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This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

This announcement is not for distribution, directly or indirectly, in or into the United States (including its territories and possessions, any State of the United States and the District of Columbia). This announcement does not constitute or form a part of an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

*The securities have not been, and will not be, registered under the United States Securities Act of 1933 (the "**U.S. Securities Act**"), or the securities laws of any state of the United States or other jurisdiction and the securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state or local securities law. There will be no public offering of securities in the United States.*

***This announcement and the listing document referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever.** For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

***Notice to Hong Kong investors:** The Issuer confirms that the Notes (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF THE OFFERING MEMORANDUM

香港國際機場 HONG KONG INTERNATIONAL AIRPORT

AIRPORT AUTHORITY (the "Issuer")

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

U.S.$500,000,000 4.875 per cent. Notes due 2026 (the "Series A Notes")
(Stock Code: 5668)
U.S.$700,000,000 4.875 per cent. Notes due 2030 (the "Series B Notes")
(Stock Code: 5669)
U.S.$800,000,000 4.875 per cent. Notes due 2033 (the "Series C Notes")
(Stock Code: 5673)
and
U.S.$1,000,000,000 4.750 per cent. Green Notes due 2028 (the "Green Notes")
(Stock Code: 5666)
(together, the "Notes")

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (the "**Listing Rules**").

Please refer to the offering memorandum dated 5 January 2023 (the "**Offering Memorandum**") appended herein in relation to the issuance of the Notes. As disclosed in the Offering Memorandum, the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of Airport Authority, and no such inducement is intended.

Hong Kong, 13 January 2023

As at the date of this announcement, the Chief Executive Officer of Airport Authority is Mr. Fred Lam Tin-fuk GBS JP, the Chief Operating Officer of Airport Authority is Mrs. Vivian Cheung Kar-fay, and the Executive Directors of Airport Authority are Mr. Steven Yiu Siu-chung, Mr. Ricky Leung Wing-kee, Mr. Tommy Leung King-yin, Ms. Cissy Chan Ching-sze, Mr. Julian Lee Pui-hang and Ms. Florence Chung Wai-yee.

Appendix – Final Offering Memorandum dated 5 January 2023

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS UNDER RULE 144A OR (2) NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES.

Important: You must read the following before continuing. The following applies to the offering memorandum following this page (the "**Offering Memorandum**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")).

THIS OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of the Representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act) or (2) non-U.S. persons (within the meaning of Regulation S) outside of the United States. This offering memorandum is being sent at your request and by accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that you and any customers you are acting on behalf of (a) are QIBs or (b) are non-U.S. persons not located in the United States and (3) you consent to delivery of this offering memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Memorandum to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Memorandum.

The materials relating to any offering of securities to which this Offering Memorandum relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in the Offering Memorandum) in such jurisdiction.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer or the Managers (as defined in the Offering Memorandum), any person who controls a Manager, any director, officer, employee or agent of the Issuer or a Manager or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from a Manager.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL AND BUSINESS RELATED MATTERS CONCERNING THE PURCHASE OF THE NOTES.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "**Reply**" function on your e-mail software, will be ignored or rejected.

香港國際機場 | HONG KONG INTERNATIONAL AIRPORT

AIRPORT AUTHORITY

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

U.S.$500,000,000 4.875 per cent. Notes due 2026 (the "Series A Notes")
U.S.$700,000,000 4.875 per cent. Notes due 2030 (the "Series B Notes")
U.S.$800,000,000 4.875 per cent. Notes due 2033 (the "Series C Notes")
U.S.$1,000,000,000 4.750 per cent. Green Notes due 2028 (the "Green Notes")
Issue Price for the Series A Notes: 99.917 per cent.
Issue Price for the Series B Notes: 99.380 per cent.
Issue Price for the Series C Notes: 99.258 per cent.
Issue Price for the Green Notes: 99.705 per cent.

Airport Authority (the "**Issuer**") proposes to issue the U.S.$500,000,000 4.875 per cent. Notes due 2026 (the "**Series A Notes**"), the U.S.$700,000,000 4.875 per cent. Notes due 2030 (the "**Series B Notes**"), the U.S.$800,000,000 4.875 per cent. Notes due 2033 (the "**Series C Notes**") and the U.S.$1,000,000,000 4.750 per cent. Green Notes due 2028 (the "**Green Notes**", and together with the Series A Notes, the Series B Notes and the Series C Notes, the "**Notes**"). The Notes will be direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer.

