Island and HKBCF Island for various airport-related developments. It is anticipated that these additional areas will be included in one new land grant.

Civil Aviation Regulation and Related Issues

Civil Aviation Regulation

The operation of HKIA is subject to regulation both pursuant to relevant Hong Kong domestic legislation and pursuant to international and bilateral civil aviation obligations which apply in Hong Kong.

Domestic legislation principally concerns matters of operational safety and security. For the most part, such legislation is monitored and enforced by the Director-General of Civil Aviation on behalf of the Government of Hong Kong. In particular, the Director-General of Civil Aviation has been delegated the power and responsibility for the grant of aerodrome licence, including the aerodrome licence granted to HKIA. Aerodrome licence is a licence to an airport operator in Hong Kong to operate an aerodrome other than a government aerodrome for the purpose of public transportation of passengers or instruction in flying or carrying out a flying test for pilot licensing purposes. It will be granted for a period of one year but other periods of validity may be specified at the discretion of the Director-General of Civil Aviation.

International civil aviation obligations arise from air services agreements, and treaties such as the Chicago Convention. It is the responsibility of the Government of Hong Kong to ensure that the Airport Authority complies with those obligations (to the extent that they apply to Hong Kong) which, in addition to safety and security, cover such matters as standards of facilitation for aircraft, passenger and air cargo movements and the reasonable and non-discriminatory treatment of airlines, especially in the setting of airport charges.

Air Services Agreements

Air services agreements (“ASAs”) are bilateral agreements between governments that establish the terms upon which international civil aviation routes and services may be provided between the contracting parties.

The Ordinance provides that it does not enable the Airport Authority to make any ASAs.

Consistent with the provisions in the Basic Law that provide for the maintenance of Hong Kong’s status as a centre of international and regional aviation, the Government of Hong Kong, under specific authorisations of the PRC Government, has the power to renew or amend and negotiate and conclude or provisionally conclude self-standing ASAs for Hong Kong for scheduled services operating to, from or through Hong Kong, which do not operate to, from or through Mainland China.

The Government of Hong Kong also holds regular air services consultations with foreign governments and aviation representatives to review and update traffic arrangements to cope with changing market circumstances.

Airspace Management

The provision of air traffic control for HKIA is the responsibility of the Government of Hong Kong, under a contract with the Airport Authority under which the Airport Authority pays a fee to the Government of Hong Kong for the provision of this service. The Ordinance provides that it does not enable the Airport Authority to provide any such service.

Aviation Security Services

Aviation Security Company Limited, one of the subsidiaries of the Airport Authority, is engaged in the provision of aviation security services at HKIA.

Business Operations

Passenger Operations

HKIA opened in July 1998 with one terminal, while Terminal 2 officially opened in 2007. HKIA benefits from air, road and sea transport links to the Pearl River Delta and other regions of Mainland China. For connections with local destinations, the Airport Express Line arrives at Central downtown in 24 minutes or at AsiaWorld-Expo in two minutes. Franchised bus companies also operated about 85 routes as at July 2023. Prior to the COVID-19 pandemic, for connections with the Greater Bay Area, coaches made approximately 550 daily trips between HKIA and more than 110 Mainland cities and towns. Ferries at SkyPier arrive at 10 ports in the Greater Bay Area and Macao in 30 to 90 minutes, and SkyLimo operates a fleet of approximately 300 vehicles serving HKIA and the cities in the Greater Bay Area.

HKIA can handle 69 flights per hour at peak hours. It features three runways, two of which are operational – a north runway, a centre runway and a south runway– which are each 3,800 metres in length and 60 metres in width. In addition, a series of flight checks for the north runway was completed in April 2022 and in July 2022, operation familiarisation for flights on the north runway commenced. Subsequent to the

commissioning of the new runway, operation of the centre runway has been suspended to allow construction of vehicle tunnels and relevant reconfiguration. The airport benefits from a large number of aircraft parking bays, including, as of December 2023, 118 passenger stands, 69 cargo stands, 21 long-term and maintenance stands and seven temporary stands.

As of May 2023, the total floor area of HKIA was approximately 752,000 square metres, including T1, the T1 Midfield Concourse, the T1 Satellite Concourse, Sky Bridge and SkyPier. HKIA has 369 passenger check-in counters servicing around 120 operating airlines and HKIA has 12 customer service counters.

Cargo Operations

HKIA's location in close proximity to the world's manufacturing centre makes it a leading international aviation hub for cargo services. As a result, HKIA has been the world's busiest cargo airport 12 times since 2010. While recording a significant drop in passenger traffic due to the impact of the COVID-19 pandemic in 2020, HKIA remained as the world's busiest airport in terms of international cargo throughput in 2020. For the years ended 31 March 2022 and 2023, HKIA's cargo and airmail throughput reached 4.9 million tonnes and 4.1 million tonnes, respectively, again making HKIA the world's busiest cargo airport. As of May 2023, HKIA provided 55 parking stands for cargo aircraft. HKIA provides highly reliable, internationally recognised and award-winning air cargo services as well as state-of-the-art air cargo handling facilities. In 2022, HKIA also became the first airport community to be accredited by the International Air Transport Association as a partner airport in its Centre of Excellence for Independent Validators for Live Animals Logistics Programme. The accreditation highlights the skill and professionalism of HKIA's cargo community and their dedication to the welfare and safety of animals during the transport process.

HKIA's cargo terminals are operated by third parties. Asia Airfreight Terminal Co. Ltd. operates the Asia Airfreight Terminal ("AAT") with a design capacity of 1.5 million tonnes per annum. It covers a land area of about eight hectares and features a state-of-the-art fully automated cargo handling system, and an RFID truck control system with information accessibility over web and mobile apps.

Hong Kong Air Cargo Terminals Ltd. operates Hong Kong Air Cargo Terminals ("Hactl") with an aggregate design capacity of 2.6 million tonnes per annum. They cover a land area of about 17 hectares and also feature state-of-the-art fully automated cargo handling systems.

Cathay Pacific Services Limited ("CPSL") operates the Cathay Cargo Terminal with a design capacity of 2.6 million tonnes per annum. It covers a land area of about 11 hectares and features a state-of-the-art materials handling system.

DHL Aviation (Hong Kong) Ltd. operates the DHL Central Asia Hub, which is one of the three global hubs in DHL's worldwide express network. Built as the first large scale automated express hub in Asia Pacific, it handles over 35,000 parcels and 40,000 documents per hour. It occupies a land area of about 3.5 hectares. In 2023, the DHL Central Asia Hub completed its expansion programme to add 50% handling capacity, to over one million tonnes per annum. As part of the expansion, an upgraded material handling system is utilised, which boosted the hub's hourly throughput to 125,000 shipments. It also deploys fully automated x-ray machines which accelerates the shipment inspection process by three times. The expansion thereby provides HKIA with additional capacity to meet demand for e-commerce and express cargo.

The Hongkong Post operates an air mail centre at HKIA, occupying approximately two hectares and handling 700,000 mail items per day. In addition, the Airport Authority is developing the Transit Mail Centre with the Hongkong Post and China Post to handle transit mail from Mainland China, capitalising on the increasing airmail traffic transiting through Hong Kong. The Transit Mail Centre is targeted for completion in 2025.

The Airport Freight Forwarding Centre Ltd operates the Airport Freight Forwarding Centre, providing warehouse and office space to freight forwarders for consolidation and distribution. It occupies a land area of about six hectares with a gross floor area of about 133,000 square metres.

To further enhance the Airport Authority's cargo capacity, the Airport Authority has reached an agreement with United Parcel Service ("UPS") to develop a new hub facility at HKIA, which is expected to be completed in 2028. The new express cargo facility is designed for a handling capacity of close to one million tonnes per year and will be built on a land parcel of two hectares with airside access. This is expected to reinforce HKIA's status as a leading international cargo hub.

Tradeport Hong Kong Ltd. operates the Tradeport Logistics Centre, providing custom-designed logistics services such as inventory management, order processing and postponement assembly. It occupies a land area of approximately 1.4 hectares with a gross floor area of 31,000 square metres.

To facilitate the sustainable growth of air cargo, the Airport Authority has been working closely with the air cargo community to further enhance its services in meeting customers' needs. The Airport Authority chairs the Cargo Facilitation Committee, with the Hong Kong Customs & Excise Department, AAT, Hactl, DHL, CPSL, Carrier Liaison Group and the Hongkong Association of Freight Forwarding and Logistics Ltd. as members. The committee holds quarterly meetings to review air cargo handling operations and performance.

The Airport Authority has worked to streamline the customs process in Hong Kong in order to expedite clearance by providing integrated EDI linkage between the Hong Kong Customs & Excise Department and the air cargo terminal operators and integrators – AAT, Hactl, CPCT, DHL, FedEx and UPS. The streamlined process allows pre-arrival customs clearance, covering all types of cargo down to shipment level. It provides a "priority consignments" facility, assigns default constraint codes automatically and facilitates authorised providers to provide a cross-boundary bonded truck service to and from Mainland China.

To continuously enhance operational excellence of air cargo handling at HKIA, the Airport Authority launched the HKIA Cargo Data Platform (the "**Platform**") in October 2021. Equipped with the latest smart technologies, the Platform forms a secured trusted network that connects key stakeholders along the supply chain, such as air cargo terminal operators, freight forwarders, truckers and screening facility operators. This blockchain-enabled community-based platform enhances shipment traceability, unifies communication and information exchange, synchronises and standardises process workflow and enables paperless working environment. The Platform creates a more cohesive industry ecosystem and differentiating benefits for the Hong Kong air cargo community, thereby further consolidating HKIA's status as a leading international cargo hub.

In addition, the Premium Logistics Centre, a mega-logistics infrastructure facility developed by Alibaba Group's logistics arm, has been completed in the fourth quarter of 2023. As the third largest warehouse in Hong Kong, it is equipped with cutting-edge technology to meet the needs of the e-commerce market.

From City Airport to Airport City

The Airport Authority is statutorily obligated to conduct its business according to prudent commercial principles while having regard to safety, security, economy and operational efficiency. The vision of the Airport Authority is to strengthen HKIA as the leading international aviation hub and a key engine for the economic growth of Hong Kong. It will develop its business to meet the needs of airport users as efficiently and economically as possible, consistent with achieving agreed levels of service, and at the same time, plan to be financially self-sufficient and to provide a reasonable financial return on the capital invested in it by the Government of Hong Kong.

Over the next few years, through rigorous development of various segments of HKIA, including core passenger and cargo services, multimodal regional connectivity, retail and hotels, the Airport Authority plans to transform HKIA from a city airport into an Airport City. To cater for long-term traffic demand growth and fully capture the business potential of the Greater Bay Area for the Airport City vision, the Airport Authority has worked diligently to increase capacity and functionality through a series of development projects, including the 3RS Project, the enhancement of the two-runway system, the development of SKYCITY, and the strengthening of HKIA's cargo leadership by capturing the e-commerce and high-value cargo opportunities. Such projects are all significant components of the Airport City, and are organically related and poised to create synergistic impact not only on Airport Island, but far beyond by contributing to the wider economy in Hong Kong and the Greater Bay Area. In the future, the Airport City will offer even more technology-driven and personalised facilities and services that suit the tastes of a new generation of travellers. The development vision of HKIA echoes the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area promulgated by the PRC Government for the Greater Bay Area and the 14th National Five Year Plan that was approved at the fourth session of the 13th National People's Congress, which supported Hong Kong to enhance its status as an international aviation hub, reaffirming HKIA's overall development direction and its strategic function for the Greater Bay Area and the entire country.

3RS Project

In September 2015, the Airport Authority announced the revised financial arrangement plan for the 3RS Project. The financial arrangement plan is based on the "joint contribution" principle, whereby funding for the project will come from the Airport Authority's retained operating surplus, the ACF and funds raised from the market.

In April 2016, the Chief Executive in Council granted the approval for the draft Chek Lap Kok OZP, as well as authorisation of the reclamation under the Foreshore and Sea-bed (Reclamations) Ordinance for the expansion of HKIA into a 3RS. On 1 August 2016, the construction of the 3RS Project kicked off. In December 2016, the Airport Authority appointed an independent financial consultant to study the detailed funding plan for the 3RS Project. In September 2017, the Airport Authority released the report on the detailed funding study for the 3RS Project submitted by its financial adviser.

At an estimated construction cost of HK\$141.5 billion, the 3RS Project includes seven core projects and facilities: (i) formation of 650 hectares of land; (ii) building a 3,800-metre-long new runway and supporting taxiways and reconfiguration of the centre runway; (iii) building a terminal concourse and an apron with 63 parking positions; (iv) building a 2,600-metre-long new APM system; (v) building a new baggage handling system; (vi) expansion of Terminal 2; and (vii) construction of other associated airport support infrastructure, road network and transportation facilities.

Terminal 2 was closed for expansion in November 2019. The expansion of Terminal 2 consists of an 8-level Main Building, and North and South Annex Buildings, which also include the new APM system and the new baggage handling system. The Terminal 2 expansion achieved an overall score of 91 and a provisional platinum rating by BEAM Plus. The design and construction of the third runway and associated works has been commended with the Whole Team Award with a top rating "Excellent" under CEEQUAL.

In the year ended 31 March 2022, the 3RS Project achieved several milestones. Around 610 hectares of reclaimed land was handed over to follow-on contractors and construction of the associated sea wall was substantially completed. In April 2022, a series of flight checks of the third runway was satisfactorily completed. In May 2022, the renewed aerodrome licence to operate HKIA was issued by the Civil Aviation Department to the Airport Authority, with the third runway and associate taxiways included in the licence. In July 2022, operation familiarisation for flights on the third runway commenced. On 25 November 2022, the third runway was officially commissioned on time and within budget. Subsequent to the commissioning of the new runway, operation of the centre runway has been suspended to allow construction of vehicle

tunnels and relevant reconfiguration. In the year ended 31 March 2023, installation of the Third Runway's essential systems, including the air navigation service systems, the instrument landing system and the airfield ground lighting system, was completed. The 3RS is a highly complex project comprising numerous components with intertwined works and programme interfaces. Various challenges could impact individual construction fronts. With various programme control and enhancement measures in place, as at the date of this Offering Memorandum, works progress steadily on all fronts with the target to complete the 3RS in 2024. The Airport Authority will deploy a flexible phasing strategy for the commissioning of the 3RS passenger facilities, in order to align with the progress of the post-pandemic air traffic recovery and the prevailing passenger demand.

The Airport Authority signed entrustment agreements with the Architectural Services Department for the Government of Hong Kong facilities for HKIA's operations of a 3RS, and construction of which is ongoing with those facilities serving the third runway having been completed and are now operational.

Connectivity Enhancement

Mainland China, especially the Greater Bay Area, is a primary source of HKIA's growth. Over the past decade, HKIA has strengthened its multi-modal connectivity by increasing the frequency and number of destinations served by the cross-boundary coaches and ferries. As of May 2023, 10 ports in the Greater Bay Area and Macao were linked to the SkyPier which provides speedy cross-boundary ferry services. Sea to air and air to sea ferry services to Dongguan Humen, Macao Taipa and Zhongshan also restarted. With the introduction of an upstream check-in service at some of the ports, SkyPier passengers of the participating airlines can obtain boarding passes and check in baggage at those ports. In July 2022, Greater Bay Airlines joined the upstream check-in service, with Vietjet Air joining in February 2023. SkyPier at HKIA commenced on 28 April 2023 the trial of speedy ferry services serving Pazhou in Guangzhou, connecting the restricted area of HKIA to the downtown of Guangzhou. The new ferry services offer international business parties, members of the exhibition and convention sectors and Guangzhou residents a hassle-free journey to and from Guangzhou and destinations worldwide via HKIA.

In addition to sea transport, in May 2023, HKIA provided various road transport options connecting HKIA to over 110 destinations in the Greater Bay Area, and HKIA has also built, and will continue to expand, a network of 19 city terminals in various cities in the Greater Bay Area by which passengers from the Greater Bay Area can check in before taking transportation for HKIA for convenient baggage drop-off and boarding for departure.

The Airport Authority has a 55% stake in the joint venture managing Zhuhai Airport since 2006. In light of the strong air traffic growth of Zhuhai Airport and the commissioning of the HZMB which has significantly shortened the distance between HKIA and Zhuhai Airport, the two airports have agreed to explore deeper collaboration and formulate long-term development plans to complement each other's strengths. In November 2022, the Airport Authority has deepened its collaboration with Zhuhai by signing a memorandum of understanding with the Zhuhai Municipal People's Government. A key collaboration project in discussion is the development of international cargo business. Through the memorandum of understanding, the Airport Authority would be able to synergise the networks of HKIA and the Zhuhai Airport with the enhanced connectivity provided by HZMB to develop transit services for both passengers and cargo. The launch of the "Fly-Via-Zhuhai-HK" passenger link in December 2023 leverages and integrates the complementary airport resources of Hong Kong and Zhuhai.

To capitalise on business opportunities arising from the development in the Greater Bay Area, as well as the commencement of cross-boundary infrastructures such as the HZMB, the Airport Authority built a five-storey, 22,000-square-metre SkyPier Terminal adjacent to SkyPier. The SkyPier Terminal and the associated

bonded bridge commenced operation in August 2023 and welcomed the first group of transfer passengers who travelled by bonded bus from Macao to HKIA's restricted area directly via the Hong Kong – Zhuhai – Macao Bridge on 30 August 2023.

Franchisees

Key aviation logistics services, namely air cargo, ramp handling, aircraft catering, aviation fuel service, into-plane fuelling services, aircraft maintenance, business aviation centre, airside vehicle fuel filling services and ground support equipment maintenance, are essential to airlines and airport operators for safe and efficient flows of passengers, cargo and aircraft. To ensure the best-value aviation logistics services are provided at HKIA, the Airport Authority has granted franchises for the provision of these services to third party business partners through a fair and transparent open tender process. The Airport Authority has implemented a comprehensive monitoring scheme to ensure that the franchisees fulfil the requirements of the airlines and stakeholders whilst excelling in international and industry standards.

Ramp Handling

There are three licensed operators at HKIA to provide aircraft ramp handling services, namely Hong Kong Airport Services Limited, Jardine Air Terminal Services Limited and SATS HK Limited. These operators are committed to providing efficient and high-quality ramp handling services to airlines, including operation of aerobridge and passenger boarding stairs; loading and unloading and transportation of cargo, mail, baggage and other property between aircraft and designated areas and between aircrafts, baggage make-up and preparation for delivery onto aircraft of bulk baggage and/or baggage container. In addition, Hong Kong Air Cargo Terminals Limited, a cargo terminal operator franchisee, is also providing aircraft ramp handling services at the cargo apron for its customers.

Catering

The airport has three aircraft caterers, namely Cathay Pacific Catering Services (HK) Ltd., LSG Lufthansa Service Hong Kong Ltd. and Gate Gourmet Hong Kong Ltd. They place an emphasis on providing customer satisfaction by enforcing the highest hygiene standards and consistent product and service quality.

Business Aviation Centre

Hong Kong Business Aviation Centre Ltd (“**HKBAC**”) operates a well-equipped and self-sufficient business aviation centre in an area of 16,000 square metres and provides a full range of quality services, including ramp and passenger handling, flight planning and administration, into-plane fuelling, line maintenance, catering and Customs, Immigration and Quarantine (“**CIQ**”) facilitation with three hangars.

To further enhance the competitiveness of Hong Kong as an international aviation hub and support of Hong Kong's continuous development as the region's premier centre for international businesses, the Airport Authority has been working with HKBAC in the implementation of the HKBAC's HK\$400 million expansion of business aircraft facilities at HKIA since April 2021. The HKBAC expansion plan is expected to help further attract global businesses to set up regional headquarters and offices in Hong Kong, taking advantage of HKIA's unique geographical location and connectivity that enables business executives to reach half of the world's population from Hong Kong within five hours.

Under the expansion project, the site area of HKBAC in its existing location will be expanded from 16,000 square metres to 24,500 square metres. The Executive Terminal of HKBAC will be expanded to 4,800 square metres and a new building will be constructed to provide more customer facilities, including enhanced CIQ facilities and a canopy for passengers at the apron. Other existing facilities, including the

passenger lounge, air crew facilities and VIP lounge will also be enhanced. The expansion project is expected to be completed in early 2026 and the annual handling capacity of business aircraft flight movement at the HKBAC will be increased to 19,000.

Aviation Fuel System

HKIA hosts a secure and reliable aviation fuel system which served around 1,100 flights per day prior to the outbreak of COVID-19. This system comprises two components, namely the on-airport system and the Permanent Aviation Fuel Facility (the “PAFF”).

The on-airport fuel system is owned by the Airport Authority but operated by its franchisee, AFSC Operations Ltd. Its components consist of a tank farm with 12 storage tanks with a total capacity of 220,000 cubic metres, a twin-berth receiving facility at Sha Chau Island capable of accommodating barges up to 6,000 dwt (the facility has been turned into an emergency back-up after the commencement of PAFF), twin horizontal directional drilling pipelines connecting the receiving facility at Sha Chau Island and Airport Island, a hydrant distribution system at apron and a refueller calibration area.

Located at Tuen Mun, PAFF has been developed to support the continuous growth of HKIA. The facility was developed by phases, with operations commencing with the opening of Phase Ia and Ib in March and December 2010, respectively. The operations of PAFF have been franchised to ECO Aviation Fuel Services Ltd. PAFF’s key components include eight fuel tanks with a total capacity of 264,000 cubic metres, a twin-berth jetty capable of accommodating ocean-going oil tankers from 10,000 to 80,000 dwt and twin submarine pipelines connected to the receiving facility at Sha Chau Island.

There are into-plane fuelling services, which refers to the delivery of fuel to aircraft by hydrant dispensers/bowsers and the fuelling/de-fuelling of fuel to/from aircraft through bowsers. As at 30 September 2023, there were three franchisees, namely AFSC Refuelling Ltd., CNAF Hong Kong Refuelling Ltd. and Worldwide Flight Services Fueling (Hong Kong) Ltd., providing into-plane fuelling services at HKIA.

Ground Support Equipment Maintenance

To maintain safe and efficient operation of the airport, as at 30 September 2023, there were two service providers at HKIA to carry out repair, maintenance, engineering and modification services for all types of ground support equipment, vehicle and unit load devices (“ULDs”), namely Ground Support Engineering Ltd and Dah Chong Hong – Dragonair Airport GSE Service Ltd.

Aircraft Maintenance

Aircraft base maintenance services provide heavy maintenance, modification, repair and overhaul of commercial aircraft and their components. Hong Kong Aircraft Engineering Company Limited (“HAECO”) and China Aircraft Services Limited (“CASL”) are the base maintenance service providers at HKIA.

HAECO has a total of three hangars occupying a land area of 90,000 square metres with eight fully docked maintenance bays and 14 maintenance positions capable of accommodating a wide range of commercial aircraft types with adjoining support workshops.

CASL has one hangar occupying a land area of 10,000 square metres which could accommodate one wide-body and one narrow-body aircraft at the same time with adjoining support workshops.

In addition to aircraft base maintenance, at HKIA, three franchisees provide line maintenance service, namely HAECO, CASL and Pan Asia Pacific Aviation Services Limited (“PAPAS”). These three aircraft line maintenance franchisees provide service during normal transit periods, routine turnaround periods and

regularly scheduled layover periods. The highly skilled workforce, equipped with advanced technology and proven maintenance procedures, delivers quick, quality and cost-effective solutions for their customers around the clock. In addition to technical services, the franchisees also provide services such as aircraft towing, potable water and toileting servicing, aircraft exterior cleaning/waxing, cabin cleaning and ground equipment support.

Joint Ventures

Hangzhou Xiaoshan International Airport

In 2006, the Airport Authority acquired a 35% interest in Hangzhou Xiaoshan International Airport Co. Ltd. (“HXIA”). In December 2006, the Airport Authority formed a Chinese-foreign joint venture company with HXIA tasked with making HXIA a world-class airport by enhancing operational efficiency, improving service quality and management standards and carrying out expansion projects. The Airport Authority’s investment in HXIA represented the first foreign investment in a civilian airport in Mainland China.

In 2022, passenger numbers of HXIA were 20.0 million, a decline of 28.9% compared to 2021. Flight movements also dropped 20.1% to 190,400 largely due to COVID-19. Despite a drop in passenger numbers and flight movements, HXIA ranked fifth among airports in Mainland China. HXIA launched domestic passenger services to Alaer Talimu, Changzhi, Jixi, Qinyang and Tumxuk and launched international passenger and all-cargo flights to Hanoi. In 2022, 60 airlines at HXIA served 135 domestic destinations and 29 regional and international destinations. An off-airport cargo station was also established in Jiaying. To meet future passenger demand, further expansion of HXIA has been in the works since 2018. In late September 2022, operations of the new Terminal 4 and the Ground Transportation Centre officially commenced. Three major airlines, Air China, China Southern Airlines and Sichuan Airlines, moved to the brand-new terminal. With a design capacity of 50 million passengers annually, the new Terminal 4 occupies 720,000 square metres.

Shanghai Hongqiao International Airport

In October 2009, the Shanghai Airport Authority and the Airport Authority signed a cooperation agreement and established Shanghai Hong Kong Airport Management Co., Ltd., a joint-venture company that enhances collaboration between and further develops the strengths of Shanghai Hongqiao International Airport (“SHIA”) and HKIA. The joint venture manages the terminal operations and retail businesses at SHIA.

In 2022, passenger numbers at SHIA fell by 55.7% to 14.7 million, and flight movements dropped by 47.0% to 122,668. International flights from SHIA and services to Hong Kong, Macao and Taiwan were suspended in 2022 due to the COVID-19 pandemic. However, in 2022, SHIA continued to enhance its retail offerings with the introduction of new shops. SHIA also opened two nursing rooms, to better meet passengers’ needs.

Zhuhai Airport

In 2006, the Airport Authority established a joint venture with the Zhuhai Municipal Government to manage Zhuhai Airport. As at the date of this Offering Memorandum, the Airport Authority owns a 55% stake in the Hong Kong-Zhuhai Airport Management Company Limited. The joint venture pays a franchise fee for the exclusive right to manage and operate Zhuhai Airport for 20 years.

In 2022, passenger throughput at Zhuhai Airport dropped by 50.0% to 4.0 million, compared to the same period last year. Flight movements also contracted by 44.3% to 37,323 and cargo throughput shrank 28.9% to 28,462 tonnes, compared to same period last year. As at 30 September 2023, Zhuhai Airport served 77 domestic destinations.

In 2022, Zhuhai Airport's on-time departure rate rose from 93.4% to 97.3% due to enhancements to the Airport Integrated Control platform. Zhuhai Airport ranked third in terms of on-time departure rate, among airports in Mainland China with similar passenger volumes.

In November 2022, Zhuhai Airport hosted Airshow China, with about 620 civilian and military flight movements recorded during the show.

To stimulate traffic growth, Zhuhai Airport is working with HKIA to develop a cross-boundary transit service. This would provide Zhuhai Airport with access to international destinations and let HKIA tap Zhuhai Airport's extensive domestic network. A similar arrangement is under discussion for cargo. A memorandum of understanding was signed by the Airport Authority and Zhuhai Municipal People's Government in November 2022 which included the initiative of the development of a transit service between HKIA and Zhuhai Airport for international cargo, modelled on the "Fly-Via-Zhuhai-HK" passenger service. The "Fly-Via-Zhuhai-HK" passenger link was launched in December 2023 to provide passengers from Mainland China with more convenient international travel services and unleashes the advantage of the complementary strengths of HKIA and Zhuhai Airport.

Other Operations

Asia World-Expo

AsiaWorld-Expo is a convention and exhibition centre with over 70,000 square metres on Airport Island, accessible through the Airport Express Line. In 2003, the Government of Hong Kong and the Airport Authority formed IEC Holdings Limited, which subsequently invested in Hong Kong IEC Limited, the developer of AsiaWorld-Expo, as the majority shareholder. On 24 September 2018, the Airport Authority acquired from an independent third party all of the preference shares issued by Hong Kong IEC Limited, which represented 15.1% of the total equity interest of Hong Kong IEC Limited. At the same time that it acquired such preference shares, the Airport Authority separately acquired ownership of AsiaWorld-Expo Management Limited, which operates AsiaWorld-Expo under a management agreement. The total consideration paid by the Airport Authority for these transactions was HK\$900 million. On 31 March 2022, the Government of Hong Kong transferred all of its interests in AsiaWorld-Expo to the Airport Authority but the Government of Hong Kong will continue to monitor AsiaWorld-Expo's operation and development. To simplify the holding structure of AsiaWorld-Expo, on 13 December 2023, a notice proposing an amalgamation (the "**Amalgamation**") pursuant to section 680 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) was given by Hong Kong IEC Limited and IEC Holdings Limited, both of which are wholly-owned subsidiaries of the Airport Authority. The proposed Amalgamation is subject to, amongst other things, the obtaining of the required shareholder's approval of the two companies (such approval was obtained on 4 January 2024). Following such approval and the issuance of a certificate of amalgamation by the Registrar of Companies of Hong Kong, each of IEC Holdings Limited and Hong Kong IEC Limited will cease to exist as an entity separate from the amalgamated company. The Amalgamation is expected to be effective on 31 March 2024 and the amalgamated company (which will be a wholly-owned subsidiary of the Airport Authority) will succeed to all property, rights and privileges, and all the liabilities and obligations, of each of IEC Holdings Limited and Hong Kong IEC Limited. While also committed to AsiaWorld-Expo's success in its own right, the Airport Authority believes there are synergies between 11 SKIES and AsiaWorld-Expo due to their proximity to each other and complementary businesses.

AsiaWorld-Expo's Phase 1, open since December 2005, occupies 11 hectares of land on Airport Island, providing over 70,000 square metres of space for conventions and exhibitions, as well as sports and entertainment events. Featuring 10 state-of-the-art, ground-level and column-free exhibition halls including the AsiaWorld-Expo Arena, the biggest indoor seated venue in Hong Kong with a maximum capacity of

14,000, AsiaWorld-Expo is strategically located at the heart of a multi-modal transportation hub and adjacent to HKIA and HZMB. AsiaWorld-Expo, with a convenient and in-venue MTR station, enjoys efficient transport connection to Guangdong-Hong Kong-Macao Greater Bay Area and other global regions.

With a proven track record of successes, AsiaWorld-Expo has received a number of accolades, namely the “Outstanding Venue Award” presented by the Asian Federation of Exhibition and Convention Associations (AFECA), and the “Best Convention Centre – North Asia” in the M& C Asia Stella Awards hosted by Northstar Travel Group. The Airport Authority envisages coordinated land use planning for the future phases of SKYCITY including the site for AsiaWorld-Expo’s future Phase 2, with a view to enhancing the business potential of all related developments.

In 2023, the Airport Authority completed the detail design for the Phase 2 development of AsiaWorld-Expo. Phase 2 will include Hong Kong’s largest multi-purpose indoor performance venue, with a capacity of over 20,000 people. The new facilities will increase AsiaWorld-Expo’s exhibition and convention floor area to 100,000 square metres in total. The Airport Authority continues to examine plans for progressing the overall development of Phase 2 of AsiaWorld-Expo, including ongoing discussions with the Government of Hong Kong, regarding such plans and potential adjustments thereto necessary to meet development objectives.

Hong Kong International Aviation Academy

The Hong Kong International Aviation Academy (the “**HKIAA**”), the first civil aviation academy in Hong Kong, was established by the Airport Authority in 2016 with a view to nurturing young talent for the continuous development of Hong Kong’s and the regional aviation industry, and establishing Hong Kong as one of the world’s leading civil aviation training hubs.

Partnering with local and overseas educational bodies, professional global organisations and industry practitioners, the HKIAA offers a comprehensive aviation-related curriculum, including aviation summer day camps, placement programmes, professional certificate courses and other academic programmes.

In September 2021, the HKIAA opened a new campus in the HKIA Community Building. The 5,500-square-metre campus includes an air traffic control training centre, an auditorium, a lecture hall, aviation security training facilities, and training facilities and systems that are in compliance with ICAO standards. The facility also features a flight simulator.

In 2022, the HKIAA signed collaboration agreements with the Civil Aviation University of China, the Hong Kong Fire Services Department, Hong Kong Metropolitan University and The Hong Kong Polytechnic University which will further strengthen the HKIAA’s curriculum and drive its long-term growth. The HKIAA also launched the 12-month Greater Bay Area Youth Aviation Industry Internship Programme, which provides opportunities to about 450 students from Mainland China to gain practical experience at HKIA.

In September 2023, the HKIAA launched its first cadet pilot training programme (the “**Cadet Pilot Programme**”), providing opportunities to aspiring talent with the ambition to become an airline pilot. The 14-month Cadet Pilot Programme comprises a six month theoretical knowledge instruction course provided by HKIAA, and an eight-month flying training at IASCO Flight Training School in California in the United States. Students who have completed the flying training will obtain a commercial pilot licence issued by the Civil Aviation Department after attending a multi crew cooperation course in Hong Kong provided by Hong Kong Airlines, one of HKIAA’s partnering airlines. Hong Kong Airlines, HK Express and Greater Bay Airlines will offer preliminary job interviews for students, after which they may get conditional job offers from these partnering airlines.

HKIA Consultancy

HKIA has been a major international and regional aviation hub since 1998. HKIA has won over 80 awards as the “world’s best airport” in recognition of its excellence in airport management and operations. Over the years, HKIA has provided professional services on subjects relating to airport planning, operations and development to many airports, particularly those in Mainland China as described above. Backed by its extensive track record managing one of the best and busiest airports in the world, the Airport Authority has established HKIA Consultancy Limited, which provides dedicated, holistic and tailor-made solutions to its clients. The team comprises experts who have all-round airport experience and comprehensive knowledge of airport functions, as well as the specific requirements of airport customers and operators.

For example, in March 2023, HKIA Consultancy Limited signed a memorandum of understanding with U-Tapao International Aviation Company regarding collaboration on the U-Tapao International Airport and Eastern Airport City Development Project near Bangkok, Thailand. HKIA Consultancy Limited will provide advisory services on matters relating to airport planning, operations, smart technology and commercial development.

Aviation Security Company Limited

AVSECO, one of the subsidiaries of the Airport Authority, is engaged in the provision of aviation security services at HKIA. Based at HKIA, AVSECO’s primary role is the provision of aviation security services to safeguard the travelling public and civil aviation operations at HKIA.

Financial Risk Management

The Airport Authority manages its financial risks with a variety of instruments and techniques, including natural hedges achieved by spreading its loan portfolio over different roll-over and maturity dates. Financial instruments such as interest rate swaps, cross-currency swaps and forward exchange contracts have also been used to hedge the Airport Authority’s financial risks. In accordance with approved policy by the Board, the Airport Authority has adopted measures to maintain an appropriate mix of fixed and floating rate borrowings to reduce the impact of interest rate fluctuations on earnings.

Since the latter part of 2006, the Airport Authority has been exposed to Renminbi movements mainly as a result of its investment in airports in Mainland China and cash and bank balances denominated in Renminbi.

The Airport Authority is also exposed to United States dollar movements from cash and bank balances and trade and other receivables, as well as external borrowings denominated in United States dollars. In accordance with approved policy by the Board, the Airport Authority has adopted measures to convert borrowings in foreign currencies to Hong Kong dollars in order to minimise the impact of foreign currency fluctuations on earnings. The Airport Authority also uses forward exchange contracts to hedge exposure to future transactions denominated in Australian dollars. Revenue and costs of the Airport Authority are largely denominated in Hong Kong dollars.

Credit Rating

The Airport Authority has a long-term local and foreign currency rating of “AA+” by S&P Global Ratings. The outlook on the Airport Authority’s corporate credit rating is “stable”. This credit rating is the same as that assigned to the Government of Hong Kong.

Competition

Passengers travelling to, from or through the Greater Bay Area have a choice of five airports – HKIA, the Guangzhou Baiyun International Airport, the Shenzhen Bao'an International Airport, the Macao International Airport and the Zhuhai Jinwan Airport. The airport a passenger chooses depends upon a number of factors, including the destinations serviced by that airport, the airlines travelling from that airport and the attractiveness of the airport itself. In addition, China is planning large-scale railway infrastructure development projects connecting its main cities with high-speed trains. The Hong Kong section of the high-speed rail was opened to the public in 2018. The high-speed rail is expected to dramatically improve rail service quality and raise train transportation to a competitive level with air travel. Although the capacity of some of these neighbouring airports is increasing and the large-scale high-speed rail connections may compete with air transportation, HKIA continues to benefit from its comprehensive international air network and a favourable regulatory environment in Hong Kong, including the ability of the Government of Hong Kong, under specific authorisations of the PRC Government, to renew or amend and negotiate and conclude or provisionally conclude self-standing ASAs for Hong Kong for scheduled services operating to, from or through Hong Kong, which do not operate to, from or through Mainland China.

Employees

As at 30 September 2023, the Airport Authority, excluding its subsidiaries, employed 2,788 employees across a variety of positions.

Legal and other proceedings

From time to time, the Airport Authority is involved in claims and litigation arising in the ordinary course of business, such as contractual disputes, and property damage, health and safety and personal injury claims. Individually and in the aggregate, these claims are not expected to have a material adverse effect on the financial position of the Airport Authority.

MANAGEMENT

MEMBERS OF THE BOARD

The Board consists of a Chairman, Chief Executive Officer and other members (including public officers of the Government of Hong Kong). The Board consists of 15 members. The three public officers serving on the Board are the Secretary for Financial Services and the Treasury, the Secretary for Transport and Logistics, and the Director-General of Civil Aviation. The members of the Board are as follows:

The Honourable Jack So Chak-kwong GBM GBS JP, was appointed Chairman of the Board in June 2015 and reappointed in June 2018, 2021 and 2023. Mr. So is the former Chairman of the Hong Kong Trade Development Council. He is a member of the Chief Executive's Council of Advisers on Economic Advancement and Sustainability. He is also an independent Non-executive Director of AIA Group Limited and China Resources Power Holdings Company Limited. Previously, Mr. So has acted as Chairman and Chief Executive of the MTR Corporation Limited from 1995 to 2003, Deputy Chairman and Group Managing Director of PCCW from 2003 to 2007, an Independent Director of HSBC from 2000 to 2007, a Non-executive Director of Cathay Pacific Airways Limited from 2002 to 2015, an International Business Adviser to the Mayor of Beijing from 2007 to 2015 and a member of the National Committee of the Chinese People's Political Consultative Conference from 2008 to 2018.

Mr. Fred Lam Tin-fuk GBS JP, was appointed Chief Executive Officer in October 2014. Mr. Lam is the Director of the Aviation Security Company Limited Board. Mr. Lam is a member of the Asia-Pacific Regional Board of Airports Council International (ACI), the Aviation Development and Three-runway System Advisory Committee and the Hong Kong Logistics Development Council. Mr. Lam is the former Executive Director of the Hong Kong Trade Development Council. In 2007, Mr. Lam was named "Director of the Year" by the Hong Kong Institute of Directors in the category of statutory and non-profit-distributing organisations. In 2011, he was given the Peace through Commerce Medal from the U.S. government in recognition of his leadership role in boosting US exports to, and through, Hong Kong. In 2019, he was elected a Chartered Fellow of the Chartered Institute of Logistics and Transport in Hong Kong and received the "Executive Award" in the DHL/SCMP Hong Kong Business Awards.

Ms. Sabrina Chao Sih-ming BBS JP, was appointed to the Board in June 2021. Ms. Chao is the Chairman of Wah Kwong Shipping Holdings Limited and Charterhouse School (Asia) Limited, the President of BIMCO and the Founder & Chairman of SeaKapital Limited. Ms. Chao graduated from Imperial College London with a Bachelor of Science degree in Mathematics with Management and is a leader in the global maritime industry. Ms. Chao is the former Chairman of the Asian Shipowners' Association and the Hong Kong Shipowners Association, and a former member of the Hong Kong Maritime and Port Board under the Transport and Housing Bureau of the Government of Hong Kong. Ms. Chao is the Chairman of the External Advisory Group of the Department of Logistics and Maritime Studies in The Hong Kong Polytechnic University, a member of the Vocational Training Council and a member of the Council and ex-officio member of the Court in Hong Kong Lingnan University.

Mr. Philip Chen Nan-lok GBS JP, was appointed to the Board in June 2022. Mr. Chen is the former Chief Executive Officer of Hang Lung Group Limited and Hang Lung Properties Limited, Chairman of John Swire & Sons (China) Limited, Chief Executive of Cathay Pacific Airways Limited, Chief Executive of Hong Kong Dragon Airlines Limited, Executive Director of Swire Pacific Limited and John Swire & Sons (H.K.) Ltd., and Chairman of the Hong Kong Jockey Club. He was a Non-executive Director and currently is an Independent Non-executive Director of Hang Lung Properties Limited, a member of the Hong Kong-Japan Business Co-operation Committee, an Adviser to Our Hong Kong Foundation, and a Director of both the China Overseas Friendship Association and the Shanghai Chinese Overseas Friendship Association. Mr.

Chen is a Professor of Practice in Management and Strategy and a member of the International Advisory Council of the Faculty of Business and Economics, as well as a member of the Advisory Committee of Shun Hing College, the University of Hong Kong.

The Honourable Rock Chen Chung-nin NPC Deputy SBS JP, was appointed to the Board in June 2020 and reappointed in June 2023. Mr. Chen is a member of the Legislative Council representing the Election Committee Constituency. Mr. Chen is the Chairman of Pacific Falcon Investment Group Limited with over 30 years of experience in the financial industry and has been licensed as a Responsible Officer by the SFC for over 15 years. He is the Chairman of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications. Mr. Chen is a council member of the Hong Kong University of Science and Technology, an Independent Non-executive Director of The Bank of East Asia (China) Limited and an Independent Non-executive Director of Chu Kong Shipping Enterprises (Group) Co., Ltd. He is a Deputy to the 14th National People's Congress of the People's Republic of China and a member of the 12th and 13th National Committees of the Chinese People's Political Consultative Conference. Previously, Mr. Chen was the Chairman of the Hong Kong Examinations and Assessment Authority from 2012 to 2018 and the Chairman of the Hong Kong Award for Young People from 2010 to 2016. Mr. Chen holds a Bachelor's degree in Economics from the Wharton School, the University of Pennsylvania and a Master's degree in Business Administration from J.L. Kellogg Graduate School of Management, Northwestern University.

Ms. Irene Chow Man-ling, was appointed to the Board in June 2020 and reappointed in June 2023. Ms. Chow is a Chartered Financial Analyst and had served on The Hong Kong Polytechnic University's Council for six years, mostly involved in its Investment Committee. She is a member of the Independent Commission Against Corruption's Advisory Committee on Corruption, the Standing Commission on Civil Service Salaries and Conditions of Service and a committee member of the Chinese General Chamber of Commerce, Hong Kong. She is also a Director of DSL Investments Limited, Chow Mun Sum Tong Foundation and The Legal Education Fund.

The Honourable Christopher Hui Ching-yu GBS JP, became a Board member in April 2020 upon his appointment as Secretary for Financial Services and the Treasury. Mr. Hui is the former Executive Director of the Financial Services Development Council. He is the Chairman of the Managing Board of Kowloon-Canton Railway Corporation and a Non-executive Director of MTR Corporation Limited and the Hong Kong Mortgage Corporation Limited. He is also a member of the board of the Mandatory Provident Fund Schemes Authority, the board of the West Kowloon Cultural District Authority and the board of the Financial Services Development Council. Additionally, Mr. Hui is a Director of Hongkong International Theme Parks Limited and the Hong Kong Investment Corporation Limited.

The Honourable Lam Sai-hung GBS JP, became a Board member in July 2022 upon his appointment as Secretary for Transport and Logistics. Mr. Lam joined the Government of Hong Kong as a Civil Engineering graduate in 1983 and became an Assistant Engineer in 1986. During his service in the Government of Hong Kong, Mr Lam worked in different works departments and bureaus, participating in various public works projects including bridges, roads, railways and site formation. He was appointed the Director of Civil Engineering and Development in August 2016, overseeing the planning and implementation of new development areas and major infrastructure projects. Between October 2018 and October 2021, he was the Permanent Secretary for Development (Works), overseeing public works policy and infrastructural development. Mr Lam received his Bachelor of Science in Engineering from the University of Hong Kong in 1983. He is a fellow member of the Hong Kong Institution of Engineers and the Institution of Civil Engineers.

Mr. Laurence Li Lu-jen SC JP, was appointed to the Board in June 2022. Mr. Li is the Chairman of the Financial Services Development Council ("**FSDC**"), which is an advisory body to the Government of Hong Kong on all matters relating to the development of Hong Kong as an international financial centre. The FSDC engages the industry in formulating proposals to promote the further development of the financial

services industry of Hong Kong and to map out the strategic direction for the development. Mr Li's profession is that of Practising Barrister. He focuses on banking, commercial, company and securities law. Prior to being called to the Hong Kong Bar, Mr. Li served in several positions within the SFC in Hong Kong and, before that, worked in a law firm in New York. Mr Li is a Judge of the Qatar International Court and Dispute Resolution Centre. He is also a Fellow of the Hong Kong Polytechnic University, an Honorary Fellow of the Asian Institute of International Financial Law at the University of Hong Kong, and a Senior Fellow at the Centre for Financial Regulation and Economic Development at the Chinese University of Hong Kong.

Captain Victor Liu Chi-yung JP, became a Board member and Director of the Aviation Security Company Limited Board in April 2020 upon his appointment as Director-General of Civil Aviation. Captain Liu is a licensed professional pilot and a Fellow of the Hong Kong Institution of Engineers. Captain Liu is currently the Chairman of the International Civil Aviation Organisation's Asia-Pacific Regional Aviation Safety Group and was previously the Vice President (Asia) of the International Federation of Airworthiness.

Ir. Dr. the Honourable Lo Wai-kiwok GBS MH JP, was appointed to the Board in June 2019 and was reappointed in June 2022. Dr. Lo is the Chairman of the Aviation Security Company Limited Board. He is a member of the Legislative Council representing the Engineering Functional Constituency and the Chairman of the Legislative Council's Public Works Subcommittee and the Business and Professionals Alliance for Hong Kong. He is also the Founding Chairman of the Hong Kong Green Strategy Alliance. Dr. Lo is a member of the 13th National Committee of the Chinese People's Political Consultative Conference.

Ir. Edwin Tong Ka-hung SBS, was appointed to the Board in June 2021. Ir. Tong is a member of the Construction Industry Council. Ir. Tong is a Civil Engineer with over 37 years of experience in the planning, design, management and delivery of major infrastructure projects involving highways, tunnels, reclamation, land development, port facilities, wastewater treatment and flood prevention. He is also proficient in formulating and taking forward the Government of Hong Kong's policies in increasing land supply, heritage conservation and project management. Ir. Tong worked in the Highways Department, Transport Department, Drainage Services Department, Civil Engineering and Development Department and Development Bureau, was appointed Director of Drainage Services in 2015 and retired in 2019. Ir. Tong is a member of the Institution of Civil Engineers, a fellow of the Hong Kong Institution of Engineers and an honorary fellow of both the International Institute of Utility Specialists and the Chartered Institution of Water and Environmental Management.

Mr. Adrian Wong Koon-man BBS MH JP, was appointed to the Board in June 2018 and reappointed in June 2021. He is a Director of Aviation Security Company Limited, VL Asset Management Limited and Abercan Limited, Chairman of the Corruption Prevention Advisory Committee, a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption, and a member of the Travel Industry Authority. Mr. Wong is also a member of the Unsolicited Electronic Messages (Enforcement Notices) Appeal Board, the Standing Commission on Civil Service Salaries and Conditions of Service and an independent Non-executive Director of MTR Corporation Limited. Previously, Mr. Wong was a member of the Listing Committee of the Hong Kong Stock Exchange from May 2006 to April 2012, a member of the Communications Authority from April 2012 to March 2018 and a member of the Air Transport Licensing Authority from August 2012 to July 2018.

Dr. William Wong Ming-fung SC JP, was appointed to the Board in October 2020 and reappointed in June 2023. He is a Senior Counsel of Des Voeux Chambers. Dr. Wong's practice covers a wide spectrum of contentious commercial litigation and has a special focus and substantial experience in the areas of company, insolvency and securities law. He is a Recorder of the High Court of Hong Kong and Chairman of the Committee on Overseas Lawyers Examination of the Hong Kong Bar Association. He is the Vice Chairman of the Board of Review of the Inland Revenue Department and also an Adviser to the Middle Temple Society in Hong Kong. Dr. Wong graduated from the Business Faculty of the Chinese University of

Hong Kong in 1994 as the Rhodes Scholar of the year. In 1996, he obtained his degree in Jurisprudence from Wadham College, Oxford. In 2004, he also obtained his LL.M degree from Peking University. In 2012, he was awarded the Doctoral degree from Peking University with a dissertation on corporate insolvency laws.

Mr Stephen Yiu Kin-wah JP, was appointed to the Board in June 2023. Mr Yiu is currently Chairman of the Insurance Authority, a Director of Hong Kong Academy of Finance, and an Independent Non-executive Director of China Mobile Limited (HK) and ANTA Sports Products Limited. He is a Council member and the Treasurer of the Hong Kong University of Science and Technology, and a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and the Independent Commission Against Corruption Complaints Committee. He was formerly an Independent Non-executive Director of Hong Kong Exchanges and Clearing Limited. Mr Yiu was the Chairman and Chief Executive Officer of KPMG China and Hong Kong, and a member of the Executive Committee and the Board of KPMG International and KPMG Asia Pacific. Mr Yiu also served as a member of the Audit Profession Reform Advisory Committee and the Mainland Affairs Committee of the Hong Kong Institute of Certified Public Accountants. Mr Yiu is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He received a professional diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1983, and holds a Master’s degree in Business Administration from the University of Warwick in the United Kingdom.

Members of the Executive Management

The following table sets forth certain information with respect to the Airport Authority’s Executive Management as at the date of this Offering Memorandum.

Name	Age	Position
Mr. Fred Lam Tin-fuk GBS JP	65	Chief Executive Officer
Mrs. Vivian Cheung Kar-fay	62	Chief Operating Officer
Mr. Steven Yiu Siu-chung	59	Executive Director, Airport Operations
Mr. Ricky Leung Wing-kee	63	Executive Director, Engineering & Technology
Mr. Tommy Leung King-yin	60	Executive Director, Third Runway
Ms. Cissy Chan Ching-sze	58	Executive Director, Commercial
Mr. Julian Lee Pui-hang	48	Executive Director, Finance
Ms. Florence Chung Wai-yee	60	Executive Director, Human Resources & Administration

The Executive Management of the Airport Authority is as follows:

Mr. Fred Lam Tin-fuk GBS JP. Please refer to Mr. Fred Lam Tin-fuk GBS JP’s biographical details as set out in the section entitled “Members of the Board” for further details.

Mrs. Vivian Cheung Kar-fay, holds a Master of Business Administration from Southern Illinois University and a Bachelor of Computer Science from The State University of New York. Mrs. Cheung is an alumna of Stanford University’s Executive Programme. She was appointed Chief Operating Officer in December 2022. Mrs. Cheung worked for the General Electric Company and a high-technology start-up in Silicon Valley for many years before joining the Airport Authority in 1992. With almost 30 years of experience in airport management, she has held a number of senior management positions in the Airport Authority. Mrs. Cheung is currently a Director of the Hong Kong-Zhuhai Airport Management Company Limited and the Vice Chairman of the Shanghai Hong Kong Airport Management Co., Ltd. Active in community service, she is a member of the Town Planning Board and the Hong Kong Trade Development Council’s Infrastructure Development Advisory Committee.

Mr Steven Yiu Siu-chung, holds a Master of Computer Based IS from the University of Sunderland and a Bachelor of Quantity Surveying from Robert Gordon University. Mr Yiu was appointed Executive Director, Airport Operations in December 2022. Mr Yiu has been in the aviation industry for over 30 years. He joined the Airport Authority in 1995 and held various management positions in airport operations including technical services, and airfield and terminal management. He was the General Manager of the Terminal of Shanghai Hongqiao International Airport from 2009 to 2012. Mr Yiu is also a registered professional surveyor. Prior to joining the Airport Authority, he was actively involved in airport development since 1990, including the refurbishment of Kai Tak International Airport, New Airport Master Plan, and construction of Macao International Airport.

Mr. Ricky Leung Wing-kee, holds a Master of Business Administration from the Chinese University of Hong Kong and a Bachelor of Science (Engineering) from the University of Hong Kong. Mr. Leung was appointed Executive Director, Engineering & Technology in January 2020. With more than 30 years of experience at the Airport Authority, Mr. Leung is responsible for Airport Authority's engineering and technology development, managing assets and delivering engineering projects at HKIA. Before joining Airport Authority, Mr. Leung worked in consulting engineering firms and government departments on the planning, design and management of large-scale infrastructure projects in Hong Kong. Mr. Leung is a Chartered Civil and Structural Engineer with more than 40 years of experience, of which over 30 years are on the planning, design, construction, operation and maintenance of airport infrastructure, facilities and systems. Mr. Leung is also a member of the Vocational Training Council, the Construction Industry Council and a Board member of the Logistics and Supply Chain MultiTech R& D Centre Limited.

Mr. Tommy Leung King-yin, holds a Bachelor degree of Science in Civil Engineering from the University of Birmingham in United Kingdom. Mr. Leung was appointed Executive Director, Third Runway in February 2022. Mr. Leung held a number of senior positions since he joined the Airport Authority in 1994, covering terminal operations, technical services and major development projects at HKIA. Mr. Leung was the Chief Operating Officer of the Hong Kong-Zhuhai Airport Management Company Limited during 2006 to 2009 and has been the Deputy Director, Third Runway Project Management from 2016 to 2022. Mr. Leung is a member of the Hong Kong Institution of Engineers.

Ms. Cissy Chan Ching-sze, is a Master of Business Administration graduate from the Chinese University of Hong Kong. Ms. Chan was appointed in September 2012. Before joining the Airport Authority, Ms. Chan was the Director, Retail Portfolio and Marketing at Hysan Development Company Limited. Prior to that, she gained substantial management and commercial experience in multinational companies while holding senior positions at Reckitt Benckiser (Hong Kong and Taiwan) and Johnson & Johnson Hong Kong. Ms. Chan is a member of the Hong Kong Housing Authority and its Strategic Planning committees, and is the Chairman of its Audit Sub-committee.

Mr. Julian Lee Pui-hang, was appointed in July 2020. Before joining the Airport Authority, Mr. Lee had senior management positions in corporate finance and investment banking at Merrill Lynch (Asia Pacific) Ltd., Standard Chartered Bank (Hong Kong) Ltd., and Everbright Sun Hung Kai Co. Ltd. Mr. Lee is also a Director of HXIA and a member of the Listing Committee of the Hong Kong Stock Exchange Limited. Mr Lee holds a Bachelor of Science degree in Chemical Engineering from the Massachusetts Institute of Technology.

Ms. Florence Chung Wai-yee, holds a Master of Science from the Chaminade University of Honolulu and a Bachelor of Social Science from the Chinese University of Hong Kong. Ms. Chung was appointed in October 2014. Before joining the Airport Authority, Ms. Chung was the General Manager of Group Human Resources at HKR International Limited. Ms. Chung has over 30 years of experience in general and human resources management and has held senior positions in sizable companies and public utilities in Hong Kong, including Hutchison Port Holdings Limited and CLP Group. Areas of expertise include organisational development as well as leadership, talent and change management. Ms. Chung is a member of the Hong

Kong Council for Accreditation of Academic and Vocational Qualifications, and the Civil Service Training Advisory Board, as well as the Cross-Industry Training Advisory Committee for the Human Resource Management Sector under and Qualifications Framework.

Board Committees

Audit Committee and Finance Committee

The Audit Committee and Finance Committee (the “**ACFC**”) is responsible for reviewing the Airport Authority’s interim and audited annual financial statements; considering matters relating to internal and external audits, as well as the Airport Authority’s internal control and risk management systems; and reviewing annual budgets, financial plans, financing strategies and charging policies. The ACFC comprises Mr. Adrian Wong Koon-man BBS MH JP as the chairman, as well as Ms. Sabrina Chao Sih-ming BBS JP, the Honourable Rock Chen Chung-nin NPC Deputy SBS JP, Ms. Irene Chow Man-ling, the Honourable Christopher Hui Ching-yu GBS JP, Mr. Laurence Li Lu-jen SC JP and Mr. Stephen Yiu Kin-wah JP as members.

Business Development Committee

The Business Development Committee (the “**BDC**”) is responsible for looking after all commercial and business development (excluding the 3RS and Works Committee) and public relations matters. The BDC comprises Dr. William Wong Ming-fung SC JP as the Chairman, as well as Mr. Fred Lam Tin-fuk GBS JP, Mr. Philip Chen Nan-lok GBS JP, Ms. Sabrina Chao Sih-ming BBS JP, Ms. Irene Chow Man-ling, Captain Victor Liu Chi-yung JP and the Honourable Lam Sai-hung GBS JP as members.

Human Resources & Remuneration Committee

The Human Resources and Remuneration Committee (the “**HRRC**”) is responsible for reviewing the Airport Authority’s staffing, remuneration and employment policies, as well as terms and conditions of employment. It also makes recommendations to the Board on issues such as annual corporate goals and performance measures, variable compensation and salary review. The HRRC comprises the Honourable Rock Chen Chung-nin NPC Deputy SBS JP as Chairman, as well as Mr. Fred Lam Tin-fuk GBS JP, the Honourable Lam Sai-hung GBS JP, Ir. Dr. the Honourable Lo Wai-kwok GBS MH JP, Dr. William Wong Ming-fung SC JP and Mr. Adrian Wong Koon-man BBS MH JP as members.

3RS & Works Committee

The 3RS and Works Committee (the “**3RSWC**”) is responsible for overseeing the 3RS Project and other capital works projects, from planning and project implementation to successful completion of the projects, on time and within budget, by advising and making recommendations to the Board on all key works-related matters, reviewing the policies and strategies pertaining to the procurement of 3RS and other works contracts and consultancy agreements and making recommendations to the Board on subsequent tender awards; reviewing and making recommendations to the Board on contract variations; monitoring the progress and implementation of mitigation directions/measures and other commitments as undertaken in the 3RS EIA Report; and advising on the Airport Authority’s execution plan and ensuring smooth implementation of works projects. The 3RSWC comprises Ir. Dr. the Honourable Lo Wai-kwok GBS MH JP as the Chairman, as well as Mr. Fred Lam Tin-fuk GBS JP, Mr. Philip Chen Nan-lok GBS JP, Captain Victor Liu Chi-yung JP, Ir. Edwin Tong Ka-hung SBS, Mr. Laurence Li Lu-jen SC JP, Mr. Stephen Yiu Kin-wah JP and the Honourable Lam Sai-hung GBS JP as members.

Compensation of Members and Directors

The Airport Authority's members of the Board, the Chief Executive Officer, Chief Operating Officer and Executive Directors are considered to be key management personnel of the Airport Authority. There are three components of emoluments paid to the Chief Executive Officer, Chief Operating Officer and Executive Directors. Firstly, there is basic compensation, which consists of base salary, housing and other allowances and benefits in kind. Secondly, there is performance-related compensation, which represents discretionary payments depending on individual performance and the performance of the Group. Thirdly, there are retirement benefits, which relate to the Group's contribution to retirement funds or gratuities in lieu of retirement plan contributions accrued.

The aggregate amount of salaries and other allowances and benefits in kind paid by the Airport Authority to its members of the Board for the years ended 31 March 2021, 2022 and 2023 were approximately HK\$11.6 million, HK\$12.7 million, and HK\$12.7 million, respectively. The aggregate amount of salaries and other allowances and benefits in kind paid by the Airport Authority to its Chief Operating Officer and Executive Directors for the years ended 31 March 2021, 2022 and 2023 were approximately HK\$34.1 million, HK\$33.4 million, and HK\$34.0 million, respectively.

CAPITALISATION AND INDEBTEDNESS

CAPITALISATION AND INDEBTEDNESS OF THE AIRPORT AUTHORITY

The following table sets out the consolidated capitalisation and indebtedness of the Airport Authority as at 30 September 2023 and as adjusted to give effect to (i) the offering of the Bonds before deducting expenses (assuming the maximum issue amount is issued) and (ii) the issuance of the Notes (as defined below) before deducting expenses:

	As at 30 September 2023	
	Actual	As Adjusted
	<i>(HK\$ million)</i>	
Interest-bearing borrowings	102,705	102,705
Bonds to be issued ⁽¹⁾	–	5,000
Notes to be issued ⁽²⁾	–	4,000
	<hr/>	<hr/>
Total interest-bearing borrowings	102,705	111,705
	<hr/>	<hr/>
Share capital ⁽³⁾	30,648	30,648
Reserves	44,641	44,641
Perpetual capital securities	11,585	11,585
Non-controlling interests	358	358
	<hr/>	<hr/>
Capital and reserves	87,232	87,232
	<hr/>	<hr/>
Total capitalisation and indebtedness⁽⁴⁾	189,937	198,937
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (1) Assuming that the maximum issue amount of HK\$5,000,000,000 is issued.
- (2) On 2 January 2024, the Airport Authority entered into a subscription agreement with certain managers in relation to the issuance of HK\$4,000,000,000 3.83 per cent. notes due 2027 (the “Notes”) under its U.S.\$8,000,000,000 medium-term note programme and the Notes are expected to be issued on 9 January 2024.
- (3) As at 30 September 2023, the Airport Authority has an authorised share capital of HK\$30,648,000,000, divided into 306,480 ordinary shares of HK\$100,000 each, and an issued share capital of HK\$30,648,000,000 consisting of 306,480 ordinary shares of HK\$100,000 each, all of which are fully paid.
- (4) Total capitalisation and indebtedness represents the sum of total interest-bearing borrowings and capital and reserves.

As at 31 March and 30 September 2023, the total interest-bearing borrowings were repayable as follows, respectively:

	As at 30 September 2023	As at 31 March 2023
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>(HK\$ million)</i>	
Within one year or on demand	4,994	–
After one year but within two years	18,171	4,990
After two years but within five years	25,806	43,997
After five years	53,734	53,841
	<hr/>	<hr/>
Total	102,705	102,828
	<hr/> <hr/>	<hr/> <hr/>

Other than as stated herein, there has been no material change to the capitalisation and indebtedness of the Airport Authority since 30 September 2023.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary financial information as at 31 March 2021, 2022 and 2023, as at 30 September 2023, for the years ended 31 March 2021, 2022 and 2023 and for the six months ended 30 September 2022 and 2023 of the Airport Authority. The summary financial information has been derived from the Airport Authority's published audited consolidated financial statements for the years ended 31 March 2022 and 2023 and the Airport Authority's published reviewed interim consolidated financial statements for the six months ended 30 September 2023. The information set forth below should be read in conjunction with the Airport Authority's annual audited consolidated financial statements and reviewed interim consolidated financial statements, including the notes thereto, which are included elsewhere in this Offering Memorandum.

The Airport Authority's consolidated financial statements as at and for the years ended 31 March 2022 and 2023 have been prepared in accordance with the Hong Kong Financial Reporting Standards and the Ordinance and have been audited by KPMG, Certified Public Accountants, Hong Kong.

The Airport Authority's reviewed interim consolidated financial statements as at and for the six months ended 30 September 2023 have been prepared in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting" and the Ordinance and have been reviewed but have not been audited by KPMG. Consequently, the reviewed interim consolidated financial statements for the six months ended 30 September 2023 should not be relied upon by potential investors to provide the same quality of information associated with financial statements that have been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. In addition, such financial information should not be taken as indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 March 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the six months ended		For the year ended 31 March		
	2023	2022	2023	2022	2021
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
	(HK\$	(HK\$	(HK\$	(HK\$	(HK\$
	million)	million)	million)	million)	million)
Airport charges	1,828	911	2,173	2,101	1,731
Security charges	564	57	343	46	23
Aviation security services	198	284	501	567	486
Airside support services franchises	1,073	747	1,673	1,759	1,755
Retail licences and advertising revenue	1,774	59	752	62	203
Other terminal commercial revenue	316	294	613	677	915
Real estate revenue	138	76	178	169	188
Convention and exhibition revenue	305	842	1,605	–	–
Other income	108	198	379	417	635
Revenue	6,304	3,468	8,217	5,798	5,936
Staff costs and related expenses	(1,457)	(1,396)	(2,898)	(2,800)	(2,850)
Repairs and maintenance	(528)	(384)	(946)	(765)	(734)
Operational contracted services	(523)	(463)	(995)	(672)	(854)
Government services	(393)	(412)	(961)	(758)	(712)
Government rent and rates	(77)	(143)	(285)	(250)	(521)
Utilities	(230)	(213)	(401)	(261)	(217)
Other operating expenses	(636)	(287)	(918)	(670)	(2,166)
Operating expenses before depreciation and amortisation	(3,844)	(3,298)	(7,404)	(6,176)	(8,054)

	For the six months ended		For the year ended 31 March		
	30 September		2023	2022	2021
	2023 (Unaudited) (HK\$ million)	2022 (Unaudited) (HK\$ million)	(Audited) (HK\$ million)	(Audited) (HK\$ million)	(Audited) (HK\$ million)
Operating profit/(loss) before depreciation and amortisation	2,460	170	813	(378)	(2,118)
Depreciation and amortisation	(1,892)	(1,604)	(3,308)	(3,039)	(3,169)
Operating profit/(loss) before interest and finance costs	568	(1,434)	(2,495)	(3,417)	(5,287)
Interest and finance costs:					
Finance costs	(288)	(38)	(192)	(14)	(63)
Interest income	781	202	700	91	134
	493	164	508	77	71
Share of results of an associate	–	–	–	78	53
Share of results of joint ventures	(138)	(192)	(456)	(46)	(34)
Profit/(loss) before taxation	923	(1,462)	(2,443)	(3,308)	(5,197)
Income tax (expense)/credit	(99)	288	513	553	829
Profit/(loss) for the period/year	824	(1,174)	(1,930)	(2,755)	(4,368)
Attributable to:					
Equity holders of the Airport Authority					
– Holder of ordinary shares	668	(1,269)	(2,142)	(3,014)	(4,400)
– Holders of perpetual capital securities	132	132	264	263	–
	800	(1,137)	(1,878)	(2,751)	(4,400)
Non-controlling interests	24	(37)	(52)	(4)	32
Profit/(loss) for the period/year	824	(1,174)	(1,930)	(2,755)	(4,368)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended		For the year ended 31 March		
	30 September		2023	2022	2021
	2023	2022	2023	2022	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
		(HK\$	(HK\$	(HK\$	
		million)	million)	million)	
Profit/(loss) for the period/year	824	(1,174)	(1,930)	(2,755)	(4,368)
Other comprehensive income for the period/ year					
Item that will not be reclassified to profit or loss:					
Remeasurement of net defined benefit retirement obligations of:					
– the Airport Authority	(2)	(28)	(9)	50	238
Add/(less): deferred tax	–	5	1	(8)	(39)
	(2)	(23)	(8)	42	199
– a subsidiary in other parts of the PRC . .	–	–	(2)	(3)	2
– a joint venture in other parts of the PRC	(6)	21	2	(5)	11
	(8)	(2)	(8)	34	212
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of a subsidiary and joint ventures in other parts of the PRC	(275)	(573)	(405)	221	433
Cash flow hedge: net movement in the hedging reserve, net of tax	41	625	204	682	177
Cash flow hedge: net movement in the cost of hedging reserve, net of tax	(2,878)	(1,379)	(646)	(117)	(42)
	(3,112)	(1,327)	(847)	786	568
Other comprehensive income for the period/year	(3,120)	(1,329)	(855)	820	780
Total comprehensive income for the period/year	(2,296)	(2,503)	(2,785)	(1,935)	(3,588)
Attributable to:					
Equity holders of the Airport Authority					
– Holder of ordinary shares	(2,437)	(2,567)	(2,972)	(2,206)	(3,651)
– Holders of perpetual capital securities . .	132	132	264	263	–
	(2,305)	(2,435)	(2,708)	(1,943)	(3,651)
Non-controlling interests	9	(68)	(77)	8	63
Total comprehensive income for the period/year	(2,296)	(2,503)	(2,785)	(1,935)	(3,588)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2023 (Unaudited) (HK\$ million)	2023 (Audited) (HK\$ million)	As at 31 March 2022 (Audited) (HK\$ million)	2021 (Audited) (HK\$ million)
Non-current assets				
Investment property	46	48	44	59
Interest in leasehold land	5,837	5,905	6,041	6,070
Other property, plant and equipment	168,616	159,613	131,799	105,591
	<u>174,499</u>	<u>165,566</u>	<u>137,884</u>	<u>111,720</u>
Intangible assets	44	55	77	281
Interest in an associate	—	—	—	627
Interests in joint ventures	3,658	4,043	4,851	4,710
Net defined benefit retirement assets	—	—	12	—
Trade and other receivables	11	17	20	100
Derivative financial assets	595	802	1,035	331
	<u>178,807</u>	<u>170,483</u>	<u>143,879</u>	<u>117,769</u>
Current assets				
Stores and spares	133	139	132	122
Trade and other receivables	3,262	3,835	2,679	2,505
Tax recoverable	310	311	313	308
Derivative financial assets	712	555	124	6
Cash and bank balances	33,411	42,290	38,092	35,109
	<u>37,828</u>	<u>47,130</u>	<u>41,340</u>	<u>38,050</u>
Current liabilities				
Trade and other payables	(15,303)	(16,692)	(11,570)	(11,219)
Interest-bearing borrowings	(4,994)	—	(554)	—
Current taxation	(47)	(50)	—	(17)
Unused airport construction fee	(680)	(779)	(456)	(458)
Deferred income	(59)	(109)	(215)	(215)
Derivative financial liabilities	(4)	(2)	(2)	(54)
	<u>(21,087)</u>	<u>(17,632)</u>	<u>(12,797)</u>	<u>(11,963)</u>
Net current assets	<u>16,741</u>	<u>29,498</u>	<u>28,543</u>	<u>26,087</u>
Total assets less current liabilities	<u>195,548</u>	<u>199,981</u>	<u>172,422</u>	<u>143,856</u>
Non-current liabilities				
Trade and other payables	(1,654)	(1,754)	(1,431)	(1,445)
Interest-bearing borrowings	(97,711)	(102,828)	(72,463)	(41,769)
Deferred income	(1,722)	(1,752)	(1,862)	(2,077)
Derivative financial liabilities	(4,431)	(726)	(49)	(10)
Net defined benefit retirement obligations	(82)	(80)	(70)	(82)
Deferred tax liabilities	(2,716)	(3,181)	(3,838)	(4,291)
	<u>(108,316)</u>	<u>(110,321)</u>	<u>(79,713)</u>	<u>(49,674)</u>
Net assets	<u>87,232</u>	<u>89,660</u>	<u>92,709</u>	<u>94,182</u>
Capital and reserves				
Share capital	30,648	30,648	30,648	30,648
Reserves	44,641	47,078	50,050	51,469
Perpetual capital securities	11,585	11,585	11,585	11,585
Total equity attributable to the equity holders of the Airport Authority	86,874	89,311	92,283	93,702
Non-controlling interests	358	349	426	480
Total equity	<u>87,232</u>	<u>89,660</u>	<u>92,709</u>	<u>94,182</u>

SETTLEMENT AND CLEARANCE AND CUSTODY

The following is a summary of the custody, settlement and clearance arrangements for the Bonds.

CENTRAL MONEYMARKETS UNIT SERVICE

The Bonds will be represented by the global bond which will be delivered to and held by a sub-custodian of the CMU, operated by the Operator, which will be the bearer of the Bonds as long as the global bond lodged with it. The global bond will be held in the account of the placing banks or other CMU members who have accounts with the Operator (the “**CMU Participants**”). There will not be any temporary documents of title in respect of the Bonds.

Interests in the global bond will only be shown on, and transfers of interests will be effected through, records maintained by the Operator.

As long as the Operator is the holder of the global bond, the Operator will be considered the absolute owner of the global bond for all purposes under the Trust Deed. Owners of interests in the global bond will be entitled to receive definitive bonds in limited circumstances as described under the terms and conditions of the Bonds. Because the Operator can act only on behalf of the CMU Participants, who in turn may act on behalf of persons who hold interests through them (“**indirect participants**”), the ability of persons having interests in the global bond to pledge such interests to persons or entities that are not the CMU Participants, or otherwise take action in respect of such interests, may be affected by the lack of definitive bonds.

The settlement of payments in respect of the Bonds will be through the direct debit or credit of the settlement accounts of the CMU Participants with the Operator. The Airport Authority expects that the Operator, upon receipt of any payment of principal, premium (if any) or interest in respect of the global bond representing any Bonds held by it, will credit the accounts of the CMU Participants with payments of principal or interest on the date payable according to their holdings of Bonds as shown on the records of the Operator. Payments by the CMU Participants to indirect participants will be governed by arrangements agreed between the CMU Participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU Participants.

Payments, transfers, exchanges and other matters relating to interests in the global bond may be subject to various policies and procedures adopted by the Operator from time to time. None of the Airport Authority, the Joint Lead Managers, the placing banks, the designated securities brokers, the Operator, the Paying Agents, the Trustee, the sub-custodian for the Operator or any of their agents will have any responsibility or liability for any aspect of the Operator’s records relating to, or for payments made on account of, interests in the global bond, or for maintaining, supervising or reviewing any records relating to such interests.

The Operator is under no obligation to maintain or continue to operate the CMU and the Operator is under no obligation to perform or continue to perform the procedures described above. Accordingly, the CMU and such procedures may be discontinued or modified at any time. None of the Airport Authority, the Joint Lead Managers, the placing banks, the designated securities brokers, the Trustee or the Agents will have any responsibility for the performance by the Operator or the CMU Participants of their respective obligations under the rules and procedures governing their operations.

CUSTODY

Because the global bond will be lodged with the Operator as described above and settlement and clearance facilities will be provided by the CMU, investors of the Bonds must make arrangements for their Bonds to be held in custody with a CMU Participant (or an indirect participant). Most banks and securities dealers in

Hong Kong maintain, or have access to, an account with the CMU through which Bonds may be held or transferred following issue, and investors of the Bonds will have to rely on their placing bank, HKSCC or their securities broker (as the case may be) to credit the accounts of such investors of the Bonds with interest and principal payments on the Bonds.

Investment account and other custodian arrangements with respect to the Bonds will be supplied by the placing banks or other custody provider subject to their standard terms and conditions for the provision of such services. The Airport Authority accepts no responsibility for the provision of such services or for any consequences of, or arising from, the use of such investment account or custody services.

ADMISSION OF THE BONDS INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange and the Airport Authority complies with the admission requirements of HKSCC, the Bonds will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the issue date or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after the trade date.

All activities under CCASS are subject to the General Rules of HKSCC and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their securities broker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Bonds to be admitted into CCASS.

TAXATION OF BONDS

The following summary of certain taxation provisions under Hong Kong law is based on current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult their own tax advisers regarding the tax consequences of an investment in the Bonds.

WITHHOLDING TAX

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

STAMP DUTY

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

PROFITS TAX

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax.

Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. You are advised to consult your own tax advisers to ascertain the applicability of any exemptions to your individual position.

PERSONAL INFORMATION COLLECTION STATEMENT

for Applications for the Bonds

This Personal Information Collection Statement is made in accordance with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) (the “PDPO”). It sets out the purposes for which your personal data (as defined in the PDPO) provided by you as an applicant for the Bonds may be used after collection as well as what you are agreeing to in respect of the use, disclosure, transfer and retention of your personal data by the Airport Authority as the issuer of the Bonds and your rights under the PDPO.

PURPOSES OF COLLECTION OF PERSONAL DATA

It is necessary for you as an applicant for the Bonds, when applying for the Bonds, to provide your personal data (including, but not limited to, your name, your securities/investment/custody account number, your Hong Kong identity card number and contact telephone number) to the Airport Authority and any agents or parties duly authorised by it in connection with the issuance of the Bonds.

Failure to provide your personal data may result in your application for the Bonds being rejected or delayed, an inability to process your application. It may also result in delay to the allocation of the Bonds to you if your application is successful or to any refund being made to you if you are owed a partial or full refund of your application monies.

It is important that you inform us and the person or party to whom you provided your personal data immediately upon becoming aware of any inaccuracy in or change to your personal data so provided.

Your personal data provided in your application for the Bonds will be used for one or more of the following purposes:

- (a) processing your application;
- (b) verifying the validity of your application;
- (c) enabling compliance with the terms and application procedures set out in the relevant application form and this Offering Memorandum;
- (d) conducting identity and signature verifications;
- (e) enabling exchange of information directly or indirectly between the Airport Authority as the issuer of the Bonds and you;
- (f) statistical purposes;
- (g) enabling compliance with all applicable laws, rules and regulations, codes and practices binding on or applicable to the Airport Authority or any agents or parties duly authorised by it in connection with the issuance of the Bonds, or an order of a court of any competent jurisdiction (including making required disclosures);
- (h) obtaining legal advice and/or establishing, exercising or defending legal rights of the Airport Authority or any agents or parties duly authorised by it in connection with the issuance of the Bonds;
- (i) any other incidental or associated purposes relating to any of the above purposes; and

- (j) any other purposes in connection with the issuance of the Bonds as permitted by law.

Your personal data may be retained for the above purposes for such periods as are reasonably necessary (including after you cease to hold any Bonds).

TRANSFER OF PERSONAL DATA

Your personal data will be kept confidential but may, for any of the above purposes, be disclosed or transferred to any of the following parties (whether within or outside Hong Kong):

- (a) the Airport Authority, HKSCC, HKMA as the operator of the CMU, the placing banks and the designated securities brokers;
- (b) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment, data processing, matching, storage, research, statistical or other services to the Airport Authority for the purposes mentioned above, or to any of the parties mentioned in (a) above in connection with the operation of such party's activity or business for purposes relating to the Bonds;
- (c) any government or regulatory bodies;
- (d) any legal adviser, accountant, or other financial or professional adviser to the Airport Authority; and
- (e) any other persons with whom, or institutions with which, you as an investor of the Bonds have or propose to have dealings for purposes relating to your Bonds, including but without limitation your bankers, legal advisers, accountants, securities brokers or other professional advisers.

ACCESS TO AND CORRECTION OF PERSONAL DATA

Under the PDPO, you have:

- (a) the right to check whether the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance holds personal data about you and the right of access to such personal data;
- (b) the right to require the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance to correct any personal data relating to you which is inaccurate; and
- (c) the right, as far as practicable, to ascertain the policies and practices of the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance in relation to personal data for purposes relating to the Bonds.

In accordance with the PDPO, the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance have the right to charge a reasonable fee for the processing of any data access request. All requests for access to or correction of personal data held by the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance, or for information regarding the policies and practices of such parties in relation to the personal data for purposes relating to the Bonds, should be addressed to:

Airport Authority

HKIA Tower, 1 Sky Plaza Road

Hong Kong International Airport

Lantau, Hong Kong

Attention: General Personal Data Officer

GENERAL INFORMATION

The issue of the Bonds was authorised and approved by the Board of the Airport Authority on 27 November 2023. The Airport Authority has authorised Mr. Fred Lam Tin-fuk GBS JP and Mr. Julian Lee Pui-hang as the representatives acting on behalf of the Airport Authority in connection with the offering of the Bonds. The business address of Mr. Fred Lam Tin-fuk GBS JP and Mr. Julian Lee Pui-hang is HKIA Tower, 1 Sky Plaza Road, Hong Kong International Airport, Lantau, Hong Kong.

None of the equity securities of the Airport Authority are listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any stock exchange.

The Legal Entity Identifier code of the Airport Authority is 254900748HGC4RBR4084. The ISIN, Common Code and CMU Instrument Number for the Bonds are HK0000979754, 273958142 and BCHKFB24001, respectively.

Save as disclosed in this Offering Memorandum, there has been no material adverse change in the financial or trading position, prospects or results of operations of the Airport Authority and its subsidiaries considered as a whole since 31 March 2023.

Save as disclosed in this Offering Memorandum, there is no litigation, nor are there any claims, of material importance pending or, to the Airport Authority's knowledge, threatened against the Airport Authority or its subsidiaries.

The Airport Authority will publish its annual report and audited accounts following the end of each of its financial years, usually by the end of July in each year, and its unaudited interim report usually by the end of November each year. So long as any Bonds are outstanding, copies of the most recently published annual report and audited accounts may be inspected upon request during normal business hours at the principal office of the Principal Paying Agent, as specified at the end of this Offering Memorandum.

So long as any Bonds are outstanding, copies of the following documents will be available for inspection at the principal office of the Trustee and the Principal Paying Agent, each as specified at the end of this Offering Memorandum:

- (i) the Ordinance;
- (ii) this Offering Memorandum;
- (iii) the Trust Deed;
- (iv) the Paying Agency Agreement;
- (v) the Deed Poll;
- (vi) the Land Grant;
- (vii) the consent letter of KPMG;
- (viii) the most recent audited financial statements of the Airport Authority;
- (ix) the most recent unaudited interim financial statements of the Airport Authority;
- (x) the annual reports of the Airport Authority for 2021/2022 and 2022/2023; and

(xi) the interim report of the Airport Authority for 2023/2024.

KPMG, independent auditors of the Airport Authority, have given and have not withdrawn their written consent to the inclusion of their reports dated 30 May 2022, 29 May 2023 and 27 November 2023 in this Offering Memorandum, in the form and context in which they are included. Such reports were not prepared exclusively for incorporation in this Offering Memorandum. KPMG does not have any shareholding in the Airport Authority and no right to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

In addition, copies of the Ordinance, the annual reports of the Airport Authority for 2021/2022 and 2022/2023 and the interim report of the Airport Authority for 2023/2024 will be available on the Airport Authority's website at www.hongkongairport.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk from and including the date of this Offering Memorandum up to and including the end of the subscription period. The Trust Deed will be available on the Airport Authority's website at www.hongkongairport.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk for a period of not less than 14 days after the issue date of the Bonds.

The Airport Authority will immediately, after consultation with the Hong Kong Stock Exchange, announce to the Bondholders any information which is necessary to avoid a false market in the Bonds. Such information will be given by notice to Bondholders in accordance with the terms and conditions of the Bonds.

Section 45 of the Ordinance provides that no personal liability shall be incurred by a member of the Board of the Airport Authority in respect of anything done, or omitted to be done, by him/her in good faith in relation to the performance or purported performances of any function under the Ordinance. Accordingly, the Chief Executive Officer of the Airport Authority, Mr. Fred Lam Tin-fuk GBS JP, who has accepted responsibility in relation to the contents of this Offering Memorandum, is a member of the Board and is accordingly entitled to the statutory immunity from personal liability conferred by section 45 of the Ordinance. The Chief Operating Officer and Executive Directors of the Airport Authority (who are not members of the Board and who are accordingly not entitled to the statutory immunity from personal liability conferred by section 45 of the Ordinance) have also accepted responsibility in relation to the contents of this Offering Memorandum on the terms set out on the inside front cover of this Offering Memorandum.

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Note: The consolidated financial statements set out herein are reproduced from the Airport Authority’s published audited financial statements for the years ended 31 March 2022 and 2023 and the unaudited interim report for the six months ended 30 September 2023, respectively. Page references are to pages set forth in such annual reports or interim report (as the case may be).

Independent Auditor's Report

To the Airport Authority

(incorporated in Hong Kong under the Airport Authority Ordinance)

Opinion

We have audited the consolidated financial statements of the Airport Authority (“the Authority”) and its subsidiaries (together “the group”) set out on pages 99 to 162, which comprise the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 March 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Airport Authority Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (“the Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Recognition of revenue from airport charges and airside support services franchises	
<i>Refer to note 31(t) to the consolidated financial statements for the relevant accounting policies</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Revenue from airport charges and airside support services franchises accounted for approximately 67% of the Authority's total revenue for the year ended 31 March 2022.</p> <p>Airport charges are recognised when the airport facilities are utilised. Revenue is determined based on aircraft movements and passenger traffic captured by the Authority's information technology systems which are complex and involve multiple interfaces.</p> <p>Revenue from airside support services franchises is generally charged at the higher of (1) a minimum fee based on throughput, rental indices or areas occupied, and (2) amounts calculated based on pre-determined percentages of gross revenue earned by the franchisees and licensees ("royalties"). For certain franchisees, franchise revenue is charged based on a minimum fee and royalties.</p> <p>Revenue from airside support services franchises is recognised in instalments over the accounting periods covered by the franchise and licence agreements, taking into account adjustments to the minimum fee due to changes in throughput, rental indices or areas occupied and adjustments for any royalties payable by the franchisees and licensees during the billing period.</p> <p>We identified the recognition of revenue from airport charges and airside support services franchises as a key audit matter because of its significance to the consolidated financial statements and because the determination of airport charges involves complex information technology systems.</p>	<p>Our audit procedures to assess the recognition of revenue from airport charges and airside support services franchises included the following:</p> <ul style="list-style-type: none"> • evaluating the design, implementation and operating effectiveness of key internal controls over the recording of revenue, which included engaging our internal information technology specialists to assess the operating effectiveness of key automated controls and interfaces over the capturing of aircraft movements and passenger traffic and the processing of revenue transactions and to assess the completeness and accuracy of the transaction details contained within the Authority's information technology systems; • performing analytical procedures on the Authority's airport charges recognised during the current year by developing expectations with reference to figures for aircraft movements and passenger traffic extracted from government statistics and the Scheme of Airport Charges published in the Government Gazette and comparing our expectations with the revenue recorded by the Authority; • for airside support services franchises, comparing the minimum fees received and receivable with underlying franchise/licence information, including the monthly payments and the franchise/licence periods as set out in the signed franchise/licence agreements, on a sample basis, re-performing the calculation of minimum fees and assessing whether the minimum fees or the royalties, whichever was higher, had been recorded in the appropriate accounting period; and • re-performing the calculation of royalties received and receivable with reference to turnover reports submitted by the franchisees and licensees and the bases of calculation thereof as set out in the signed franchise/licence agreements, on a sample basis, and assessing whether the royalties had been recorded and accounted for in the appropriate accounting period.

Key Audit Matters (continued)

Assessing project provisions for capital works projects	
<i>Refer to note 29(b)(ii) to the consolidated financial statements and notes 31(g)(vi) and 31(s) for the relevant accounting policies</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Authority undertakes a number of capital works projects at Hong Kong International Airport. These projects may take several years to complete and the contractual arrangements can be complex.</p> <p>The Authority establishes project provisions for the estimated amounts which will be required to settle claims from contractors which may arise due to time delays, additional costs or other unforeseen circumstances. The assessment of the required project provisions involves the exercise of significant management judgement which can be inherently uncertain because the amounts eventually payable may be different from the recorded project provisions.</p> <p>We identified assessing project provisions for capital works projects as a key audit matter because the assessment of project claims and the determination of project provisions involves the exercise of significant management judgement and estimation which can be inherently uncertain.</p>	<p>Our audit procedures to assess project provisions for capital works projects included the following:</p> <ul style="list-style-type: none"> • assessing the design and implementation of management's key internal controls over the assessment of project claims; • inspecting the minutes of the relevant Board sub-committees responsible for overseeing the progress of capital works projects and discussing with management the project status, including the costs incurred to date, the remaining critical milestones and contract claims, and assessing the financial implications for the group; • obtaining the project claim status report as at the reporting date, comparing the claims amount recorded in this report with claim submissions from contractors, discussing with the Project Accounting and Control Team of Finance Division and the projects departments the projects' current status and the project provisions made, on a sample basis, and challenging the assumptions and critical judgements made by management which impacted their estimation of project provisions by comparing these assumptions, on a sample basis, with key contract terms and correspondence with the contractors; • performing a retrospective review, on a sample basis, of capital works projects completed or claims finalised during the current year by comparing the actual settlement of costs during the current year, including project claims, with estimates made as at 31 March 2021 to assess the reliability of management's assessment process and evaluating significant variances identified; and • in respect of projects which were undergoing dispute resolution procedures, holding discussions with management and the Authority's internal legal counsel to assess the Authority's legal obligations and financial exposure in connection with these claims.