The Series A Notes bear interest from and including 12 January 2023 (the "**Closing Date**") at the rate of 4.875 per cent. per annum. The Series B Notes bear interest from and including the Closing Date at the rate of 4.875 per cent. per annum. The Series C Notes bear interest from and including the Closing Date at the rate of 4.875 per cent. per annum. The Green Notes bear interest from and including the Closing Date at the rate of 4.750 per cent. per annum. Interests will be payable semi-annually in arrear on 12 January and 12 July in each year (each an "**Interest Payment Date**"), commencing on 12 July 2023. Payments on each series of Notes will be made without deduction or withholding for or on account of taxes of Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax to the extent described under "*Terms and Conditions of the Series A Notes — Taxation*", "*Terms and Conditions of the Series B Notes — Taxation*", "*Terms and Conditions of the Series C Notes — Taxation*" and "*Terms and Conditions of the Green Notes — Taxation*".

Unless previously redeemed, or purchased and cancelled, the Series A Notes will mature on 12 January 2026 at their principal amount, the Series B Notes will mature on 12 January 2030 at their principal amount, the Series C Notes will mature on 12 January 2033 at their principal amount and the Green Notes will mature on 12 January 2028 at their principal amount. Each series of Notes are subject to redemption in whole, but not in part, at their principal amount, together with interest accrued and unpaid to (but excluding) the date fixed for redemption, at the option of the Issuer at any time in the event of certain changes affecting taxes of Hong Kong or any political subdivision or any authority thereof or therein having power to tax upon giving not less than 10 nor more than 60 days' notice. See "*Terms and Conditions of the Series A Notes — Redemption and Purchase — Redemption for tax reasons*", "*Terms and Conditions of the Series B Notes — Redemption and Purchase — Redemption for tax reasons*", "*Terms and Conditions of the Series C Notes — Redemption and Purchase — Redemption for tax reasons*" and "*Terms and Conditions of the Green Notes — Redemption and Purchase — Redemption for tax reasons*". The Issuer may redeem the Series A Notes at its option, in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice, at a redemption price equal to the Make Whole Redemption Price of the Series A Notes (as defined in the Terms and Conditions of the Series A Notes) as of the Optional Redemption Date of the Series A Notes, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Series A Notes. See "*Terms and Conditions of the Series A Notes — Redemption and Purchase — Redemption at the option of the Issuer*". The Issuer may redeem the Series B Notes at its option, in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice, at a redemption price equal to (i) (in the case of an Optional Redemption Date of the Series B Notes (as defined in the Terms and Conditions of the Series B Notes) falling before the Par Call Date of the Series B Notes (being two months before the Maturity Date of the Series B Notes)) the Make Whole Redemption Price of the Series B Notes (as defined in the Terms and Conditions of the Series B Notes) as of the Optional Redemption Date of the Series B Notes, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Series B Notes; or (ii) (in the case of an Optional Redemption Date of the Series B Notes falling on or after the Par Call Date of the Series B Notes) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Series B Notes. See "*Terms and Conditions of the Series B Notes — Redemption and Purchase — Redemption at the option of the Issuer*". The Issuer may redeem the Series C Notes at its option, in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice, at a redemption price equal to (i) (in the case of an Optional Redemption Date of the Series C Notes (as defined in the Terms and Conditions of the Series C Notes) falling before the Par Call Date of the Series C Notes (being three months before the Maturity Date of the Series C Notes)) the Make Whole Redemption Price of the Series C Notes (as defined in the Terms and Conditions of the Series C Notes) as of the Optional Redemption Date of the Series C Notes, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Series C Notes; or (ii) (in the case of an Optional Redemption Date of the Series C Notes falling on or after the Par Call Date of the Series C Notes) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Series C Notes. See "*Terms and Conditions of the Series C Notes — Redemption and Purchase — Redemption at the option of the Issuer*". The Issuer may redeem the Green Notes at its option, in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice, at a redemption price equal to (i) (in the case of an Optional Redemption Date of the Green Notes (as defined in the Terms and Conditions of the Green Notes) falling before the Par Call Date of the Green Notes (being one month before the Maturity Date of the Green Notes)) the Make Whole Redemption Price of the Green Notes (as defined in the Terms and Conditions of the Green Notes) as of the Optional Redemption Date of the Green Notes, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Green Notes; or (ii) (in the case of an Optional Redemption Date of the Green Notes falling on or after the Par Call Date of the Green Notes) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Green Notes. See "*Terms and Conditions of the Green Notes — Redemption and Purchase — Redemption at the option of the Issuer*". In addition, the Issuer will, at the option of the Holder of any Note of any series of Notes, redeem the Notes held by that Noteholder on the Relevant Event Early Redemption Date (as defined in the Terms and Conditions of the Series A Notes, Terms and Conditions of the Series B Notes, Terms and Conditions of the Series C Notes and Terms and Conditions of the Green Notes, respectively) in respect of that series of Notes, at their principal amount, together with interest accrued (if any) to (but excluding) the date fixed for redemption, on the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Series A Notes, Terms and Conditions of the Series B Notes, Terms and Conditions of the Series C Notes and Terms and Conditions of the Green Notes, respectively). See "*Terms and Conditions of the Series A Notes — Redemption and Purchase — Redemption upon a Relevant Event*", "*Terms and Conditions of the Series B Notes — Redemption and Purchase — Redemption upon a Relevant Event*", "*Terms and Conditions of the Series C Notes — Redemption and Purchase — Redemption upon a Relevant Event*" and "*Terms and Conditions of the Green Notes — Redemption and Purchase — Redemption upon a Relevant Event*".

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This document is for distribution to Professional Investors only. **Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.**

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Notes or the Issuer or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 13.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "**Securities Act**") or the securities laws of any state or other jurisdiction of the United States. The Notes are only being offered to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act and non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. For further details about eligible offerees and resale restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*".

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Each series of Notes are expected to be assigned a rating of AA+ by S&P Global Ratings ("**S&P**"). The rating does not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by S&P. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

The denomination of each series of Notes shall be U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof,

MiFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II ; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance/Professional investors and ECPs only target market — Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Each series of Notes will be represented by one or more global certificates in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with a custodian for, and registered in the name of, Cede & Co. as nominee for The Depository Trust Company (the "**DTC**").

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BofA Securities | **HSBC** | **J.P. Morgan** | **Standard Chartered Bank** | **UBS**

Joint Bookrunners and Joint Lead Managers

ANZ | **Bank of China** | **Barclays** | **Citigroup** | **DBS Bank Ltd.** | **Goldman Sachs (Asia) L.L.C.** | **Morgan Stanley**

Joint Lead Managers

Bank of Communications | **China Everbright Bank Hong Kong Branch** | **China Merchants Bank** | **CIBC Capital Markets** | **Credit Suisse** | **Deutsche Bank**

ICBC | **Mizuho** | **Nomura** | **OCBC Bank** | **Scotiabank** | **SMBC Nikko**

Offering Memorandum dated 5 January 2023

IMPORTANT NOTICE

This Offering Memorandum 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 Issuer, the Group and the Notes. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Memorandum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. If investors are in any doubt about any of the contents of this Offering Memorandum, they should obtain independent professional advice.

The Issuer having made all reasonable enquiries confirms that (i) this Offering Memorandum contains all information with respect to the Issuer and the Issuer and its subsidiaries taken as a whole and the Notes that is material in the context of the issue and offering of the Notes; (ii) the statements contained in it relating to the Issuer and the Group are in every material particular true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Memorandum with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group or the Notes, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Memorandum misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements, and the Issuer accepts responsibility accordingly.

This Offering Memorandum has been prepared by the Issuer solely for use in connection with the proposed offering of the Notes described in this Offering Memorandum. The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Managers (as defined herein) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Memorandum, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group and the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, J.P. Morgan Securities (Asia Pacific) Limited, Merrill Lynch (Asia Pacific) Limited, Standard Chartered Bank, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Australia and New Zealand Banking Group Limited, Bank of China (Hong Kong) Limited, Barclays Bank PLC, BOCI Asia Limited, Citigroup Global Markets Inc., DBS Bank Ltd., Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. International plc, Bank of Communications Co., Ltd. Hong Kong Branch, China Everbright Bank Co., Ltd., Hong Kong Branch, CIBC World Markets Corp., CMB International Capital Limited, CMB Wing Lung Bank Limited, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Mizuho Securities Asia Limited, Nomura International (Hong Kong) Limited, Oversea-Chinese Banking Corporation Limited, Scotia Capital (USA) Inc. and SMBC Nikko Securities (Hong Kong) Limited (together, the "**Managers**") or the Agents (as defined in the Conditions). Neither the delivery of this Offering Memorandum nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer or the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Managers or the