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

The Board Members are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board Members for the Consolidated Financial Statements

The Board Members are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Airport Authority Ordinance and for such internal control as the Board Members determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board Members are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The Board Members are assisted by the Audit Committee and Finance Committee in discharging their responsibilities for overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 32 of the Airport Authority Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- Conclude on the appropriateness of the Board Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee and Finance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and Finance Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee and Finance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Wai Shun, Wilson.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 May 2022

Consolidated Statement of Profit or Loss

For the year ended 31 March 2022 (Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	2022	2021
Airport charges		2,101	1,731
Security charges		46	23
Aviation security services		567	486
Airside support services franchises		1,759	1,755
Retail licences and advertising revenue		62	203
Other terminal commercial revenue		677	915
Real estate revenue		169	188
Other income		417	635
Revenue	8	5,798	5,936
Staff costs and related expenses	4	(2,800)	(2,850)
Repairs and maintenance		(765)	(734)
Operational contracted services		(672)	(854)
Government services		(758)	(712)
Government rent and rates		(250)	(521)
Utilities		(261)	(217)
Other operating expenses	3(b)	(670)	(2,166)
Operating expenses before depreciation and amortisation		(6,176)	(8,054)
Operating loss before depreciation and amortisation		(378)	(2,118)
Depreciation and amortisation		(3,039)	(3,169)
Operating loss before interest and finance costs	3(a)	(3,417)	(5,287)
Interest and finance costs:			
Finance costs	5	(14)	(63)
Interest income		91	134
		77	71
Share of results of an associate	12	78	53
Share of results of joint ventures	13	(46)	(34)
Loss before taxation		(3,308)	(5,197)
Income tax credit	6(a)	553	829
Loss for the year		(2,755)	(4,368)
Attributable to:			
Equity holders of the Authority			
– Holder of ordinary shares		(3,014)	(4,400)
– Holders of perpetual capital securities		263	–
		(2,751)	(4,400)
Non-controlling interests		(4)	32
Loss for the year		(2,755)	(4,368)

The notes on pages 105 to 162 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022 (Expressed in Hong Kong dollars)

<i>\$ million</i>	2022	2021
Loss for the year	(2,755)	(4,368)
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit retirement obligations of:		
– the Authority	50	238
Less: deferred tax	(8)	(39)
	42	199
– a subsidiary in the People’s Republic of China (“the PRC”)	(3)	2
– a joint venture in the PRC	(5)	11
	34	212
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries and joint ventures in the PRC	221	433
Cash flow hedge: net movement in the hedging reserve, net of tax	682	177
Cash flow hedge: net movement in the cost of hedging reserve, net of tax	(117)	(42)
	786	568
Other comprehensive income for the year	820	780
Total comprehensive income for the year	(1,935)	(3,588)
Attributable to:		
Equity holders of the Authority		
– Holder of ordinary shares	(2,206)	(3,651)
– Holders of perpetual capital securities	263	–
	(1,943)	(3,651)
Non-controlling interests	8	63
Total comprehensive income for the year	(1,935)	(3,588)

The notes on pages 105 to 162 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 March 2022 (Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	2022	2021
Non-current assets			
Investment property	9	44	59
Interest in leasehold land	9	6,041	6,070
Other property, plant and equipment	9	131,799	105,591
		137,884	111,720
Intangible assets	10	77	281
Interest in an associate	12	-	627
Interests in joint ventures	13	4,851	4,710
Net defined benefit retirement asset	20	12	-
Trade and other receivables	14	20	100
Derivative financial assets	24(e)	1,035	331
		143,879	117,769
Current assets			
Stores and spares		132	122
Trade and other receivables	14	2,679	2,505
Tax recoverable	6(c)	313	308
Derivative financial assets	24(e)	124	6
Cash and bank balances	15	38,092	35,109
		41,340	38,050
Current liabilities			
Trade and other payables	16	(11,570)	(11,219)
Interest-bearing borrowings	17	(554)	-
Current taxation	6(c)	-	(17)
Unused airport construction fee	18	(456)	(458)
Deferred income	19	(215)	(215)
Derivative financial liabilities	24(e)	(2)	(54)
		(12,797)	(11,963)
Net current assets			
		28,543	26,087
Total assets less current liabilities			
		172,422	143,856
Non-current liabilities			
Trade and other payables	16	(1,431)	(1,445)
Interest-bearing borrowings	17	(72,463)	(41,769)
Deferred income	19	(1,862)	(2,077)
Derivative financial liabilities	24(e)	(49)	(10)
Net defined benefit retirement obligations	20	(70)	(82)
Deferred tax liabilities	6(d)	(3,838)	(4,291)
		(79,713)	(49,674)
Net assets			
		92,709	94,182
Capital and reserves			
Share capital	21	30,648	30,648
Reserves		50,050	51,469
Perpetual capital securities	22	11,585	11,585
Total equity attributable to equity holders of the Authority		92,283	93,702
Non-controlling interests		426	480
Total equity		92,709	94,182

Approved and authorised for issue on behalf of the Members of the Board on 30 May 2022.

The Hon Jack So Chak-kwong
Chairman

Mr Fred Lam Tin-fuk
Chief Executive Officer

Mr Julian Lee Pui-hang
Executive Director, Finance

The notes on pages 105 to 162 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022 (Expressed in Hong Kong dollars)

\$ million	Note	Attributable to equity holders of the Authority									Non-controlling interests	Total equity
		Share capital	Exchange reserve	Capital reserve	Contribution from the Government	Hedging reserve	Cost of hedging reserve	Retained profits	Perpetual capital securities	Total		
At 1 April 2020		30,648	75	1,062	-	(22)	115	53,890	-	85,768	417	86,185
Changes in equity for the year:												
Loss for the year		-	-	-	-	-	(4,400)	-	(4,400)	32	(4,368)	
Other comprehensive income		-	403	-	-	177	(42)	211	-	749	31	780
Total comprehensive income		-	403	-	-	177	(42)	(4,189)	-	(3,651)	63	(3,588)
Transfer from retained profits to capital reserve	21(c)(ii)	-	-	37	-	-	-	(37)	-	-	-	-
Issue of perpetual capital securities	22	-	-	-	-	-	-	-	11,628	11,628	-	11,628
Direct costs for issue of perpetual capital securities		-	-	-	-	-	-	-	(43)	(43)	-	(43)
At 31 March 2021 and 1 April 2021		30,648	478	1,099	-	155	73	49,664	11,585	93,702	480	94,182
Changes in equity for the year:												
Loss for the year		-	-	-	-	-	(3,014)	263	(2,751)	(4)	(2,755)	
Other comprehensive income		-	208	-	-	682	(117)	35	-	808	12	820
Total comprehensive income		-	208	-	-	682	(117)	(2,979)	263	(1,943)	8	(1,935)
Transfer from retained profits to capital reserve	21(c)(ii)	-	-	39	-	-	-	(39)	-	-	-	-
Contribution from the Government	21(c)(iii)	-	-	-	787	-	-	-	-	787	-	787
Distribution to perpetual capital securities holders	22	-	-	-	-	-	-	-	(263)	(263)	-	(263)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	(62)	(62)
At 31 March 2022		30,648	686	1,138	787	837	(44)	46,646	11,585	92,283	426	92,709

The notes on pages 105 to 162 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2022 (Expressed in Hong Kong dollars)

\$ million	Note	2022	2021
Operating activities			
Loss before taxation		(3,308)	(5,197)
Adjustments for:			
Depreciation		2,847	2,905
Amortisation of interest in leasehold land		156	229
Amortisation of intangible assets		36	35
Interest on notes and bank loans		897	455
Interest on lease liabilities		-	1
Other borrowing costs and interest expense		92	116
Borrowing costs capitalised into assets under construction		(1,039)	(536)
Interest income		(91)	(134)
Fair value loss/(gain) on derivative financial instruments in fair value hedges		1	(7)
Net loss on derivative financial instruments in cash flow hedges		64	7
Net (gain)/loss on underlying hedged interest-bearing borrowings in fair value hedges		(11)	8
Share of results of an associate		(78)	(53)
Share of results of joint ventures		46	34
(Reversal of impairment losses)/impairment losses on trade and other receivables		(28)	195
Net loss on disposal of other property, plant and equipment		11	30
Gain on step acquisition		(59)	-
Net foreign exchange loss		10	19
Amortisation of deferred income		(215)	(547)
Expenses recognised in respect of defined benefit retirement plans		43	48
Operating loss before changes in working capital		(626)	(2,392)
Increase in stores and spares		(10)	(18)
Increase in trade and other receivables		(88)	(170)
Increase/(decrease) in trade and other payables		312	(153)
Decrease in deferred income		-	(37)
Decrease in net defined benefit retirement obligations		(19)	(65)
Cash used in operations		(431)	(2,835)
Hong Kong Profits Tax paid		(34)	(106)
PRC Corporate Income Tax paid		(7)	(1)
Net cash used in operating activities		(472)	(2,942)
Investing activities			
Net maturity/(placement) of deposits with banks with over three months of maturity when placed		5,362	(9,904)
Interest received		106	244
Dividend received from an associate	12	268	15
Dividend received from a joint venture		1	2
Dividend paid to non-controlling interests		(62)	-
Advance payments to contractors		(14)	(16)
Payments for the purchase of other property, plant and equipment		(26,785)	(23,185)
Receipts from disposal of other property, plant and equipment		-	4
Payment of annual franchise fee for a PRC subsidiary		(26)	(38)
Net cash inflows arising from the Step Acquisition	23	66	-
Net cash used in investing activities		(21,084)	(32,878)

Consolidated Cash Flow Statement

<i>\$ million</i>	Note	2022	2021
Financing activities			
Interest paid on notes and bank loans	15(b)	(713)	(382)
Interest element of lease rentals paid	15(b)	-	(1)
Other borrowing costs and interest expense paid	15(b)	(227)	(384)
Capital element of lease rentals paid	15(b)	(16)	(14)
Airport construction fee received	15(b)	128	613
Drawdown of new bank loans	15(b)	-	17,500
Receipts from issue of notes	15(b)	31,049	19,808
Repayment of notes	15(b)	-	(600)
Net interest expense paid on interest rate swaps	15(b)	(72)	(5)
Issue of perpetual capital securities	22	-	11,628
Direct costs for issue of perpetual capital securities		-	(43)
Distribution paid on perpetual capital securities	22	(263)	-
Net cash generated from financing activities		29,886	48,120
Net increase in cash and cash equivalents		8,330	12,300
Cash and cash equivalents at beginning of year		18,521	6,188
Effect of foreign exchange rate changes		15	33
Cash and cash equivalents at end of year	15(a)	26,866	18,521

The notes on pages 105 to 162 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

1. Principal Activities of the Authority

The Airport Authority (“the Authority”) is a statutory corporation wholly owned by the Government of the Hong Kong Special Administrative Region of the People’s Republic of China (“the Government”). It was formally established on 1 December 1995 when the Airport Authority Ordinance (“the Ordinance”) was brought into effect as a continuation of the Provisional Airport Authority which had been set up in 1990.

The Authority’s statutory purpose is to provide, operate, develop and maintain Hong Kong’s airport at Chek Lap Kok, in order to maintain Hong Kong’s status as a centre of international and regional aviation. Pursuant to these purposes, the Authority may also engage in airport-related activities in trade, commerce or industry at Chek Lap Kok and is permitted to engage in or carry out airport-related activities at any place in or outside Hong Kong. The Authority is required under the Ordinance to conduct its business according to prudent commercial principles.

The Authority’s principal subsidiaries and their principal activities are set out in note 11.

The Authority and its subsidiaries are collectively referred to as the group.

2. Statement of Compliance and Basis of Preparation of the Consolidated Financial Statements

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) with the exception of disclosure of Earnings Per Share which is not relevant to the Authority as the Authority’s shares are not publicly traded. A summary of the significant accounting policies adopted by the group is set out in note 31.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the Authority. Note 31(a) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these consolidated financial statements. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 32).

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements comprise the financial statements of the group as well as the group’s interests in an associate and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain financial instruments which are adjusted for or stated at their fair values as explained in note 23 and the accounting policies set out in notes 31(e), (f) and (n).

Notes to the Consolidated Financial Statements

2. Statement of Compliance and Basis of Preparation of the Consolidated Financial Statements (continued)

(b) Basis of preparation of the consolidated financial statements (continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 29.

3. Operating Loss Before Interest and Finance Costs

(a) Operating loss before interest and finance costs of the group is arrived at after charging/(crediting):

<i>\$ million</i>	2022	2021
Auditors' remuneration:		
– audit services	5	7
– tax services	2	1
– other services	–	1
Stores and spares expensed	51	59
Net loss on disposal of other property, plant and equipment	11	30
Gain on step acquisition (note 23)	(59)	–
(Reversal of impairment losses)/impairment losses on trade and other receivables (note 14(b))	(28)	195
Depreciation:		
– owned assets leased out under operating leases (note 9(d))	116	141
– right-of-use assets	15	24
– other assets	2,716	2,740
Amortisation:		
– interest in leasehold land		
– leased out under operating leases (note 9(d))	12	18
– others	144	211
– intangible assets (note 10)	36	35
Expense relating to short-term leases and low-value assets	2	2
Rentals from investment property less direct outgoings of \$24 million (2021: \$25 million)	(2)	(20)

3. Operating Loss Before Interest and Finance Costs (continued)

(b) Other operating expenses

Other operating expenses include the (reversal of impairment losses)/impairment losses on trade and other receivables (note 14(b)). In prior year, other operating expenses also included the purchases of air tickets from home-based airlines to provide liquidity support to the airlines.

4. Staff Costs and Related Expenses

<i>\$ million</i>	2022	2021
Contributions to defined contribution retirement plans	154	154
Expenses recognised in respect of defined benefit retirement plans (note 20)	43	48
Total retirement costs	197	202
Salaries, wages and other benefits	3,557	3,558
Total staff costs and related expenses	3,754	3,760
Less: staff costs and related expenses capitalised into assets under construction	(954)	(910)
	2,800	2,850

5. Finance Costs

<i>\$ million</i>	2022	2021
Interest on bank loans	161	128
Interest on notes	736	327
Interest on lease liabilities	-	1
Other borrowing costs	74	64
Other interest expense	18	52
Total interest expense	989	572
Net foreign exchange loss	10	19
Fair value loss/(gain) on derivative financial instruments in fair value hedges ¹	1	(7)
Net loss on derivative financial instruments in cash flow hedges	64	7
Net (gain)/loss on underlying hedged interest-bearing borrowings in fair value hedges	(11)	8
Less: borrowing costs capitalised into assets under construction	(1,039)	(536)
	14	63

¹ Includes net interest income of \$7 million (2021: \$4 million) in respect of interest rate swaps under fair value hedging arrangements.

The borrowing costs have been capitalised at the average cost of funds to the group calculated on a monthly basis. The average interest rate used for capitalisation for the year was 2.13% (2021: 2.53%) per annum.

Notes to the Consolidated Financial Statements

6. Taxation

(a) Taxation in the consolidated statement of profit or loss represents:

<i>\$ million</i>	2022	2021
Current tax – Hong Kong Profits Tax		
– provision for the year	16	17
– over-provision in respect of prior year	-	(5)
Current tax – PRC Corporate Income Tax		
– provision for the year	1	3
– under/(over)-provision in respect of prior year	2	(3)
Deferred tax (note 6(d))		
– origination and reversal of temporary differences	(572)	(841)
Income tax credit	(553)	(829)

The provisions for Hong Kong Profits Tax for both years are calculated at 8.25% of the estimated assessable profits for the year up to \$2 million and 16.5% on any part of the estimated assessable profits for the year over \$2 million.

The provision for PRC Corporate Income Tax is calculated at 25% (2021: 25%) of the estimated assessable profits for the year.

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

<i>\$ million</i>	2022	2021
Loss before taxation	(3,308)	(5,197)
Notional tax credit on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	(563)	(892)
Tax effect of non-deductible expenses	34	78
Tax effect of non-taxable income	(29)	(20)
Under/(over)-provision in respect of prior year	2	(8)
Tax effect of tax loss and other temporary differences not recognised	5	15
Tax effect of temporary differences previously not recognised	(2)	(2)
Actual tax credit	(553)	(829)

(c) Taxation in the consolidated statement of financial position represents:

<i>\$ million</i>	2022	2021
Provision for the year (note 6(a))		
– Hong Kong Profits Tax	16	17
– PRC Corporate Income Tax	1	3
Provisional Hong Kong Profits Tax paid	(33)	(3)
PRC Corporate Income Tax paid/payable	(7)	(1)
Balance of tax recoverable relating to prior years	(290)	(307)
	(313)	(291)
Classified in the consolidated statement of financial position as:		
Tax recoverable	(313)	(308)
Current taxation	-	17
	(313)	(291)

6. Taxation (continued)

(d) Deferred tax assets and liabilities recognised in the consolidated statement of financial position represents:

The components of deferred tax (assets)/liabilities of the group recognised in the consolidated statement of financial position and the movements during the year are as follows:

<i>\$ million</i>	Depreciation allowances in excess of the related depreciation and other expenses	Tax loss	Deferred income, defined benefit retirement plan liability and others	Undistributed profits of a PRC joint venture	Total
Deferred tax arising from:					
At 1 April 2020	5,227	–	(225)	46	5,048
Charged/(credited) to profit or loss	583	(1,390)	(36)	2	(841)
Charged to other comprehensive income	–	–	84	–	84
At 31 March 2021	5,810	(1,390)	(177)	48	4,291
At 1 April 2021	5,810	(1,390)	(177)	48	4,291
Charged/(credited) to profit or loss	891	(1,457)	(4)	(2)	(572)
Charged to other comprehensive income	–	–	119	–	119
At 31 March 2022	6,701	(2,847)	(62)	46	3,838

(e) Deferred tax assets not recognised in the consolidated statement of financial position:

The group has not recognised deferred tax assets in respect of subsidiaries' cumulative tax losses and other temporary differences of \$125 million (2021: \$96 million) and \$nil (2021: \$2 million) respectively as it is not probable that sufficient future taxable profits against which the cumulative tax losses and other temporary differences can be utilised. Tax losses relating to subsidiaries in Hong Kong do not expire under the current tax legislation.

7. Emoluments of the Members of the Board and Executive Directors

Members of the Board, the Chief Executive Officer and Executive Directors are considered to be key management personnel of the Authority. There are three components of emoluments paid to the Chief Executive Officer and Executive Directors.

Basic compensation

Basic compensation consists of base salary, housing and other allowances and benefits in kind.

Performance-related compensation

This represents discretionary payments depending on individual performance and the performance of the group.

Retirement benefits

Retirement benefits relate to the group's contribution to retirement funds or gratuities in lieu of retirement plan contributions accrued.

Notes to the Consolidated Financial Statements

7. Emoluments of the Members of the Board and Executive Directors

(continued)

(a) Emoluments of the Members of the Board

The emoluments of the Members of the Board of the Authority are as follows:

2022 \$'000	Board Member's fee	Basic compensation	Performance- related compensation	Retirement benefits	Total
Members of the Board					
Non-executive Members					
Jack So Chak-kwong ¹	-	-	-	-	-
Sabrina Chao Sih-ming (appointed in June 2021)	92	-	-	-	92
Rock Chen Chung-nin	110	-	-	-	110
Irene Chow Man-ling	110	-	-	-	110
Stuart Thomson Gulliver	110	-	-	-	110
Nisa Bernice Leung Wing-yu	110	-	-	-	110
Lo Wai-kwok	110	-	-	-	110
Edwin Tong Ka-hung (appointed in June 2021)	92	-	-	-	92
Adrian Wong Koon-man	110	-	-	-	110
William Wong Ming-fung	110	-	-	-	110
Thomas Jefferson Wu	110	-	-	-	110
Frankie Yick Chi-ming	110	-	-	-	110
Allan Zeman	110	-	-	-	110
Secretary for Financial Services and the Treasury ²	110	-	-	-	110
Secretary for Transport and Housing ²	110	-	-	-	110
Director-General of Civil Aviation ²	110	-	-	-	110
Steven Ho Chun-yin (retired in May 2021)	18	-	-	-	18
Billy Wong Wing-hoo (retired in May 2021)	18	-	-	-	18
Executive Member					
Fred Lam Tin-fuk (Chief Executive Officer)	-	6,810	3,300	905	11,015
	1,650	6,810	3,300	905	12,665

¹ Jack So Chak-kwong has donated his Chairman's Fee as "Jack So Scholarship" to children of Airport Authority employees and therefore no payment has been made to him.

² Members who are public officers. Fees payable to the Members who are public officers are received by the Government rather than by the individuals concerned.

7. Emoluments of the Members of the Board and Executive Directors

(continued)

(a) Emoluments of the Members of the Board (continued)

2021 \$'000	Board Member's fee	Basic compensation	Performance- related compensation	Retirement benefits	Total
Members of the Board					
Non-executive Members					
Jack So Chak-kwong ¹	-	-	-	-	-
Rock Chen Chung-nin (appointed in June 2020)	92	-	-	-	92
Irene Chow Man-ling (appointed in June 2020)	92	-	-	-	92
Stuart Thomson Gulliver	110	-	-	-	110
Steven Ho Chun-yin	110	-	-	-	110
Nisa Bernice Leung Wing-yu (appointed in October 2020)	55	-	-	-	55
Lo Wai-kwok	110	-	-	-	110
Adrian Wong Koon-man	110	-	-	-	110
Billy Wong Wing-hoo	110	-	-	-	110
William Wong Ming-fung (appointed in October 2020)	55	-	-	-	55
Thomas Jefferson Wu	110	-	-	-	110
Frankie Yick Chi-ming	110	-	-	-	110
Allan Zeman	110	-	-	-	110
Secretary for Financial Services and the Treasury ²	110	-	-	-	110
Secretary for Transport and Housing ²	110	-	-	-	110
Director-General of Civil Aviation ²	110	-	-	-	110
Franklin Lam Fan-keung (retired in May 2020)	18	-	-	-	18
Peter To (retired in May 2020)	18	-	-	-	18
Carlson Tong (resigned in July 2020)	31	-	-	-	31
Executive Member					
Fred Lam Tin-fuk (Chief Executive Officer)	-	6,217	2,936	905	10,058
	1,571	6,217	2,936	905	11,629

¹ Jack So Chak-kwong has donated his Chairman's Fee as "Jack So Scholarship" to children of Airport Authority employees and therefore no payment has been made to him.

² Members who are public officers. Fees payable to the Members who are public officers are received by the Government rather than by the individuals concerned.

7. Emoluments of the Members of the Board and Executive Directors

(continued)

(b) Emoluments of Executive Directors

The aggregate of the emoluments of the Executive Directors of the Authority is as follows:

\$'000	2022	2021
Basic compensation	21,482	21,863
Performance-related compensation	9,379	9,383
Retirement benefits	2,505	2,847
	33,366	34,093

Shown below is the number of Executive Directors, whose emoluments fall within the bands stated:

\$	Number of individuals	
	2022	2021
500,001 – 1,000,000	1	–
1,000,001 – 1,500,000	1	–
3,500,001 – 4,000,000	–	1
4,000,001 – 4,500,000	1	1
4,500,001 – 5,000,000	1	2
5,000,001 – 5,500,000	3	1
5,500,001 – 6,000,000	–	1
6,000,001 – 6,500,000	–	1
6,500,001 – 7,000,000	1	–
	8	7

During the year, the five individuals with the highest emoluments comprise the Chief Executive Officer and four Executive Directors (2021: five comprise the Chief Executive Officer and four Executive Directors), whose emoluments are disclosed under note 7(a) and above, respectively.

8. Segmental Information

Services from which reportable segments derive their revenue

Information reported to the group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the group as a whole, as all of the group's activities are considered to be primarily dependent on the airport traffic and are highly integrated and interdependent on each other. Resources are allocated based on what is beneficial for the group in enhancing the airport experience as a whole rather than any specific department. Performance assessment is based on the results of the group as a whole with operating parameters set out for each department. Consequently, management considers there to be only one operating segment under the requirements of HKFRS 8, "Operating segments", and believes that this presentation provides more relevant information.

Reconciliation of segmental information to the information presented in the consolidated financial statements has not been presented, as the reconciling items net of consolidation adjustments are considered to be immaterial to the group.

Information provided to management in respect of the group's revenues, expenses, assets and liabilities is materially similar to that reported in these consolidated financial statements.

8. Segmental Information (continued)

Revenue from major services

The group's revenue from its major services is set out in the consolidated statement of profit or loss.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major services is as follows:

<i>\$ million</i>	2022	2021
Revenue from contracts with customers within the scope of HKFRS 15		
Airport charges	2,101	1,731
Security charges	46	23
Aviation security services	567	486
Others	297	401
	3,011	2,641
Revenue from other sources		
Airside support services franchises	1,660	1,486
Retail licences and advertising revenue	62	203
Other terminal commercial revenue	677	915
Others	388	691
	2,787	3,295
	5,798	5,936

The group's revenue from contracts with customers within the scope of HKFRS 15 is mainly recognised at a point in time.

Geographical information

No geographical information is shown as the revenue and operating loss of the group is substantially derived from activities in Hong Kong, other than its investments in certain subsidiaries and interests in joint ventures in the PRC, details of which are disclosed under notes 11 and 13 to the consolidated financial statements respectively.

Information about major customers

The group's customer base is diversified and includes one customer (2021: one customer) with whom transactions have exceeded 10% of the group's revenue.

Included in the revenue for the year are aggregated revenues of approximately \$1,164 million which arose from this customer (2021: \$1,036 million from one customer). This includes only revenue arising from those entities which are known to the group to be under common control of this customer.

Notes to the Consolidated Financial Statements

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment

(a) Reconciliation of carrying amount

\$ million	Other property, plant and equipment										Total
	Airfields	Terminal complexes & ground transportation centre	Access, utilities, other buildings & support facilities	Systems, installations, plant & equipment	Furniture, fixtures & equipment	Right-of-use assets	Construction in progress	Sub-total	Investment property	Interest in leasehold land	
Cost											
At 1 April 2020	14,576	30,714	16,793	15,765	2,876	37	44,184	124,945	146	11,309	136,400
Exchange adjustments	1	11	-	14	14	-	8	48	-	-	48
Additions	7	13	2	497	310	23	20,776	21,628	-	-	21,628
Reclassifications	503	2,124	(419)	(210)	168	-	(2,156)	10	(10)	-	-
Disposals	(98)	(1,346)	(269)	(363)	(82)	-	-	(2,158)	-	-	(2,158)
At 31 March 2021	14,989	31,516	16,107	15,703	3,286	60	62,812	144,473	136	11,309	155,918
At 1 April 2021	14,989	31,516	16,107	15,703	3,286	60	62,812	144,473	136	11,309	155,918
Exchange adjustments	-	7	-	9	11	-	3	30	-	-	30
Additions	3	55	33	316	205	28	27,451	28,091	-	-	28,091
Acquired through step acquisition (note 23)	-	-	651	284	-	-	9	944	-	127	1,071
Reclassifications	234	1,157	956	220	171	-	(2,712)	26	(26)	-	-
Disposals	(9)	(4)	(12)	(72)	(43)	(11)	-	(151)	-	-	(151)
At 31 March 2022	15,217	32,731	17,735	16,460	3,630	77	87,563	173,413	110	11,436	184,959
Accumulated depreciation, amortisation and impairment											
At 1 April 2020	5,304	15,110	8,419	7,318	1,924	14	-	38,089	77	5,010	43,176
Exchange adjustments	-	4	-	4	4	-	-	12	-	-	12
Charge for the year	451	1,042	494	661	228	24	-	2,900	5	229	3,134
Reclassifications	-	-	4	1	-	-	-	5	(5)	-	-
Written back on disposals	(93)	(1,329)	(264)	(360)	(78)	-	-	(2,124)	-	-	(2,124)
At 31 March 2021	5,662	14,827	8,653	7,624	2,078	38	-	38,882	77	5,239	44,198
At 1 April 2021	5,662	14,827	8,653	7,624	2,078	38	-	38,882	77	5,239	44,198
Exchange adjustments	-	3	-	4	6	1	-	14	-	-	14
Charge for the year	447	901	538	737	205	15	-	2,843	4	156	3,003
Reclassifications	-	-	13	1	1	-	-	15	(15)	-	-
Written back on disposals	(9)	(3)	(11)	(67)	(39)	(11)	-	(140)	-	-	(140)
At 31 March 2022	6,100	15,728	9,193	8,299	2,251	43	-	41,614	66	5,395	47,075
Net book value											
At 31 March 2022	9,117	17,003	8,542	8,161	1,379	34	87,563	131,799	44	6,041	137,884
At 31 March 2021	9,327	16,689	7,454	8,079	1,208	22	62,812	105,591	59	6,070	111,720

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

- (b) Under the Private Treaty Land Grant issued by the Government for the period from 1 December 1995 to 30 June 2047 (“the Land Grant”), the Government has granted to the Authority up to the year 2047 the legal rights to the entire airport site at Chek Lap Kok together with the rights necessary to develop such site for the purposes of its business. In September 2016, the Government approved that the North Commercial District (“NCD”) area be carved out from the original land lease and put under a new lease with a 50-year term granted to the Authority up to the year 2066 to support NCD development. In August 2021, the lease term of the remaining portions in the original land lease shall be extended to the year 2071 by way of a reversionary lease granted by the Government (“the extended Land Grant”). This resulted in a decrease in the group’s depreciation charge for the year of \$368 million. The net land formation cost of \$11,436 million (2021: \$11,309 million) and the land premium of \$4,000 (2021: \$4,000) have been classified as interest in leasehold land. The costs of interest in leasehold land do not include future land premium, if any.

In August 2021, a Private Treaty Land Grant for the Three-runway System (“3RS”) at new reclamation land at Chek Lap Kok has been granted by the Government to the Authority up to the year 2071. The net reclamation cost and the land premium of \$1,000 have been classified as construction in progress.

(c) Fair value measurement of investment property

The investment property is stated at cost net of accumulated depreciation and impairment losses with fair value disclosed for reference purpose.

The group engaged an independent firm of surveyors, Knight Frank Petty Limited (“the valuer”), who have among their staff Fellow members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued, to value its investment property for disclosure purposes. The valuer has considered the assignment restrictions on the investment property in the valuation. The fair value of the group’s investment property as at 31 March 2022 calculated by reference to net rental income allowing for reversionary income potential amounted to \$334 million (2021: \$470 million), which falls under Level 3 of the fair value hierarchy (note 24(e)).

The fair value of the group’s investment property is determined by the Income Approach. Under the Income Approach, the existing rental income from all lettable space of the investment property is capitalised for their respective unexpired terms of contractual tenancies. Upon reversion, i.e. the expiry of an existing tenancy, each office space is assumed to be let at the market rent at the reporting date, which in turn is capitalised at the market yield as expected by investors for this type of property and due consideration has been made of the market expectation of the renewal of Government leases upon expiry. Vacant units, if any, are assumed to be let at their respective market rents at the reporting date. The summation of the capitalised value of the term income and the capitalised value of the reversion income as appropriately deferred provide the market value of the investment property.

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

- (d) The group has granted sub-leases of its interest in leasehold land for airport related development and the provision of airside support services under franchise/sub-lease agreements for periods ranging from 5 to 49 years. Under the franchise/sub-lease agreements, the franchisees/lessees are granted sub-leases of interest in leasehold land for the periods of the respective franchises/sub-leases. The group also leases out part of the terminal complexes, other building and related assets under operating leases for periods generally ranging from one year to five years. All terms are renegotiated on renewal.

Payments receivable under the above mentioned operating leases and franchise/sub-lease arrangements are either adjusted periodically to reflect prevailing market indices or contain contingent rentals based on passenger flow and revenue of tenants and franchisees.

The total future minimum payments (excluding contingent rentals) under non-cancellable operating leases and franchise/sub-lease agreements receivable by the group are as follows:

<i>\$ million</i>	2022	2021
Within one year	2,989	2,794
After one but within five years	6,242	6,112
After five years	11,036	11,158
	20,267	20,064

In addition to the above, in a prior year, the group began to sub-lease a portion of its interest in leasehold land to a developer to develop and manage a commercial development in SKYCITY which is scheduled to be opened in phases. The sub-lease agreement is for the period to 2066. The group will receive revenue rent only during the initial phase of operations, as set out in the agreement. Subsequent to the initial phase, the group will receive the higher of a guaranteed rent or revenue rent throughout the remaining lease term. Revenue rent represents 20%, or 30%, subject to subsequent adjustment, of the gross revenue derived from the commercial development.

During the year, \$2,534 million (2021: \$2,723 million) was recognised as income in profit or loss in respect of the operating leases and franchise/sub-lease agreements, which included contingent rentals of \$514 million (2021: \$642 million).

The cost less accumulated amortisation of the interest in leasehold land for airport related development and the provision of airside support services sub-leased to third parties under non-cancellable franchise/sub-lease agreements for the group as at 31 March 2022 was \$456 million (2021: \$469 million) with annual amortisation amounting to \$12 million (2021: \$18 million).

The cost less accumulated depreciation of other property, plant and equipment leased to third parties under non-cancellable operating leases for the group as at 31 March 2022 was \$2,785 million (2021: \$2,229 million) with annual depreciation amounting to \$116 million (2021: \$141 million).

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

- (e) A review of the useful life of investment property and other property, plant and equipment is undertaken by the Authority periodically. Apart from those disclosed in note 9(b), there is no change in the estimated useful lives of investment property and other property, plant and equipment from the review undertaken during the year. A similar review undertaken during the previous year resulted in a net increase in the group's annual depreciation charge of \$12 million.

10. Intangible assets

<i>\$ million</i>	2022	2021
Cost		
At 1 April	565	540
Exchange adjustments	13	25
Eliminated upon step acquisition (note 23)	(238)	-
At 31 March	340	565
Accumulated amortisation		
At 1 April	284	232
Exchange adjustments	9	17
Charge for the year	36	35
Eliminated upon step acquisition (note 23)	(66)	-
At 31 March	263	284
Net book value		
At 31 March	77	281

Intangible asset as at 31 March 2022 represents the right to operate and manage Zhuhai Airport which is being amortised over 20 years on a straight line basis. Intangible assets as at 31 March 2021 represented the rights to operate and manage Zhuhai Airport and AsiaWorld-Expo which were being amortised over 20 years and 12.5 years on a straight line basis respectively.

Notes to the Consolidated Financial Statements

11. Investments in Subsidiaries

The following list contains only the particulars of principal subsidiaries. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up ordinary share capital/ registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Authority	Held by subsidiaries	
Aviation Security Company Limited ("AVSECO")	Hong Kong	\$10,000,000	51%	51%	–	Provision of aviation security services
HKIA Precious Metals Depository Limited	Hong Kong	\$2	100%	100%	–	Provision of storage space and related services
Hong Kong – Zhuhai Airport Management Co., Ltd. ("HKZAM") * (note 11(a))	PRC	RMB360 million	55%	–	55%	Airport management and provision of transportation and ground services relating to aviation
AsiaWorld-Expo Management Limited ("AWEM") (note 11(b))	Hong Kong	\$100,000	100%	–	100%	AsiaWorld-Expo exhibition centre operation and management
Hong Kong IEC Limited ("HKIEC") (notes 12 and 23)	Hong Kong	Ordinary shares: \$2,267,084,251 Preference shares: \$403,758,261	100%	–	100%	Development and holding of AsiaWorld-Expo exhibition centre

* A sino-foreign equity joint venture

(a) HKZAM

The following table lists out the information relating to HKZAM, the only subsidiary of the group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

<i>\$ million</i>	2022	2021
NCI percentage	45%	45%
Non-current assets	652	609
Current assets	474	563
Non-current liabilities	(120)	(249)
Current liabilities	(299)	(191)
Net assets	707	732
Carrying amount of NCI	318	329
Revenue	540	551
(Loss)/profit for the year	(52)	29
Total comprehensive income for the year	(55)	31
(Loss)/profit for the year allocated to NCI	(24)	14
Total comprehensive income for the year allocated to NCI	(25)	15

11. Investments in Subsidiaries (continued)

(b) AWEM

AWEM operates AsiaWorld-Expo exhibition centre under a management and operating agreement up to 2031 in return for a management fee. AsiaWorld-Expo exhibition centre is held by HKIEC, an indirect wholly owned subsidiary of the Authority as at 31 March 2022 (see notes 12 and 23).

12. Interest in an Associate

<i>\$ million</i>	2022	2021
Share of net assets	-	187
Amount due from an associate	-	268
Preference shares premium	-	172
	-	627

Details of the group's interest in an associate as at 31 March 2021, which was accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associate	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activity
			Group's effective interest	Held by a subsidiary	
HKIEC	Hong Kong	\$2,670,842,512	15.1%	15.1%	Development and holding of AsiaWorld-Expo exhibition centre

In September 2018, the group acquired all preference shares issued by HKIEC, which represent 15.1% of the total equity interest of HKIEC, at a consideration of \$652 million in cash. Net assets of HKIEC include mainly the carrying amounts of the AsiaWorld-Expo exhibition centre facilities.

The group is entitled to the equity return from HKIEC and the return arising from the preference shares in form of preferred dividend. The settlement of the preferred dividend is subject to the availability of the distributable profits or cash surplus of HKIEC. The share of profit from HKIEC for the year is \$78 million (2021: \$53 million). During the year, preferred dividend of \$268 million was received in cash (2021: \$15 million).

In March 2022, the Authority acquired the remaining equity interest of 88.2% in IEC Holdings Limited from the Government (the "March 2022 Acquisition"). Upon completion of the March 2022 Acquisition, HKIEC has become an indirect wholly owned subsidiary of the Authority thereafter. Details of the March 2022 Acquisition are disclosed in note 23.

13. Interests in Joint Ventures

<i>\$ million</i>	2022	2021
Share of net assets	4,614	4,483
Goodwill	237	227
	4,851	4,710

Details of the group's interests in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up registered capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Held by the Authority	
Hangzhou Xiaoshan International Airport Co., Ltd. ("HXIA")	Incorporated	PRC	RMB5,686 million	35%	35%	Management, operation and development of Hangzhou Xiaoshan International Airport and provision of related services
Shanghai Hong Kong Airport Management Co., Ltd. ("SHKAM")	Incorporated	PRC	RMB100 million	49%	49%	Management and operation of the terminals at Hongqiao International Airport, Shanghai ("HIA")

The above entities have 31 December as their statutory financial year end date, which is not coterminous with that of the group. The Authority has determined that it is more practicable to incorporate its share of the results and net assets based on the joint ventures' statutory financial year adjusted for the Authority's accounting policies.

(a) HXIA

HXIA is an unlisted sino-foreign equity joint venture with a period of operation of 30 years.

Summary of financial information of HXIA, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

<i>\$ million</i>	2022	2021
Gross amounts of HXIA		
Non-current assets	32,758	23,653
Current assets	3,748	4,240
Non-current liabilities	(13,409)	(7,354)
Current liabilities	(10,097)	(7,909)
Net assets/equity	13,000	12,630

13. Interests in Joint Ventures (continued)

(a) HXIA (continued)

<i>\$ million</i>	2022	2021
Income	3,031	2,880
Expenses	(3,151)	(2,977)
Loss before taxation	(120)	(97)
Income tax	(13)	(4)
Loss after taxation	(133)	(101)
Other comprehensive income	(14)	33
Total comprehensive income	(147)	(68)

<i>\$ million</i>	2022	2021
Reconciled to the group's interest in HXIA		
Gross amounts of HXIA's net assets	13,000	12,630
Group's effective interest	35%	35%
Group's share of HXIA's net assets	4,550	4,421
Goodwill	237	227
Carrying amount in the consolidated financial statements	4,787	4,648

The movements in retained profits during the year are as follows:

<i>\$ million</i>	2022	2021
Share of loss after taxation	(47)	(35)
Share of other comprehensive income	(5)	11
Less: transfer to capital reserve	(17)	(15)
Share of loss and other comprehensive income to be retained	(69)	(39)
Share of retained profits brought forward from previous years	1,232	1,271
Share of retained profits carried forward to next year	1,163	1,232

The movements in capital reserve during the year are as follows:

<i>\$ million</i>	2022	2021
At 1 April	1,013	998
Transfer from retained profits	17	15
At 31 March	1,030	1,013

The outstanding commitments of HXIA in respect of capital expenditure not provided for in the consolidated financial statements are as follows:

<i>\$ million</i>	2022	2021
Contracted for	1,822	7,111
Authorised but not contracted for	11,528	14,693
	13,350	21,804

These are to be financed independently by HXIA through its internal resources or borrowings. No commitment has been made by the group to contribute by way of equity, loans or guarantees thereof for this purpose.

Notes to the Consolidated Financial Statements

13. Interests in Joint Ventures (continued)

(b) SHKAM

SHKAM, an unlisted sino-foreign equity joint venture, manages and operates the terminals at HIA, under a management contract signed for 20 years commencing from December 2009 in return for a management fee to be paid by Shanghai Airport (Group) Co. Ltd. Hongqiao International Airport Company.

Summarised financial information of SHKAM, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

<i>\$ million</i>	2022	2021
Gross amounts of SHKAM		
Current assets	139	135
Current liabilities	(9)	(9)
Net assets/equity	130	126
Income Statement		
<i>\$ million</i>	2022	2021
Income	12	12
Expenses	(9)	(8)
Profit before taxation	3	4
Income tax	(1)	(1)
Net profit and other comprehensive income	2	3
Reconciliation to the group's interest in SHKAM		
<i>\$ million</i>	2022	2021
Reconciled to the group's interest in SHKAM		
Gross amounts of SHKAM's net assets	130	126
Group's effective interest	49%	49%
Group's share of SHKAM's net assets and carrying amount in the consolidated financial statements	64	62

14. Trade and Other Receivables

<i>\$ million</i>	2022	2021
Trade debtors	3,483	3,378
Less: loss allowance (note 14(b))	(1,088)	(1,116)
	2,395	2,262
Other debtors	35	59
	2,430	2,321
Advance payments to contractors	20	16
Prepayments	218	236
Deposits and debentures	31	32
	2,699	2,605
Classified in the consolidated statement of financial position as:		
Current assets	2,679	2,505
Non-current assets	20	100
	2,699	2,605

As at 31 March 2022, all of the trade and other receivables under current assets are expected to be recovered or recognised as an expense within one year except for \$20 million (2021: \$18 million), which is expected to be recovered after more than one year.

14. Trade and Other Receivables (continued)

- (a) The ageing analysis of trade debtors based on overdue days and net of loss allowance, included above is as follows:

<i>\$ million</i>	2022	2021
Amounts not yet due	1,432	1,383
Less than one month past due	38	120
One to three months past due	106	87
More than three months past due	819	672
	2,395	2,262

Trade debtors are generally due within 14 to 30 days from the date of billing. The group's credit policy is set out in note 24(a). The group holds cash deposits and bank guarantees of \$3,335 million (2021: \$3,003 million) as collateral over the trade debtors.

- (b) **Impairment of trade debtors**

Impairment losses in respect of trade debtors are recorded using an allowance account unless the group considers that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (note 31(l)).

The movements in the loss allowance during the year are as follows:

<i>\$ million</i>	2022	2021
At 1 April	1,116	927
Impairment losses (reversed)/recognised in other operating expenses	(28)	195
Uncollectible amounts written off	-	(6)
At 31 March	1,088	1,116

- (c) **Credit risk arising from trade debtors**

The group measures loss allowance for trade debtors at an amount equal to lifetime expected credit losses ("ECLs"), which is calculated using a provision matrix. Expected loss rates are based on actual loss experience in the past for the respective customer bases. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the trade debtors.

Expected loss rates ranged from 31% to 88% for debtors 1-30 days past due to 211-240 days past due (2021: 12% to 100% for debtors 1-30 days past due to 91-120 days past due). The Authority usually fully provides for trade receivables aged over 240 days (2021: 180 days) based on historical experience save for any exceptional exposures.

Notes to the Consolidated Financial Statements

15. Cash and Bank Balances and Other Cash Flow Information

(a) Cash and bank balances comprise:

<i>\$ million</i>	2022	2021
Deposits with banks within three months of maturity when placed	22,044	16,548
Cash at bank and in hand	4,822	1,973
Cash and cash equivalents in the consolidated cash flow statement	26,866	18,521
Deposits with banks with over three months of maturity when placed	11,226	16,588
Cash and bank balances in the consolidated statement of financial position	38,092	35,109

As at 31 March 2022, cash and bank balances of \$389 million (2021: \$425 million) held by a subsidiary are subject to currency exchange restrictions in the PRC.

(b) Reconciliation of (assets)/liabilities arising from financing activities:

The table below details changes in the group's (assets)/liabilities from financing activities, including both cash and non-cash changes. (Assets)/liabilities arising from financing activities are (assets)/liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flows from financing activities.

<i>\$ million</i>	Interest-bearing borrowings	Interest and other borrowing costs payables and deferred finance charges	Lease liabilities	Airport construction fee receivable	Net derivative financial assets	Total
	(Note 17)		(Note 16)		(Note 24(e))	
At 1 April 2021	41,769	52	33	(453)	(273)	41,128
Changes from financing cash flows:						
Interest paid on notes and bank loans	-	(713)	-	-	-	(713)
Other borrowing costs and interest expense paid	(223)	(4)	-	-	-	(227)
Capital element of lease rentals paid	-	-	(16)	-	-	(16)
Airport construction fee received	-	-	-	128	-	128
Receipts from issue of notes	31,049	-	-	-	-	31,049
Net interest expense paid on interest rate swaps	-	(72)	-	-	-	(72)
Total changes from financing cash flows	30,826	(789)	(16)	128	-	30,149
Non-cash changes:						
Interest on notes and bank loans (note 5)	-	897	-	-	-	897
Other borrowing costs (note 5)	-	74	-	-	-	74
Airport construction fee	-	-	-	(121)	-	(121)
Other non-cash movements	422	80	28	-	(835)	(305)
Total other changes	422	1,051	28	(121)	(835)	545
At 31 March 2022	73,017	314	45	(446)	(1,108)	71,822

15. Cash and Bank Balances and Other Cash Flow Information (continued)

(b) Reconciliation of (assets)/liabilities arising from financing activities: (continued)

<i>\$ million</i>	Interest-bearing borrowings	Interest and other borrowing costs payables and deferred finance charges	Lease liabilities	Airport construction fee receivable	Net derivative financial assets	Total
	(Note 17)		(Note 16)		(Note 24(e))	
At 1 April 2020	5,215	(47)	24	(960)	(54)	4,178
Changes from financing cash flows:						
Interest paid on notes and bank loans	-	(382)	-	-	-	(382)
Interest element of lease rentals paid	-	-	(1)	-	-	(1)
Other borrowing costs and interest expense paid	(317)	(67)	-	-	-	(384)
Capital element of lease rentals paid	-	-	(14)	-	-	(14)
Airport construction fee received	-	-	-	613	-	613
Drawdown of new bank loans	17,500	-	-	-	-	17,500
Receipts from issue of notes	19,808	-	-	-	-	19,808
Repayment of notes	(600)	-	-	-	-	(600)
Net interest expense paid on interest rate swaps	-	(5)	-	-	-	(5)
Total changes from financing cash flows	36,391	(454)	(15)	613	-	36,535
Non-cash changes:						
Interest on notes and bank loans (note 5)	-	455	-	-	-	455
Interest on lease liabilities (note 5)	-	-	1	-	-	1
Other borrowing costs (note 5)	-	64	-	-	-	64
Airport construction fee	-	-	-	(106)	-	(106)
Other non-cash movements	163	34	23	-	(219)	1
Total other changes	163	553	24	(106)	(219)	415
At 31 March 2021	41,769	52	33	(453)	(273)	41,128

16. Trade and Other Payables

<i>\$ million</i>	2022	2021
Creditors and accrued charges	10,025	10,090
Deposits received	1,050	1,033
Contract retentions	1,881	1,508
Lease liabilities	45	33
	13,001	12,664
Classified in the consolidated statement of financial position as:		
Current liabilities	11,570	11,219
Non-current liabilities	1,431	1,445
	13,001	12,664

Notes to the Consolidated Financial Statements

16. Trade and Other Payables (continued)

As at 31 March 2022, all of the trade and other payables are expected to be settled or recognised as income within one year except for \$1,431 million (2021: \$1,445 million), which are expected to be settled after more than one year and mainly relate to licence deposits received from retail licensees and contract retentions.

The ageing analysis of creditors and accrued charges included above by due dates is as follows:

<i>\$ million</i>	2022	2021
Due within 30 days or on demand	3,442	3,701
Due after 30 days but within 60 days	1,604	1,405
Due after 60 days but within 90 days	911	644
Due after 90 days	4,068	4,340
	10,025	10,090

17. Interest-bearing Borrowings

<i>\$ million</i>	2022	2021
Notes payable (a)		
HK dollar fixed rate notes due 2022 to 2043	7,433	7,444
HK dollar floating rate notes due 2027	1,500	1,500
US dollar notes due 2027 to 2062	46,993	15,548
Bank loans (b)	17,500	17,500
Less: unamortised finance costs	(409)	(223)
	73,017	41,769

- (a) The Authority established the United States (“US”) \$1 billion Medium Term Note programme in 2010. Prior to that, the Authority’s Hong Kong dollar notes were issued through private placement. The programme was increased to US\$8 billion in 2017.

In prior year, the Authority issued a total of \$8,179 million notes under the US\$8 billion Medium Term Note programme. Out of these notes issued, \$6,679 million are fixed rate notes with maturity between 5 and 10 years and annual coupon rates ranging between 1.55% and 2.33%. The remaining \$1,500 million are floating rate notes with maturity of 7 years and carrying an annual coupon rate relating to Hong Kong Interbank Offered Rate (“HIBOR”).

In February 2019, the Authority issued notes due 2029 under the US\$8 billion Medium Term Note programme with a principal amount of US\$500 million at an issue price of 99.857 per cent and at annual coupon rate of 3.45%. The notes are listed on the Hong Kong Stock Exchange and repayable in Hong Kong dollar under cross currency swaps (see note 24(d)).

In February 2021, the Authority issued US dollar notes due 2031 with a principal amount of US\$900 million at an issue price of 99.140 per cent and at annual coupon rate of 1.625%. In addition, the Authority issued US dollar notes due 2051 with a principal amount of US\$600 million at an issue price of 99.711 per cent and at annual coupon rate of 2.625%. These notes are listed on the Hong Kong Stock Exchange.

17. Interest-bearing Borrowings (continued)

(a) (continued)

In January 2022, the Authority issued totally US\$4 billion multi-tranche notes. These notes are listed on the Hong Kong Stock Exchange. The multi-tranche offering comprises of:

- US\$1 billion green notes due 2027 with coupon rate of 1.75% issued at 99.506%;
- US\$1.2 billion notes due 2032 with coupon rate of 2.50% issued at 99.921%;
- US\$1.2 billion notes due 2052 with coupon rate of 3.25% issued at 99.052%; and
- US\$600 million notes due 2062 with coupon rate of 3.50% issued at 100%.

As at 31 March 2022, the Authority's outstanding fixed rate notes have annual coupon rates ranging from 1.55% to 4.20% (2021: 1.55% to 4.20%). The fixed rate notes are unsecured and repayable in full upon maturity.

- (b) In June 2020, the Authority signed a five-year unsecured Hong Kong dollar term and revolving credit facility of \$35 billion. The facility consists of a term loan tranche and a revolving loan tranche of \$17.5 billion each. Interest is payable on amounts drawn down at a rate related to HIBOR. During the year, \$17.5 billion was drawn down from the term loan tranche and the amount was swapped from floating rate to fixed rate through use of interest rate swaps. As at 31 March 2022, there was no outstanding amount under the revolving loan tranche (2021: \$nil).
- (c) As at 31 March 2022, the Authority has uncommitted money market line facilities of \$2,692 million (2021: \$2,689 million). Interest is payable on amounts drawn down at a rate related to HIBOR. As at 31 March 2022, there was no outstanding amount under these facilities (2021: \$nil).
- (d) As at 31 March 2022, the unsecured interest-bearing borrowings were repayable as follows:

<i>\$ million</i>	2022	2021
Within one year or on demand	554	-
After one year but within two years	-	565
After two years but within five years	25,919	18,127
After five years	46,544	23,077
	72,463	41,769
	73,017	41,769

- (e) None of the interest-bearing borrowings is subject to any financial covenants imposed by the lenders. Interest-bearing borrowings are carried at amortised cost. The carrying amount of those Hong Kong dollar fixed rate notes hedged for fair value risks are adjusted for the change in fair value attributable to the risk being hedged. Further details of the group's management of liquidity risk are set out in note 24(b).

18. Unused Airport Construction Fee (“ACF”)

<i>\$ million</i>	2022	2021
At 1 April	458	974
Add: ACF received or receivable for the year	121	106
Less: payment of 3RS capital expenditure	(123)	(622)
At 31 March	456	458

ACF is accrued upon the enplanement of the passenger and is remitted to the Authority by the airlines based on airlines’ passenger counts.

ACF collected by the Authority, together with the interest generated thereon, is maintained in designated bank accounts and is used exclusively for paying 3RS related projects capital expenditure.

19. Deferred Income

Deferred income mainly represents amounts received in respect of sub-leases of interest in leasehold land of the airport site and subsidy from the Government. They are accounted for in accordance with the accounting policies detailed in notes 31(t)(v) and 31(t)(ix) respectively.

The amount expected to be recognised as income more than one year after the end of the reporting period is included in non-current liabilities.

20. Employee Retirement Benefits

(a) Defined benefit retirement plans

The Authority makes contributions to a defined benefit retirement plan (“the Hong Kong plan”) registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong), which covers 9% (2021: 10%) of the Authority’s employees. The plan is administered by independent trustees with its assets held separately from those of the Authority. The trustees are required by the Trust Deed to act in the best interests of the plan participants and are responsible for setting the investment policies of the plan. Under the plan, an employee is entitled to a lump sum payment upon termination of membership, which is calculated with reference to the final scheme salary and the eligible number of years of service that the employee had.

The plan is funded by contributions from the Authority in accordance with an independent actuary’s recommendation based on periodic actuarial valuations (at least every three years).

Based on an independent actuarial valuation of the plan as at 31 March 2022 according to HKAS 19, “*Employee benefits*” prepared by qualified staff of Mercer (Hong Kong) Limited (2021: Mercer (Hong Kong) Limited) using the “projected unit credit” actuarial method and a set of actuarial assumptions, the Authority’s obligation under the plan is fully (2021: 98%) covered by the plan assets held by the trustees. The signing actuaries are either Fellow members of the Society of Actuaries of the United States of America or an equivalent in another actuarial body.

HKZAM established a defined benefit retirement plan (“the HKZAM plan”) for its eligible employees, which is unfunded and covers 25% (2021: 28%) of HKZAM’s employees. Under the plan, a retired employee is entitled to a monthly fixed payment over a period upon retirement. An independent actuarial valuation of this plan according to HKAS 19, “*Employee benefits*”, as at 31 March 2022 was also prepared by qualified staff of Mercer (Hong Kong) Limited using the projected unit credit method.

20. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

The plans expose the group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Information about the retirement plans is disclosed below:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

<i>\$ million</i>	2022	2021
The Hong Kong plan		
Present value of funded obligations	730	845
Fair value of plan assets	(742)	(825)
	(12)	20
The HKZAM plan		
Present value of unfunded obligations	70	62
	58	82
Classified in the consolidated statement of financial position as:		
Net defined benefit retirement asset	(12)	-
Net defined benefit retirement obligations	70	82
	58	82

A portion of the above liabilities is expected to be settled after more than one year. The Authority expects to pay \$18 million in contributions to the Hong Kong defined benefit retirement plan for the year ending 31 March 2023.

(ii) Plan assets consist of the following:

<i>\$ million</i>	2022	2021
Equity securities	373	428
Corporate bonds	330	355
Cash	39	40
Net other receivables	-	2
	742	825

All of the equity securities and bonds have quoted prices in active markets.

An asset-liability modelling study is performed periodically to analyse the strategic investment policies of the Hong Kong plan. Based on the latest review, the strategic asset allocation of the Hong Kong plan is around 50% in equities and 50% in bonds and cash.

The HKZAM plan is unfunded and without any plan assets.

Notes to the Consolidated Financial Statements

20. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

(iii) The movements in the present value of the defined benefit obligations are as follows:

<i>\$ million</i>	2022	2021
The Hong Kong plan		
At 1 April	845	931
Remeasurements:	(68)	(42)
– Actuarial gains arising from changes in financial assumptions	(37)	(10)
– Experience adjustments	(31)	(32)
Benefits paid by the plans	(90)	(91)
Current service cost	35	40
Interest cost	8	7
At 31 March	730	845
The HKZAM plan	70	62
At 31 March	800	907

The weighted average durations of the defined benefit obligations for the Hong Kong and the HKZAM plans are 4.9 years (2021: 5.6 years) and 8.4 years (2021: 8.8 years) respectively.

(iv) The movements in plan assets are as follows:

<i>\$ million</i>	2022	2021
At 1 April	825	652
Group's contributions paid to the plans	19	65
Benefits paid by the plans	(90)	(91)
Actual return on plan assets	(12)	199
– Interest income	8	5
– Return on plan assets, excluding interest income	(18)	196
– Administrative expenses paid from plan assets	(2)	(2)
At 31 March	742	825

20. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

(v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

<i>\$ million</i>	2022	2021
Amounts recognised in profit or loss:		
The Hong Kong plan		
Current service cost	35	40
Administrative expenses paid from plan assets	2	2
Net interest on net defined benefit liability	-	2
	37	44
The HKZAM plan	6	4
Total amounts recognised in profit or loss	43	48
Amounts recognised in other comprehensive income:		
The Hong Kong plan		
Remeasurements:		
– Actuarial gains arising from changes in financial assumptions	(37)	(10)
– Experience adjustments	(31)	(32)
Return on plan assets, excluding interest income	18	(196)
	(50)	(238)
The HKZAM plan	3	(2)
Total amounts recognised in other comprehensive income	(47)	(240)
Total defined benefit credits	(4)	(192)

The current service cost, administrative expenses paid and the net interest on net defined benefit liability are recognised in the following line items in the consolidated statement of profit or loss.

<i>\$ million</i>	2022	2021
Staff costs and related expenses	43	48

(vi) Significant actuarial assumptions and sensitivity analysis are as follows:

	2022	2021
The Hong Kong plan		
Discount rate	1.9%	0.9%
Future long term salary increases	3.5%	3.5%
The HKZAM plan		
Discount rate	2.8%	3.2%

Notes to the Consolidated Financial Statements

20. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

(vi) Significant actuarial assumptions and sensitivity analysis are as follows: (continued)

The below analysis shows how the defined benefit obligations as at 31 March 2022 would have increased/ (decreased) as a result of a 0.5% change in the significant actuarial assumptions:

<i>\$ million</i>	Increase by 0.5%	Decrease by 0.5%
The Hong Kong plan		
Discount rate	(18)	18
Future long term salary increases	21	(20)
The HKZAM plan		
Discount rate	(3)	3

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plans

- (i) The group also operates Mandatory Provident Fund Schemes (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance (“the MPF Ordinance”) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Ordinance, the employer and its employees are each required to make minimum statutory contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of \$30,000. However, under the MPF schemes, contributions by the group range from 5% to 15% of employees’ relevant income and have been charged to profit or loss. While statutory contributions to the plan vest immediately, voluntary contributions to the plan vest over a period of two to seven years.
- (ii) As stipulated by the regulations of the PRC, the subsidiary in the PRC participates in a basic defined contribution pension plan administered by the Municipal Government under which it is governed. The group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate based on the salaries, bonuses and certain allowances of its employees.

21. Capital and Reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the group’s consolidated equity is set out in the consolidated statement of changes in equity on page 102.

(b) Share capital

<i>\$ million</i>	The Authority	
	2022	2021
Authorised, issued, allotted and fully paid: 306,480 ordinary shares of \$100,000 each (2021: 306,480 ordinary shares)	30,648	30,648

21. Capital and Reserves (continued)

(c) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 31(u).

(ii) Capital reserve

The capital reserve primarily comprises the share of results of a joint venture in the PRC which are not distributable as required by the relevant PRC government regulations and the retained profits of AVSECO which according to its memorandum of association and the shareholders' agreement cannot be distributed.

(iii) Contribution from the Government

The contribution from the Government comprises the excess of the group's acquired interests in the net fair values of identifiable assets and liabilities of IEC Holdings Limited and its subsidiary over the consideration paid, which included its pre-existing interests in IEC Holdings Limited and its subsidiary ("IEC Holdings sub-group") remeasured at fair values as at the acquisition date (see note 23).

(iv) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow dealt with in accordance with the accounting policy adopted for cash flow hedges set out in note 31(f).

(v) Cost of hedging reserve

The cost of hedging reserve comprises the fair values of the effect of foreign currency basis spread and forward element of the derivative financial instruments used in cash flow hedges in accordance with the accounting policy adopted for cash flow hedges set out in note 31(f).

(vi) Distributability of reserves

As at 31 March 2022, the aggregated amount of reserves available for distribution to the equity shareholder of the Authority was \$44,918 million (2021: \$47,958 million). The Board did not propose any final dividend for the year ended 31 March 2022 (2021: \$nil).

(vii) Capital management

The primary objectives of the group when managing capital are to safeguard the group's ability to continue as a going concern, maintain a strong credit rating and a healthy capital ratio to support the business and to enhance shareholder value.

The group manages its capital structure by taking into consideration its future capital requirements, capital efficiency and projected cash flow. To adjust its capital structure, the group may raise or reduce its outstanding debt. The group is also empowered by the Ordinance to either increase or reduce its share capital under the direction of the Financial Secretary and the Legislative Council. The Ordinance provides that these directions be made following consultation with the Authority.

Notes to the Consolidated Financial Statements

21. Capital and Reserves (continued)

(c) Nature and purpose of reserves (continued)

(vii) Capital management (continued)

The group monitors its capital structure on the basis of a total debt/capital ratio. The total debt/capital ratios of the group at the end of the reporting periods are as follows:

<i>\$ million</i>	Note	2022	2021
Total debt ¹	17	73,017	41,769
Total equity		92,709	94,182
Total capital ²		165,726	135,951
Total debt/capital ratio		44%	31%

¹ Total debt represents interest-bearing borrowings.

² Total capital represents total debt plus total equity.

Neither the Authority nor any of its subsidiaries are subject to externally imposed capital requirements.

22. Perpetual Capital Securities

In December 2020, the Authority issued dual-tranche senior perpetual capital securities (“Series A Securities” and “Series B Securities” respectively) with principal amount of US\$750 million each. The securities are listed on the Hong Kong Stock Exchange.

Series A Securities are non-callable in the first 7.5 years at a distribution rate of 2.40% per annum and floating thereafter with fixed initial spread and step up margin. Series B Securities are non-callable in the first 5.5 years at a distribution rate of 2.10% per annum and floating thereafter with fixed initial spread and step up margin. The payments of distributions can be deferred at the discretion of the Authority and the securities do not contain any contractual obligations to pay the distributions. The securities are classified as equity in the consolidated financial statements of the Authority.

23. Step Acquisition

On 31 March 2022, the Authority acquired the remaining equity interest of 84.9% in HKIEC, an associate of the group and the holding company of AsiaWorld-Expo exhibition centre through the acquisition of the remaining equity interest of 88.2% in IEC Holdings Limited at a nominal consideration of \$1 (the “Step Acquisition”) from the Government.

The Step Acquisition was completed on 31 March 2022 (the “Completion Date”). On the Completion Date, IEC Holdings Limited has become a wholly owned subsidiary of the Authority and HKIEC ceased to be an associate and has become a subsidiary of the group and the group holds the entire interest of AsiaWorld-Expo exhibition centre. In accordance with HKFRSs, the group continued to share the results of HKIEC under the equity method of accounting during the period from 1 April 2021 to the Completion Date.

On the Completion Date, the group remeasured the fair values of its pre-existing interests in IEC Holdings sub-group and recognised a gain of approximately \$59 million. The pre-existing interests in IEC Holdings sub-group included the Authority’s original equity interest of 11.8% in IEC Holdings Limited, the group’s 15.1% interest in HKIEC (previously recognised as an interest in an associate) and an intangible asset, which represented the right to operate and manage AsiaWorld-Expo, before the Step Acquisition. The fair values of these formed part of the total consideration of the Step Acquisition and were included in the calculation of bargain purchase arising from the Step Acquisition. The bargain purchase has been recognised in equity as a contribution from the Government (see note 21(c)(iii)).

23. Step Acquisition (continued)

Details of the carrying values and fair values of the group's pre-existing interests in IEC Holdings sub-group on the Completion Date are summarised as follows:

<i>\$ million</i>	2022
Fair values of pre-existing interests in IEC Holdings sub-group	668
Carrying values of interests in IEC Holdings sub-group before the Step Acquisition	(609)
Gain on step acquisition (Note 3)	59

The fair values of identifiable assets and liabilities of IEC Holdings sub-group on the Completion Date were as follows:

<i>\$ million</i>	2022
Interest in leasehold land	127
Other property, plant and equipment	944
Trade and other receivables	393
Cash and bank balances	66
Trade and other payables	(75)
Fair values of net assets acquired	1,455
Satisfied by:	
Consideration settled in cash	-
Fair values of pre-existing interests in IEC holdings sub-group	668
Contribution from the Government	787
	1,455

An analysis of the cash flows in respect of the Step Acquisition of IEC Holdings sub-group is as follows:

<i>\$ million</i>	2022
Consideration settled in cash	-
Less: cash and cash equivalents acquired	(66)
Net cash inflows arising from the Step Acquisition	(66)

Since the Completion Date, IEC Holdings sub-group did not contribute any revenue or profit to the group. If the acquisition had occurred on 1 April 2021, the group's consolidated revenue for the year would have been \$6,645 million and the group's consolidated loss attributable to the equity holders of the Authority for the year would have been \$2,759 million. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor is it intended to be a projection of future performance.

24. Financial Risk Management and Fair Values of Financial Instruments

The group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign currency risk. The group conducts its financial risk management activities in accordance with the policies and practices recommended by the Audit Committee and Finance Committee of the Authority. The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the group. The group's credit risk is primarily attributable to trade and other receivables, over-the-counter derivative financial instruments entered into for hedging purposes and cash and bank balances. Management has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, there are procedures in place to closely monitor the payment performance. Individual credit evaluations are performed on customers requiring credit over a certain amount or customers with long overdue history, which focus on their payment history, ability to pay, as well as information specific to the customers and the economic environment in which they operate. Trade receivables are generally due within 14 to 30 days from the date of billing. In respect of the group's rental and franchise income from operating leases and franchise/sub-lease arrangements respectively, sufficient deposits and bank guarantees are held to cover potential exposure to credit risk.

COVID-19 also has an impact on the Authority's trade receivables due to the travel restrictions implemented across the world. In response to the COVID-19 pandemic, management has been performing more frequent reviews of outstanding balances as the industry as a whole has been impacted.

Cash and bank balances are placed with financial institutions with sound credit ratings to minimise credit exposure. Transactions involving derivative financial instruments are with counterparties with sound credit ratings and with whom the group has signed netting agreements. Given their high credit ratings, management does not expect any investment counterparty to fail to meet its obligations.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, the group has a certain concentration of credit risk as 3% (2021: 7%) and 64% (2021: 55%) of the total trade and other receivables was due from the group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position after deducting any impairment allowance. The group does not provide any guarantees which would expose the group to credit risk.

Further quantitative disclosures in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 14.

24. Financial Risk Management and Fair Values of Financial Instruments (continued)

(b) Liquidity risk

All cash management of the group, including the short term investment of cash surpluses and raising of loans and other borrowings to cover expected cash demands, are managed centrally by the Authority except AVSECO, HKIA Services Holdings sub-group, HKZAM and IEC Holdings sub-group which handle their own cash management. The Authority's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate credit facilities from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting periods of the group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the group can be required to pay:

<i>\$ million</i>	Carrying amount at 31 March	Contractual undiscounted cash flow				
		Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
2022						
Interest-bearing borrowings	73,017	99,680	2,154	1,598	30,544	65,384
Trade and other payables	12,001	12,097	10,296	556	1,043	202
Interest rate swaps (net settled)	(996)	88	23	25	39	1
Cross currency swaps (net settled)	(131)	(371)	(19)	(19)	(158)	(175)
Forward exchange contracts	(1)	160	9	10	31	110
	83,890	111,654	12,463	2,170	31,499	65,522
2021						
Interest-bearing borrowings	41,769	50,050	704	1,247	20,265	27,834
Trade and other payables	11,664	11,810	9,888	625	932	365
Interest rate swaps (net settled)	(188)	382	81	85	203	13
Cross currency swaps (net settled)	(77)	(77)	(2)	(12)	(50)	(13)
Forward exchange contracts	(9)	159	-	9	30	120
	53,159	62,324	10,671	1,954	21,380	28,319

As shown above, interest-bearing borrowings (including interest) of the group amounting to \$2,154 million (2021: \$704 million) are due to be repaid in the upcoming 12 months after 31 March 2022. The short term liquidity risk inherent in this contractual maturity will be addressed by internal sources of funds and new external borrowings.

24. Financial Risk Management and Fair Values of Financial Instruments (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's interest rate risk arises primarily from long term interest-bearing borrowings. Borrowings at variable rates and at fixed rates expose the group to cash flow interest rate risk and fair value interest rate risk respectively. The group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedges of interest rate risk

Interest rate swaps, denominated in Hong Kong dollars, have been entered into to achieve an appropriate mix of fixed and floating interest rate exposure within the group's policy.

The group classifies interest rate swaps into either fair value or cash flow hedges and states them at their fair values in accordance with the policy set out in note 31(f).

Details of the notional amounts, maturity period and fair values of swaps entered into by the group at the end of the reporting periods are set out in note 24(e). These amounts are recognised as derivative financial instruments in the consolidated statement of financial position.

The group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the borrowings. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationships:

<i>\$ million</i>	2022	2021
At 1 April	147	–
Effective portion of the cash flow hedge recognised in other comprehensive income	819	176
Less: deferred tax	(135)	(29)
At 31 March	831	147
Change in fair value of the interest rate swaps during the year	816	179
Hedge ineffectiveness recognised in consolidated statement of profit or loss	3	(3)
Effective portion of the cash flow hedge recognised in other comprehensive income	819	176

24. Financial Risk Management and Fair Values of Financial Instruments (continued)

(c) Interest rate risk (continued)

(ii) Interest rate profile

The following table details the interest rate profile of the group's borrowings at the end of the reporting periods, after taking into account the effect of interest rate swaps designated as fair value hedging instruments ((i) above).

<i>\$ million</i>	2022	2021
Fixed rate borrowings		
Bank loans ¹	17,445	17,428
Fixed rate notes	53,520	22,278
Floating rate notes ¹	1,498	1,498
	72,463	41,204
Variable rate borrowings		
Fixed rate notes ²	554	565
Total borrowings	73,017	41,769
Fixed rate borrowings as a percentage of total borrowings	99%	99%

¹ Swapped to fixed rate

² Swapped to floating rate

(iii) Sensitivity analysis

As at 31 March 2022, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have increased the group's profit after taxation and retained profits by approximately \$1 million (2021: decreased by \$2 million), while a general decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased the group's profit after taxation and retained profits by approximately \$1 million (2021: increased by \$4 million). Other components of consolidated equity would have decreased by approximately \$244 million (2021: \$327 million) and increased by approximately \$248 million (2021: \$332 million) in response to the general increase and decrease in interest rates respectively. The effect of interest-bearing bank deposits is expected to be not significant and is not taken into account in the analysis.

The sensitivity analysis above indicates the instantaneous change in the group's profit after taxation (and retained profits) and other components of consolidated equity that would have arisen assuming that the change in interest rates had occurred at the end of the reporting periods and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting periods. In respect of the exposure to cash flow interest rate risk arising from floating interest rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after taxation (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis as for prior years.

24. Financial Risk Management and Fair Values of Financial Instruments (continued)

(d) Foreign currency risk

It is the Authority's policy to require all major operational contracts to be in Hong Kong dollars. The few exceptions to this have involved small value contracts or contracts that were hedged.

The group is exposed to foreign currency risk primarily through the issue of notes and future transactions which give rise to payables that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily US dollars and Australian dollars.

As at 31 March 2022, the group is exposed to US dollar currency risk in respect of the US dollar notes issued of US\$6,000 million (2021: US\$2,000 million) and cash and bank balances of US\$2,418 million (2021: US\$2,475 million).

Although the US dollar currency risk is substantially mitigated by the peg between Hong Kong dollar and US dollar, the group further reduces this risk by the use of cross currency swaps to hedge most of the payment of the US dollar notes into Hong Kong dollar. The group designates these cross currency swaps as cash flow hedges. Details of the notional amounts, maturity period and fair values of cross currency swaps entered into by the group at the end of the reporting periods are set out in note 24(e). These amounts are recognised as derivative financial instruments in the consolidated statement of financial position.

The group uses forward exchange contracts to manage its Australian dollar currency risk until the settlement date of foreign currency payables. The group designates those forward exchange contracts as hedging instruments in cash flow hedges and separate the forward and spot element of a forward exchange contract and designates the change in value of the spot element as hedging instrument. Correspondingly, the hedged item is measured based on the forward exchange rate.

The group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between:

- (i) the cross currency swaps and the US dollar notes; and
- (ii) the forward exchange contracts and the highly probable forecast transactions, based on their currency amounts and the timing of their respective cash flows.

The main sources of ineffectiveness in these hedging relationships are due to the different day count and day adjustments in each of the deals.

24. Financial Risk Management and Fair Values of Financial Instruments (continued)

(d) Foreign currency risk (continued)

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

<i>\$ million</i>	2022	2021
At 1 April	8	(22)
Effective portion of the cash flow hedge recognised in other comprehensive income	171	8
Amount transferred from equity to consolidated statement of profit or loss	(174)	24
Less: deferred tax	1	(2)
At 31 March	6	8
Change in fair value of the cross currency swaps during the year	174	(24)
Change in fair value of the forward exchange contracts during the year	(3)	32
Hedge ineffectiveness recognised in consolidated statement of profit or loss	-	-
Effective portion of the cash flow hedge recognised in other comprehensive income	171	8

As at 31 March 2022, the group's borrowings denominated in US dollar were largely swapped into Hong Kong dollar by entering into the cross currency swaps. The group targets to swap all borrowings in foreign currency into Hong Kong dollar. As the Hong Kong dollar is pegged to US dollar at a range between 7.75 to 7.85, management considers that the foreign currency risk associated with the unhedged US dollar exposure is not material to the group. Accordingly, no sensitivity analysis is considered necessary.

As at 31 March 2022, the group is exposed to Renminbi currency risk arising from cash and bank balances of RMB165 million (2021: RMB163 million). If Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables held constant, the group's profit after taxation and retained earnings would have been \$8 million (2021: \$8 million) lower/higher. The analysis is performed on the same basis for 2020/21.

The group has not hedged the foreign currency risk in respect of its investments in the PRC incorporated entities.

24. Financial Risk Management and Fair Values of Financial Instruments (continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs.

The fair value disclosure of investment property carried at cost follows the above hierarchy (note 9(c)).

As at 31 March 2021 and 2022, the group's derivative financial instruments are carried at fair value. These instruments fall under Level 2 of the fair value hierarchy described above.

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2021: \$nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

24. Financial Risk Management and Fair Values of Financial Instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

Fair values and notional amounts of derivative financial instruments outstanding at the end of the reporting periods are summarised as follows:

	Recurring fair value measurement using significant other observable inputs (Level 2)					
	2022			2021		
<i>\$ million</i>	Notional amount	Financial assets	Financial liabilities	Notional amount	Financial assets	Financial liabilities
Cash flow hedges						
Interest rate swaps	\$19,000	995	-	\$19,000	230	(51)
Cross currency swaps	US\$3,600	158	(27)	US\$1,100	83	(6)
Forward exchange contracts	AUD29	2	(1)	AUD29	9	-
Fair value hedges						
Interest rate swaps	\$550	1	-	\$550	9	-
Derivative financial instruments for perpetual capital securities		3	(23)		6	(7)
Total		1,159	(51)		337	(64)
Less: portion to be recovered/(settled) within one year						
Cash flow hedges						
Interest rate swaps	\$19,000	122	-	\$19,000	-	(51)
Forward exchange contracts	AUD29	1	-	AUD29	-	-
Fair value hedges						
Interest rate swaps	\$550	1	-	\$550	6	-
Derivative financial instruments for perpetual capital securities		-	(2)		-	(3)
		124	(2)		6	(54)
Portion to be recovered/(settled) after one year		1,035	(49)		331	(10)

Derivative financial instruments qualifying as cash flow hedges as at 31 March 2022 have maturities of 0.3 year to 9.8 years (2021: 1.3 to 9.9 years) from the end of the reporting period.

Derivative financial instruments qualifying as fair value hedges as at 31 March 2022 have maturities of 0.1 to 0.5 year (2021: 1.1 to 1.5 years) from the end of the reporting period.

24. Financial Risk Management and Fair Values of Financial Instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of forward exchange contracts, cross currency swaps and interest rate swaps are the estimated amount that the Authority would receive or pay to terminate the swap and forward exchange contracts at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the counterparties. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 March 2022 and 2021 except for the following financial instruments, for which their carrying amounts and fair values and the level of fair value hierarchy are disclosed below:

\$ million	Notional amount	Carrying amount at 31 March	Fair value at 31 March	Fair value measurements categorised into		
				Level 1	Level 2	Level 3
2022						
Fixed rate notes	US\$6,000 and \$7,429	54,074	50,422	42,988	7,434	-
2021						
Fixed rate notes	US\$2,000 and \$7,429	22,843	22,736	15,116	7,620	-

Discounted cash flow techniques are used in deriving the fair value of the fixed rate notes. The discount rates used are market related rates at the end of the reporting period.

25. Outstanding Commitments

The outstanding commitments in respect of capital expenditure not provided for in the consolidated financial statements are as follows:

\$ million	2022			2021		
	3RS	Others	Total	3RS	Others	Total
Contracted for	39,663	6,747	46,410	48,636	6,560	55,196
Authorised but not contracted for	15,648	25,484	41,132	28,346	26,498	54,844
	55,311	32,231	87,542	76,982	33,058	110,040

The outstanding commitments of the group's joint venture, HXIA, are separately disclosed in note 13(a).

26. Material Related Party Transactions

The Authority is wholly owned by the Government. Transactions between the group and Government departments, agencies or Government controlled entities, other than those transactions such as the payment of fees, taxes, rent and rates, etc. that arise in the normal dealings between the Government and the group, are considered to be related party transactions pursuant to HKAS 24, "Related party disclosures" and are identified separately in these consolidated financial statements.

Members of the Board and Executive Directors, and parties related to them, are also considered to be related parties of the Authority. Material transactions with these parties, if any, are separately disclosed. Emoluments paid to Members of the Board and Executive Directors are disclosed in note 7.

During the year, other than disclosed elsewhere in the consolidated financial statements, the Authority has had the following material related party transactions:

- (a) The Authority has entered into agreements with the Government under which the Government provides maintenance services in respect of sewage pumping system, waste water treatment plant and airfield ground lighting at the airport. The amounts incurred for these services for the year amounted to \$61 million (2021: \$63 million). As at 31 March 2022, the amounts due to the Government with respect to the above services amounted to \$30 million (2021: \$23 million).
- (b) The Authority has also entered into service agreements with the Government under which the Government is to provide aviation meteorological and air traffic control services and aircraft rescue and fire fighting services at the airport. The amounts incurred for the year amounted to \$756 million (2021: \$708 million) and the amounts due to the Government as at 31 March 2022 with respect to the above services amounted to \$0.4 million (2021: \$0.4 million).
- (c) The Authority and HKIA Staff Services Limited ("HKIASS"), a subsidiary of the Authority, have entered into a service agreement with the Government under which the Authority agreed through HKIASS, to provide additional manpower to the Government to meet foreseeable human resources demand in rendering air traffic control services at the airport (note 26(b)) at nil consideration.

26. Material Related Party Transactions (continued)

- (d) The Authority has entered into an agreement with MTR Corporation Limited (“MTRC”), in which the Government is the majority shareholder, under which MTRC provides maintenance services to the Automated People Mover System and Cars in both Terminals 1 and 2, SkyPier and T1 Midfield Concourse (formerly known as Midfield Concourse). The amounts incurred by the Authority for these services for the year amounted to \$194 million (2021: \$127 million). As at 31 March 2022, the amounts due to MTRC with respect to the maintenance services amounted to \$154 million (2021: \$127 million).
- (e) The Authority has leased certain areas at the airport to Hongkong International Theme Parks Ltd. (“HKITP”), in which the Government is the majority shareholder. There was no material net amount received and receivable for the year (net amount refunded for the year ended 31 March 2021: \$10 million). As at 31 March 2022, the amounts due to HKITP amounted to \$0.2 million (2021: \$10 million).
- (f) AVSECO, a subsidiary of the Authority, has provided security-related services to various Government departments, agencies and Government controlled entities other than the Authority. The aggregated amounts received and receivable for the year amounted to \$69 million (2021: \$59 million). As at 31 March 2022, the aggregated amounts due from these departments, agencies or entities amounted to \$9 million (2021: \$9 million).
- (g) AWEM has entered into a management and operating agreement with HKIEC, in which the Government is previously the majority shareholder, to manage, promote, operate and maintain the AsiaWorld-Expo exhibition centre (note 11). The aggregated amounts received and receivable from the event services income and others from various Government departments and Government controlled entities other than the Authority since the Completion Date amounted to \$nil. As at 31 March 2022, the aggregated amounts due from these departments or entities amounted to \$248 million.
- (h) The Authority and AVSECO have provided quarantine-related services to various Government departments and Government controlled entities. The aggregated amounts received and receivable for the year amounted to \$560 million (2021: \$395 million). As at 31 March 2022, the aggregated amounts due from these departments or entities amounted to \$20 million (2021: \$18 million).

27. Impacts of COVID-19 Pandemic

The outbreak of COVID-19, and the introduction of quarantine and travel restrictions by most major destinations, including Hong Kong, has significantly reduced the number of air passengers and air traffic movements. The effect of COVID-19 outbreak on the Authority’s revenue combined with the relief measures offered by the Authority to the aviation industry community resulted in a loss for the year.

The Authority has been closely monitoring the impact of these situations on its operations and finances and has taken measures. In particular, the Authority has procured liquidity through its internal resources and available financial facilities to satisfy upcoming working capital requirements.

While the circumstances of the COVID-19 outbreak are still evolving, the impact of COVID-19 on the operations and financial position will be reassessed at the next interim review.

28. Immediate and Ultimate Controlling Party

As at 31 March 2022, the immediate parent and ultimate controlling party of the group is the Government.

29. Accounting Judgements and Estimates

(a) Critical accounting judgements in applying the group's accounting policies

In applying the group's accounting policies, management has made the following accounting judgements:

(i) Interest in leasehold land

On 1 December 1995, the Authority was granted the rights to the airport site at Chek Lap Kok for a nominal land premium of \$2,000. The Authority was responsible for all of the costs for the formation of the airport site, with respect to which \$11,571 million was initially incurred. The land formed is considered to have all the characteristics of land in Hong Kong and will revert to the lessor at the end of the Land Grant. Such cost is considered to have been incurred to obtain the benefits of a leasehold land. Accordingly, the land premium and the land formation costs have been classified as interest in leasehold land. Upon the granting of finance leases of portions of the land concerned, the cost of leasehold land excluded from the consolidated statement of financial position is based on an apportionment of the overall land cost.

(ii) Sub-lease of leasehold land

The Authority sub-leases part of its interest in leasehold land to various Government departments, agencies or Government controlled entities at 'nil' rental for substantially the full period of the Land Grant, to provide services for the sole benefit of the airport and its users. As it is considered that these sub-leases are for the sole benefit of the Authority for enhancing services at the airport, they are in substance held for the full and exclusive benefit of the Authority and accordingly such sub-leases continue to be treated as interest in leasehold land in the consolidated financial statements of the Authority and are not derecognised.

(iii) Interests in joint ventures

HXIA receives Civil Aviation Development Fund subsidies, airport construction fee subsidies and certain other subsidies (collectively known as "CADF") for airport development purposes from the PRC government which are required to be treated as a capital contribution in HXIA's PRC statutory financial statements.

In the group's consolidated financial statements, the group equity accounts for its share of the CADF according to its shareholding percentage, on the basis that all shareholders of HXIA can enjoy the economic benefits arising from the CADF received by HXIA.

Prior to June 2016, the group recognised its share of the CADF in the consolidated statement of profit or loss in the same period as recognised by HXIA. In June 2016, the group changed its method of recognising the CADF as a result of additional conditions being imposed by the Ministry of Finance and the Civil Aviation Administration of China in relation to the governance of CADF applications (財建[2016] 362號). As these new conditions are similar to those imposed on government grants related to assets, from June 2016 onwards the group recognises its share of the CADF over the useful life of the subsidised assets.

As the CADF may only be used for restricted purposes and are not distributable, the group transfers such amounts from retained profits to the capital reserve.

29. Accounting Judgements and Estimates (continued)

(b) Major sources of estimation uncertainty

Notes 20 and 24(e) contain information about the assumptions and their risk factors relating to defined benefit retirement asset/obligations and the fair value of financial instruments respectively. Other major areas of estimation uncertainty are as follows:

(i) Estimated useful lives and depreciation of property, plant and equipment

In assessing the estimated useful lives of property, plant and equipment, management takes into account factors such as the expected usage of the asset by the group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the group.

Management reviews the useful lives of property, plant and equipment annually and if expectations are significantly different from previous estimates of useful lives, the useful lives and, therefore, the depreciation rate for the future periods are adjusted accordingly.

(ii) Project provisions

The group establishes project provisions for the settlement of estimated claims that may arise due to time delays, additional costs or other unforeseen circumstances common to major construction contracts. The claims provisions which are estimated based on a best assessment of the group's liabilities under each contract by professionally qualified personnel may differ from the actual claims settlement.

30. Fund-raising Event Requiring Public Subscription Permit from Social Welfare Department

The Authority has a donation box fund-raising programme under Public Subscription Permit (Permit No.: 2021/039/1) from Social Welfare Department to support the services of certain charitable organisations. During the period from 1 April 2021 to 31 March 2022, the donations received was \$0.08 million (2021: \$0.05 million). After deducting handling fees of \$0.01 million (2021: \$7,771) charged by a service provider not related to the Authority, the net donations distributed of \$0.07 million (2021: \$0.04 million) were equally allocated among The Community Chest of Hong Kong, Changing Young Lives Foundation, Friends of the Earth (HK) Charity Limited, Green Power Limited, OIWA Limited, The Neighbourhood Advice-Action Council Tung Chung Integrated Services Centre and World Wide Fund for Nature Hong Kong (2021: The Community Chest of Hong Kong, Changing Young Lives Foundation, Friends of the Earth (HK) Charity Limited, Green Power Limited, Hong Kong Sheng Kung Hui Tung Chung Integrated Services, OIWA Limited and The Neighbourhood Advice-Action Council Tung Chung Integrated Services Centre).