Agents to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No representation or warranty, express or implied, is made or given by the Managers or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise, representation or warranty, express or implied, by the Managers or the Agents. The Managers and the Agents have not independently verified any of the information contained in this Offering Memorandum and can give no assurance that this information is accurate, truthful or complete. This Offering Memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, any member of the Group, the Managers or the Agents that any recipient of this Offering Memorandum should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Memorandum and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, none of the Managers or the Agents or any of their respective affiliates, directors or advisers accepts any responsibility for the contents of this Offering Memorandum. The Managers and the Agents and their respective affiliates, directors or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Memorandum or any such statement. None of the Managers or the Agents or any of their respective affiliates, directors or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Managers or the Agents.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Memorandum. Listing of the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the Terms and Conditions of the Notes, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes. Each person receiving this Offering Memorandum acknowledges that such person has not relied on any of the Managers or any person affiliated with a Manager in connection with its investigation of the accuracy of such information or its investment decision.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE NOTES IS MADE IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

The contents of this Offering Memorandum have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offering of the Notes. If investors are in any doubt about any of the contents of this Offering Memorandum, investors should obtain independent professional advice.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the UK PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

SINGAPORE SFA PRODUCT CLASSIFICATION: In connection with section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and 'Excluded Investment Products' (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of the offerings of the Notes, including certain Managers, are "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for the offerings and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association ("**Association**") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the offerings. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the offerings, such order is hereby deemed not to negatively impact the price discovery process in relation to the offerings.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the offerings. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the offerings, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the offerings.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the offerings. Failure to provide such information may result in that order being rejected.

U.S. INFORMATION

This Offering Memorandum is being submitted on a confidential basis in the United States to a limited number of qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act) for informational use solely in connection with the consideration of the purchase of the Notes. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted. The Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on Rule 144A or any other applicable exemption. Each U.S. purchaser of Notes is hereby notified that the offer and sale of any Registered Certificate to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes represented by a Rule 144A Global Certificate or any Notes issued in registered form in exchange or substitution therefor (together "**Legended Notes**") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale*" and "*Transfer Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Memorandum or confirmed the accuracy or determined the adequacy of the information contained in this Offering Memorandum. Any representation to the contrary is unlawful.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a statutory body corporate established in Hong Kong under the Airport Authority Ordinance. All of the officers and members of the Board named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Hong Kong upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside Hong Kong predicated upon civil liabilities of the Issuer or such directors and officers under laws other than Hong Kong law, including any judgment predicated upon United States federal securities laws. The Issuer has been advised by Linklaters, its counsel, that there is doubt as to the enforceability in Hong Kong in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

FORWARD-LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*The Airport Authority*" and elsewhere in this Offering Memorandum constitute "**forward-looking statements**". The words including "**believe**", "**expect**", "**plan**", "**anticipate**", "**schedule**", "**estimate**" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Memorandum, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. The Issuer and the directors, employees and agents of the Issuer do not assume: (i) any obligation or undertaking to release any updates; or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based or (ii) any liability in the event that any of the forward-looking statements does not materialise or turns out to be incorrect. This Offering Memorandum discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's expectations. All subsequent written and forward-looking statements attributable to the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by such cautionary statements.

CERTAIN DEFINED TERMS AND CONVENTIONS

This Offering Memorandum has been prepared using a number of conventions, which investors should consider when reading the information contained here. Unless indicated otherwise, in this Offering Memorandum all references to (i) to the "**Issuer**" or the "**Authority**" are to the Airport Authority, and (ii) the "**Group**", "**we**", "**our**" and "**us**" are to the Airport Authority and its direct and indirect subsidiaries, taken as a whole unless the context otherwise indicated.

In this Offering Memorandum, references to the "**Airport**" or the "**HKIA**" are to 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; references to the "**Government**" are to the Government of Hong Kong; references to the "**3RS**" are to the three-runway system being developed by the Airport Authority; all reference to "**3RS Project**" are to the construction plan to expand HKIA into a 3RS; and all references to "**Board**" are to the Board of the Issuer.

In this Offering Memorandum, unless otherwise specified or the context requires, all references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, all references to the "**PRC**" or to "**Mainland China**" are to the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan, all references to "**U.S.**" are to the United States of America, all references to "**Hong Kong dollars**", "**HK dollars**", "**HK$**" or "**cents**" are to the lawful currency of Hong Kong, all references herein to "**U.S. dollars**" or "**U.S.$**" are to the lawful currency of the U.S., all references to "**HKFRS**" are to Hong Kong Financial Reporting Standards. In this Offering Memorandum, references to "Terms and Conditions of the Series A Notes", "Terms and Conditions of the Series B Notes", "Terms and Conditions of the Series C Notes" and "Terms and Conditions of the Green Notes" mean the terms and conditions governing the Series A Notes, the Series B Notes, the Series C Notes and the Green Notes, as respectively set out in "*Terms and Conditions of the Series A Notes*", "*Terms and Conditions of the Series B Notes*", "*Terms and Conditions of the Series C Notes*" and "*Terms and Conditions of the Green Notes*" (together, the "**Terms and Conditions of the Notes**" or the "**Conditions**").