31. Summary of Significant Accounting Policies

(a) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the group.

None of these developments has had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented in these consolidated financial statements.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Authority, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholder of the Authority. Non-controlling interests in the results of the group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholder of the Authority. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 31(n) or (o) depending on the nature of the liability.

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (note 31(c)).

31. Summary of Significant Accounting Policies (continued)

(c) Associate and joint ventures

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the group or the Authority and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the group's equity investment. Thereafter, the investment is adjusted for the post-acquisition change in the group's share of the investee's net assets and any impairment losses relating to the investment (notes 31(d) and (j)). Any acquisition-date excess over cost, the group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the group's share of losses exceeds its interest in the associate or the joint venture, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the group and its associate and joint ventures are eliminated to the extent of the group's interests in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(d) Goodwill

Goodwill represents the excess of the cost of an investment in a joint venture over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as at the acquisition date.

In respect of an investment in a joint venture, the carrying amount of goodwill is included in the carrying amount of the interest in the joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (note 31(j)).

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of an investment in a joint venture is recognised immediately in profit or loss.

On disposal of a joint venture, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

31. Summary of Significant Accounting Policies (continued)

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(f) Accounting for derivative financial instruments and hedging activities

The group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or (2) hedges of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction (cash flow hedges).

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in other comprehensive income and accumulated separately in equity in the hedging reserve. Amounts accumulated in equity are reclassified from equity to profit or loss in the periods when the hedged transaction affects profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the group revokes designation of the hedge relationship but if the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

The foreign currency basis spread and forward element of derivatives, which have been separated and excluded from the designation as cash flow hedges, are recognised directly in other comprehensive income and accumulated separately in equity in the cost of hedging reserve. Amounts accumulated in equity are amortised and reclassified from equity to profit or loss over the term of derivatives.

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

31. Summary of Significant Accounting Policies (continued)

(g) Investment property, interest in leasehold land, other property, plant and equipment

(i) The Authority was responsible for all of the costs of the formation of the airport site. The land formation cost and the land premium have been classified as interest in leasehold land. Interest in leasehold land is stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 31(j)).

(ii) Investment property

Investment property includes leasehold land and its related improvements and/or buildings held to earn rental income. This includes land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment property is stated in the consolidated statement of financial position at cost net of accumulated depreciation and impairment losses (note 31(j)). Investment property is depreciated over its estimated useful life or the unexpired term of the lease, whichever is shorter. Rental income from investment property is accounted for as described in note 31(t).

(iii) Other property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment, are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (note 31(j)).

(iv) Repairs and maintenance expenditure in respect of investment property, and other property, plant and equipment is charged to profit or loss as and when incurred.

(v) Gains or losses arising from the retirement or disposal of investment property, interest in leasehold land, and an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of investment property, interest in leasehold land, and the item and are recognised in profit or loss on the date of retirement or disposal.

(vi) Construction in progress

Assets under construction and capital works are stated at cost. Costs comprise direct costs of construction, such as materials, direct staff costs, an appropriate proportion of production overheads, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and net borrowing costs (note 31(n)) capitalised during the period of construction or installation and testing. Capitalised costs also include provision amount assessed by the group that may be required for the settlement of contractual claims from contractors. Capitalisation of these costs ceases and the asset concerned is transferred to investment property, interest in leasehold land, other property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the policy detailed in note 31(h).

31. Summary of Significant Accounting Policies (continued)

(g) Investment property, interest in leasehold land, other property, plant and equipment (continued)

(vii) Leased assets

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(1) As a Lessee

At the lease commencement date, the group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the group enters into a lease in respect of a low-value asset, the group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses ((iii) above).

(2) As a Lessor

When the group acts a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When the group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and are depreciated in accordance with the group's depreciation policies set out in note 31(h) below. Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies set out in note 31(t) below.

When the group leases out its interest in leasehold land up to substantially the full period of the underlying Land Grant and the related risks and rewards are substantially transferred to the lessees, such leases are accounted for as finance leases. The interest in leasehold land is derecognised and the differences between the carrying amount of the interest in leasehold land and net proceeds received for such arrangements are recognised in profit or loss from the commencement dates of such finance leases.

31. Summary of Significant Accounting Policies (continued)

(h) Depreciation

Depreciation is calculated to write off the cost of items of investment property, interest in leasehold land, and other property, plant and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

The estimated useful lives are:

Interest in leasehold land	Unexpired term of lease
Airfields:	
Runway base courses, taxiways and road non-asphalt layers, aprons and tunnels	10 years to unexpired term of lease
Runway wearing courses, taxiways and road asphalt layers, lighting and other airfield facilities	5 to 25 years
Terminal complexes and ground transportation centre:	
Building structure and road non-asphalt layers	Unexpired term of lease
Road asphalt layers, building services and fit-outs	3 to 25 years
Access, utilities, other buildings and support facilities:	
Road and bridge non-asphalt layers	20 years to unexpired term of lease
Road and bridge asphalt layers, other building and support facilities	5 years to unexpired term of lease
Utility supply equipment	5 to 25 years
Systems, installations, plant and equipment	3 years to unexpired term of lease
Furniture, fixtures and equipment	3 to 15 years
Right-of-use assets	Unexpired term of lease
Investment property:	
Building structure	Unexpired term of lease
Building services and fit-outs	5 to 25 years
Furniture, fixtures and equipment	3 to 15 years

Where parts of an item of investment property, interest in leasehold land, and other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the group are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 31(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The group's intangible assets, which are a franchise with a finite useful life, are amortised from the date it became available for use over the franchise periods of 12.5 or 20 years. The period and method of amortisation are reviewed annually.

31. Summary of Significant Accounting Policies (continued)

(j) Impairment of assets

- (i) Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:
- interest in leasehold land;
 - investment property;
 - other property, plant and equipment;
 - intangible assets;
 - interest in an associate; and
 - interests in joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

- (ii) Interim financial reporting and impairment

At the end of the interim period, the group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

(k) Stores and spares

Stores and spares are carried at the lower of cost and net realisable value. Cost comprises all costs of purchase and costs incurred in bringing the stores and spares to their present location and condition and is computed on a weighted average cost basis, less provision for obsolescence. The amount of any write-down of stores and spares to their net realisable value and provision for obsolescence are recognised as an expense in the period the write-down or provision occurs. Any obsolete and damaged stores and spares are written off to profit or loss.

(l) Trade and other receivables

Trade and other receivables are recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less loss allowance for credit losses.

The group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (trade and other receivables).

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

31. Summary of Significant Accounting Policies (continued)

(l) Trade and other receivables (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs (which are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies).

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(m) ACF

The ACF is collected by the Authority from passengers exclusively for the purpose of meeting 3RS construction costs. ACF is recognised in the consolidated statement of financial position upon receipt or becoming receivable from the collecting parties. It is initially recognised as unused ACF, until it is used to settle the relevant costs of construction. At this point in time it will be transferred from the unused ACF account and deducted from the carrying amount of the 3RS assets. Consequently, ACF is effectively recognised in profit or loss over the useful life of the 3RS assets by way of reduced depreciation expense.

(n) Interest-bearing borrowings and borrowing costs

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the unhedged portion of interest-bearing borrowings is stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest rate method. Subsequent to initial recognition, the carrying amount of the portion of interest-bearing borrowings, which is the subject of a fair value hedge, is remeasured and the change in fair value attributable to the risk being hedged is recognised in profit or loss to offset the effect of the gain or loss on the related hedging instrument.

31. Summary of Significant Accounting Policies (continued)

(n) Interest-bearing borrowings and borrowing costs (continued)

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, performance annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Authority and its subsidiaries in Hong Kong are required to make contributions to Mandatory Provident Funds under the MPF Ordinance. Such contributions are recognised as an expense in profit or loss as incurred.

The employees of the subsidiary in the PRC participate in a defined contribution retirement plan managed by the local governmental authorities whereby the subsidiary is required to contribute to the plan at fixed rates of the employees' salary costs.

(ii) Defined benefit retirement plan obligations

The group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

31. Summary of Significant Accounting Policies (continued)

(q) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognised in profit or loss and allocated as part of “staff costs and related expenses”. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/(asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the group’s obligations. If there is no sufficiently deep market in such bonds, the market yield of government bonds is used.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/(asset)).

(r) Income tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which that asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

31. Summary of Significant Accounting Policies (continued)

(r) Income tax (continued)

(iii) (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

Deferred tax assets and liabilities are not discounted.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Authority or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Authority or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

31. Summary of Significant Accounting Policies (continued)

(t) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Revenue is recognised in profit or loss as follows:

- (i) Airport charges, representing landing charges, parking charges and terminal building charges, are recognised when the airport facilities are utilised.
- (ii) Security charges in respect of aviation security services to passengers are recognised when the airport facilities are utilised.
- (iii) Aviation security services revenue from the provision of security services to airlines, franchisees and licensees is recognised when the services are rendered.
- (iv) Franchise revenue from awarded airside support services, retail revenue from awarded retail licences, advertising revenue from awarded advertising licences, other terminal commercial revenue from leasing of check-in counters and airline lounges and office rental and other service revenue and recoveries, are recognised on an accruals basis in accordance with the related agreements.
- (v) Real estate revenue arising from sub-leases of interest in leasehold land and office buildings is recognised in profit or loss on a straight-line basis over the periods of the operating leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregated net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Amounts received in advance in respect of sub-leases of interest in leasehold land granted are accounted for as deferred income and are recognised in profit or loss on a straight-line basis over the periods of the respective sub-leases.
- (vi) Income arising from finance leases of interest in leasehold land is recognised at the inception of such leases, when substantially all the risks and rewards incidental to ownership are transferred to the lessees.
- (vii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- (viii) Interest income is recognised as it accrues using the effective interest rate method.
- (ix) Subsidy from the Government is recognised in profit or loss on a systematic basis over the periods in which the Authority recognises the relevant relief measures as expenses.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities and non-monetary assets and liabilities that are stated at fair value and are denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

31. Summary of Significant Accounting Policies (continued)

(u) Translation of foreign currencies (continued)

The results of entities outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items, including goodwill arising on consolidation of entities outside Hong Kong, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an entity outside Hong Kong, the cumulative amount of the exchange differences relating to that entity is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Related parties

- (i) A person, or a close member of that person's family, is related to the group if that person:
 - a) has control or joint control over the group;
 - b) has significant influence over the group; or
 - c) is a member of the key management personnel of the group or the group's parent.
- (ii) An entity is related to the group if any of the following conditions applies:
 - a) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - c) Both entities are joint ventures of the same third party.
 - d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - e) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
 - f) The entity is controlled or jointly controlled by a person identified in note (v)(i).
 - g) A person identified in note (v)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - h) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

31. Summary of Significant Accounting Policies (continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

32. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for The Year Ended 31 March 2022

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, "Insurance contracts", which are not yet effective for the year ended 31 March 2022 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, "Reference to the conceptual framework"	1 January 2022
Amendments to HKAS 16, "Property, plant and equipment: proceeds before intended use"	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, "Classification of Liabilities as Current or Non-current"	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, "Disclosure of accounting policies"	1 January 2023
Amendments to HKAS 8, "Definition of accounting estimates"	1 January 2023
Amendments to HKAS 12, "Deferred tax related to assets and liabilities arising from a single transaction"	1 January 2023
HKFRS 17 and amendments to HKFRS 17, "Insurance contracts"	1 January 2023

The group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it is concluded that the adoption of them is unlikely to have a significant impact on the group's consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Airport Authority

(incorporated in Hong Kong under the Airport Authority Ordinance)

Opinion

We have audited the consolidated financial statements of the Airport Authority ("the Authority") and its subsidiaries (together "the group") set out on pages 103 to 162, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the group as at 31 March 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Airport Authority Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Recognition of revenue from airport charges, airside support services franchises, and convention and exhibition

Refer to note 29(t) to the consolidated financial statements for the relevant accounting policies

The Key Audit Matter	How the matter was addressed in our audit
<p>Revenue from airport charges, airside support services franchises, and convention and exhibition accounted for approximately 66% of the Authority's total revenue for the year ended 31 March 2023.</p> <p>Airport charges are recognised when the airport facilities are utilised. Revenue is determined based on aircraft movements and passenger traffic captured by the Authority's information technology systems which are complex and involve multiple interfaces.</p> <p>Revenue from airside support services franchises is generally charged at the higher of (1) a minimum fee based on throughput, rental indices or areas occupied, and (2) amounts calculated based on pre-determined percentages of gross revenue earned by the franchisees and licensees ("royalties"). For certain franchisees, franchise revenue is charged based on a minimum fee and royalties.</p> <p>Revenue from airside support services franchises is recognised in instalments over the accounting periods covered by the franchise and licence agreements, taking into account adjustments to the minimum fee due to changes in throughput, rental indices or areas occupied and adjustments for any royalties payable by the franchisees and licensees during the billing period.</p> <p>Revenue from convention and exhibition mainly comprises event services income and licence income from operating leases which are recognised when services are rendered and in equal instalments over the periods covered by the licence term, respectively.</p> <p>We identified the recognition of revenue from airport charges, airside support services franchises, and convention and exhibition as a key audit matter because of its significance to the consolidated financial statements and because the determination of airport charges involves complex information technology systems.</p>	<p>Our audit procedures to assess the recognition of revenue from airport charges, airside support services franchises, and convention and exhibition included the following:</p> <ul style="list-style-type: none"> • evaluating the design, implementation and operating effectiveness of key internal controls over the recording of revenue, which included, for revenue from airport charges, engaging our internal information technology specialists to assess the operating effectiveness of key automated controls and interfaces over the capturing of aircraft movements and passenger traffic and the processing of revenue transactions and to assess the completeness and accuracy of the transaction details contained within the Authority's information technology systems; • performing analytical procedures on the Authority's airport charges recognised during the current year by developing expectations with reference to figures for aircraft movements and passenger traffic extracted from government statistics and the Scheme of Airport Charges published in the Government Gazette and comparing our expectations with the revenue recorded by the Authority; • for airside support services franchises and licence income, comparing the minimum fees/licence fee received and receivable with underlying franchise/licence information, including the licence fee/monthly payments and the franchise/licence periods as set out in the signed franchise/licence agreements, on a sample basis; • for airside support services, re-performing the calculation of minimum fees and assessing whether the minimum fees or the royalties, whichever was higher, had been recorded in the appropriate accounting period; • for airside support services, re-performing the calculation of royalties received and receivable with reference to turnover reports submitted by the franchisees and licensees and the bases of calculation thereof as set out in the signed franchise/licence agreements, on a sample basis, and assessing whether the royalties had been recorded and accounted for in the appropriate accounting period; and • for event services income, comparing income received and receivable with the underlying order forms and invoices, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Assessing project provisions for capital works projects

Refer to note 27(b)(ii) to the consolidated financial statements and notes 29(g)(vi) and 29(s) for the relevant accounting policies

The Key Audit Matter	How the matter was addressed in our audit
<p>The Authority undertakes a number of capital works projects at Hong Kong International Airport. These projects may take several years to complete and the contractual arrangements can be complex.</p> <p>The Authority establishes project provisions for the estimated amounts which will be required to settle claims from contractors which may arise due to time delays, additional costs or other unforeseen circumstances. The assessment of the required project provisions involves the exercise of significant management judgement which can be inherently uncertain because the amounts eventually payable may be different from the recorded project provisions.</p> <p>We identified assessing project provisions for capital works projects as a key audit matter because the assessment of project claims and the determination of project provisions involves the exercise of significant management judgement and estimation which can be inherently uncertain.</p>	<p>Our audit procedures to assess project provisions for capital works projects included the following:</p> <ul style="list-style-type: none"> • assessing the design and implementation of management's key internal controls over the assessment of project claims; • inspecting the minutes of the relevant Board sub-committees responsible for overseeing the progress of capital works projects and discussing with management the project status, including the costs incurred to date, the remaining critical milestones and contract claims, and assessing the financial implications for the group; • obtaining the project claim status report as at the reporting date, comparing the claims amount recorded in this report with claim submissions from contractors, discussing with the Project Accounting and Control Team of Finance Division and the projects departments the projects' current status and the project provisions made, on a sample basis, and challenging the assumptions and critical judgements made by management which impacted their estimation of project provisions by comparing these assumptions, on a sample basis, with key contract terms and correspondence with the contractors; • performing a retrospective review, on a sample basis, of capital works projects completed or claims finalised during the current year by comparing the actual settlement of costs during the current year, including project claims, with estimates made as at 31 March 2022 to assess the reliability of management's assessment process and evaluating significant variances identified; and • in respect of projects which were undergoing dispute resolution procedures, holding discussions with management and the Authority's internal legal counsel to assess the Authority's legal obligations and financial exposure in connection with these claims.

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

The Board Members are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board Members for the Consolidated Financial Statements

The Board Members are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Airport Authority Ordinance and for such internal control as the Board Members determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board Members are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

The Board Members are assisted by the Audit Committee and Finance Committee in discharging their responsibilities for overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 32 of the Airport Authority Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members.
- Conclude on the appropriateness of the Board Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee and Finance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee and Finance Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee and Finance Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Wai Shun, Wilson.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 May 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	2023	2022
Airport charges		2,173	2,101
Security charges		343	46
Aviation security services		501	567
Airside support services franchises		1,673	1,759
Retail licences and advertising revenue		752	62
Other terminal commercial revenue		613	677
Real estate revenue		178	169
Convention and exhibition revenue	22	1,605	–
Other income		379	417
Revenue	8	8,217	5,798
Staff costs and related expenses	4	(2,898)	(2,800)
Repairs and maintenance		(946)	(765)
Operational contracted services		(995)	(672)
Government services		(961)	(758)
Government rent and rates		(285)	(250)
Utilities		(401)	(261)
Other operating expenses		(918)	(670)
Operating expenses before depreciation and amortisation		(7,404)	(6,176)
Operating profit/(loss) before depreciation and amortisation		813	(378)
Depreciation and amortisation		(3,308)	(3,039)
Operating loss before interest and finance costs	3	(2,495)	(3,417)
Interest and finance costs:			
Finance costs	5	(192)	(14)
Interest income		700	91
		508	77
Share of results of an associate	22	–	78
Share of results of joint ventures	12	(456)	(46)
Loss before taxation		(2,443)	(3,308)
Income tax credit	6(a)	513	553
Loss for the year		(1,930)	(2,755)
Attributable to:			
Equity holders of the Authority			
– Holder of ordinary shares		(2,142)	(3,014)
– Holders of perpetual capital securities		264	263
		(1,878)	(2,751)
Non-controlling interests		(52)	(4)
Loss for the year		(1,930)	(2,755)

The notes on pages 109 to 162 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

<i>\$ million</i>	2023	2022
Loss for the year	(1,930)	(2,755)
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit retirement obligations of:		
– the Authority	(9)	50
Add/(less): deferred tax	1	(8)
	(8)	42
– a subsidiary in the People’s Republic of China (“the PRC”)	(2)	(3)
– a joint venture in the PRC	2	(5)
	(8)	34
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries and joint ventures in the PRC	(405)	221
Cash flow hedge: net movement in the hedging reserve, net of tax	204	682
Cash flow hedge: net movement in the cost of hedging reserve, net of tax	(646)	(117)
	(847)	786
Other comprehensive income for the year	(855)	820
Total comprehensive income for the year	(2,785)	(1,935)
Attributable to:		
Equity holders of the Authority		
– Holder of ordinary shares	(2,972)	(2,206)
– Holders of perpetual capital securities	264	263
	(2,708)	(1,943)
Non-controlling interests	(77)	8
Total comprehensive income for the year	(2,785)	(1,935)

The notes on pages 109 to 162 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023 (Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	2023	2022
Non-current assets			
Investment property	9	48	44
Interest in leasehold land	9	5,905	6,041
Other property, plant and equipment	9	159,613	131,799
		165,566	137,884
Intangible assets	10	55	77
Interests in joint ventures	12	4,043	4,851
Net defined benefit retirement asset	19	–	12
Trade and other receivables	13	17	20
Derivative financial assets	23(e)	802	1,035
		170,483	143,879
Current assets			
Stores and spares		139	132
Trade and other receivables	13	3,835	2,679
Tax recoverable	6(c)	311	313
Derivative financial assets	23(e)	555	124
Cash and bank balances	14	42,290	38,092
		47,130	41,340
Current liabilities			
Trade and other payables	15	(16,692)	(11,570)
Interest-bearing borrowings	16	–	(554)
Current taxation	6(c)	(50)	–
Unused airport construction fee	17	(779)	(456)
Deferred income	18	(109)	(215)
Derivative financial liabilities	23(e)	(2)	(2)
		(17,632)	(12,797)
Net current assets		29,498	28,543
Total assets less current liabilities		199,981	172,422
Non-current liabilities			
Trade and other payables	15	(1,754)	(1,431)
Interest-bearing borrowings	16	(102,828)	(72,463)
Deferred income	18	(1,752)	(1,862)
Derivative financial liabilities	23(e)	(726)	(49)
Net defined benefit retirement obligations	19	(80)	(70)
Deferred tax liabilities	6(d)	(3,181)	(3,838)
		(110,321)	(79,713)
Net assets		89,660	92,709
Capital and reserves			
Share capital	20	30,648	30,648
Reserves		47,078	50,050
Perpetual capital securities	21	11,585	11,585
Total equity attributable to equity holders of the Authority		89,311	92,283
Non-controlling interests		349	426
Total equity		89,660	92,709

Approved and authorised for issue on behalf of the Members of the Board on 29 May 2023.

The Hon Jack So Chak-kwong

Chairman

Mr Fred Lam Tin-fuk

Chief Executive Officer

Mr Julian Lee Pui-hang

Executive Director, Finance

The notes on pages 109 to 162 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

\$ million	Note	Attributable to equity holders of the Authority									Non-controlling interests	Total equity
		Share capital	Exchange reserve	Capital reserve	Contribution from the Government	Hedging reserve	Cost of hedging reserve	Retained profits	Perpetual capital securities	Total		
At 1 April 2021		30,648	478	1,099	–	155	73	49,664	11,585	93,702	480	94,182
Changes in equity for the year:												
Loss for the year		–	–	–	–	–	–	(3,014)	263	(2,751)	(4)	(2,755)
Other comprehensive income		–	208	–	–	682	(117)	35	–	808	12	820
Total comprehensive income		–	208	–	–	682	(117)	(2,979)	263	(1,943)	8	(1,935)
Transfer from retained profits to capital reserve	20(c)(ii)	–	–	39	–	–	–	(39)	–	–	–	–
Contribution from the Government	20(c)(iii)	–	–	–	787	–	–	–	–	787	–	787
Distribution to perpetual capital securities holders	21	–	–	–	–	–	–	–	(263)	(263)	–	(263)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(62)	(62)
At 31 March 2022 and 1 April 2022		30,648	686	1,138	787	837	(44)	46,646	11,585	92,283	426	92,709
Changes in equity for the year:												
Loss for the year		–	–	–	–	–	–	(2,142)	264	(1,878)	(52)	(1,930)
Other comprehensive income		–	(381)	–	–	204	(646)	(7)	–	(830)	(25)	(855)
Total comprehensive income		–	(381)	–	–	204	(646)	(2,149)	264	(2,708)	(77)	(2,785)
Transfer from retained profits to capital reserve	20(c)(ii)	–	–	19	–	–	–	(19)	–	–	–	–
Distribution to perpetual capital securities holders	21	–	–	–	–	–	–	–	(264)	(264)	–	(264)
At 31 March 2023		30,648	305	1,157	787	1,041	(690)	44,478	11,585	89,311	349	89,660

The notes on pages 109 to 162 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2023 (Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	2023	2022
Operating activities			
Loss before taxation		(2,443)	(3,308)
Adjustments for:			
Depreciation		3,156	2,847
Amortisation of interest in leasehold land		136	156
Amortisation of intangible assets		16	36
Interest on notes and bank loans		2,402	897
Interest on lease liabilities		3	–
Other borrowing costs and interest expense		116	92
Borrowing costs capitalised into assets under construction		(2,058)	(1,039)
Interest income		(700)	(91)
Fair value loss on derivative financial instruments in fair value hedges		–	1
Net (gain)/loss on derivative financial instruments in cash flow hedges		(269)	64
Net gain on underlying hedged interest-bearing borrowings in fair value hedges		(4)	(11)
Share of results of an associate		–	(78)
Share of results of joint ventures		456	46
Reversal of loss allowance for expected credit loss (“ECL”) of trade and other receivables		(6)	(28)
Net loss on disposal of other property, plant and equipment		17	11
Gain on step acquisition		–	(59)
Net foreign exchange loss		2	10
Amortisation of deferred income		(216)	(215)
Expenses recognised in respect of defined benefit retirement plans		37	43
Operating profit/(loss) before changes in working capital		645	(626)
Increase in stores and spares		(7)	(10)
Increase in trade and other receivables		(434)	(88)
Increase in trade and other payables		3,703	312
Decrease in net defined benefit retirement obligations		(18)	(19)
Cash generated from/(used in) operations		3,889	(431)
Hong Kong Profits Tax paid		(8)	(34)
PRC Corporate Income Tax refunded/(paid)		5	(7)
Net cash generated from/(used in) operating activities		3,886	(472)
Investing activities			
Net (placement)/maturity of deposits with banks with over three months of maturity when placed		(24,034)	5,362
Interest received		362	106
Dividend received from an associate	22	–	268
Dividend received from a joint venture		1	1
Dividend paid to non-controlling interests		–	(62)
Advance payments to contractors		(9)	(14)
Payments for the purchase of other property, plant and equipment		(27,720)	(26,785)
Payment of annual franchise fee for a PRC subsidiary		(14)	(26)
Net cash inflows arising from the Step Acquisition	22	–	66
Net cash used in investing activities		(51,414)	(21,084)

CONSOLIDATED CASH FLOW STATEMENT

<i>\$ million</i>	Note	2023	2022
Financing activities			
Interest paid on notes and bank loans	14(b)	(2,014)	(713)
Interest element of lease rentals paid	14(b)	(3)	–
Other borrowing costs and interest expense paid	14(b)	(179)	(227)
Capital element of lease rentals paid	14(b)	(25)	(16)
Airport construction fee received	14(b)	354	128
Receipts from issue of notes	14(b)	30,140	31,049
Repayment of notes	14(b)	(550)	–
Net interest income received/(expense paid) on interest rate swaps	14(b)	253	(72)
Distribution paid on perpetual capital securities	21	(264)	(263)
Net cash generated from financing activities		27,712	29,886
Net (decrease)/increase in cash and cash equivalents		(19,816)	8,330
Cash and cash equivalents at beginning of year		26,866	18,521
Effect of foreign exchange rate changes		(20)	15
Cash and cash equivalents at end of year	14(a)	7,030	26,866

The notes on pages 109 to 162 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. Principal Activities of the Authority

The Airport Authority (“the Authority”) is a statutory corporation wholly owned by the Government of the Hong Kong Special Administrative Region of the People’s Republic of China (“the Government”). It was formally established on 1 December 1995 when the Airport Authority Ordinance (“the Ordinance”) was brought into effect as a continuation of the Provisional Airport Authority which had been set up in 1990.

The Authority’s statutory purpose is to provide, operate, develop and maintain Hong Kong’s airport at Chek Lap Kok, in order to maintain Hong Kong’s status as a centre of international and regional aviation. Pursuant to these purposes, the Authority may also engage in airport-related activities in trade, commerce or industry at Chek Lap Kok and is permitted to engage in or carry out airport-related activities at any place in or outside Hong Kong.

The Authority is required under the Ordinance to conduct its business according to prudent commercial principles.

The Authority’s principal subsidiaries and their principal activities are set out in note 11.

The Authority and its subsidiaries are collectively referred to as the group.

2. Statement of Compliance and Basis of Preparation of the Consolidated Financial Statements

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) with the exception of disclosure of Earnings Per Share which is not relevant to the Authority as the Authority’s shares are not publicly traded. A summary of the significant accounting policies adopted by the group is set out in note 29.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the Authority. Note 29(a) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these consolidated financial statements. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 30).

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements comprise the financial statements of the group as well as the group’s interests in joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain assets and liabilities and financial instruments which are adjusted for or stated at their fair values as explained in note 22 and the accounting policies set out in notes 29(e), (f) and (n), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Statement of Compliance and Basis of Preparation of the Consolidated Financial Statements (continued)

(b) Basis of preparation of the consolidated financial statements (continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 27.

3. Operating Loss Before Interest and Finance Costs

Operating loss before interest and finance costs of the group is arrived at after charging/(crediting):

<i>\$ million</i>	2023	2022
Auditors' remuneration:		
– audit services	6	5
– tax services	1	2
– other services	2	–
Stores and spares expensed	48	51
Net loss on disposal of other property, plant and equipment	17	11
Gain on step acquisition (note 22)	–	(59)
Reversal of loss allowance for ECL of trade and other receivables (note 13(b))	(6)	(28)
Depreciation:		
– owned assets leased out under operating leases (note 9(d))	111	116
– right-of-use assets	26	15
– other assets	3,019	2,716
Amortisation:		
– interest in leasehold land		
– leased out under operating leases (note 9(d))	9	12
– others	127	144
– intangible assets (note 10)	16	36
Expense relating to short-term leases and low-value assets	2	2
Rentals from investment property less direct outgoings of \$27 million (2022: \$24 million)	5	(2)

4. Staff Costs and Related Expenses

<i>\$ million</i>	2023	2022
Contributions to defined contribution retirement plans	156	154
Expenses recognised in respect of defined benefit retirement plans (note 19)	37	43
Total retirement costs	193	197
Salaries, wages and other benefits	3,709	3,557
Total staff costs and related expenses	3,902	3,754
Less: staff costs and related expenses capitalised into assets under construction	(1,004)	(954)
	2,898	2,800

5. Finance Costs

<i>\$ million</i>	2023	2022
Interest on bank loans	557	161
Interest on notes	1,845	736
Interest on lease liabilities	3	–
Other borrowing costs	99	74
Other interest expense	17	18
Total interest expense	2,521	989
Net foreign exchange loss	2	10
Fair value loss on derivative financial instruments in fair value hedges ¹	–	1
Net (gain)/loss on derivative financial instruments in cash flow hedges	(269)	64
Net gain on underlying hedged interest-bearing borrowings in fair value hedges	(4)	(11)
Less: borrowing costs capitalised into assets under construction	(2,058)	(1,039)
	192	14

¹ Includes net interest income of \$1 million (2022: \$7 million) in respect of interest rate swaps under fair value hedging arrangements.

The borrowing costs have been capitalised at the average cost of funds to the group calculated on a monthly basis. The average interest rate used for capitalisation for the year was 2.58% (2022: 2.13%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Taxation

(a) Taxation in the consolidated statement of profit or loss represents:

<i>\$ million</i>	2023	2022
Current tax – Hong Kong Profits Tax		
– provision for the year	55	16
Current tax – PRC Corporate Income Tax		
– provision for the year	–	1
– under-provision in respect of prior year	–	2
Deferred tax (note 6(d))		
– origination and reversal of temporary differences	(568)	(572)
Income tax credit	(513)	(553)

The provisions for Hong Kong Profits Tax for both years are calculated at 8.25% of the estimated assessable profits for the year up to \$2 million and 16.5% on any part of the estimated assessable profits for the year over \$2 million.

The provision for PRC Corporate Income Tax is calculated at 25% (2022: 25%) of the estimated assessable profits for the year.

(b) Reconciliation between tax credit and accounting loss at applicable tax rates:

<i>\$ million</i>	2023	2022
Loss before taxation	(2,443)	(3,308)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	(346)	(563)
Tax effect of non-deductible expenses	38	34
Tax effect of non-taxable income	(162)	(29)
Under-provision in respect of prior year	–	2
Tax effect of tax loss and other temporary differences not recognised	17	5
Tax effect of temporary differences previously not recognised	–	(2)
Utilisation of tax losses previously not recognised	(60)	–
Actual tax credit	(513)	(553)

(c) Taxation in the consolidated statement of financial position represents:

<i>\$ million</i>	2023	2022
Provision for the year (note 6(a))		
– Hong Kong Profits Tax	55	16
– PRC Corporate Income Tax	–	1
Provisional Hong Kong Profits Tax paid	(8)	(33)
PRC Corporate Income Tax refunded/(paid)	5	(7)
Balance of tax recoverable relating to prior years	(313)	(290)
	(261)	(313)
Classified in the consolidated statement of financial position as:		
Tax recoverable	(311)	(313)
Current taxation	50	–
	(261)	(313)

6. Taxation (continued)

(d) Deferred tax assets and liabilities recognised in the consolidated statement of financial position represents:

The components of deferred tax (assets)/liabilities of the group recognised in the consolidated statement of financial position and the movements during the year are as follows:

<i>\$ million</i>	Depreciation allowances in excess of the related depreciation and other expenses	Tax loss	Deferred income, defined benefit retirement plan liability and others	Undistributed profits of a PRC joint venture	Total
Deferred tax arising from:					
At 1 April 2021	5,810	(1,390)	(177)	48	4,291
Charged/(credited) to profit or loss	891	(1,457)	(4)	(2)	(572)
Charged to other comprehensive income	–	–	119	–	119
At 31 March 2022	6,701	(2,847)	(62)	46	3,838
At 1 April 2022	6,701	(2,847)	(62)	46	3,838
Charged/(credited) to profit or loss	1,475	(2,019)	1	(25)	(568)
Charged to other comprehensive income	–	–	(89)	–	(89)
At 31 March 2023	8,176	(4,866)	(150)	21	3,181

(e) Deferred tax assets not recognised in the consolidated statement of financial position:

The group has not recognised deferred tax assets in respect of subsidiaries' cumulative tax losses and other temporary differences of \$199 million (2022: \$125 million) and \$3 million (2022: \$nil) respectively as it is not probable that sufficient future taxable profits against which the cumulative tax losses and other temporary differences can be utilised. Tax losses relating to subsidiaries in Hong Kong do not expire under the current tax legislation.

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors

Members of the Board, the Chief Executive Officer, Chief Operating Officer and Executive Directors are considered to be key management personnel of the Authority. There are three components of emoluments paid to the Chief Executive Officer, Chief Operating Officer and Executive Directors.

Basic compensation

Basic compensation consists of base salary, housing and other allowances and benefits in kind.

Performance-related compensation

This represents discretionary payments depending on individual performance and the performance of the group.

Retirement benefits

Retirement benefits relate to the group's contribution to retirement funds or gratuities in lieu of retirement plan contributions accrued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors (continued)

(a) Emoluments of the Members of the Board

The emoluments of the Members of the Board of the Authority are as follows:

2023 \$'000	Board Member's fee	Basic compensation	Performance- related compensation	Retirement benefits	Total
Members of the Board					
Non-executive Members					
Jack So Chak-kwong ¹	–	–	–	–	–
Sabrina Chao Sih-ming	110	–	–	–	110
Philip Chen Nan-lok (appointed in June 2022)	92	–	–	–	92
Rock Chen Chung-nin	110	–	–	–	110
Irene Chow Man-ling	110	–	–	–	110
Stuart Thomson Gulliver	110	–	–	–	110
Nisa Bernice Leung Wing-yu	110	–	–	–	110
Laurence Li Lu-jen (appointed in June 2022)	92	–	–	–	92
Lo Wai-kwok	110	–	–	–	110
Edwin Tong Ka-hung	110	–	–	–	110
Adrian Wong Koon-man	110	–	–	–	110
William Wong Ming-fung	110	–	–	–	110
Secretary for Financial Services and the Treasury ²	110	–	–	–	110
Secretary for Transport and Logistics ²	110	–	–	–	110
Director-General of Civil Aviation ²	110	–	–	–	110
Thomas Jefferson Wu (retired in May 2022)	18	–	–	–	18
Frankie Yick Chi-ming (retired in May 2022)	18	–	–	–	18
Allan Zeman (retired in May 2022)	18	–	–	–	18
Executive Member					
Fred Lam Tin-fuk (Chief Executive Officer)	–	6,864	3,362	912	11,138
	1,558	6,864	3,362	912	12,696

¹ Jack So Chak-kwong has donated his Chairman's Fee as "Jack So Scholarship" to children of Airport Authority employees and therefore no payment has been made to him.

² Members who are public officers. Fees payable to the Members who are public officers are received by the Government rather than by the individuals concerned.

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors (continued)

(a) Emoluments of the Members of the Board (continued)

2022 \$'000	Board Member's fee	Basic compensation	Performance- related compensation	Retirement benefits	Total
Members of the Board					
Non-executive Members					
Jack So Chak-kwong ¹	–	–	–	–	–
Sabrina Chao Sih-ming (appointed in June 2021)	92	–	–	–	92
Rock Chen Chung-nin	110	–	–	–	110
Irene Chow Man-ling	110	–	–	–	110
Stuart Thomson Gulliver	110	–	–	–	110
Nisa Bernice Leung Wing-yu	110	–	–	–	110
Lo Wai-kwok	110	–	–	–	110
Edwin Tong Ka-hung (appointed in June 2021)	92	–	–	–	92
Adrian Wong Koon-man	110	–	–	–	110
William Wong Ming-fung	110	–	–	–	110
Thomas Jefferson Wu	110	–	–	–	110
Frankie Yick Chi-ming	110	–	–	–	110
Allan Zeman	110	–	–	–	110
Secretary for Financial Services and the Treasury ²	110	–	–	–	110
Secretary for Transport and Housing ²	110	–	–	–	110
Director-General of Civil Aviation ²	110	–	–	–	110
Steven Ho Chun-yin (retired in May 2021)	18	–	–	–	18
Billy Wong Wing-hoo (retired in May 2021)	18	–	–	–	18
Executive Member					
Fred Lam Tin-fuk (Chief Executive Officer)	–	6,810	3,300	905	11,015
	1,650	6,810	3,300	905	12,665

¹ Jack So Chak-kwong has donated his Chairman's Fee as "Jack So Scholarship" to children of Airport Authority employees and therefore no payment has been made to him.

² Members who are public officers. Fees payable to the Members who are public officers are received by the Government rather than by the individuals concerned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Emoluments of the Members of the Board, Chief Operating Officer and Executive Directors (continued)

(b) Emoluments of Chief Operating Officer and Executive Directors

The aggregate of the emoluments of the Chief Operating Officer and Executive Directors of the Authority is as follows:

\$'000	2023	2022
Basic compensation	21,604	21,482
Performance-related compensation	9,825	9,379
Retirement benefits	2,589	2,505
	34,018	33,366

The emoluments of the Chief Operating Officer and Executive Directors of the Authority are within the following bands:

\$	Number of individuals	
	2023	2022
500,001 – 1,000,000	–	1
1,000,001 – 1,500,000	1	1
4,000,001 – 4,500,000	–	1
4,500,001 – 5,000,000	2	1
5,000,001 – 5,500,000	2	3
5,500,001 – 6,000,000	1	–
6,500,001 – 7,000,000	–	1
7,000,001 – 7,500,000	1	–
	7	8

During the year, the five individuals with the highest emoluments comprise the Chief Executive Officer, Chief Operating Officer and three Executive Directors (2022: five comprise the Chief Executive Officer and four Executive Directors), whose emoluments are disclosed under note 7(a) and above, respectively.

8. Segmental Information

Services from which reportable segments derive their revenue

Information reported to the group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the group as a whole, as all of the group's activities are considered to be primarily dependent on the airport traffic and are highly integrated and interdependent on each other. Resources are allocated based on what is beneficial for the group in enhancing the airport experience as a whole rather than any specific department. Performance assessment is based on the results of the group as a whole with operating parameters set out for each department. Consequently, management considers there to be only one operating segment under the requirements of HKFRS 8, "Operating segments", and believes that this presentation provides more relevant information.

Reconciliation of segmental information to the information presented in the consolidated financial statements has not been presented, as the reconciling items net of consolidation adjustments are considered to be immaterial to the group.

Information provided to management in respect of the group's revenues, expenses, assets and liabilities is materially similar to that reported in these consolidated financial statements.

8. Segmental Information (continued)

Revenue from major services

The group's revenue from its major services is set out in the consolidated statement of profit or loss.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major services is as follows:

<i>\$ million</i>	2023	2022
Revenue from contracts with customers within the scope of HKFRS 15		
Airport charges	2,173	2,101
Security charges	343	46
Aviation security services	501	567
Convention and exhibition revenue	1,210	–
Others	165	297
	4,392	3,011
Revenue from other sources		
Airside support services franchises	1,602	1,660
Retail licences and advertising revenue	752	62
Other terminal commercial revenue	613	677
Convention and exhibition revenue	395	–
Others	463	388
	3,825	2,787
	8,217	5,798

The group's revenue from contracts with customers within the scope of HKFRS 15 is mainly recognised at a point in time.

Geographical information

No geographical information is shown as the revenue and operating loss of the group is substantially derived from activities in Hong Kong, other than its investments in certain subsidiaries and interests in joint ventures in the PRC, details of which are disclosed under notes 11 and 12 to the consolidated financial statements respectively.

Information about major customers

The group's customer base is diversified and includes one customer (2022: one customer) with whom transactions have exceeded 10% of the group's revenue.

Included in the revenue for the year are aggregated revenues of approximately \$1,560 million which arose from this customer (2022: \$1,164 million from one customer). This includes only revenue arising from those entities which are known to the group to be under common control of this customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment

(a) Reconciliation of carrying amount

\$ million	Other property, plant and equipment										Total
	Airfields	Terminal complexes & ground transportation centre	Access, utilities, other buildings & support facilities	Systems, installations, plant & equipment	Furniture, fixtures & equipment	Right-of-use assets	Construction in progress	Sub-total	Investment property	Interest in leasehold land	
Cost											
At 1 April 2021	14,989	31,516	16,107	15,703	3,286	60	62,812	144,473	136	11,309	155,918
Exchange adjustments	–	7	–	9	11	–	3	30	–	–	30
Additions	3	55	33	316	205	28	27,451	28,091	–	–	28,091
Acquired through step acquisition (note 22)	–	–	651	284	–	–	9	944	–	127	1,071
Reclassifications	234	1,157	956	220	171	–	(2,712)	26	(26)	–	–
Disposals	(9)	(4)	(12)	(72)	(43)	(11)	–	(151)	–	–	(151)
At 31 March 2022	15,217	32,731	17,735	16,460	3,630	77	87,563	173,413	110	11,436	184,959
At 1 April 2022	15,217	32,731	17,735	16,460	3,630	77	87,563	173,413	110	11,436	184,959
Exchange adjustments	–	(14)	–	(18)	(24)	–	(25)	(81)	–	–	(81)
Additions	62	239	154	1,094	292	43	29,186	31,070	–	–	31,070
Reclassifications	7,791	5,068	1,544	1,209	47	–	(15,682)	(23)	23	–	–
Disposals	(65)	(23)	(4)	(36)	(49)	(9)	–	(186)	–	–	(186)
At 31 March 2023	23,005	38,001	19,429	18,709	3,896	111	101,042	204,193	133	11,436	215,762
Accumulated depreciation, amortisation and impairment											
At 1 April 2021	5,662	14,827	8,653	7,624	2,078	38	–	38,882	77	5,239	44,198
Exchange adjustments	–	3	–	4	6	1	–	14	–	–	14
Charge for the year	447	901	538	737	205	15	–	2,843	4	156	3,003
Reclassifications	–	–	13	1	1	–	–	15	(15)	–	–
Written back on disposals	(9)	(3)	(11)	(67)	(39)	(11)	–	(140)	–	–	(140)
At 31 March 2022	6,100	15,728	9,193	8,299	2,251	43	–	41,614	66	5,395	47,075
At 1 April 2022	6,100	15,728	9,193	8,299	2,251	43	–	41,614	66	5,395	47,075
Exchange adjustments	–	(4)	–	1	1	–	–	(2)	–	–	(2)
Charge for the year	465	884	600	912	266	26	–	3,153	3	136	3,292
Reclassifications	–	–	(13)	(2)	(1)	–	–	(16)	16	–	–
Written back on disposals	(65)	(10)	(4)	(32)	(49)	(9)	–	(169)	–	–	(169)
At 31 March 2023	6,500	16,598	9,776	9,178	2,468	60	–	44,580	85	5,531	50,196
Net book value											
At 31 March 2023	16,505	21,403	9,653	9,531	1,428	51	101,042	159,613	48	5,905	165,566
At 31 March 2022	9,117	17,003	8,542	8,161	1,379	34	87,563	131,799	44	6,041	137,884

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

(b) Under the Private Treaty Land Grant issued by the Government for the period from 1 December 1995 to 30 June 2047 (“the Land Grant”), the Government has granted to the Authority up to the year 2047 the legal rights to the entire airport site at Chek Lap Kok together with the rights necessary to develop such site for the purposes of its business. In September 2016, the Government approved that the North Commercial District (“NCD”) area be carved out from the original land lease and put under a new lease with a 50-year term granted to the Authority up to the year 2066 to support NCD development. In August 2021, the lease term of the remaining portions in the original land lease shall be extended to the year 2071 by way of a reversionary lease granted by the Government (“the extended Land Grant”). This resulted in a decrease in the group’s annual depreciation charge in prior year of \$368 million. The net land formation cost of \$11,436 million (2022: \$11,436 million) and the land premium of \$4,000 (2022: \$4,000) have been classified as interest in leasehold land. The costs of interest in leasehold land do not include future land premium, if any.