This Offering Memorandum contains translations of certain HK dollar amounts into U.S. dollars, and *vice versa,* at specific rates solely for the convenience of the reader. For convenience only and unless otherwise noted, all translations between HK dollars and U.S. dollars in this Offering Memorandum were made at the rate of HK$7.75 to U.S.$1.00. Such translations should not be construed as representations that the Hong Kong dollar and U.S. dollar amounts referred to herein could have been, or could be, converted into U.S. dollars or Hong Kong dollars, as the case may be, at that or any other rate or at all.

In this Offering Memorandum, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Issuer for the year ended 31 March 2021 together with the auditor's report thereon (the "**2020/2021 Audited Financial Statements**"), which are contained in page 94 to page 158 of the 2020/2021 annual report of the Issuer, the audited consolidated financial statements of the Issuer for the year ended 31 March 2022 together with the auditor's report thereon (the "**2021/2022 Audited Financial Statements**"), which are contained in page 94 to page 162 of the 2021/2022 annual report of the Issuer and the unaudited consolidated interim financial statements of the Issuer for the six months ended 30 September 2022 together with the review report thereon (the "**2022 Interim Financial Statements**"), which are contained in page 3 to page 24 of the 2022 interim financial report of the Issuer, are included elsewhere in this Offering Memorandum. Copies of the 2020/2021 Audited Financial Statements, 2021/2022 Audited Financial Statements and 2022 Interim Financial Statements are available and may be downloaded free of charge from the Airport Authority's website on the internet at https://www.hongkongairport.com/.

This Offering Memorandum contains consolidated financial information of the Issuer as at and for the years ended 31 March 2020, 2021 and 2022, which has been extracted from the 2020/2021 Audited Financial Statements and the 2021/2022 Audited Financial Statements of the Issuer. The 2020/2021 Audited Financial Statements and 2021/2022 Audited Financial Statements of the Issuer were prepared in conformity with HKFRS issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been audited by the Issuer's auditor, KPMG, Certified Public Accountants, Hong Kong ("**KPMG**").

This Offering Memorandum also contains consolidated financial information of the Issuer for the six months ended 30 September 2021 and 2022 and as at 30 September 2022 (the "**2021/2022 Interim Financial Information**"), which has been extracted from the 2022 Interim Financial Statements. The 2022 Interim Financial Statements were prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA and the applicable disclosure provisions of the Listing Rules. The 2022 Interim Financial Statements have been reviewed but have not been audited by KPMG. Consequently, the 2021/2022 Interim Financial Information 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, the 2021/2022 Interim Financial Information should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 March 2023.

CONTENTS

SUMMARY

The Airport Authority is a statutory body corporate owned by the Government. The Airport Authority is established under the Airport Authority Ordinance (Cap. 483) of the laws of Hong Kong (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 started in August 2016, which entails the formation of 650 hectares of land by reclamation and the construction of a third runway, a supporting taxiway system, an expanded Terminal 2 building, a passenger concourse and associated infrastructure. In April 2022, flight check 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 at HKIA was officially commissioned. As at the date of this Offering Memorandum, the 3RS Project is well underway and on schedule and the construction of the 3RS Project is scheduled to be completed by 2024.

As at June 2022, the total floor area of Terminal 1 ("**T1**"), T1 Midfield Concourse, T1 Satellite Concourse and SkyPier was around 730,000 square metres with 119 passenger stands, 55 cargo stands, 29 long-term and maintenance stands and 9 temporary stands.

HKIA can handle 68 aircraft movements per hour at peak hours. HKIA ranked as the world's busiest international cargo airport for eleven times since 2010 according to airport traffic data released by Airports Council International ("**ACI**"). While recording 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 2020, with 4.5 million tonnes cargo throughput in the same year. For the year ended 31 March 2022, HKIA's cargo throughput reached 4.9 million tonnes, returning to the pre-pandemic levels and it has again made HKIA the world's busiest airport in terms of international cargo throughput. For the six months ended 30 September 2022, HKIA's cargo throughput reached 2.1 million tonnes. The following tables set forth passenger traffic, cargo and airmail throughput and aircraft movements of HKIA for the periods indicated.

	For the six months ended 30 September		**For the years ended 31 March**		
	2022	**2021**	**2022**	**2021**	**2020**
Passenger traffic[(1)] (in millions of passengers)	2.0	0.8	1.4	0.8	60.9
Cargo and airmail throughput[(2)'] (in millions of tonnes)	2.1	2.5	4.9	4.6	4.7
Aircraft Movements (in thousands).	66	71	145	128	377

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 2020, 2021 and 2022 and the six months ended 30 September 2021 and 2022, the consolidated revenue of the Group amounted to HK$17,106 million, HK$5,936 million, HK$5,798 million, HK$2,758 million and HK$3,468 million, respectively. The revenue streams of the Group can be divided into aeronautical and non-aeronautical. For the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2021 and 2022, aeronautical revenue of the Group amounted to HK$6,598 million, HK$2,240 million, HK$2,714 million, HK$1,239 million and HK$1,252 million, representing approximately 39%, 38%, 47%, 45% and 36%, respectively, of the Group's revenue. For the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2021 and 2022, non-aeronautical revenue of the Group amounted to HK$10,508 million, HK$3,696 million, HK$3,084 million, HK$1,519 million and HK$2,216 million, representing approximately 61%, 62%, 53%, 55% and 64%, respectively, of the Group's revenue. For a further description of the Airport Authority's revenue streams, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Components of Income and Expenditures*".

For a more complete description of the Airport Authority, see "*The Airport Authority*".

SUMMARY OF THE OFFERING

The following is a summary of the Terms and Conditions of each series of Notes. For a more complete description of the relevant series of Notes, see "*Terms and Conditions of the Series A Notes*", "*Terms and Conditions of the Series B Notes*", "*Terms and Conditions of the Series C Notes*" and "*Terms and Conditions of the Green Notes*". Terms used in this summary and not otherwise defined shall have the meanings given to them in "*Terms and Conditions of the Series A Notes*", "*Terms and Conditions of the Series B Notes*", "*Terms and Conditions of the Series C Notes*" and "*Terms and Conditions of the Green Notes*".

Issuer	Airport Authority (Legal Entity Identifier code: 254900748HGC4RBR4O84)
Issue	U.S.$500,000,000 4.875 per cent. Notes due 2026 U.S.$700,000,000 4.875 per cent. Notes due 2030 U.S.$800,000,000 4.875 per cent. Notes due 2033 U.S.$1,000,000,000 4.750 per cent. Green Notes due 2028
Status of the Notes	The Notes constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Coupon Rate of the Series A Notes	4.875 per cent.
Coupon Rate of the Series B Notes	4.875 per cent.
Coupon Rate of the Series C Notes	4.875 per cent.
Coupon Rate of the Green Notes	4.750 per cent.
Issue Price of the Series A Notes	99.917 per cent.
Issue Price of the Series B Notes	99.380 per cent.
Issue Price of the Series C Notes	99.258 per cent.
Issue Price of the Green Notes . .	99.705 per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	12 January 2023.

Interest Payment Date of the Notes	12 January and 12 July in each year, commencing on 12 July 2023.
Maturity Date of the Series A Notes	12 January 2026.
Maturity Date of the Series B Notes	12 January 2030.
Maturity Date of the Series C Notes	12 January 2033.
Maturity Date of the Green Notes	12 January 2028.
Final Redemption.	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on their respective Maturity Date.
Redemption at the Option of the Issuer.	The Issuer may redeem the Series A Notes at its option in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice (in accordance with Condition 15 (*Notices*)) *to the Holders of the Series A Notes, the Fiscal Agent and the Paying Agent at a redemption price equal to the Make Whole Redemption Price of the Series A Notes as of the Optional Redemption Date of the Series A Notes, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Series A Notes.* The Issuer may redeem the Series B Notes at its option in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice (in accordance with Condition 15 (*Notices*)) to the Holders of the Series B Notes, the Fiscal Agent and the Paying Agent at a redemption price equal to (i) (in the case of an Optional Redemption Date of the Series B Notes falling before the Par Call Date of the Series B Notes (being two months before the Maturity Date of the Series B Notes)) the Make Whole Redemption Price of the Series B Notes as of the Optional Redemption Date of the Series B Notes, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Series B Notes; or (ii) (in the case of an Optional Redemption Date of the Series B Notes falling on or after the Par Call Date of the Series B Notes) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Series B Notes.