In August 2021, a Private Treaty Land Grant for the Three-runway System (“3RS”) at new reclamation land at Chek Lap Kok has been granted by the Government to the Authority up to the year 2071. The net reclamation cost and the land premium of \$1,000 (2022: \$1,000) have been classified as construction in progress.

(c) Fair value measurement of investment property

The investment property is stated at cost net of accumulated depreciation and impairment losses with fair value disclosed for reference purpose.

The group engaged an independent firm of surveyors, Knight Frank Petty Limited (“the valuer”), who have among their staff Fellow members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued, to value its investment property for disclosure purposes. The valuer has considered the assignment restrictions on the investment property in the valuation. The fair value of the group’s investment property as at 31 March 2023 calculated by reference to net rental income allowing for reversionary income potential amounted to \$540 million (2022: \$334 million), which falls under Level 3 of the fair value hierarchy (note 23(e)).

The fair value of the group’s investment property is determined by the Income Approach. Under the Income Approach, the existing rental income from all lettable space of the investment property is capitalised for their respective unexpired terms of contractual tenancies. Upon reversion, i.e. the expiry of an existing tenancy, each office space is assumed to be let at the market rent at the reporting date, which in turn is capitalised at the market yield as expected by investors for this type of property and due consideration has been made of the market expectation of the renewal of Government leases upon expiry. Vacant units, if any, are assumed to be let at their respective market rents at the reporting date. The summation of the capitalised value of the term income and the capitalised value of the reversion income as appropriately deferred provides the market value of the investment property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

- (d) The group has granted sub-leases of its interest in leasehold land for airport related development and the provision of airside support services under franchise/sub-lease agreements for periods ranging from 5 to 49 years. Under the franchise/sub-lease agreements, the franchisees/lessees are granted sub-leases of interest in leasehold land for the periods of the respective franchises/sub-leases. The group also leases out part of the terminal complexes, other building and related assets under operating leases for periods generally ranging from one year to five years. All terms are renegotiated on renewal.

Payments receivable under the above mentioned operating leases and franchise/sub-lease arrangements either are adjusted periodically to reflect prevailing market indices or contain contingent rentals based on passenger flow and revenue of tenants and franchisees.

The total future minimum payments (excluding contingent rentals) under non-cancellable operating leases and franchise/sub-lease agreements receivable by the group are as follows:

<i>\$ million</i>	2023	2022
Within one year	2,822	2,989
After one but within five years	6,232	6,242
After five years	10,093	11,036
	19,147	20,267

In addition to the above, in a prior year, the group began to sub-lease a portion of its interest in leasehold land to a developer to develop and manage a commercial development in SKYCITY which is scheduled to be opened in phases. The sub-lease agreement is for the period to 2066. The group will receive revenue rent only during the initial phase of operations, as set out in the agreement. Subsequent to the initial phase, the group will receive the higher of a guaranteed rent or revenue rent throughout the remaining lease term. Revenue rent represents 20%, or 30%, subject to subsequent adjustment, of the gross revenue derived from the commercial development.

During the year, \$3,135 million (2022: \$2,534 million) was recognised as income in profit or loss in respect of the operating leases and franchise/sub-lease agreements, which included contingent rentals of \$1,263 million (2022: \$514 million).

The cost less accumulated amortisation of the interest in leasehold land for airport related development and the provision of airside support services sub-leased to third parties under non-cancellable franchise/sub-lease agreements for the group as at 31 March 2023 was \$458 million with annual amortisation amounting to \$9 million.

The cost less accumulated depreciation of other property, plant and equipment leased to third parties under non-cancellable operating leases for the group as at 31 March 2023 was \$2,529 million with annual depreciation amounting to \$111 million.

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

- (e) A review of the useful life of investment property and other property, plant and equipment is undertaken by the Authority periodically. There is no material change in the estimated useful lives of investment property and other property, plant and equipment from the review undertaken during the year. Apart from those disclosed in note 9(b), a similar review undertaken during the previous year also resulted in no change in the group's annual depreciation charge.

10. Intangible Assets

<i>\$ million</i>	2023	2022
Cost		
At 1 April	340	565
Exchange adjustments	(25)	13
Eliminated upon step acquisition (note 22)	–	(238)
At 31 March	315	340
Accumulated amortisation		
At 1 April	263	284
Exchange adjustments	(19)	9
Charge for the year	16	36
Eliminated upon step acquisition (note 22)	–	(66)
At 31 March	260	263
Net book value		
At 31 March	55	77

As at 31 March 2023 and 2022, intangible asset represents the right to operate and manage Zhuhai Airport which is being amortised over 20 years on a straight line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Investments in Subsidiaries

The following list contains only the particulars of principal subsidiaries. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operation	Particulars of issued and paid up ordinary share capital/ registered capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Authority	Held by subsidiaries	
Aviation Security Company Limited ("AVSECO")	Hong Kong	\$10,000,000	51%	51%	—	Provision of aviation security services
HKIA Precious Metals Depository Limited	Hong Kong	\$2	100%	100%	—	Provision of storage space and related services
Hong Kong – Zhuhai Airport Management Co., Ltd. ("HKZAM") * (note 11(a))	PRC	RMB360 million	55%	—	55%	Airport management and provision of transportation and ground services relating to aviation
AsiaWorld-Expo Management Limited ("AWEM") (note 11(b))	Hong Kong	\$100,000	100%	—	100%	AsiaWorld-Expo exhibition centre operation and management
Hong Kong IEC Limited ("HKIEC") (note 22)	Hong Kong	Ordinary shares: \$2,267,084,251 Preference shares: \$403,758,261	100%	—	100%	Development and holding of AsiaWorld-Expo exhibition centre

* A sino-foreign equity joint venture

(a) HKZAM

The following table lists out the information relating to HKZAM, the only subsidiary of the group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

\$ million	2023	2022
NCI percentage	45%	45%
Non-current assets	546	652
Current assets	374	474
Non-current liabilities	(148)	(120)
Current liabilities	(244)	(299)
Net assets	528	707
Carrying amount of NCI	238	318
Revenue	390	540
Loss for the year	(124)	(52)
Total comprehensive income for the year	(127)	(55)
Loss for the year allocated to NCI	(55)	(24)
Total comprehensive income for the year allocated to NCI	(56)	(25)

11. Investments in Subsidiaries (continued)

(b) AWEM

AWEM operates AsiaWorld-Expo exhibition centre under a management and operating agreement up to 2031 in return for a management fee. AsiaWorld-Expo exhibition centre is held by HKIEC, an indirect wholly owned subsidiary of the Authority since 31 March 2022 (see note 22).

12. Interests in Joint Ventures

<i>\$ million</i>	2023	2022
Share of net assets	3,824	4,614
Goodwill	219	237
	4,043	4,851

Details of the group's interests in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up registered capital	Proportion of ownership interest		Principal activity
				Group's effective interest	Held by the Authority	
Hangzhou Xiaoshan International Airport Co., Ltd. ("HXIA")	Incorporated	PRC	RMB5,686 million	35%	35%	Management, operation and development of Hangzhou Xiaoshan International Airport and provision of related services
Shanghai Hong Kong Airport Management Co., Ltd. ("SHKAM")	Incorporated	PRC	RMB100 million	49%	49%	Management and operation of the terminals at Hongqiao International Airport, Shanghai ("HIA")

The above entities have 31 December as their statutory financial year end date, which is not coterminous with that of the group. The Authority has determined that it is more practicable to incorporate its share of the results and net assets based on the joint ventures' statutory financial year adjusted for the Authority's accounting policies.

(a) HXIA

HXIA is an unlisted sino-foreign equity joint venture with a period of operation of 30 years.

Summary of financial information of HXIA, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

<i>\$ million</i>	2023	2022
Gross amounts of HXIA		
Non-current assets	31,566	32,758
Current assets	4,891	3,748
Non-current liabilities	(16,713)	(13,409)
Current liabilities	(8,988)	(10,097)
Net assets/equity	10,756	13,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Interests in Joint Ventures (continued)

(a) HXIA (continued)

<i>\$ million</i>	2023	2022
Income	2,148	3,031
Expenses	(3,437)	(3,151)
Loss before taxation	(1,289)	(120)
Income tax	(17)	(13)
Loss after taxation	(1,306)	(133)
Other comprehensive income	6	(14)
Total comprehensive income	(1,300)	(147)

<i>\$ million</i>	2023	2022
Reconciled to the group's interest in HXIA		
Gross amounts of HXIA's net assets	10,756	13,000
Group's effective interest	35%	35%
Group's share of HXIA's net assets	3,765	4,550
Goodwill	219	237
Carrying amount in the consolidated financial statements	3,984	4,787

The movements in retained profits during the year are as follows:

<i>\$ million</i>	2023	2022
Share of loss after taxation	(457)	(47)
Share of other comprehensive income	2	(5)
Less: transfer to capital reserve	(16)	(17)
Share of loss and other comprehensive income to be retained	(471)	(69)
Share of retained profits brought forward from previous years	1,163	1,232
Share of retained profits carried forward to next year	692	1,163

The movements in capital reserve during the year are as follows:

<i>\$ million</i>	2023	2022
At 1 April	1,030	1,013
Transfer from retained profits	16	17
At 31 March	1,046	1,030

The outstanding commitments of HXIA in respect of capital expenditure not provided for in the consolidated financial statements are as follows:

<i>\$ million</i>	2023	2022
Contracted for	2,880	1,822
Authorised but not contracted for	12,743	11,528
	15,623	13,350

These are to be financed independently by HXIA through its internal resources or borrowings. No commitment has been made by the group to contribute by way of equity, loans or guarantees thereof for this purpose.

12. Interests in Joint Ventures (continued)

(b) SHKAM

SHKAM, an unlisted sino-foreign equity joint venture, manages and operates the terminals at HIA, under a management contract signed for 20 years commencing from December 2009 in return for a management fee to be paid by Shanghai Airport (Group) Co. Ltd. Hongqiao International Airport Company.

Summarised financial information of SHKAM, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

<i>\$ million</i>	2023	2022
Gross amounts of SHKAM		
Current assets	130	139
Current liabilities	(10)	(9)
Net assets/equity	120	130

<i>\$ million</i>	2023	2022
Income	12	12
Expenses	(9)	(9)
Profit before taxation	3	3
Income tax	(1)	(1)
Net profit and other comprehensive income	2	2

<i>\$ million</i>	2023	2022
Reconciled to the group's interest in SHKAM		
Gross amounts of SHKAM's net assets	120	130
Group's effective interest	49%	49%
Group's share of SHKAM's net assets and carrying amount in the consolidated financial statements	59	64

13. Trade and Other Receivables

<i>\$ million</i>	2023	2022
Trade debtors	4,194	3,483
Less: loss allowance (note 13(b))	(1,082)	(1,088)
	3,112	2,395
Other debtors	443	35
	3,555	2,430
Advance payments to contractors	17	20
Prepayments	236	218
Deposits and debentures	44	31
	3,852	2,699
Classified in the consolidated statement of financial position as:		
Current assets	3,835	2,679
Non-current assets	17	20
	3,852	2,699

As at 31 March 2023, all of the trade and other receivables under current assets are expected to be recovered or recognised as an expense within one year except for \$27 million (2022: \$20 million), which is expected to be recovered after more than one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Trade and Other Receivables (continued)

- (a) The ageing analysis of trade debtors, based on overdue days and net of loss allowance, included above is as follows:

<i>\$ million</i>	2023	2022
Amounts not yet due	1,693	1,432
Less than one month past due	116	38
One to three months past due	256	106
More than three months past due	1,047	819
	3,112	2,395

Trade debtors are generally due within 14 to 30 days from the date of billing. The group's credit policy is set out in note 23(a). The group holds cash deposits and bank guarantees of \$3,417 million (2022: \$3,335 million) as collateral over the trade debtors.

(b) **ECLs of trade debtors**

ECLs in respect of trade debtors are recorded using an allowance account unless the group considers that recovery of the amount is remote, in which case the ECL is written off against trade debtors directly (note 29(l)).

The movements in the loss allowance during the year are as follows:

<i>\$ million</i>	2023	2022
At 1 April	1,088	1,116
Losses reversed and credited to other operating expenses	(6)	(28)
At 31 March	1,082	1,088

(c) **Credit risk arising from trade debtors**

The group measures loss allowance for trade debtors at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Expected loss rates are based on actual loss experience in the past for the respective customer bases. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the trade debtors.

Expected loss rates ranged from 35% to 89% for debtors 1-30 days past due to 211-240 days past due (2022: 31% to 88% for debtors 1-30 days past due to 211-240 days past due). The Authority usually fully provides for trade receivables aged over 240 days (2022: 240 days) based on historical experience save for any exceptional exposures.

14. Cash and Bank Balances and Other Cash Flow Information

(a) Cash and bank balances comprise:

\$ million	2023	2022
Deposits with banks within three months of maturity when placed	4,267	22,044
Cash at bank and in hand	2,763	4,822
Cash and cash equivalents in the consolidated cash flow statement	7,030	26,866
Deposits with banks with over three months of maturity when placed	35,260	11,226
Cash and bank balances in the consolidated statement of financial position	42,290	38,092

As at 31 March 2023, cash and bank balances of \$244 million (2022: \$389 million) held by subsidiaries are subject to currency exchange restrictions in the PRC.

(b) Reconciliation of (assets)/liabilities arising from financing activities:

The table below details changes in the group's (assets)/liabilities from financing activities, including both cash and non-cash changes. (Assets)/liabilities arising from financing activities are (assets)/liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flows from financing activities.

\$ million	Interest-bearing borrowings	Interest and other borrowing costs payables and deferred finance charges	Lease liabilities	Airport construction fee receivable	Net derivative financial assets	Total
	(Note 16)		(Note 15)		(Note 23(e))	
At 1 April 2022	73,017	314	45	(446)	(1,108)	71,822
Changes from financing cash flows:						
Interest paid on notes and bank loans	–	(2,014)	–	–	–	(2,014)
Interest element of lease rentals paid	–	–	(3)	–	–	(3)
Other borrowing costs and interest expense paid	(69)	(110)	–	–	–	(179)
Capital element of lease rentals paid	–	–	(25)	–	–	(25)
Airport construction fee received	–	–	–	354	–	354
Receipts from issue of notes	30,140	–	–	–	–	30,140
Repayment of notes	(550)	–	–	–	–	(550)
Net interest income received on interest rate swaps	–	253	–	–	–	253
Total changes from financing cash flows	29,521	(1,871)	(28)	354	–	27,976
Non-cash changes:						
Interest on notes and bank loans (note 5)	–	2,402	–	–	–	2,402
Interest on lease liabilities (note 5)	–	–	3	–	–	3
Other borrowing costs (note 5)	–	99	–	–	–	99
Airport construction fee	–	–	–	(671)	–	(671)
Other non-cash movements	290	(424)	43	–	479	388
Total other changes	290	2,077	46	(671)	479	2,221
At 31 March 2023	102,828	520	63	(763)	(629)	102,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Cash and Bank Balances and Other Cash Flow Information (continued)

(b) Reconciliation of (assets)/liabilities arising from financing activities: (continued)

<i>\$ million</i>	Interest-bearing borrowings	Interest and other borrowing costs payables and deferred finance charges	Lease liabilities	Airport construction fee receivable	Net derivative financial assets	Total
	(Note 16)		(Note 15)		(Note 23(e))	
At 1 April 2021	41,769	52	33	(453)	(273)	41,128
Changes from financing cash flows:						
Interest paid on notes and bank loans	–	(713)	–	–	–	(713)
Other borrowing costs and interest expense paid	(223)	(4)	–	–	–	(227)
Capital element of lease rentals paid	–	–	(16)	–	–	(16)
Airport construction fee received	–	–	–	128	–	128
Receipts from issue of notes	31,049	–	–	–	–	31,049
Net interest expense paid on interest rate swaps	–	(72)	–	–	–	(72)
Total changes from financing cash flows	30,826	(789)	(16)	128	–	30,149
Non-cash changes:						
Interest on notes and bank loans (note 5)	–	897	–	–	–	897
Other borrowing costs (note 5)	–	74	–	–	–	74
Airport construction fee	–	–	–	(121)	–	(121)
Other non-cash movements	422	80	28	–	(835)	(305)
Total other changes	422	1,051	28	(121)	(835)	545
At 31 March 2022	73,017	314	45	(446)	(1,108)	71,822

15. Trade and Other Payables

<i>\$ million</i>	2023	2022
Creditors and accrued charges	14,928	10,025
Deposits received	1,075	1,050
Contract retentions	2,380	1,881
Lease liabilities	63	45
	18,446	13,001
Classified in the consolidated statement of financial position as:		
Current liabilities	16,692	11,570
Non-current liabilities	1,754	1,431
	18,446	13,001

15. Trade and Other Payables (continued)

As at 31 March 2023, all of the trade and other payables are expected to be settled or recognised as income within one year except for \$1,754 million (2022: \$1,431 million), which are expected to be settled after more than one year and mainly relate to licence deposits received from retail licensees and contract retentions.

The ageing analysis of creditors and accrued charges included above by due dates is as follows:

<i>\$ million</i>	2023	2022
Due within 30 days or on demand	3,647	3,442
Due after 30 days but within 60 days	1,742	1,604
Due after 60 days but within 90 days	805	911
Due after 90 days	8,734	4,068
	14,928	10,025

16. Interest-Bearing Borrowings

<i>\$ million</i>	2023	2022
Notes payable (a)		
HK dollar fixed rate notes due 2024 to 2043	13,728	7,433
HK dollar floating rate notes due 2027	1,500	1,500
US dollar notes due 2026 to 2062	70,648	46,993
Bank loans (b)	17,500	17,500
Less: unamortised finance costs	(548)	(409)
	102,828	73,017

(a) The Authority maintained a United States ("US") \$8 billion Medium Term Note programme.

During the year, the Authority issued a total of \$6,849 million notes under the US\$8 billion Medium Term Note programme and repaid \$550 million in full. All of these notes issued are fixed rate notes with maturities of 2 to 5 years and annual coupon rates ranging between 2.60% and 3.30%.

In January 2022, the Authority issued totally US\$4 billion multi-tranche notes. These notes are listed on the Hong Kong Stock Exchange with maturities of 5 to 40 years at annual coupon rates ranging from 1.75% to 3.50%.

In January 2023, the Authority issued totally US\$3 billion multi-tranche notes. These notes are listed on the Hong Kong Stock Exchange. The multi-tranche offering comprises of:

- US\$500 million notes due 2026 with coupon rate of 4.875% issued at 99.917%;
- US\$1 billion green notes due 2028 with coupon rate of 4.75% issued at 99.705%;
- US\$700 million notes due 2030 with coupon rate of 4.875% issued at 99.380%; and
- US\$800 million notes due 2033 with coupon rate of 4.875% issued at 99.258%.

As at 31 March 2023, the Authority's outstanding fixed rate notes have annual coupon rates ranging from 1.55% to 4.875% (2022: 1.55% to 4.20%). The fixed rate notes are unsecured and repayable in full upon maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Interest-Bearing Borrowings (continued)

- (b) In June 2020, the Authority signed a five-year unsecured Hong Kong dollar term and revolving credit facility of \$35 billion. The facility consists of a term loan tranche and a revolving loan tranche of \$17.5 billion each. Interest is payable on amounts drawn down at a rate related to Hong Kong Interbank Offered Rate (“HIBOR”). In the same year, \$17.5 billion was drawn down from the term loan tranche and the amount was swapped from floating rate to fixed rate through use of interest rate swaps. As at 31 March 2023, there was no outstanding amount under the revolving loan tranche (2022: \$nil).
- (c) As at 31 March 2023, the Authority has uncommitted money market line facilities of \$2,692 million (2022: \$2,692 million). Interest is payable on amounts drawn down at a rate related to HIBOR. As at 31 March 2023, there was no outstanding amount under these facilities (2022: \$nil).
- (d) As at 31 March 2023, the unsecured interest-bearing borrowings were repayable as follows:

<i>\$ million</i>	2023	2022
Within one year or on demand	–	554
After one year but within two years	4,990	–
After two years but within five years	43,997	25,919
After five years	53,841	46,544
	102,828	72,463
	102,828	73,017

- (e) None of the interest-bearing borrowings is subject to any financial covenants imposed by the lenders. Interest-bearing borrowings are carried at amortised cost. The carrying amount of those hedged for fair value risks in prior years are adjusted for the change in fair value attributable to the risk being hedged. Further details of the group’s management of liquidity risk are set out in note 23(b).

17. Unused Airport Construction Fee (“ACF”)

<i>\$ million</i>	2023	2022
At 1 April	456	458
Add: ACF received or receivable for the year	671	121
Less: payment of 3RS capital expenditure	(348)	(123)
At 31 March	779	456

ACF is accrued upon the enplanement of the passenger and is remitted to the Authority by the airlines based on airlines’ passenger counts.

ACF collected by the Authority, together with the interest generated thereon, is maintained in designated bank accounts and is used exclusively for paying 3RS related projects capital expenditure.

18. Deferred Income

Deferred income mainly represents amounts received in respect of sub-leases of interest in leasehold land of the airport site and subsidy from the Government. They are accounted for in accordance with the accounting policies detailed in notes 29(t)(v) and 29(t)(ix) respectively.

The amount expected to be recognised as income more than one year after the end of the reporting period is included in non-current liabilities.

19. Employee Retirement Benefits

(a) Defined benefit retirement plans

The Authority makes contributions to a defined benefit retirement plan (“the Hong Kong plan”) registered under the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong), which covers 8% (2022: 9%) of the Authority’s employees. The plan is administered by independent trustees with its assets held separately from those of the Authority. The trustees are required by the Trust Deed to act in the best interests of the plan participants and are responsible for setting the investment policies of the plan. Under the plan, an employee is entitled to a lump sum payment upon termination of membership, which is calculated with reference to the final scheme salary and the eligible number of years of service that the employee had.

The plan is funded by contributions from the Authority in accordance with an independent actuary’s recommendation based on periodic actuarial valuations (at least every three years).

Based on an independent actuarial valuation of the plan as at 31 March 2023 according to HKAS 19, “*Employee benefits*” prepared by qualified staff of Mercer (Hong Kong) Limited (2022: Mercer (Hong Kong) Limited) using the “projected unit credit” actuarial method and a set of actuarial assumptions, the Authority’s obligation under the plan is 98% (2022: fully) covered by the plan assets held by the trustees. The signing actuaries are either Fellow members of the Society of Actuaries of the United States of America or an equivalent in another actuarial body.

HKZAM established a defined benefit retirement plan (“the HKZAM plan”) for its eligible employees, which is unfunded and covers 25% (2022: 25%) of HKZAM’s employees. Under the plan, a retired employee is entitled to a monthly fixed payment over a period upon retirement. An independent actuarial valuation of this plan according to HKAS 19, “*Employee benefits*”, as at 31 March 2023 was also prepared by qualified staff of Mercer (Hong Kong) Limited using the projected unit credit method.

The plans expose the group to actuarial risks, such as interest rate risk, investment risk and longevity risk. Information about the retirement plans is disclosed below:

(i) The amounts recognised in the consolidated statement of financial position are as follows:

<i>\$ million</i>	2023	2022
The Hong Kong plan		
Present value of funded obligations	641	730
Fair value of plan assets	(630)	(742)
	11	(12)
The HKZAM plan		
Present value of unfunded obligations	69	70
	80	58
Classified in the consolidated statement of financial position as:		
Net defined benefit retirement asset	–	(12)
Net defined benefit retirement obligations	80	70
	80	58

A portion of the above liabilities is expected to be settled after more than one year. The Authority expects to pay \$15 million in contributions to the Hong Kong defined benefit retirement plan for the year ending 31 March 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

(ii) Plan assets consist of the following:

<i>\$ million</i>	2023	2022
Equity securities	256	373
Corporate bonds	307	330
Cash	70	39
Net other payables	(3)	–
	630	742

All of the equity securities and bonds have quoted prices in active markets.

An asset-liability modelling study is performed periodically to analyse the strategic investment policies of the Hong Kong plan. Based on the latest review, the strategic asset allocation of the Hong Kong plan is around 42.5% in equities and 57.5% in bonds and cash.

The HKZAM plan is unfunded and without any plan assets.

(iii) The movements in the present value of the defined benefit obligations are as follows:

<i>\$ million</i>	2023	2022
The Hong Kong plan		
At 1 April	730	845
Remeasurements:	(48)	(68)
– Actuarial gains arising from changes in demographic assumptions	(2)	–
– Actuarial gains arising from changes in financial assumptions	(33)	(37)
– Experience adjustments	(13)	(31)
Benefits paid by the plans	(86)	(90)
Current service cost	30	35
Interest cost	15	8
At 31 March	641	730
The HKZAM plan	69	70
At 31 March	710	800

The weighted average durations of the defined benefit obligations for the Hong Kong and the HKZAM plans are 4.1 years (2022: 4.9 years) and 8.2 years (2022: 8.4 years) respectively.

(iv) The movements in plan assets are as follows:

<i>\$ million</i>	2023	2022
At 1 April	742	825
Group's contributions paid to the plans	18	19
Benefits paid by the plans	(86)	(90)
Actual return on plan assets	(44)	(12)
– Interest income	15	8
– Return on plan assets, excluding interest income	(57)	(18)
– Administrative expenses paid from plan assets	(2)	(2)
At 31 March	630	742

19. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

- (v) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

<i>\$ million</i>	2023	2022
Amounts recognised in profit or loss:		
The Hong Kong plan		
Current service cost	30	35
Administrative expenses paid from plan assets	2	2
	32	37
The HKZAM plan	5	6
Total amounts recognised in profit or loss	37	43
Amounts recognised in other comprehensive income:		
The Hong Kong plan		
Remeasurements:		
– Actuarial gains arising from changes in demographic assumptions	(2)	–
– Actuarial gains arising from changes in financial assumptions	(33)	(37)
– Experience adjustments	(13)	(31)
Return on plan assets, excluding interest income	57	18
	9	(50)
The HKZAM plan	2	3
Total amounts recognised in other comprehensive income	11	(47)
Total defined benefit expense/(income)	48	(4)

The current service cost and administrative expenses paid are recognised in the following line items in the consolidated statement of profit or loss.

<i>\$ million</i>	2023	2022
Staff costs and related expenses	37	43

- (vi) Significant actuarial assumptions and sensitivity analysis are as follows:

	2023	2022
The Hong Kong plan		
Discount rate	3.1%	1.9%
Future long term salary increases	3.5%	3.5%
The HKZAM plan		
Discount rate	2.8%	2.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

(vi) Significant actuarial assumptions and sensitivity analysis are as follows: (continued)

The below analysis shows how the defined benefit obligations as at 31 March 2023 would have increased/(decreased) as a result of a 0.5% change in the significant actuarial assumptions:

<i>\$ million</i>	Increase by 0.5%	Decrease by 0.5%
The Hong Kong plan		
Discount rate	(12)	13
Future long term salary increases	16	(15)
The HKZAM plan		
Discount rate	(3)	3

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plans

- (i) The group also operates Mandatory Provident Fund Schemes (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance (“the MPF Ordinance”) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Ordinance, the employer and its employees are each required to make minimum statutory contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of \$30,000. However, under the MPF schemes, contributions by the group range from 5% to 15% of employees’ relevant income and have been charged to profit or loss. While statutory contributions to the plan vest immediately, voluntary contributions to the plan vest over a period of two to seven years.
- (ii) As stipulated by the regulations of the PRC, the subsidiary in the PRC participates in a basic defined contribution pension plan administered by the Municipal Government under which it is governed. The group has no other material obligation for payment of basic retirement benefits beyond the annual contributions which are calculated at a rate based on the salaries, bonuses and certain allowances of its employees.

20. Capital and Reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the group’s consolidated equity is set out in the consolidated statement of changes in equity on page 106.

(b) Share capital

<i>\$ million</i>	The Authority	
	2023	2022
Authorised, issued, allotted and fully paid: 306,480 ordinary shares of \$100,000 each (2022: 306,480 ordinary shares of \$100,000 each)	30,648	30,648

20. Capital and Reserves (continued)

(c) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of entities outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 29(u).

(ii) Capital reserve

The capital reserve primarily comprises the share of results of a joint venture in the PRC which are not distributable as required by the relevant PRC government regulations and the retained profits of AVSECO which according to its memorandum of association and the shareholders' agreement cannot be distributed.

(iii) Contribution from the Government

The contribution from the Government comprises the excess of the group's acquired interests in the net fair values of identifiable assets and liabilities of IEC Holdings Limited and its subsidiary over the consideration paid, which included its pre-existing interests in IEC Holdings Limited and its subsidiary ("IEC Holdings sub-group") remeasured at fair values as at the acquisition date (see note 22).

(iv) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow dealt with in accordance with the accounting policy adopted for cash flow hedges set out in note 29(f).

(v) Cost of hedging reserve

The cost of hedging reserve comprises the fair values of the effect of foreign currency basis spread and forward element of the derivative financial instruments used in cash flow hedges in accordance with the accounting policy adopted for cash flow hedges set out in note 29(f).

(vi) Distributability of reserves

As at 31 March 2023, the aggregated amount of reserves available for distribution to the equity shareholder of the Authority was \$42,664 million (2022: \$44,918 million). The Board did not propose any final dividend for the year ended 31 March 2023 (2022: \$nil).

(vii) Capital management

The primary objectives of the group when managing capital are to safeguard the group's ability to continue as a going concern, maintain a strong credit rating and a healthy capital ratio to support the business and to enhance shareholder value.

The group manages its capital structure by taking into consideration its future capital requirements, capital efficiency and projected cash flow. To adjust its capital structure, the group may raise or reduce its outstanding debt. The group is also empowered by the Ordinance to either increase or reduce its share capital under the direction of the Financial Secretary and the Legislative Council. The Ordinance provides that these directions be made following consultation with the Authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Capital and Reserves (continued)

(c) Nature and purpose of reserves (continued)

(vii) Capital management (continued)

The group monitors its capital structure on the basis of a total debt/capital ratio. The total debt/capital ratios of the group at the end of the reporting periods are as follows:

<i>\$ million</i>	Note	2023	2022
Total debt ¹	16	102,828	73,017
Total equity		89,660	92,709
Total capital ²		192,488	165,726
Total debt/capital ratio		53%	44%

¹ Total debt represents interest-bearing borrowings.

² Total capital represents total debt plus total equity.

Neither the Authority nor any of its subsidiaries are subject to externally imposed capital requirements.

21. Perpetual Capital Securities

In December 2020, the Authority issued dual-tranche senior perpetual capital securities (“Series A Securities” and “Series B Securities” respectively) with principal amount of US\$750 million each. The securities are listed on the Hong Kong Stock Exchange.

Series A Securities are non-callable in the first 7.5 years at a distribution rate of 2.40% per annum and floating thereafter with fixed initial spread and step up margin. Series B Securities are non-callable in the first 5.5 years at a distribution rate of 2.10% per annum and floating thereafter with fixed initial spread and step up margin. The payments of distributions can be deferred at the discretion of the Authority and the securities do not contain any contractual obligations to pay the distributions. The securities are classified as equity in the consolidated financial statements of the Authority.

22. Step Acquisition

In September 2018, the group acquired all preference shares issued by HKIEC, which represent 15.1% of the total equity interest of HKIEC, at a consideration of \$652 million in cash and HKIEC became an associate of the group. HKIEC is the holding company of AsiaWorld-Expo exhibition centre and the net assets of HKIEC include mainly the carrying amounts of the AsiaWorld-Expo exhibition centre facilities.

The group is entitled to the equity return from HKIEC and the return arising from the preference shares in form of preferred dividend. The settlement of the preferred dividend is subject to the availability of the distributable profits or cash surplus of HKIEC.

On 31 March 2022, the Authority acquired the remaining equity interest of 84.9% in HKIEC through the acquisition of the remaining equity interest of 88.2% in IEC Holdings Limited at a nominal consideration of \$1 (the “Step Acquisition”) from the Government.

The Step Acquisition was completed on 31 March 2022 (the “Completion Date”). On the Completion Date, IEC Holdings Limited has become a wholly owned subsidiary of the Authority and HKIEC ceased to be an associate and has become a subsidiary of the group and the group holds the entire interest of AsiaWorld-Expo exhibition centre and consolidated the convention and exhibition revenue from 1 April 2022 onwards. In accordance with HKFRSs, the group continued to share the results of HKIEC under the equity method of accounting during the period from 1 April 2021 to the Completion Date and the share of profit from HKIEC and preferred dividend received in cash were \$78 million and \$268 million respectively.

22. Step Acquisition (continued)

On the Completion Date, the group remeasured the fair values of its pre-existing interests in IEC Holdings sub-group and recognised a gain of approximately \$59 million. The pre-existing interests in IEC Holdings sub-group included the Authority's original equity interest of 11.8% in IEC Holdings Limited, the group's 15.1% interest in HKIEC (previously recognised as an interest in an associate) and an intangible asset, which represented the right to operate and manage AsiaWorld-Expo, before the Step Acquisition. The fair values of these formed part of the total consideration of the Step Acquisition and were included in the calculation of bargain purchase arising from the Step Acquisition. The bargain purchase has been recognised in equity as a contribution from the Government (see note 20(c)(iii)).

Details of the carrying values and fair values of the group's pre-existing interests in IEC Holdings sub-group on the Completion Date are summarised as follows:

<i>\$ million</i>	2022
Fair values of pre-existing interests in IEC Holdings sub-group	668
Carrying values of interests in IEC Holdings sub-group before the Step Acquisition	(609)
Gain on step acquisition (Note 3)	59

The fair values of identifiable assets and liabilities of IEC Holdings sub-group on the Completion Date were as follows:

<i>\$ million</i>	2022
Interest in leasehold land	127
Other property, plant and equipment	944
Trade and other receivables	393
Cash and bank balances	66
Trade and other payables	(75)
Fair values of net assets acquired	1,455
Satisfied by:	
Consideration settled in cash	–
Fair values of pre-existing interests in IEC holdings sub-group	668
Contribution from the Government	787
	1,455

An analysis of the cash flows in respect of the Step Acquisition of IEC Holdings sub-group is as follows:

<i>\$ million</i>	2022
Consideration settled in cash	–
Less: cash and cash equivalents acquired	(66)
Net cash inflows arising from the Step Acquisition	(66)

Since the Completion Date, IEC Holdings sub-group did not contribute any revenue or profit to the group for the year ended 31 March 2022. If the acquisition had occurred on 1 April 2021, the group's consolidated revenue would have been \$6,645 million and the group's consolidated loss attributable to the equity holders of the Authority for the year ended 31 March 2022 would have been \$2,759 million. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 April 2021, nor is it intended to be a projection of future performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial Risk Management and Fair Values of Financial Instruments

The group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and foreign currency risk. The group conducts its financial risk management activities in accordance with the policies and practices recommended by the Audit Committee and Finance Committee of the Authority. The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the group. The group's credit risk is primarily attributable to trade and other receivables, over-the-counter derivative financial instruments entered into for hedging purposes and cash and bank balances. Management has credit policies in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, there are procedures in place to closely monitor the payment performance. Individual credit evaluations are performed on customers requiring credit over a certain amount or customers with long overdue history, which focus on their payment history, ability to pay, as well as information specific to the customers and the economic environment in which they operate. Trade receivables are generally due within 14 to 30 days from the date of billing. In respect of the group's rental and franchise income from operating leases and franchise/sub-lease arrangements respectively, sufficient deposits and bank guarantees are held to cover potential exposure to credit risk.

COVID-19 also has an impact on the Authority's trade receivables due to the travel restrictions implemented across the world. In response to the COVID-19 pandemic, management has been performing more frequent reviews of outstanding balances as the industry as a whole has been impacted.

Cash and bank balances are placed with financial institutions with sound credit ratings to minimise credit exposure. Transactions involving derivative financial instruments are with counterparties with sound credit ratings and with whom the group has signed netting agreements. Given their high credit ratings, management does not expect any investment counterparty to fail to meet its obligations.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, the group has a certain concentration of credit risk as 6% (2022: 3%) and 51% (2022: 64%) of the total trade and other receivables was due from the group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position after deducting any loss allowance. The group does not provide any guarantees which would expose the group to credit risk.

Further quantitative disclosures in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 13.

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(b) Liquidity risk

All cash management of the group, including the short term investment of cash surpluses and raising of loans and other borrowings to cover expected cash demands, are managed centrally by the Authority except AVSECO, HKIA Services Holdings sub-group, HKZAM and IEC Holdings sub-group which handle their own cash management. The Authority's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate credit facilities from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting periods of the group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the group can be required to pay:

\$ million	Carrying amount at 31 March	Contractual undiscounted cash flow				
		Total	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
2023						
Interest-bearing borrowings	102,828	137,904	3,537	8,433	52,150	73,784
Trade and other payables	17,695	17,776	15,791	1,776	137	72
Interest rate swaps (net settled)	(1,256)	(1,385)	(574)	(574)	(237)	–
Cross currency swaps (net settled)	619	994	27	27	1,072	(132)
Forward exchange contracts (net settled)	8	8	1	–	2	5
	119,894	155,297	18,782	9,662	53,124	73,729
2022						
Interest-bearing borrowings	73,017	99,680	2,154	1,598	30,544	65,384
Trade and other payables	12,001	12,097	10,296	556	1,043	202
Interest rate swaps (net settled)	(996)	88	23	25	39	1
Cross currency swaps (net settled)	(131)	(371)	(19)	(19)	(158)	(175)
Forward exchange contracts (net settled)	(1)	(10)	(1)	–	(2)	(7)
	83,890	111,484	12,453	2,160	31,466	65,405

As shown above, interest-bearing borrowings (including interest) of the group amounting to \$3,537 million (2022: \$2,154 million) are due to be repaid in the upcoming 12 months after 31 March 2023. The short term liquidity risk inherent in this contractual maturity will be addressed by internal sources of funds and new external borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's interest rate risk arises primarily from long term interest-bearing borrowings. Borrowings at variable rates and at fixed rates expose the group to cash flow interest rate risk and fair value interest rate risk respectively. The group's interest rate profile as monitored by management is set out in (ii) below.

(i) Hedges of interest rate risk

Interest rate swaps, denominated in Hong Kong dollars, have been entered into to achieve an appropriate mix of fixed and floating interest rate exposure within the group's policy.

The group classifies interest rate swaps into either fair value or cash flow hedges and states them at their fair values in accordance with the policy set out in note 29(f).

Details of the notional amounts, maturity period and fair values of swaps entered into by the group at the end of the reporting periods are set out in note 23(e). These amounts are recognised as derivative financial instruments in the consolidated statement of financial position.

The group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the borrowings. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the group's own credit risk on the fair value of the swaps which is not reflected in the fair value of the hedged cash flows attributable to the change in interest rates.

The following table provides a reconciliation of the hedging reserve in respect of interest rate risk and shows the effectiveness of the hedging relationships:

<i>\$ million</i>	2023	2022
At 1 April	831	147
Effective portion of the cash flow hedge recognised in other comprehensive income	261	819
Less: deferred tax	(43)	(135)
At 31 March	1,049	831
Change in fair value of the interest rate swaps during the year	261	816
Hedge ineffectiveness recognised in consolidated statement of profit or loss	—	3
Effective portion of the cash flow hedge recognised in other comprehensive income	261	819

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(c) Interest rate risk (continued)

(ii) Interest rate profile

The following table details the interest rate profile of the group's borrowings at the end of the reporting periods, after taking into account the effect of interest rate swaps designated as fair value hedging instruments ((i) above).

<i>\$ million</i>	2023	2022
Fixed rate borrowings		
Bank loans ¹	17,463	17,445
Fixed rate notes	83,867	53,520
Floating rate notes ¹	1,498	1,498
	102,828	72,463
Variable rate borrowings		
Fixed rate notes ²	–	554
Total borrowings	102,828	73,017
Fixed rate borrowings as a percentage of total borrowings	100%	99%

¹ Swapped to fixed rate

² Swapped to floating rate

(iii) Sensitivity analysis

As at 31 March 2023, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would have decreased the group's loss after taxation and increased the group's retained profits by approximately \$3 million (2022: \$1 million), while a general decrease of 50 basis points in interest rates, with all other variables held constant, would have increased the group's loss after taxation and decreased the group's retained profits by approximately \$3 million (2022: \$1 million). Other components of consolidated equity would have increased by approximately \$191 million (2022: \$244 million) and decreased by approximately \$194 million (2022: \$248 million) in response to the general increase and decrease in interest rates respectively. The effect of interest-bearing bank deposits is expected to be not significant and is not taken into account in the analysis.

The sensitivity analysis above indicates the instantaneous change in the group's loss after taxation, retained profits and other components of consolidated equity that would have arisen assuming that the change in interest rates had occurred at the end of the reporting periods and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting periods. In respect of the exposure to cash flow interest rate risk arising from floating interest rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's loss after taxation and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis as for prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(d) Foreign currency risk

It is the Authority's policy to require all major operational contracts to be in Hong Kong dollars. The few exceptions to this have involved small value contracts or contracts that were hedged.

The group is exposed to foreign currency risk primarily through the issue of notes and future transactions which give rise to payables that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily US dollars and Australian dollars.

As at 31 March 2023, the group is exposed to US dollar currency risk in respect of the US dollar notes issued of US\$9,000 million (2022: US\$6,000 million) and cash and bank balances of US\$1,557 million (2022: US\$2,418 million).

Although the US dollar currency risk is substantially mitigated by the peg between Hong Kong dollar and US dollar, the group further reduces this risk by the use of cross currency swaps to hedge most of the payment of the US dollar notes into Hong Kong dollar. The group designates these cross currency swaps as cash flow hedges. Details of the notional amounts, maturity period and fair values of cross currency swaps entered into by the group at the end of the reporting periods are set out in note 23(e). These amounts are recognised as derivative financial instruments in the consolidated statement of financial position.

The group uses forward exchange contracts to manage its Australian dollar currency risk until the settlement date of foreign currency payables. The group designates those forward exchange contracts as hedging instruments in cash flow hedges and separates the forward and spot element of a forward exchange contract and designates the change in value of the spot element as hedging instrument. Correspondingly, the hedged item is measured based on the forward exchange rate.

The group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between:

- (i) the cross currency swaps and the US dollar notes; and
- (ii) the forward exchange contracts and the highly probable forecast transactions, based on their currency amounts and the timing of their respective cash flows.

The main sources of ineffectiveness in these hedging relationships are due to the different day count and day adjustments in each of the deals.