The Issuer may redeem the Series C Notes at its option in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice (in accordance with Condition 15 (*Notices*)) to the Holders of the Series C Notes, the Fiscal Agent and the Paying Agent at a redemption price equal to (i) (in the case of an Optional Redemption Date of the Series C Notes falling before the Par Call Date of the Series C Notes (being three months before the Maturity Date of the Series C Notes)) the Make Whole Redemption Price of the Series C Notes as of the Optional Redemption Date of the Series C Notes, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Series C Notes; or (ii) (in the case of an Optional Redemption Date of the Series C Notes falling on or after the Par Call Date of the Series C Notes) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Series C Notes.

The Issuer may redeem the Green Notes at its option in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice (in accordance with Condition 15 (*Notices*)) to the Holders of the Green Notes, the Fiscal Agent and the Paying Agent at a redemption price equal to (i) (in the case of an Optional Redemption Date of the Green Notes falling before the Par Call Date of the Green Notes (being one month before the Maturity Date of the Green Notes)) the Make Whole Redemption Price of the Green Notes as of the Optional Redemption Date of the Green Notes, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Green Notes; or (ii) (in the case of an Optional Redemption Date of the Green Notes falling on or after the Par Call Date of the Green Notes) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date of the Green Notes.

Redemption upon a Relevant Event . . . .

The Issuer will, at the option of the Holder of any Note of any series of Notes, redeem the Notes held by that Noteholder on the Relevant Event Early Redemption Date in respect of that series of Notes, at their principal amount, together with interest accrued (if any) to (but excluding) the date fixed for redemption, on the occurrence of a Relevant Event.

The Issuer shall give notice to Noteholders in accordance with Condition 15 (*Notices*) no later than 10 days following a Relevant Event, giving a brief explanation of the nature of the Relevant Event and specifying the Relevant Event Early Redemption Date.

A "**Relevant Event**" occurs when:

(i) as a result of any action on the part of the Issuer 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 (a) ceases to have power to control the composition of the majority of the Board of the Issuer; or (b) ceases to hold, directly or indirectly, more than half in nominal value of the voting share capital of the Issuer; or

(ii) the Issuer disposes of all or substantially all of the Restricted Assets other than (A) 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 Issuer or where such vesting will not materially prejudice the interests of the Holders) 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 Issuer or, as the case may be, such of them as relate to the Restricted Assets, including all the obligations and liabilities of the Issuer under the Agency Agreement and the Notes; or (B) 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 (C) where that disposal is or constitutes a Permitted Security Interest; or (D) 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 (E) by any sub-lease or licence to MTRC for the provision of facilities for the operation and development of the Airport Railway; or (F) any disposal pursuant to any leasing, sale and leaseback or sale and buyback arrangement relating to any assets of the Issuer; or (G) any disposal made by the Issuer in connection with the SKYCITY CLK No.3 Portion (as defined in the Terms and Conditions of the Notes) or the 3RS Project.

"**Relevant Event Early Redemption Date**" means the date specified as such by the Issuer in accordance with Condition 6(d) (*Redemption and Purchase — Redemption upon a Relevant Event*) which date shall fall no earlier than 45 days and no later than 60 days after the Relevant Event.

Redemption for tax reasons	With respect to any series of Notes, the Issuer may at its option in whole, but not in part, at any time, on giving not less than 10 nor more than 60 days' notice to the Holders of the relevant series of Notes, the Registrar and the Fiscal Agent (which notice shall be irrevocable) at their principal amount, together with interest accrued and unpaid to (but excluding) the date fixed for redemption, if (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 5 January 2023; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, **provided, however, that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.
Governing Law	The Notes will be governed by English law.
Clearing Systems	Each series of Notes will be represented by one or more global certificates in registered form, without interest coupons attached, which will be deposited on or about the Closing Date with a custodian for, and registered in the name of, Cede & Co. as nominee for the DTC.
Clearance and Settlement	

	Series A Notes	Series B Notes	Series C Notes	Green Notes
Common code for Rule 144A Global Certificate	257250008	257249956	257250385	257250423
Common Code for Regulation S Global Certificate	257250024	257250334	257250393	257250202
CUSIP Number for Rule 144A Global Certificate	00946A AK0	00946A AH7	00946A AJ3	00946A AG9
CUSIP Number for Regulation S Global Certificate	Y000AK AJ6	Y000AK AG2	Y000AK AH0	Y000AK AF4
ISIN for Rule 144A Global Certificate	US00946AAK07	US00946AAH77	US00946AAJ34	US00946AAG94
ISIN for Regulation S Global Certificate	USY000AKAJ65	USY000AKAG27	USY000AKAH00	USY000AKAF44

Rating.	Each series of Notes is expected to be assigned a rating of "AA +" by S&P.