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

<i>\$ million</i>	2023	2022
At 1 April	6	8
Effective portion of the cash flow hedge recognised in other comprehensive income	91	171
Amount transferred from equity to consolidated statement of profit or loss	(108)	(174)
Less: deferred tax	3	1
At 31 March	(8)	6
Change in fair value of the cross currency swaps during the year	108	174
Change in fair value of the forward exchange contracts during the year	(17)	(3)
Effective portion of the cash flow hedge recognised in other comprehensive income	91	171

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(d) Foreign currency risk (continued)

As at 31 March 2023, the group's borrowings denominated in US dollar were largely swapped into Hong Kong dollar by entering into the cross currency swaps. The group targets to swap all borrowings in foreign currency into Hong Kong dollar. As the Hong Kong dollar is pegged to US dollar at a range between 7.75 to 7.85, management considers that the foreign currency risk associated with the unhedged US dollar exposure is not material to the group. Accordingly, no sensitivity analysis is considered necessary.

As at 31 March 2023, the group is exposed to Renminbi currency risk arising from cash and bank balances of RMB135 million (2022: RMB165 million). If Hong Kong dollars had strengthened/weakened by 5% against Renminbi with all other variables held constant, the group's loss after taxation would have been \$7 million (2022: \$8 million) higher/lower and the group's retained earnings would have been \$7 million (2022: \$8 million) lower/higher. The analysis is performed on the same basis for 2021/22.

The group has not hedged the foreign currency risk in respect of its investments in the PRC incorporated entities.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "*Fair value measurement*". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: fair value measured using significant unobservable inputs.

The fair value disclosure of investment property carried at cost follows the above hierarchy (note 9(c)).

As at 31 March 2022 and 2023, the group's derivative financial instruments are carried at fair value. These instruments fall under Level 2 of the fair value hierarchy described above.

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2022: \$nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

Fair values and notional amounts of derivative financial instruments outstanding at the end of the reporting periods are summarised as follows:

\$ million	Recurring fair value measurement using significant other observable inputs (Level 2)			2022		
	2023			2022		
	Notional amount	Financial assets	Financial liabilities	Notional amount	Financial assets	Financial liabilities
Cash flow hedges						
Interest rate swaps	\$19,000	1,256	–	\$19,000	995	–
Cross currency swaps	US\$8,350	94	(713)	US\$3,600	158	(27)
Forward exchange contracts	AUD27	–	(8)	AUD29	2	(1)
Fair value hedges						
Interest rate swaps	\$nil	–	–	\$550	1	–
Derivative financial instruments for perpetual capital securities		7	(7)		3	(23)
Total		1,357	(728)		1,159	(51)
Less: portion to be recovered/(settled) within one year						
Cash flow hedges						
Interest rate swaps	\$19,000	555	–	\$19,000	122	–
Forward exchange contracts	AUD27	–	–	AUD29	1	–
Fair value hedges						
Interest rate swaps	\$nil	–	–	\$550	1	–
Derivative financial instruments for perpetual capital securities		–	(2)		–	(2)
		555	(2)		124	(2)
Portion to be recovered/(settled) after one year		802	(726)		1,035	(49)

Derivative financial instruments qualifying as cash flow hedges as at 31 March 2023 have maturities of 0.3 year to 9.8 years (2022: 0.3 year to 9.8 years) from the end of the reporting period.

As at 31 March 2022, derivative financial instruments qualifying as fair value hedges have a maturity of less than one year from the end of the reporting period. These fair value hedges have subsequently expired during the year ended 31 March 2023.

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(e) Fair value measurement (continued)

- (i) Financial assets and liabilities measured at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of forward exchange contracts, cross currency swaps and interest rate swaps are the estimated amount that the Authority would receive or pay to terminate the swap and forward exchange contracts at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the counterparties. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period.

- (ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 March 2023 and 2022 except for the following financial instruments, for which their carrying amounts and fair values and the level of fair value hierarchy are disclosed below:

\$ million	Notional amount	Carrying amount at 31 March	Fair value at 31 March	Fair value measurements categorised into		
				Level 1	Level 2	Level 3
2023						
Fixed rate notes	US\$9,000 and \$13,728	83,867	77,160	63,408	13,752	–
2022						
Fixed rate notes	US\$6,000 and \$7,429	54,074	50,422	42,988	7,434	–

Discounted cash flow techniques are used in deriving the fair value of the fixed rate notes. The discount rates used are market related rates at the end of the reporting period.

24. Outstanding Commitments

The outstanding commitments in respect of capital expenditure not provided for in the consolidated financial statements are as follows:

\$ million	2023			2022		
	3RS	Others	Total	3RS	Others	Total
Contracted for	20,848	8,238	29,086	39,663	6,747	46,410
Authorised but not contracted for	13,518	25,006	38,524	15,648	25,484	41,132
	34,366	33,244	67,610	55,311	32,231	87,542

The outstanding commitments of the group's joint venture, HXIA, are separately disclosed in note 12(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Material Related Party Transactions

The Authority is wholly owned by the Government. Transactions between the group and Government departments, agencies or Government controlled entities, other than those transactions such as the payment of fees, taxes, rent and rates, etc. that arise in the normal dealings between the Government and the group, are considered to be related party transactions pursuant to HKAS 24, “*Related party disclosures*” and are identified separately in these consolidated financial statements.

Members of the Board, Chief Operating Officer and Executive Directors, and parties related to them, are also considered to be related parties of the Authority. Material transactions with these parties, if any, are separately disclosed. Emoluments paid to Members of the Board, Chief Operating Officer and Executive Directors are disclosed in note 7.

During the year, other than disclosed elsewhere in the consolidated financial statements, the Authority has had the following material related party transactions:

- (a) The Authority has entered into agreements with the Government under which the Government provides maintenance services in respect of sewage pumping system, waste water treatment plant and airfield ground lighting at the airport. The amounts incurred for these services for the year amounted to \$76 million (2022: \$61 million). As at 31 March 2023, the amounts due to the Government with respect to the above services amounted to \$47 million (2022: \$30 million).
- (b) The Authority has also entered into service agreements with the Government under which the Government is to provide aviation meteorological and air traffic control services and aircraft rescue and fire fighting services at the airport. The amounts incurred for the year amounted to \$952 million (2022: \$756 million) and the amounts due to the Government as at 31 March 2023 with respect to the above services amounted to \$0.4 million (2022: \$0.4 million).
- (c) The Authority and HKIA Staff Services Limited (“HKIASS”), a subsidiary of the Authority, have entered into a service agreement with the Government under which the Authority agreed through HKIASS, to provide additional manpower to the Government to meet foreseeable human resources demand in rendering air traffic control services at the airport (note 25(b)) at nil consideration.
- (d) The Authority has entered into an agreement with MTR Corporation Limited (“MTRC”), in which the Government is the majority shareholder, under which MTRC provides maintenance services to the Automated People Mover System and Cars in both Terminals 1 and 2, SkyPier and T1 Midfield Concourse (formerly known as Midfield Concourse). The amounts incurred by the Authority for these services for the year amounted to \$183 million (2022: \$194 million). As at 31 March 2023, the amounts due to MTRC with respect to the maintenance services amounted to \$189 million (2022: \$154 million).
- (e) The Authority has leased certain areas at the airport to Hongkong International Theme Parks Ltd. (“HKITP”), in which the Government is the majority shareholder. The aggregated amounts received and receivable for the year amounted to \$5 million (2022: no material net amount received and receivable). As at 31 March 2023, the amounts due from HKITP amounted to \$2.3 million (2022: amounts due to HKITP of \$0.2 million).

25. Material Related Party Transactions (continued)

- (f) AVSECO, a subsidiary of the Authority, has provided security-related services to various Government departments, agencies and Government controlled entities other than the Authority. The aggregated amounts received and receivable for the year amounted to \$77 million (2022: \$69 million). As at 31 March 2023, the aggregated amounts due from these departments, agencies or entities amounted to \$8 million (2022: \$9 million).
- (g) AWEM, a subsidiary of the Authority, operates the AsiaWorld-Expo exhibition centre (note 11). The aggregated amounts received and receivable from the convention and exhibition revenue from various Government departments and Government controlled entities other than the Authority for the year amounted to \$1,385 million (2022: \$nil since the Completion Date, see note 22). As at 31 March 2023, the aggregated amounts due from these departments or entities amounted to \$553 million (2022: \$248 million).
- (h) The Authority and AVSECO have provided quarantine-related services to various Government departments and Government controlled entities. The aggregated amounts received and receivable for the year amounted to \$545 million (2022: \$560 million). As at 31 March 2023, the aggregated amounts due from these departments or entities amounted to \$0.1 million (2022: \$20 million).

26. Immediate and Ultimate Controlling Party

As at 31 March 2023, the immediate parent and ultimate controlling party of the group is the Government.

27. Accounting Judgements and Estimates

(a) Critical accounting judgements in applying the group's accounting policies

In applying the group's accounting policies, management has made the following accounting judgements:

(i) Interest in leasehold land

On 1 December 1995, the Authority was granted the rights to the airport site at Chek Lap Kok for a nominal land premium of \$2,000. The Authority was responsible for all of the costs for the formation of the airport site, with respect to which \$11,571 million was initially incurred. The land formed is considered to have all the characteristics of land in Hong Kong and will revert to the lessor at the end of the Land Grant. Such cost is considered to have been incurred to obtain the benefits of a leasehold land. Accordingly, the land premium and the land formation costs have been classified as interest in leasehold land. Upon the granting of finance leases of portions of the land concerned, the cost of leasehold land excluded from the consolidated statement of financial position is based on an apportionment of the overall land cost.

(ii) Sub-lease of leasehold land

The Authority sub-leases part of its interest in leasehold land to various Government departments, agencies or Government controlled entities at 'nil' rental for substantially the full period of the Land Grant, to provide services for the sole benefit of the airport and its users. As it is considered that these sub-leases are for the sole benefit of the Authority for enhancing services at the airport, they are in substance held for the full and exclusive benefit of the Authority and accordingly such sub-leases continue to be treated as interest in leasehold land in the consolidated financial statements of the Authority and are not derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Accounting Judgements and Estimates (continued)

(a) Critical accounting judgements in applying the group's accounting policies (continued)

(iii) Interests in joint ventures

HXIA receives Civil Aviation Development Fund subsidies, airport construction fee subsidies and certain other subsidies (collectively known as "CADF") for airport development purposes from the PRC government which are required to be treated as a capital contribution in HXIA's PRC statutory financial statements.

In the group's consolidated financial statements, the group equity accounts for its share of the CADF according to its shareholding percentage, on the basis that all shareholders of HXIA can enjoy the economic benefits arising from the CADF received by HXIA.

Prior to June 2016, the group recognised its share of the CADF in the consolidated statement of profit or loss in the same period as recognised by HXIA. In June 2016, the group changed its method of recognising the CADF as a result of additional conditions being imposed by the Ministry of Finance and the Civil Aviation Administration of China in relation to the governance of CADF applications (財建 [2016] 362號). As these new conditions are similar to those imposed on government grants related to assets, from June 2016 onwards the group recognises its share of the CADF over the useful life of the subsidised assets.

As the CADF may only be used for restricted purposes and are not distributable, the group transfers such amounts from retained profits to the capital reserve.

(b) Major sources of estimation uncertainty

Notes 19 and 23(e) contain information about the assumptions and their risk factors relating to defined benefit retirement asset/obligations and the fair value of financial instruments respectively. Other major areas of estimation uncertainty are as follows:

(i) Estimated useful lives and depreciation of property, plant and equipment

In assessing the estimated useful lives of property, plant and equipment, management takes into account factors such as the expected usage of the asset by the group based on past experience, the expected physical wear and tear (which depends on operational factors), technical obsolescence arising from changes or improvements in production or from a change in the market demand for the product or service output of the asset. The estimation of the useful life is a matter of judgement based on the experience of the group.

Management reviews the useful lives of property, plant and equipment annually and if expectations are significantly different from previous estimates of useful lives, the useful lives and, therefore, the depreciation rate for the future periods are adjusted accordingly.

(ii) Project provisions

The group establishes project provisions for the settlement of estimated claims that may arise due to time delays, additional costs or other unforeseen circumstances common to major construction contracts. The claims provisions which are estimated based on a best assessment of the group's liabilities under each contract by professionally qualified personnel may differ from the actual claims settlement.

28. Fund-Raising Event Requiring Public Subscription Permit from Social Welfare Department

The Authority has a donation box fund-raising programme under Public Subscription Permit (Permit No.: 2022/026/1) from Social Welfare Department to support the services of certain charitable organisations. During the period from 1 April 2022 to 31 March 2023, the donations received was \$0.17 million (2022: \$0.08 million). After deducting handling fees of \$0.03 million (2022: \$0.01 million) charged by a service provider not related to the Authority, the net donations distributed of \$0.14 million (2022: \$0.07 million) were equally allocated among The Community Chest of Hong Kong, Changing Young Lives Foundation, Friends of the Earth (HK) Charity Limited, Green Power Limited, OIWA Limited, The Neighbourhood Advice-Action Council Tung Chung Integrated Services Centre and World Wide Fund for Nature Hong Kong.

29. Summary of Significant Accounting Policies

(a) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the group.

None of these developments has had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented in these consolidated financial statements.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Authority, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholder of the Authority. Non-controlling interests in the results of the group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholder of the Authority. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 29(n) or (o) depending on the nature of the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(b) Subsidiaries and non-controlling interests (continued)

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (note 29(c)).

(c) Associate and joint ventures

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the group or the Authority and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the group's equity investment. Thereafter, the investment is adjusted for the post-acquisition change in the group's share of the investee's net assets and any impairment losses relating to the investment (notes 29(d) and (j)). Any acquisition-date excess over cost, the group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the group's share of losses exceeds its interest in the associate or the joint venture, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the group and its associate and joint ventures are eliminated to the extent of the group's interests in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

29. Summary of Significant Accounting Policies (continued)

(d) Goodwill

Goodwill represents the excess of the cost of an investment in a joint venture over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities as at the acquisition date.

In respect of an investment in a joint venture, the carrying amount of goodwill is included in the carrying amount of the interest in the joint venture and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (note 29(j)).

Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of an investment in a joint venture is recognised immediately in profit or loss.

On disposal of a joint venture, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(f) Accounting for derivative financial instruments and hedging activities

The group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or (2) hedges of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction (cash flow hedges).

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in other comprehensive income and accumulated separately in equity in the hedging reserve. Amounts accumulated in equity are reclassified from equity to profit or loss in the periods when the hedged transaction affects profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting; or the group revokes designation of the hedge relationship but if the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

The foreign currency basis spread and forward element of derivatives, which have been separated and excluded from the designation as cash flow hedges, are recognised directly in other comprehensive income and accumulated separately in equity in the cost of hedging reserve. Amounts accumulated in equity are amortised and reclassified from equity to profit or loss over the term of derivatives.

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(g) Investment property, interest in leasehold land, other property, plant and equipment

- (i) The Authority was responsible for all of the costs of the formation of the airport site. The land formation cost and the land premium have been classified as interest in leasehold land. Interest in leasehold land is stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses (note 29(j)).
- (ii) Investment property
- Investment property includes leasehold land and its related improvements and/or buildings held to earn rental income. This includes land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.
- Investment property is stated in the consolidated statement of financial position at cost net of accumulated depreciation and impairment losses (note 29(j)). Investment property is depreciated over its estimated useful life or the unexpired term of the lease, whichever is shorter. Rental income from investment property is accounted for as described in note 29(t).
- (iii) Other property, plant and equipment, including right-of-use assets arising from leases of underlying property, plant and equipment, are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (note 29(j)).
- (iv) Repairs and maintenance expenditure in respect of investment property, and other property, plant and equipment is charged to profit or loss as and when incurred.
- (v) Gains or losses arising from the retirement or disposal of investment property, interest in leasehold land, and an item of other property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of investment property, interest in leasehold land, and the item and are recognised in profit or loss on the date of retirement or disposal.
- (vi) Construction in progress
- Assets under construction and capital works are stated at cost. Costs comprise direct costs of construction, such as materials, direct staff costs, an appropriate proportion of production overheads, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and net borrowing costs (note 29(n)) capitalised during the period of construction or installation and testing. Capitalised costs also include provision amount assessed by the group that may be required for the settlement of contractual claims from contractors. Capitalisation of these costs ceases and the asset concerned is transferred to investment property, interest in leasehold land, other property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the policy detailed in note 29(h).

29. Summary of Significant Accounting Policies (continued)

(g) Investment property, interest in leasehold land, other property, plant and equipment (continued)

(vii) Leased assets

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(1) As a Lessee

At the lease commencement date, the group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the group enters into a lease in respect of a low-value asset, the group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses ((iii) above).

(2) As a Lessor

When the group acts a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When the group leases out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and are depreciated in accordance with the group's depreciation policies set out in note 29(h) below. Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies set out in note 29(t) below.

When the group leases out its interest in leasehold land up to substantially the full period of the underlying Land Grant and the related risks and rewards are substantially transferred to the lessees, such leases are accounted for as finance leases. The interest in leasehold land is derecognised and the differences between the carrying amount of the interest in leasehold land and net proceeds received for such arrangements are recognised in profit or loss from the commencement dates of such finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(h) Depreciation

Depreciation is calculated to write off the cost of items of investment property, interest in leasehold land, and other property, plant and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

The estimated useful lives are:

Interest in leasehold land	Unexpired term of lease
Airfields:	
Runway base courses, taxiways and road non-asphalt layers, aprons and tunnels	10 years to unexpired term of lease
Runway wearing courses, taxiways and road asphalt layers, lighting and other airfield facilities	5 to 25 years
Terminal complexes and ground transportation centre:	
Building structure and road non-asphalt layers	Unexpired term of lease
Road asphalt layers, building services and fit-outs	3 to 25 years
Access, utilities, other buildings and support facilities:	
Road and bridge non-asphalt layers	20 years to unexpired term of lease
Road and bridge asphalt layers, other building and support facilities	5 years to unexpired term of lease
Utility supply equipment	5 to 25 years
Systems, installations, plant and equipment	3 years to unexpired term of lease
Furniture, fixtures and equipment	3 to 15 years
Right-of-use assets	Unexpired term of lease
Investment property:	
Building structure	Unexpired term of lease
Building services and fit-outs	5 to 25 years
Furniture, fixtures and equipment	3 to 15 years

Where parts of an item of investment property, interest in leasehold land, and other property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(i) Intangible assets (other than goodwill)

Intangible assets that are acquired by the group are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (note 29(j)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The group's intangible assets, which are a franchise with a finite useful life, are amortised from the date it became available for use over the franchise periods of 20 years. The period and method of amortisation are reviewed annually.

29. Summary of Significant Accounting Policies (continued)

(j) Impairment of assets

(i) Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased:

- interest in leasehold land;
- investment property;
- other property, plant and equipment;
- intangible assets; and
- interests in joint ventures.

If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(ii) Interim financial reporting and impairment

At the end of the interim period, the group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

(k) Stores and spares

Stores and spares are carried at the lower of cost and net realisable value. Cost comprises all costs of purchase and costs incurred in bringing the stores and spares to their present location and condition and is computed on a weighted average cost basis, less provision for obsolescence. The amount of any write-down of stores and spares to their net realisable value and provision for obsolescence are recognised as an expense in the period the write-down or provision occurs. Any obsolete and damaged stores and spares are written off to profit or loss.

(l) Trade and other receivables

Trade and other receivables are recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less loss allowance for credit losses.

The group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (trade and other receivables).

Financial assets measured at fair value, including derivative financial assets, are not subject to the ECL assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(l) Trade and other receivables (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs (which are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies).

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as a gain or loss in profit or loss. The group recognises a gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of loss in profit or loss in the period in which the recovery occurs.

(m) ACF

The ACF is collected by the Authority from passengers exclusively for the purpose of meeting 3RS construction costs. ACF is recognised in the consolidated statement of financial position upon receipt or becoming receivable from the collecting parties. It is initially recognised as unused ACF, until it is used to settle the relevant costs of construction. At this point in time it will be transferred from the unused ACF account and deducted from the carrying amount of the 3RS assets. Consequently, ACF is effectively recognised in profit or loss over the useful life of the 3RS assets by way of reduced depreciation expense.

(n) Interest-bearing borrowings and borrowing costs

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, the unhedged portion of interest-bearing borrowings is stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest rate method. Subsequent to initial recognition, the carrying amount of the portion of interest-bearing borrowings, which is the subject of a fair value hedge, is remeasured and the change in fair value attributable to the risk being hedged is recognised in profit or loss to offset the effect of the gain or loss on the related hedging instrument.

29. Summary of Significant Accounting Policies (continued)

(n) Interest-bearing borrowings and borrowing costs (continued)

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, performance annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Authority and its subsidiaries in Hong Kong are required to make contributions to Mandatory Provident Funds under the MPF Ordinance. Such contributions are recognised as an expense in profit or loss as incurred.

The employees of the subsidiary in the PRC participate in a defined contribution retirement plan managed by the local governmental authorities whereby the subsidiary is required to contribute to the plan at fixed rates of the employees' salary costs.

(ii) Defined benefit retirement plan obligations

The group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(q) Employee benefits (continued)

(ii) Defined benefit retirement plan obligations (continued)

Service cost and net interest expense/(income) on the net defined benefit liability/(asset) are recognised in profit or loss and allocated as part of “staff costs and related expenses”. Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognised. Net interest expense/(income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability/(asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the group’s obligations. If there is no sufficiently deep market in such bonds, the market yield of government bonds is used.

Remeasurements arising from defined benefit retirement plans are recognised in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability/(asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability/(asset)).

(r) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities.

Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which that asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

29. Summary of Significant Accounting Policies (continued)

(r) Income tax (continued)

(iii) (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future or, in the case of deductible differences, unless it is probable that they will reverse in the future.

Deferred tax assets and liabilities are not discounted.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Authority or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Authority or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(t) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Revenue is recognised in profit or loss as follows:

- (i) Airport charges, representing landing charges, parking charges and terminal building charges, are recognised when the airport facilities are utilised.
- (ii) Security charges in respect of aviation security services to passengers are recognised when the airport facilities are utilised.
- (iii) Aviation security services revenue from the provision of security services to airlines, franchisees and licensees is recognised when the services are rendered.
- (iv) Franchise revenue from awarded airside support services, retail revenue from awarded retail licences, advertising revenue from awarded advertising licences, other terminal commercial revenue from leasing of check-in counters and airline lounges and office rental and other service revenue and recoveries, are recognised on an accruals basis in accordance with the related agreements.
- (v) Real estate revenue arising from sub-leases of interest in leasehold land and office buildings is recognised in profit or loss on a straight-line basis over the periods of the operating leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregated net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Amounts received in advance in respect of sub-leases of interest in leasehold land granted are accounted for as deferred income and are recognised in profit or loss on a straight-line basis over the periods of the respective sub-leases.
- (vi) Income arising from finance leases of interest in leasehold land is recognised at the inception of such leases, when substantially all the risks and rewards incidental to ownership are transferred to the lessees.
- (vii) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- (viii) Interest income is recognised as it accrues using the effective interest rate method.
- (ix) Subsidy from the Government is recognised in profit or loss on a systematic basis over the periods in which the Authority recognises the relevant relief measures as expenses.
- (x) Revenue from convention and exhibition mainly comprises event services income and licence income from operating leases which are recognised when services are rendered and in equal instalments over the periods covered by the licence term, respectively.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities and non-monetary assets and liabilities that are stated at fair value and are denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

29. Summary of Significant Accounting Policies (continued)

(u) Translation of foreign currencies (continued)

The results of entities outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Consolidated statement of financial position items, including goodwill arising on consolidation of entities outside Hong Kong, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an entity outside Hong Kong, the cumulative amount of the exchange differences relating to that entity is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Related parties

- (i) A person, or a close member of that person's family, is related to the group if that person:
 - a) has control or joint control over the group;
 - b) has significant influence over the group; or
 - c) is a member of the key management personnel of the group or the group's parent.
- (ii) An entity is related to the group if any of the following conditions applies:
 - a) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - c) Both entities are joint ventures of the same third party.
 - d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - e) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
 - f) The entity is controlled or jointly controlled by a person identified in note (v)(i).
 - g) A person identified in note (v)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - h) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Summary of Significant Accounting Policies (continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

30. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for The Year Ended 31 March 2023

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 March 2023 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>"Disclosure of accounting policies"</i>	1 January 2023
Amendments to HKAS 8, <i>"Definition of accounting estimates"</i>	1 January 2023
Amendments to HKAS 12, <i>"Deferred tax related to assets and liabilities arising from a single transaction"</i>	1 January 2023
HKFRS 17 and amendments to HKFRS 17, <i>"Insurance contracts"</i>	1 January 2023
Amendments to HKAS 1, <i>"Classification of Liabilities as Current or Non-current"</i>	1 January 2024
Amendments to HKAS 16, <i>"Lease Liability in a Sale and Leaseback"</i>	1 January 2024

The group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it is concluded that the adoption of them is unlikely to have a significant impact on the group's consolidated financial statements.

Auditor's independent review report

Review report to the Members of the Board of the Airport Authority (Incorporated in Hong Kong under the Airport Authority Ordinance)

Introduction

We have reviewed the interim financial report set out on pages 4 to 23 which comprises the consolidated statement of financial position of the Airport Authority (the "Authority") as of 30 September 2023 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the six months period then ended and explanatory notes. The Authority has prepared the interim financial report to be in compliance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34, "*Interim financial reporting*", issued by the Hong Kong Institute of Certified Public Accountants. The Members of the Board are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "*Interim financial reporting*".

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 November 2023

Airport Authority
Consolidated statement of profit or loss
For the six months ended 30 September 2023 - Unaudited
(Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	Six months ended	
		30 September	
		<u>2023</u>	<u>2022</u>
Airport charges		1,828	911
Security charges		564	57
Aviation security services		198	284
Airside support services franchises		1,073	747
Retail licences and advertising revenue		1,774	59
Other terminal commercial revenue		316	294
Real estate revenue		138	76
Convention and exhibition revenue		305	842
Other income		108	198
Revenue	6	<u>6,304</u>	<u>3,468</u>
Staff costs and related expenses		(1,457)	(1,396)
Repairs and maintenance		(528)	(384)
Operational contracted services		(523)	(463)
Government services		(393)	(412)
Government rent and rates		(77)	(143)
Utilities		(230)	(213)
Other operating expenses		(636)	(287)
Operating expenses before depreciation and amortisation		<u>(3,844)</u>	<u>(3,298)</u>
Operating profit before depreciation and amortisation		2,460	170
Depreciation and amortisation		(1,892)	(1,604)
Operating profit/(loss) before interest and finance costs	3	568	(1,434)
Interest and finance costs:			
Finance costs	4	(288)	(38)
Interest income		781	202
		493	164
Share of results of joint ventures		(138)	(192)
Profit/(loss) before taxation		923	(1,462)
Income tax (expense)/credit	5	(99)	288
Profit/(loss) for the period		<u>824</u>	<u>(1,174)</u>
Attributable to:			
Equity holders of the Authority			
- Holder of ordinary shares		668	(1,269)
- Holders of perpetual capital securities		132	132
		800	(1,137)
Non-controlling interests		24	(37)
Profit/(loss) for the period		<u>824</u>	<u>(1,174)</u>

The notes on pages 11 to 23 form part of this interim financial report.

Airport Authority
Consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 September 2023 - Unaudited
(Expressed in Hong Kong dollars)

<i>\$ million</i>	Six months ended	
	30 September	
	<u>2023</u>	<u>2022</u>
Profit/(loss) for the period	824	(1,174)
Other comprehensive income for the period		
Item that will not be reclassified to profit or loss:		
Remeasurement of net defined benefit retirement obligations of:		
- the Authority	(2)	(28)
Add: deferred tax	-	5
	<u>(2)</u>	<u>(23)</u>
- a joint venture in other parts of the People's Republic of China (the "PRC")	(6)	21
	<u>(8)</u>	<u>(2)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries and joint ventures in other parts of the PRC	(275)	(573)
Cash flow hedge: net movement in the hedging reserve, net of tax	41	625
Cash flow hedge: net movement in the cost of hedging reserve, net of tax	(2,878)	(1,379)
	<u>(3,112)</u>	<u>(1,327)</u>
Other comprehensive income for the period	(3,120)	(1,329)
Total comprehensive income for the period	(2,296)	(2,503)
Attributable to:		
Equity holders of the Authority		
- Holder of ordinary shares	(2,437)	(2,567)
- Holders of perpetual capital securities	132	132
	<u>(2,305)</u>	<u>(2,435)</u>
Non-controlling interests	9	(68)
Total comprehensive income for the period	(2,296)	(2,503)

The notes on pages 11 to 23 form part of this interim financial report.

Airport Authority
Consolidated statement of financial position
At 30 September 2023
(Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	At 30 September 2023 (Unaudited)	At 31 March 2023 (Audited)
Non-current assets			
Investment property	7	46	48
Interest in leasehold land	7	5,837	5,905
Other property, plant and equipment	7	168,616	159,613
		174,499	165,566
Intangible asset		44	55
Interests in joint ventures	8	3,658	4,043
Trade and other receivables	9	11	17
Derivative financial assets	15(a)	595	802
		178,807	170,483
Current assets			
Stores and spares		133	139
Trade and other receivables	9	3,262	3,835
Tax recoverable		310	311
Derivative financial assets	15(a)	712	555
Cash and bank balances	10	33,411	42,290
		37,828	47,130
Current liabilities			
Trade and other payables	11	(15,303)	(16,692)
Interest-bearing borrowings	12	(4,994)	-
Current taxation		(47)	(50)
Unused airport construction fee	13	(680)	(779)
Deferred income	14	(59)	(109)
Derivative financial liabilities	15(a)	(4)	(2)
		(21,087)	(17,632)
Net current assets		16,741	29,498
Total assets less current liabilities		195,548	199,981

The notes on pages 11 to 23 form part of this interim financial report.

Airport Authority
Consolidated statement of financial position (continued)
At 30 September 2023
(Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	At 30 September 2023 (Unaudited)	At 31 March 2023 (Audited)
Non-current liabilities			
Trade and other payables	11	(1,654)	(1,754)
Interest-bearing borrowings	12	(97,711)	(102,828)
Deferred income	14	(1,722)	(1,752)
Derivative financial liabilities	15(a)	(4,431)	(726)
Net defined benefit retirement obligations		(82)	(80)
Deferred tax liabilities		(2,716)	(3,181)
		(108,316)	(110,321)
Net assets		87,232	89,660
Capital and reserves			
Share capital		30,648	30,648
Reserves		44,641	47,078
Perpetual capital securities		11,585	11,585
Total equity attributable to equity holders of the Authority		86,874	89,311
Non-controlling interests		358	349
Total equity		87,232	89,660

Approved and authorised for issue on behalf of the Members of the Board on 27 November 2023.

The Hon Jack So Chak-kwong
Chairman

Mr Fred Lam Tin-fuk
Chief Executive Officer

Mr Julian Lee Pui-hang
Executive Director, Finance

The notes on pages 11 to 23 form part of this interim financial report.

Airport Authority
Consolidated statement of changes in equity
For the six months ended 30 September 2023
(Expressed in Hong Kong dollars)

	Attributable to equity holders of the Authority										Non-controlling interests	Total equity
	Share capital	Exchange reserve	Capital reserve	Contribution from the Government	Hedging reserve	Cost of hedging reserve	Retained profits	Perpetual capital securities	Total			
At 1 April 2022	30,648	686	1,138	787	837	(44)	46,646	11,585	92,283	426	92,709	
Changes in equity for the six months ended 30 September 2022:												
(Loss)/profit for the period	-	-	-	-	-	-	(1,269)	132	(1,137)	(37)	(1,174)	
Other comprehensive income	-	(542)	-	-	625	(1,379)	(2)	-	(1,298)	(31)	(1,329)	
Total comprehensive income	-	(542)	-	-	625	(1,379)	(1,271)	132	(2,435)	(68)	(2,503)	
Transfer from retained profits to capital reserve	-	-	13	-	-	-	(13)	-	-	-	-	
Distribution to perpetual capital securities holders	-	-	-	-	-	-	-	(132)	(132)	-	(132)	
At 30 September 2022 and 1 October 2022	30,648	144	1,151	787	1,462	(1,423)	45,362	11,585	89,716	358	90,074	
Changes in equity for the six months ended 31 March 2023:												
(Loss)/profit for the period	-	-	-	-	-	-	(873)	132	(741)	(15)	(756)	
Other comprehensive income	-	161	-	-	(421)	733	(5)	-	468	6	474	
Total comprehensive income	-	161	-	-	(421)	733	(878)	132	(273)	(9)	(282)	
Transfer from retained profits to capital reserve	-	-	6	-	-	-	(6)	-	-	-	-	
Distribution to perpetual capital securities holders	-	-	-	-	-	-	-	(132)	(132)	-	(132)	
At 31 March 2023 (Audited)	30,648	305	1,157	787	1,041	(690)	44,478	11,585	89,311	349	89,660	
At 1 April 2023	30,648	305	1,157	787	1,041	(690)	44,478	11,585	89,311	349	89,660	
Changes in equity for the six months ended 30 September 2023:												
Profit for the period	-	-	-	-	-	-	668	132	800	24	824	
Other comprehensive income	-	(260)	-	-	41	(2,878)	(8)	-	(3,105)	(15)	(3,120)	
Total comprehensive income	-	(260)	-	-	41	(2,878)	660	132	(2,305)	9	(2,296)	
Transfer from retained profits to capital reserve	-	-	9	-	-	-	(9)	-	-	-	-	
Distribution to perpetual capital securities holders	-	-	-	-	-	-	-	(132)	(132)	-	(132)	
At 30 September 2023 (Unaudited)	30,648	45	1,166	787	1,082	(3,568)	45,129	11,585	86,874	358	87,232	

The notes on pages 11 to 23 form part of this interim financial report.

Airport Authority
Consolidated cash flow statement
For the six months ended 30 September 2023 - Unaudited
(Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	Six months ended	
		30 September	
		<u>2023</u>	<u>2022</u>
Operating activities			
Profit/(loss) before taxation		923	(1,462)
Adjustments for:			
Depreciation		1,817	1,528
Amortisation of interest in leasehold land		68	68
Amortisation of intangible assets		7	8
Interest on notes and bank loans		1,848	920
Interest on lease liabilities		1	1
Other borrowing costs and interest expense		46	49
Borrowing costs capitalised into assets under construction		(1,349)	(930)
Interest income		(781)	(202)
Net gain on derivative financial instruments in cash flow hedges		(279)	(18)
Net gain on underlying hedged interest-bearing borrowings in fair value hedges		-	(4)
Share of results of joint ventures		138	192
Reversal of loss allowance for expected credit loss ("ECL") of trade and other receivables		(10)	(32)
Net loss on disposal of other property, plant and equipment		1	14
Net foreign exchange loss		21	20
Amortisation of deferred income		(80)	(109)
Expenses recognised in respect of defined benefit retirement plans		13	16
Operating profit before changes in working capital		<u>2,384</u>	<u>59</u>
Decrease in stores and spares		6	-
Decrease/(increase) in trade and other receivables		541	(59)
Increase/(decrease) in trade and other payables		2,843	(491)
Decrease in net defined benefit retirement obligations		(8)	(9)
Cash generated from/(used in) operations		<u>5,766</u>	<u>(500)</u>
Hong Kong Profits Tax paid		(2)	-
PRC Corporate Income Tax (paid)/refunded		(3)	7
Net cash generated from/(used in) operating activities		<u>5,761</u>	<u>(493)</u>

The notes on pages 11 to 23 form part of this interim financial report.

Airport Authority
Consolidated cash flow statement (continued)
For the six months ended 30 September 2023 - Unaudited
(Expressed in Hong Kong dollars)

<i>\$ million</i>	Note	Six months ended 30 September	
		<u>2023</u>	<u>2022</u>
Investing activities			
Net maturity/(placement) of deposits with banks with over three months of maturity when placed		5,506	(15,310)
Interest received		681	94
Advance payments to contractors		-	(9)
Payments for the purchase of other property, plant and equipment		(14,865)	(11,468)
Receipts from disposal of other property, plant and equipment		1	-
Payment of annual franchise fee for a subsidiary		(10)	(9)
Net cash used in investing activities		<u>(8,687)</u>	<u>(26,702)</u>
Financing activities			
Interest paid on notes and bank loans		(1,790)	(856)
Interest element of lease rentals paid		(1)	(1)
Other borrowing costs and interest expense paid		(24)	(90)
Capital element of lease rentals paid		(13)	(7)
Airport construction fee received		1,188	63
Receipts from issue of notes		-	6,818
Repayment of notes		-	(550)
Net interest income received/(expenses paid) on interest rate swaps		340	(3)
Distribution paid on perpetual capital securities		(132)	(132)
Net cash (used in)/generated from financing activities		<u>(432)</u>	<u>5,242</u>
Net decrease in cash and cash equivalents		(3,358)	(21,953)
Cash and cash equivalents at beginning of period		7,030	26,866
Effect of foreign exchange rate changes		(15)	(32)
Cash and cash equivalents at end of period	10	<u>3,657</u>	<u>4,881</u>

The notes on pages 11 to 23 form part of this interim financial report.

Airport Authority
Notes to the unaudited interim financial report
(Expressed in Hong Kong dollars)

1. Summary of significant accounting policies and basis of preparation

This interim financial report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “*Interim financial reporting*”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This interim financial report also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Hong Kong Stock Exchange”) with the exception of disclosure of Earnings Per Share which is not relevant to the Airport Authority (“the Authority”) as the Authority’s shares are not publicly traded. It was authorised for issue on 27 November 2023.

For the purposes of this interim financial report, the Authority and its subsidiaries are collectively referred to as the group.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022/23 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2023/24 annual consolidated financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2022/23 annual consolidated financial statements. The consolidated interim financial statements and explanatory notes thereon do not include all of the information required for a full set of consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of interim financial information performed by the independent auditor of the entity*”, issued by the HKICPA. KPMG’s independent review report to the Members of the Board is included on page 3.

The financial information relating to the financial year ended 31 March 2023 that is included in the interim financial report as comparative information does not constitute the Authority’s statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements. Statutory annual consolidated financial statements for the year ended 31 March 2023 are available from the Authority’s office. The auditors have expressed an unqualified opinion on those consolidated financial statements in their report dated 29 May 2023.

2. Changes in accounting policies

(a) New and amended HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the group. None of these developments has had a material effect on how the group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the “Government”) gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”), which will eventually abolish the statutory right of an employer to reduce its long service payment (“LSP”) and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund (“MPF”) scheme (also known as the “offsetting mechanism”). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the “Transition Date”). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee’s service from the Transition Date. However, where an employee’s employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee’s service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee’s monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. The group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. The management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the group has yet to fully complete its assessment of the impact of the HKICPA guidance. The group expects to adopt this guidance in its annual financial statements for the year ending 31 March 2024.

3. Operating profit/(loss) before interest and finance costs

Operating profit/(loss) before interest and finance costs of the group is arrived at after charging/(crediting):

<i>\$ million</i>	Six months ended	
	30 September	
	<u>2023</u>	<u>2022</u>
Auditors' remuneration:		
- audit services	1	1
- other services	-	1
Stores and spares expensed	28	22
Net loss on disposal of other property, plant and equipment (note 7)	1	14
Reversal of loss allowance for ECL of trade and other receivables (note 9)	(10)	(32)

<i>\$ million</i>	Six months ended	
	30 September	
	<u>2023</u>	<u>2022</u>
Depreciation:		
- owned assets leased out under operating leases	77	97
- right-of-use assets	11	7
- other assets	1,729	1,424
Amortisation:		
- interest in leasehold land		
- leased out under operating leases	5	5
- others	63	63
- intangible asset	7	8

4. Finance costs

<i>\$ million</i>	Six months ended	
	30 September	
	<u>2023</u>	<u>2022</u>
Interest on bank loans	438	154
Interest on notes	1,410	766
Interest on lease liabilities	1	1
Other borrowing costs and interest expense	46	49
Total interest expense	<u>1,895</u>	<u>970</u>
Net foreign exchange loss	21	20
Net gain on derivative financial instruments in cash flow hedges	(279)	(18)
Net gain on underlying hedged interest-bearing borrowings in fair value hedges	-	(4)
Less: borrowing costs capitalised into assets under construction	<u>(1,349)</u>	<u>(930)</u>
	<u>288</u>	<u>38</u>

5. Taxation

Taxation in the consolidated statement of profit or loss represents:

<i>\$ million</i>	Six months ended	
	30 September	
	<u>2023</u>	<u>2022</u>
Current tax - Hong Kong Profits Tax		
- provision for the period	2	13
Current tax – PRC Corporate Income Tax		
- provision for the period	1	-
Deferred tax		
- origination and reversal of temporary differences	96	(301)
Income tax expense/(credit)	<u>99</u>	<u>(288)</u>

The provisions for Hong Kong Profits Tax for both periods are calculated at 8.25% of the estimated assessable profits for the period up to \$2 million and 16.5% on any part of the estimated assessable profits for the period over \$2 million.

The provision for PRC Corporate Income Tax is calculated at 25% of the estimated assessable profits for the six months ended 30 September 2023. No provision for PRC Corporate Income Tax has been made for the six months ended 30 September 2022 since there was no estimated assessable profits in the relevant tax jurisdiction.

6. Segmental information

Services from which reportable segments derive their revenue

Information reported to the group's chief operating decision maker for the purposes of resource allocation and assessment of performance is focused on the group as a whole, as all of the group's activities are considered to be primarily dependent on the airport traffic and are highly integrated and interdependent on each other. Resources are allocated based on what is beneficial for the group in enhancing the airport experience as a whole rather than any specific department. Performance assessment is based on the results of the group as a whole with operating parameters set out for each department. Consequently, management considers there to be only one operating segment under the requirements of HKFRS 8, "Operating segments", and believes that this presentation provides more relevant information.

Reconciliation of segmental information to the information presented in the interim financial report has not been presented, as the reconciling items net of consolidation adjustments are considered to be immaterial to the group.

Information provided to management in respect of the group's revenues, expenses, assets and liabilities is materially similar to that reported in the interim financial report.

Revenue from major services

The group's revenue from its major services is set out in the consolidated statement of profit or loss.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major services is as follows:

<i>\$ million</i>	Six months ended	
	30 September	
	<u>2023</u>	<u>2022</u>
Revenue from contracts with customers within the scope of HKFRS 15		
Airport charges	1,828	911
Security charges	564	57
Aviation security services	198	284
Convention and exhibition revenue	118	640
Others	152	52
	<u>2,860</u>	<u>1,944</u>

<i>\$ million</i>	Six months ended	
	30 September	
	<u>2023</u>	<u>2022</u>
Revenue from other sources		
Airside support services franchises	1,012	717
Retail licences and advertising revenue	1,774	59
Other terminal commercial revenue	316	294
Convention and exhibition revenue	187	202
Others	155	252
	<u>3,444</u>	<u>1,524</u>
	<u>6,304</u>	<u>3,468</u>

The group's revenue from contracts with customers within the scope of HKFRS 15 is primarily recognised at a point in time.

Geographical Information

No geographical information is shown as the revenue and operating profit of the group is substantially derived from activities in Hong Kong, other than its investments in certain subsidiaries and interests in joint ventures in other parts of the PRC. Details of its interests in joint ventures are disclosed under note 8 to the interim financial report.

Information about major customers

The group's customer base is diversified and includes only one customer (six months ended 30 September 2022: two customers) with whom transactions have exceeded 10% of the group's revenue.

Included in the revenue for the period are aggregated revenues of approximately \$1,478 million which arose from this customer (six months ended 30 September 2022: \$1,020 million from two customers). This includes only revenue arising from those entities which are known to the group to be under common control of this customer.

7. Investment property, interest in leasehold land, other property, plant and equipment

During the six months ended 30 September 2023, the group acquired owned assets with a cost of \$10,847 million (six months ended 30 September 2022: \$12,450 million), and disposed of items of civil works and plant and machinery with net book value of \$2 million (six months ended 30 September 2022: \$14 million), resulting in a net loss on disposal of \$1 million (six months ended 30 September 2022: \$14 million). The costs of interest in leasehold land do not include future land premium, if any.

8. Interests in joint ventures

<i>\$ million</i>	At 30	At 31 March
	September	2023
	<u>2023</u>	<u>2023</u>
Share of net assets	3,452	3,824
Goodwill	206	219
	<u>3,658</u>	<u>4,043</u>

Details of the group's interests in the joint ventures, which are accounted for using the equity method in the consolidated financial statements, are as follows:

<u>Name of joint venture</u>	<u>Form of business structure</u>	<u>Place of incorporation and operation</u>	<u>Particulars of paid up registered capital</u>	<u>Group's effective interest</u>	<u>Principal activity</u>
Hangzhou Xiaoshan International Airport Co., Ltd. ("HXIA")	Incorporated	PRC	RMB5,686 million	35%	Management, operation and development of Hangzhou Xiaoshan International Airport and provision of related services
Shanghai Hong Kong Airport Management Co., Ltd. ("SHKAM")	Incorporated	PRC	RMB100 million	49%	Management and operation of the terminals at Hongqiao International Airport, Shanghai ("HIA")

The above entities have 31 December as their statutory financial year end date, which is not coterminous with that of the group. The Authority has determined that it is more practicable to incorporate its share of the results and net assets based on the joint ventures' unaudited management accounts for the six months ended 30 June. The financial information accounted for has been adjusted to comply with the Authority's accounting policies.

(a) HXIA

HXIA is an unlisted sino-foreign equity joint venture with a period of operation of 30 years.

Summary of financial information of HXIA, adjusted for any differences in accounting policies, is as follows:

The movements in retained profits during the period are as follows:

<i>\$ million</i>	Six months ended 30 September	
	<u>2023</u>	<u>2022</u>
Share of loss after taxation	(139)	(192)
Share of other comprehensive income	(6)	21
Less: transfer to capital reserve	(8)	(8)
Share of loss and other comprehensive income to be retained	<u>(153)</u>	<u>(179)</u>
Share of retained profits brought forward from previous periods	<u>692</u>	<u>1,163</u>
Share of retained profits carried forward to next period	<u><u>539</u></u>	<u><u>984</u></u>

The movements in capital reserve during the period are as follows:

<i>\$ million</i>	<u>Capital reserve</u>
At 1 April 2022	1,030
Transfer from retained profits	<u>8</u>
At 30 September 2022 and 1 October 2022	1,038
Transfer from retained profits	<u>8</u>
At 31 March 2023 and 1 April 2023	<u>1,046</u>
Transfer from retained profits	<u>8</u>
At 30 September 2023	<u><u>1,054</u></u>

The outstanding commitments of HXIA in respect of capital expenditure not provided for in the interim financial report are as follows:

<i>\$ million</i>	At 30 September 2023	At 31 March 2023
Contracted for	2,809	2,880
Authorised but not contracted for	<u>11,593</u>	<u>12,743</u>
	<u><u>14,402</u></u>	<u><u>15,623</u></u>

These are to be financed independently by HXIA through its internal resources or borrowings. No commitment has been made by the group to contribute by way of equity, loans or guarantees thereof for this purpose.

(b) SHKAM

SHKAM, an unlisted sino-foreign equity joint venture, manages and operates the terminals at HIA, under a management contract signed for 20 years commencing from December 2009 in return for a management fee to be paid by Shanghai Airport (Group) Co. Ltd. Hongqiao International Airport Company.

9. Trade and other receivables

<i>\$ million</i>	At 30 September 2023	At 31 March 2023
Trade debtors	3,510	4,194
Less: loss allowance	<u>(1,072)</u>	<u>(1,082)</u>
	2,438	3,112
Other debtors	<u>569</u>	<u>443</u>
	3,007	3,555
Advance payments to contractors	11	17
Prepayments	209	236
Deposits and debentures	<u>46</u>	<u>44</u>
	<u>3,273</u>	<u>3,852</u>
Classified in the consolidated statement of financial position as:		
Current assets	3,262	3,835
Non-current assets	<u>11</u>	<u>17</u>
	<u>3,273</u>	<u>3,852</u>

As at 30 September 2023, all of the trade and other receivables under current assets are expected to be recovered or recognised as an expense within one year except for \$19 million (31 March 2023: \$27 million), which is expected to be recovered after more than one year.

The ageing analysis of trade debtors, based on overdue days and net of loss allowance, included above is as follows:

<i>\$ million</i>	At 30 September 2023	At 31 March 2023
Amounts not yet due	2,066	1,693
Less than one month past due	223	116
One to three months past due	58	256
More than three months past due	91	1,047
	<u>2,438</u>	<u>3,112</u>

Trade debtors are generally due within 14 to 30 days from the date of billing. There are procedures in place to closely monitor the payment performance. Individual credit evaluations are performed on customers requiring credit over a certain amount or customers with long overdue history, which focus on their payment history, ability to pay, as well as information specific to the customers and the economic environment in which they operate. During the six months ended 30 September 2023, net reversal of loss allowance for ECL of trade and other receivables of \$10 million (six months ended 30 September 2022: \$32 million) was recognised as income and included in other operating expenses.

10. Cash and bank balances

<i>\$ million</i>	At 30 September 2023	At 31 March 2023
Deposits with banks within three months of maturity when placed	1,926	4,267
Cash at bank and in hand	1,731	2,763
Cash and cash equivalents in the consolidated cash flow statement	3,657	7,030
Deposits with banks with over three months of maturity when placed	29,754	35,260
Cash and bank balances in the consolidated statement of financial position	<u>33,411</u>	<u>42,290</u>

As at 30 September 2023, cash and bank balances of \$318 million (31 March 2023: \$244 million) held by subsidiaries are subject to currency exchange restrictions in the PRC.

11. Trade and other payables

<i>\$ million</i>	At 30 September 2023	At 31 March 2023
Creditors and accrued charges	13,303	14,928
Deposits received	1,170	1,075
Contract retentions	2,416	2,380
Lease liabilities	68	63
	<u>16,957</u>	<u>18,446</u>

<i>\$ million</i>	At 30 September 2023	At 31 March 2023
Classified in the consolidated statement of financial position as:		
Current liabilities	15,303	16,692
Non-current liabilities	1,654	1,754
	16,957	18,446

As at 30 September 2023, all of the trade and other payables are expected to be settled or recognised as income within one year except for \$1,654 million (31 March 2023: \$1,754 million), which are expected to be settled after more than one year and mainly relate to licence deposits received from retail licensees and contract retentions.

The ageing analysis of creditors and accrued charges included above by due dates is as follows:

<i>\$ million</i>	At 30 September 2023	At 31 March 2023
Due within 30 days or on demand	3,525	3,647
Due after 30 days but within 60 days	2,252	1,742
Due after 60 days but within 90 days	1,729	805
Due after 90 days	5,797	8,734
	13,303	14,928

12. Interest-bearing borrowings

<i>\$ million</i>	At 30 September 2023	At 31 March 2023
Notes payable (a)		
HK dollar fixed rate notes due 2024 to 2043	13,728	13,728
HK dollar floating rate notes due 2027	1,500	1,500
US dollar notes due 2026 to 2062	70,478	70,648
Bank loans (b)	17,500	17,500
Less: unamortised finance costs	(501)	(548)
	102,705	102,828

Classified in the consolidated statement of financial position as:

Current liabilities	4,994	-
Non-current liabilities	97,711	102,828
	102,705	102,828

All of the interest-bearing borrowings are unsecured and are not subject to any financial covenants imposed by the lenders. Interest bearing borrowings are carried at amortised cost.

(a) The Authority maintained a United States (“US”) \$8 billion Medium Term Note programme.

As at 30 September 2023, the Authority’s outstanding fixed rate notes have annual coupon rates ranging from 1.55% to 4.875% (31 March 2023: 1.55% to 4.875%). The fixed rate notes are unsecured and repayable in full upon maturity.

- (b) In June 2020, the Authority signed a five-year unsecured Hong Kong dollar term and revolving credit facility of \$35 billion. The facility consists of a term loan tranche and a revolving loan tranche of \$17.5 billion each. Interest is payable on amounts drawn down at a rate related to Hong Kong Interbank Offered Rate (“HIBOR”). As at 30 September 2023, there was \$17.5 billion outstanding under the term loan tranche (31 March 2023: \$17.5 billion) and no outstanding amount under the revolving loan tranche (31 March 2023: \$nil).
- (c) As at 30 September 2023, the Authority has uncommitted money market line facilities of \$2,692 million (31 March 2023: \$2,692 million). Interest is payable on amounts drawn down at a rate related to HIBOR. As at 30 September 2023, there was no outstanding amount under these facilities (31 March 2023: \$nil).

13. Unused airport construction fee (“ACF”)

<i>\$ million</i>	At 30 September 2023	At 31 March 2023
Balance brought forward	779	456
Add: ACF received or receivable for the period/year	1,055	671
Less: payment of three-runway system (“3RS”) capital expenditure	<u>(1,154)</u>	<u>(348)</u>
Balance carried forward	<u>680</u>	<u>779</u>

ACF is accrued upon the enplanement of the passenger and is remitted to the Authority by the airlines based on airlines’ passenger counts.

ACF collected by the Authority, together with the interest generated thereon, is maintained in designated bank accounts and is used exclusively for paying 3RS related projects capital expenditure.

14. Deferred income

Deferred income mainly represents amounts received in respect of sub-leases of interest in leasehold land of the airport site and subsidy from the Government.

The amount expected to be recognised as income more than one year after the end of the reporting period is included in non-current liabilities.

15. Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

As at 31 March 2023 and 30 September 2023, the group’s derivative financial instruments are carried at fair value. These instruments fall under Level 2 of the fair value hierarchy. Under Level 2 of the fair value hierarchy, fair values are measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

During the six months ended 30 September 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 September 2022: \$nil). The group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Fair values and notional amounts of derivative financial instruments outstanding at the end of the reporting periods are summarised as follows:

\$ million	Recurring fair value measurement using significant other observable inputs (Level 2)					
	30 September 2023			31 March 2023		
	Notional amount	Financial assets	Financial liabilities	Notional amount	Financial assets	Financial liabilities
Cash flow hedges						
Interest rate swaps	\$19,000	1,307	-	\$19,000	1,256	-
Cross currency swaps	US\$9,000	-	(4,317)	US\$8,350	94	(713)
Forward exchange contracts	AUD26	-	(9)	AUD27	-	(8)
Derivative financial instruments for perpetual capital securities		-	(109)		7	(7)
Total		1,307	(4,435)		1,357	(728)
Less: portion to be recovered/ (settled) within one year						
Cash flow hedges						
Interest rate swaps	\$19,000	712	-	\$19,000	555	-
Forward exchange contracts	AUD26	-	(1)	AUD27	-	-
Derivative financial instruments for perpetual capital securities		-	(3)		-	(2)
		712	(4)		555	(2)
Portion to be recovered/ (settled) after one year		595	(4,431)		802	(726)

Derivative financial instruments qualifying as cash flow hedges as at 30 September 2023 have maturities of 0.8 year to 9.3 years (31 March 2023: 0.3 year to 9.8 years) from the end of the reporting period.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of forward exchange contracts, cross currency swaps and interest rate swaps are the estimated amount that the Authority would receive or pay to terminate the swap and forward exchange contracts at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the counterparties. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period.

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 March 2023 and 30 September 2023 except for the following financial instruments, for which their carrying amounts and fair values and the level of fair value hierarchy are disclosed below:

\$ million	Notional amount	Carrying amount	Fair value	Fair value measurements categorised into		
				Level 1	Level 2	Level 3
30 September 2023						
Fixed rate notes	US\$9,000 and \$13,728	83,735	71,631	58,957	12,674	-
31 March 2023						
Fixed rate notes	US\$9,000 and \$13,728	83,867	77,160	63,408	13,752	-

Discounted cash flow techniques are used in deriving the fair value of the fixed rate notes. The discount rates used are market related rates at the end of the reporting period.

16. Outstanding commitments

The outstanding commitments in respect of capital expenditure not provided for in the interim financial report are as follows:

\$ million	30 September 2023			31 March 2023		
	3RS	Others	Total	3RS	Others	Total
Contracted for	15,690	8,513	24,203	20,848	8,238	29,086
Authorised but not contracted for	10,852	24,573	35,425	13,518	25,006	38,524
	26,542	33,086	59,628	34,366	33,244	67,610

The outstanding commitments of the group's joint venture, HXIA, are separately disclosed in note 8(a).

17. Material related party transactions

The Authority is wholly-owned by the Government. Transactions between the group and Government departments, agencies or Government controlled entities, other than those transactions such as the payment of fees, taxes, rent and rates, etc. that arise in the normal dealings between the Government and the group, are considered to be related party transactions pursuant to HKAS 24, "Related party disclosures" and are identified separately in this interim financial report.

Members of the Board, Chief Operating Officer and Executive Directors, and parties related to them, are also considered to be related parties of the Authority. Material transactions with these parties, if any, are separately disclosed.

During the period, other than disclosed elsewhere in the interim financial report, the Authority has had the following material related party transactions:

- The Authority has entered into agreements with the Government under which the Government provides maintenance services in respect of airfield ground lighting, infrastructure power network and engineering systems and equipment at the airport. The amounts incurred for these services for the six months ended 30 September 2023 amounted to \$36 million (six months ended 30 September 2022: \$37 million). As at 30 September 2023, the amounts due to the Government with respect to the above services amounted to \$43 million (31 March 2023: \$47 million).
- The Authority has also entered into service agreements with the Government under which the Government is to provide aviation meteorological and air traffic control services and aircraft rescue and fire fighting services at the airport. The amounts incurred for the six

months ended 30 September 2023 amounted to \$389 million (six months ended 30 September 2022: \$409 million) and the amounts due to the Government as at 30 September 2023 with respect to the above services amounted to \$0.4 million (31 March 2023: \$0.4 million).

- (c) The Authority and HKIA Staff Services Limited (“HKIASS”), a subsidiary of the Authority, have entered into a service agreement with the Government under which the Authority agreed through HKIASS, to provide additional manpower to the Government to meet foreseeable human resources demand in rendering air traffic control services at the airport (note 17(b)) at nil consideration.
- (d) The Authority has entered into an agreement with MTR Corporation Limited (“MTRC”), in which the Government is the majority shareholder, under which MTRC provides maintenance services to the Automated People Mover System and Cars in Terminal 1, SkyPier and T1 Midfield Concourse. The amounts incurred by the Authority for these services for the six months ended 30 September 2023 amounted to \$72 million (six months ended 30 September 2022: \$88 million). As at 30 September 2023, the amounts due to MTRC with respect to the maintenance services amounted to \$160 million (31 March 2023: \$189 million).
- (e) The Authority has leased certain areas at the airport to Hongkong International Theme Parks Ltd. (“HKITP”), in which the Government is the majority shareholder. The net amounts received and receivable for the six months ended 30 September 2023 amounted to \$27 million (six months ended 30 September 2022: no material net amount received and receivable). As at 30 September 2023, the amounts due from HKITP amounted to \$23 million (31 March 2023: \$2.3 million).
- (f) Aviation Security Company Limited (“AVSECO”), a subsidiary of the Authority, has provided security-related services to various Government departments, agencies and Government controlled entities other than the Authority. The aggregated amounts received and receivable for the six months ended 30 September 2023 amounted to \$35 million (six months ended 30 September 2022: \$36 million). As at 30 September 2023, the aggregated amounts due from these departments, agencies or entities amounted to \$6 million (31 March 2023: \$8 million).
- (g) AsiaWorld-Expo Management Limited, a subsidiary of the Authority, operates the AsiaWorld-Expo exhibition centre. The aggregate amounts received and receivable in respect of convention and exhibition revenue from various Government departments and Government controlled entities for the six months ended 30 September 2023 amounted to \$4 million (six months ended 30 September 2022: \$660 million). As at 30 September 2023, there is no outstanding amounts due from these departments or entities amounted (31 March 2023: \$553 million).
- (h) The Authority and AVSECO have provided quarantine-related services to various Government departments and Government controlled entities. The aggregated amounts received and receivable for the six months ended 30 September 2023 amounted to \$1 million (six months ended 30 September 2022: \$395 million). As at 30 September 2023, there is no outstanding amounts due from these departments or entities (31 March 2023: \$0.1 million).

APPENDIX 1

APPLICATION FORM – PLACING BANKS
申請表格 – 配售銀行

INSTRUCTIONS ON APPLYING FOR THE BONDS OF THE AIRPORT AUTHORITY

認購機場管理局債券指示

The Airport Authority Hong Kong Dollar 4.25% Bonds due 2026 (“Bonds”)

機場管理局於2026年到期的4.25%港元債券(債券)

To: [Name of Bank] (the “Bank”)

Date: _____

致: [銀行名字](銀行)

日期

Joint name accounts should provide personal data of **one** of the account holders who satisfy the eligibility criteria only.
聯名戶口只需提供**其中一位**符合申請資格的戶口持有人之個人資料。

Securities/Investment Account No. 證券／投資戶口號碼： 	For Bank’s internal use: 供銀行內部使用：
Name of Securities/Investment Account: 證券／投資戶口持有人之姓名：	Hong Kong identity card number: 香港身份證號碼：
Contact telephone number: 聯絡電話號碼：	Principal amount of Bonds applied for (must be minimum HKD10,000 & thereafter in integral multiples of HKD10,000) 申請債券的本金額(必須為最低10,000港元或之 後為10,000港元的完整倍數)： HKD 港元：
Debit from my Account the following application amount (inclusive of the handling fee) 由本人的戶口扣取下述之申購金額(包括手續費)： 	Account to debit application amount (if different from Securities/Investment Account) 申購金額之扣帳戶口號碼(如與證券／投資戶口 號碼不同)：

1. I confirm I have read and understood the terms and conditions and application procedures relating to the Bonds to be issued by the Airport Authority (“Airport Authority”) as set out in the Offering Memorandum dated 5 January 2024 and agree to be bound by them. In particular, I have read and understood and confirm the representations, undertakings, and agreements set out in the sub-section on pages 27 to 28 headed “What confirmations do I have to make?” in the section entitled “How to Apply for the Bonds” in the Offering Memorandum. I confirm I understand my personal data will be involved in the making of this application, and that such personal data may comprise the information provided above and/or may come from my personal data stored with the Bank. Regardless of whether such personal data comprises the information provided above or comes from personal data stored with the Bank, I confirm that such data belongs to me in my capacity as the account holder, or, in the case of joint accounts, belongs to me in my capacity as one of the account holders. I am aware of the selling and transfer restrictions stated in the Offering Memorandum. I confirm I hold a valid Hong Kong identity card. I confirm I am not located within the United States or Canada and am not a U.S. person within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (which includes any person resident in the United States and any partnership or corporation organised or incorporated under the laws of the United States) (“U.S. Person”) or a resident of Canada. I further confirm that I am not acting as an agent of a U.S. Person or a resident of Canada.

本人確認已閱讀及理解日期為2024年1月5日的發行備忘錄所載的機場管理局發行的債券之條件及條款和申請程式及同意受其約束。本人已閱讀、理解及確認在發行備忘錄內於第27至28頁「如何申請認購債券」之「本人需要作出甚麼確認？」的一節中所載的聲明、承諾及確認。本人確認理解是次申請將涉及屬於本人的個人資料，而該資料可能由本人於以上直接提供及／或來自貴銀行內部存有的資料。不論資料是由本人於以上直接提供，或來自貴銀行內部存有的資料，本人均確認資料屬本人以戶口持有人的身分所有（若屬聯名戶口，則以其中一位戶口持有人的身分）。本人明白發行備忘錄所載的售賣和轉移限制。本人確認持有有效的香港身份證。本人確認本人並非身處美國或加拿大，並非為1933年美國證券法（經修訂）S規例所界定的美國人士（包括居於美國的任何人士及根據美國法例組織或成立的合夥商號或有限公司）（美國人士）或加拿大居民。本人進一步確認本人並非受美國人士或加拿大居民的代理而行事。

2. I confirm I have made **one** application for the Bonds only. Any application to the Airport Authority by a placing bank or Hong Kong Securities Clearing Company Limited (“HKSCC”) (whether made for an investor who has an investor account with HKSCC or for an investor applying through a designated securities broker) will constitute an offer to subscribe for the Bonds. In the case of multiple applications, I understand and agree that **all** of my applications may be rejected.

本人確認只提出**一份**債券的申請。任何透過配售銀行或香港中央結算有限公司（香港結算公司）（不論香港結算公司是為擁有在香港結算公司開立的投資者賬戶的投資者或代透過指定證券經紀申請認購的投資者作出申請的）向機場管理局提出的申請將構成認購債券之要約。如有重覆申請，本人明白及同意**所有**申請均不予受理。

3. I acknowledge and agree that this instruction is irrevocable.

本人知悉及同意是項指示將不可撤銷。

4. Please debit the application amount (inclusive of the handling fee) from my designated HKD account with the Bank. I understand and agree that the Bank may at its discretion and without reference to me determine whether to carry out my instructions given herein if my designated HKD account with the Bank does not have sufficient available fund(s) to pay for the application amount (inclusive of handling fee). Any costs, charges and losses incurred as a result thereof shall be borne by me.

請由本人指定於貴銀行之港元戶口支取有關申購金額（包括手續費）。如本人指定於貴銀行之港元戶口無足夠款項支付有關申購金額（包括手續費），本人明白及同意貴銀行有權決定是否執行本人之認購債券指示而無須知會本人，並由本人承擔由此而引致之一切費用、收費及損失。

5. I understand that the Bank has the discretion to hold the relevant application amount (inclusive of handling fee) in my above-mentioned debit account from the date of this application until the relevant application amount (inclusive of handling fee) has been debited from my debit account on or before the closing date of the subscription period or upon being notified that the above instruction cannot be carried out for whatever reason.

本人明白貴銀行可酌情由本申請日起在本人扣賬戶口內凍結應繳之申購金額（包括手續費），直至有關申購金額（包括手續費）已經於有關公開認購最後申請日期當日或之前於本人之扣賬戶口內扣除或直至獲通知因任何原因不能執行上述指示。

6. **Personal Information Collection Statement**

This Personal Information Collection Statement is made in accordance with the Personal Data (Privacy) Ordinance, Cap. 486 (the “PDPO”). It sets out the purposes for which your personal data (as defined in the PDPO) provided by you as an applicant for the Bonds may be used after collection as well as what you are agreeing to in respect of the use, disclosure, transfer and retention of your personal data by the Airport Authority as the issuer of the Bonds and your rights under the PDPO.

個人資料收集聲明

本個人資料收集聲明乃按照香港法例第486章《個人資料（私隱）條例》（「《私隱條例》」）作出，其中列明你以債券認購申請人身分提供的個人資料（「個人資料」一詞是指《私隱條例》所界定的個人資料）被收集後可能會用於哪些用途，你就作為債券發行人的機場管理局使用、披露、轉移及保留你的個人資料所同意的事項，以及你在《私隱條例》下的權利。

Purposes of Collection of Personal Data

It is necessary for you as an applicant for the Bonds, when applying for the Bonds, to provide your personal data (including but not limited to your name, your securities/investment/custody account number, your Hong Kong identity card number and your contact telephone number) to the Airport Authority and any agents or parties duly authorised by it in connection with the issuance of the Bonds.

Failure to provide your personal data may result in your application for the Bonds being rejected or delayed, or an inability to process your application. It may also result in delay to the allocation of the Bonds to you if your application is successful or to any refund being made to you if you are owed a partial or full refund of your application monies.

It is important that you inform us and the person or party to whom you provided your personal data immediately upon becoming aware of any inaccuracy in or change to your personal data so provided.

Your personal data provided in your application for the Bonds will be used for one or more of the following purposes:

- (a) processing your application;
- (b) verifying the validity of your application;
- (c) enabling compliance with the terms and application procedures set out in this application form and the Offering Memorandum;
- (d) conducting identity and signature verifications;
- (e) enabling exchange of information directly or indirectly between the Airport Authority as the issuer of the Bonds and you;
- (f) statistical purposes;

- (g) enabling compliance with all applicable laws, rules and regulations, codes and practices binding on or applicable to the Airport Authority or any agents or parties duly authorised by it in connection with the issuance of the Bonds, or an order of a court of any competent jurisdiction (including making required disclosures);
- (h) obtaining legal advice and/or establishing, exercising or defending legal rights of the Airport Authority or any agents or parties duly authorised by it in connection with the issuance of the Bonds;
- (i) any other incidental or associated purposes relating to any of the above purposes; and
- (j) for any other purposes in connection with the issuance of the Bonds as permitted by law.

收集個人資料的目的

作為債券認購申請人，你必須在申請認購債券時，向機場管理局及其就債券的發行正式授權的任何代理人或其他人士提供你的個人資料(包括但不限於你的姓名、你的證券／投資／託管戶口號碼、你的香港身份證號碼及聯絡電話號碼)。

若你未能提供個人資料，可能會導致你就認購債券提出的申請被拒絕、延遲或無法被處理。此外，若你的申請成功，這可能會導致對你作出的債券分配被延遲，而倘若你應獲部分或全部退還你的申請款項，這亦可能會導致退款的延遲。

若你察覺到你向機場管理局及上述人士提供的個人資料不準確或有所變更，應立即通知該等人士。

你在申請認購債券時提供的個人資料將被用於以下一種或多種用途：

- (a) 處理你的申請；
- (b) 核實你的申請是否有效；
- (c) 使本申請表格及發行備忘錄中列明的條款及申請程序得以被遵行；
- (d) 核實身分及簽名；
- (e) 使作為債券發行人的機場管理局與你之間能夠直接或間接交換資料；
- (f) 統計用途；
- (g) 使所有對機場管理局或其就債券的發行正式授權的任何代理人或人士具約束力或適用的法律、規則及規例、守則及常規，或使任何具司法管轄權的法院所作出的命令(包括作出規定的披露)得以被遵守；
- (h) 獲取法律意見及／或確立、行使或維護機場管理局或其就債券的發行正式授權的任何代理人或人士的法律權利；
- (i) 與任何上述用途有關的任何其他附帶或相關連的用途；及
- (j) 法律容許與債券的發行相關的任何其他用途。

Your personal data may be retained for the above purposes for such periods as are reasonably necessary (including after you cease to hold any Bonds).

根據上述目的，你的個人資料將按需要被保留一段合理的時期(包括你不再持有任何債券後)。

Transfer of Personal Data

Your personal data will be kept confidential but may, for any of the above purposes, be disclosed or transferred to any of the following parties (whether within or outside Hong Kong):

- (a) the Airport Authority, HKSCC, HKMA as the operator of the CMU, the placing banks and the designated securities brokers (as defined in the Offering Memorandum);
- (b) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment, data processing, matching, storage, research, statistical or other services to the Airport Authority for the purposes mentioned above, or to any of the parties mentioned in (a) above in connection with the operation of such party's activity or business for purposes relating to the Bonds;
- (c) any government or regulatory bodies;
- (d) any legal adviser, accountant, or other financial or professional adviser to the Airport Authority; and
- (e) any other persons with whom, or institutions with which, you as an investor of the Bonds have or propose to have dealings for purposes relating to your Bonds, including but without limitation your bankers, legal advisers, accountants, securities brokers or other professional advisers.

轉移個人資料

你的個人資料將被保密，但可以為任何上述用途而向下列任何人士(不論是在香港境內或境外)披露或轉移：

- (a) 機場管理局、香港結算公司、香港金融管理局(作為債務工具中央結算系統的管理人)、配售銀行以及指定證券經紀(其定義見發行備忘錄)；
- (b) 為了上述用途而向機場管理局提供行政、電訊、電腦、支付、數據處理、核對、儲存、研究、統計或其他服務的任何代理人、承辦商或第三方服務供應商，或為了與債券有關開展活動或業務運作的目的而向上文(a)段中提及向其提供個人資料的任何人士；
- (c) 任何政府或監管機構；
- (d) 機場管理局的任何法律顧問、會計師、其他財務或專業顧問；及
- (e) 作為債券投資者的你為了與你的債券有關的目的而與之有或擬有事務往來的任何其他人士或機構，包括但不限於你的銀行、法律顧問、會計師、證券經紀或其他專業顧問。

Access to and Correction of Personal Data

Under the PDPO, you have:

- (a) the right to check whether the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance holds personal data about you and the right of access to such personal data;
- (b) the right to require the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance to correct any personal data relating to you which is inaccurate; and
- (c) the right, as far as practicable, to ascertain the policies and practices of the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance in relation to personal data for purposes relating to the Bonds.

In accordance with the PDPO, the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance have the right to charge a reasonable fee for the processing of any data access request. All requests for access to or correction of personal data held by the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance, or for information regarding the policies and practices of such parties in relation to the personal data for purposes relating to the Bonds, should be addressed to:

Airport Authority

HKIA Tower, 1 Sky Plaza Road
Hong Kong International Airport
Lantau, Hong Kong
Attention: General Personal Data Officer

查閱及更正個人資料

根據《私隱條例》，你有權：

- (a) 查明機場管理局及／或其就債券的發行正式授權的任何代理人或其他人士是否持有關於你的個人資料，並且查閱該等個人資料；
- (b) 要求機場管理局及／或其就債券的發行正式授權的任何代理人或其他人士更正與你有關的任何不正確個人資料；及
- (c) 在切實可行範圍內查明機場管理局及／或其就債券的發行正式授權的任何代理人或其他人士涉及為了與債券有關的用途而在個人資料方面的政策及慣常做法。

根據《私隱條例》，機場管理局及／或其就債券的發行正式授權的任何代理人或其他人士有權就處理任何查閱資料的要求收取合理費用。所有查閱或更正由機場管理局及／或其就債券的發行正式授權的任何代理人或其他人士持有的個人資料的要求，或所有索取關於該等人士涉及為了與債券有關的用途而在個人資料方面的政策及慣常做法的資料的要求，應按下列資料向機場管理局提出：

機場管理局

收件人：一般個人資料主任
地址：香港大嶼山香港國際機場翔天路1號機場行政大樓

7. I understand and acknowledge that:

- (a) the Bank is acting in the capacity of an agent in handling this application;
- (b) the Bank does not have any affiliation with The Airport Authority; and
- (c) the Bank will receive from The Airport Authority a placing fee of 0.15% of the allotted amount of the Bonds.

本人明白及知悉：

- (a) 貴銀行以代理人身份處理此申請；
- (b) 貴銀行與機場管理局並無任何關連；及
- (c) 貴銀行將從機場管理局收取債券獲分派金額的0.15%的配售費。

8. I acknowledge that, except as expressly stated above, the terms and conditions/charges applicable to my above Securities/Investment Account shall continue to apply.

本人知悉除上述明言外，所有適用於本人上述證券／投資戶口之條款／費用將繼續生效。

Signature(s) of Customer(s) 客戶簽署 (Please use signature(s)/chop(s) filed with Bank 請用留存於銀行之印鑑簽署)

本人確認已閱讀及理解日期為2024年1月5日的發行備忘錄所載的機場管理局發行的債券之條件及條款和申請程序及同意受其約束。貴證券經紀已要求，而本人亦確認已閱讀、理解及確認在發行備忘錄內於第17至18頁「如何申請認購債券」之「本人需要作出甚麼確認？」的一節中所載的聲明、承諾及確認。本人確認理解是次申請將涉及屬於本人的個人資料，而該資料可能由本人於以上直接提供及/或來自貴證券經紀內部存有的資料。不論資料是由本人於以上直接提供，或來自貴證券經紀內部存有的資料，本人均確認資料屬本人以戶口持有人的身分所有（若屬聯名戶口，則以其中一位戶口持有人的身分）。本人明白發行備忘錄所載的售賣和轉移限制。本人確認持有有效的香港身份證。本人確認本人並非身處美國或加拿大，並非為1933年美國證券法（經修訂）S規例所界定的美國人士（包括居於美國的任何人士及根據美國法例組織或成立的合夥商號或有限公司）（美國人士）或加拿大居民。本人進一步確認本人並非受美國人士或加拿大居民的代理而行事。

2. I confirm I have made **one** application for the Bonds only. Any application to the Airport Authority by a placing bank or Hong Kong Securities Clearing Company Limited (“HKSCC”) (whether made for an investor who has an investor account with HKSCC or for an investor applying through a designated securities broker) will constitute an offer to subscribe for the Bonds. In the case of multiple applications, I understand and agree that **all** of my applications may be rejected.

本人確認只提出一份債券的申請。任何透過配售銀行或香港中央結算有限公司（香港結算公司）（不論香港結算公司是為擁有在香港結算公司開立的投資者賬戶的投資者或代透過指定證券經紀申請認購的投資者作出申請的）向機場管理局提出的申請將構成認購債券之要約。如有重覆申請，本人明白及同意**所有**申請均不予受理。

3. I acknowledge and agree that this instruction is irrevocable.

本人知悉及同意是項指示將不可撤銷。

4. Please debit the application amount (inclusive of the handling fee) from my designated HKD account with the Securities Broker. I understand and agree that the Securities Broker may at its discretion and without reference to me determine whether to carry out my instructions given herein if my designated HKD account with the Securities Broker does not have sufficient available fund(s) to pay for the application amount (inclusive of handling fee). Any costs, charges and losses incurred as a result thereof shall be borne by me.

請由本人指定於貴證券經紀之港元戶口支取有關申請金額（包括手續費）。如本人指定於貴證券經紀之港元戶口無足夠款項支付有關申請金額（包括手續費），本人明白及同意貴證券經紀有權決定是否執行本人之認購債券指示而無須知會本人，並由本人承擔由此而引致之一切費用、收費及損失。

5. I understand that the Securities Broker has the discretion to hold the relevant application amount (inclusive of handling fee) in my above-mentioned debit account from the date of this application until the relevant application amount (inclusive of handling fee) has been debited from my debit account on or before the closing date of the subscription period or upon being notified that the above instruction cannot be carried out for whatever reason.

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Failure to provide your personal data may result in your application for the Bonds being rejected or delayed, or an inability to process your application. It may also result in delay to the allocation of the Bonds to you if your application is successful or to any refund being made to you if you are owed a partial or full refund of your application monies.

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- (b) verifying the validity of your application;
- (c) enabling compliance with the terms and application procedures set out in this application form and the Offering Memorandum;
- (d) conducting identity and signature verifications;

- (e) enabling exchange of information directly or indirectly between the Airport Authority as the issuer of the Bonds and you;
- (f) statistical purposes;
- (g) enabling compliance with all applicable laws, rules and regulations, codes and practices binding on or applicable to the Airport Authority or any agents or parties duly authorised by it in connection with the issuance of the Bonds, or an order of a court of any competent jurisdiction (including making required disclosures);
- (h) obtaining legal advice and/or establishing, exercising or defending legal rights of the Airport Authority or any agents or parties duly authorised by it in connection with the issuance of the Bonds;
- (i) any other incidental or associated purposes relating to any of the above purposes; and
- (j) any other purposes in connection with the issuance of the Bonds as permitted by law.

收集個人資料的目的

作為債券認購申請人，你必須在申請認購債券時，向機場管理局及其就債券的發行正式授權的任何代理人或其他人士提供你的個人資料(包括但不限於你的姓名、你的證券/投資/託管戶口號碼、你的香港身份證號碼及聯絡電話號碼)。

若你未能提供個人資料，可能會導致你就認購債券提出的申請被拒絕、延遲或無法被處理。此外，若你的申請成功，這可能會導致對你作出的債券分配被延遲，而倘若你應獲部分或全部退還你的申請款項，這亦可能會導致退款的延遲。

若你察覺到你向機場管理局及上述人士提供的個人資料不準確或有所變更，應立即通知該等人士。

你在申請認購債券時提供的個人資料將被用於以下一種或多種用途：

- (a) 處理你的申請；
- (b) 核實你的申請是否有效；
- (c) 使本申請表格及發行備忘錄中列明的條款及申請程序得以被遵行；
- (d) 核實身分及簽名；
- (e) 使作為債券發行人的機場管理局與你之間能夠直接或間接交換資料；
- (f) 統計用途；
- (g) 使所有對機場管理局或其就債券的發行正式授權的任何代理人或人士具約束力或適用的法律、規則及規例、守則及常規，或使任何具司法管轄權的法院所作出的命令(包括作出規定的披露)得以被遵守；
- (h) 獲取法律意見及／或確立、行使或維護機場管理局或其就債券的發行正式授權的任何代理人或人士的法律權利；
- (i) 與任何上述用途有關的任何其他附帶或相關連的用途；及
- (j) 法律容許與債券的發行相關的任何其他用途。

Your personal data may be retained for the above purposes for such periods as are reasonably necessary (including after you cease to hold any Bonds).

根據上述目的，你的個人資料將按需要被保留一段合理的時期(包括你不再持有任何債券後)。

Transfer of Personal Data

Your personal data will be kept confidential but may, for any of the above purposes, be disclosed or transferred to any of the following parties (whether within or outside Hong Kong):

- (a) the Airport Authority, HKSCC, HKMA as the operator of the CMU, the placing banks and designated securities brokers;
- (b) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment, data processing, matching, storage, research, statistical or other services to the Airport Authority for the purposes mentioned above, or to any of the parties mentioned in (a) above in connection with the operation of such party's activity or business for purposes relating to the Bonds;
- (c) any government or regulatory bodies;
- (d) any legal adviser, accountant, or other financial or professional adviser to the Airport Authority; and
- (e) any other persons with whom, or institutions with which, you as an investor of the Bonds have or propose to have dealings for purposes relating to your Bonds, including but without limitation your bankers, legal advisers, accountants, securities brokers or other professional advisers.

轉移個人資料

你的個人資料將被保密，但可以為任何上述用途而向下列任何人士(不論是在香港境內或境外)披露或轉移：

- (a) 機場管理局、香港結算公司、香港金融管理局(作為債務工具中央結算系統的管理人)、配售銀行以及指定證券經紀；
- (b) 為了上述用途而向機場管理局提供行政、電訊、電腦、支付、數據處理、核對、儲存、研究、統計或其他服務的任何代理人、承辦商或第三方服務供應商，或為了與債券有關開展活動或業務運作的目的而向上文(a)段中提及向其提供個人資料的任何人士；
- (c) 任何政府或監管機構；

- (d) 機場管理局的任何法律顧問、會計師、其他財務或專業顧問；及
- (e) 作為債券投資者的你為了與你的債券有關的目的而與之有或擬有事務往來的任何其他人士或機構，包括但不限於你的銀行、法律顧問、會計師、證券經紀或其他專業顧問。

Access to and Correction of Personal Data

Under the PDPO, you have:

- (a) the right to check whether the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance holds personal data about you and the right of access to such personal data;
- (b) the right to require the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance to correct any personal data relating to you which is inaccurate; and
- (c) the right, as far as practicable, to ascertain the policies and practices of the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance in relation to personal data for purposes relating to the Bonds.

In accordance with the PDPO, the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance have the right to charge a reasonable fee for the processing of any data access request. All requests for access to or correction of personal data held by the Airport Authority and/or any of the agents or parties duly authorised by it in connection with the Bonds issuance, or for information regarding the policies and practices of such parties in relation to the personal data for purposes relating to the Bonds, should be addressed to:

Airport Authority

HKIA Tower, 1 Sky Plaza Road
Hong Kong International Airport
Lantau, Hong Kong
Attention: General Personal Data Officer

查閱及更正個人資料

根據《私隱條例》，你有權：

- (a) 查明機場管理局及／或其就債券的發行正式授權的任何代理人或其他人士是否持有關於你的個人資料，並且查閱該等個人資料；
- (b) 要求機場管理局及／或其就債券的發行正式授權的任何代理人或其他人士更正與你有關的任何不正確個人資料；及
- (c) 在切實可行範圍內查明機場管理局及／或其就債券的發行正式授權的任何代理人或其他人士涉及為了與債券有關的用途而在個人資料方面的政策及慣常做法。

根據《私隱條例》，機場管理局及／或其就債券的發行正式授權的任何代理人或其他人士有權就處理任何查閱資料的要求收取合理費用。所有查閱或更正由機場管理局及／或其就債券的發行正式授權的任何代理人或其他人士持有的個人資料的要求，或所有索取關於該等人士涉及為了與債券有關的用途而在個人資料方面的政策及慣常做法的資料的要求，應按下列資料向機場管理局提出：

機場管理局

收件人：一般個人資料主任
地址：香港大嶼山香港國際機場翔天路1號機場行政大樓

7. I understand and acknowledge that:

- (a) the Securities Broker is acting in the capacity of an agent in handling this application;
- (b) the Securities Broker does not have any affiliation with The Airport Authority; and
- (c) the Securities Broker will receive from The Airport Authority a placing fee of 0.15% of the allotted amount of the Bonds.

本人明白及知悉：

- (a) 貴證券經紀以代理人身份處理此申請；
- (b) 貴證券經紀與機場管理局並無任何關連；及
- (c) 貴證券經紀將從機場管理局收取債券獲分派金額的0.15%的配售費。

8. I acknowledge that, except as expressly stated above, the terms and conditions/charges applicable to my above Securities/Custody Account shall continue to apply.

本人知悉除上述明言外，所有適用於本人上述證券／託管戶口之條款／費用將繼續生效。

Signature(s) of Customer(s) 客戶簽署

(Please use signature(s)/chop(s) filed with Securities Broker 請用留存於證券經紀之印鑑簽署)

ISSUER

Airport Authority
HKIA Tower
1 Sky Plaza Road
Hong Kong International Airport
Lantau
Hong Kong

JOINT LEAD MANAGERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking
Corporation Limited

PLACING BANKS

Bank of China (Hong Kong) Limited	The Hongkong and Shanghai Banking Corporation Limited	Bank of Communications (Hong Kong) Limited
The Bank of East Asia, Limited	China CITIC Bank International Limited	China Construction Bank (Asia) Corporation Limited
Chiyu Banking Corporation Limited	Chong Hing Bank Limited	Citibank (Hong Kong) Limited
CMB Wing Lung Bank Limited	Dah Sing Bank, Limited	DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited	Hang Seng Bank Limited	Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited	OCBC Bank (Hong Kong) Limited	Shanghai Commercial Bank Limited
	Standard Chartered Bank (Hong Kong) Limited	

DESIGNATED SECURITIES BROKERS

Bright Smart Securities International (H.K.) Limited	Chief Securities Limited	Essence International Securities (Hong Kong) Limited
Everbright Securities Investment Services (HK) Limited	First Shanghai Securities Limited	Futu Securities International (Hong Kong) Ltd
Hong Kong International Securities Limited	Sanfull Securities Limited	Sinolink Securities (Hong Kong) Company Limited
SinoPac Securities (Asia) Limited	SoFi Securities (Hong Kong) Limited	South China Securities Limited
Tai Shing Stock Investment Co., Ltd	Tai Tak Securities (Asia) Limited	Tiger Brokers (HK) Global Limited
UOB Kay Hian (Hong Kong) Limited	Victory Securities Company Limited	Wocom Securities Limited

TRUSTEE

Bank of China (Hong Kong) Trustees Limited

21 & 22/F, Bank of China Centre
11 Hoi Fai Road
Kowloon
Hong Kong

**PRINCIPAL PAYING AGENT,
CALCULATION AGENT AND CMU
LODGING AGENT**

Bank of China (Hong Kong) Limited

14/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

AUDITORS

KPMG

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

**LEGAL ADVISERS TO
THE AIRPORT AUTHORITY**

as to Hong Kong law

Linklaters

11th Floor
Alexandra House
Chater Road
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**LEGAL ADVISERS TO THE
JOINT LEAD MANAGERS AND
THE TRUSTEE**

as to Hong Kong law

Deacons

5th Floor
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