Fiscal Agent, Paying Agent, Registrar and Transfer Agent	The Bank of New York Mellon
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, each series of Notes by way of debt issues to Professional Investors only.
Use of Proceeds	See "*Use of Proceeds*".

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary financial information as at 31 March 2020, 2021 and 2022, as at 30 September 2022, for the years ended 31 March 2020, 2021 and 2022 and for the six months ended 30 September 2021 and 2022 of the Issuer. The summary financial information has been derived from the Issuer's published audited annual consolidated financial statements for the years ended 31 March 2021 and 2022 and the Issuer's published reviewed interim consolidated financial statements for the six months ended 30 September 2022. The information set forth below should be read in conjunction with the Issuer's audited annual consolidated financial statements and reviewed interim consolidated financial statements, including the notes thereto, which are included elsewhere in this Offering Memorandum.

The Issuer's consolidated financial statements have been prepared in accordance with the HKFRS and have been audited or reviewed, as the case may be, by KPMG. The Issuer's reviewed interim consolidated financial statements for the six months ended 30 September 2022 have not been audited by the Issuer's auditor. Consequently, the reviewed interim consolidated financial statements for the six months ended 30 September 2022 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 2023.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the six months ended 30 September			For the years ended 31 March			
	2022		2021	2022		2021	2020
	(U.S.$ million)	(HK$ million)	(HK$ million)	(U.S.$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Airport charges	117	911	937	271	2,101	1,731	4,718
Security charges	7	57	23	6	46	23	1,514
Aviation security services	37	284	279	73	567	486	366
Airside support services franchises	96	747	897	227	1,759	1,755	2,510
Retail licences and advertising revenue	8	59	43	8	62	203	5,893
Other terminal commercial revenue	38	294	329	87	677	915	1,441
Real estate revenue	10	76	90	22	169	188	301
Convention and exhibition revenue	109	842	—	—	—	—	—
Other income	25	198	160	54	417	635	363
Revenue	**447**	**3,468**	**2,758**	**748**	**5,798**	**5,936**	**17,106**
Staff costs and related expenses	(180)	(1,396)	(1,363)	(361)	(2,800)	(2,850)	(2,918)
Repairs and maintenance	(50)	(384)	(307)	(99)	(765)	(734)	(937)
Operational contracted services	(60)	(463)	(329)	(87)	(672)	(854)	(1,323)
Government services	(53)	(412)	(416)	(98)	(758)	(712)	(851)
Government rent and rates	(18)	(143)	(106)	(32)	(250)	(521)	(173)
Utilities	(27)	(213)	(143)	(34)	(261)	(217)	(317)
Other operating expenses	(37)	(287)	(278)	(86)	(670)	(2,166)	(1,367)
Operating Expenses before Depreciation and Amortisation	**(425)**	**(3,298)**	**(2,942)**	**(797)**	**(6,176)**	**(8,054)**	**(7,886)**
Operating (Loss)/Profit before Depreciation and Amortisation	**22**	**170**	**(184)**	**(49)**	**(378)**	**(2,118)**	**9,220**
Depreciation and amortisation	(207)	(1,604)	(1,638)	(392)	(3,039)	(3,169)	(2,924)
Operating (Loss)/Profit before Interest and Finance Costs	**(185)**	**(1,434)**	**(1,822)**	**(441)**	**(3,417)**	**(5,287)**	**6,296**
Interest and finance costs:							
Finance costs	(5)	(38)	(16)	(2)	(14)	(63)	(25)
Interest income	26	202	52	12	91	134	486
	21	164	36	10	77	71	461
Share of results of an associate	—	—	62	10	78	53	(16)
Share of results of joint ventures	(25)	(192)	11	(6)	(46)	(34)	269
(Loss)/Profit before Taxation	**(189)**	**(1,462)**	**(1,713)**	**(427)**	**(3,308)**	**(5,197)**	**7,010**
Income tax credit/(expense)	37	288	277	71	553	829	(1,112)
(Loss)/Profit for the Period/Year	**(152)**	**(1,174)**	**(1,436)**	**(356)**	**(2,755)**	**(4,368)**	**5,898**
Attributable to:							
Equity holders of the Airport Authority							
— Holder of ordinary shares	(164)	(1,269)	(1.593)	(389)	(3,014)	(4,400)	5,866
— Holder of perpetual capital securities	17	132	131	34	263	—	—
Non-controlling interests	(5)	(37)	26	(1)	(4)	32	32
(Loss)/Profit for the Period/Year	**(152)**	**(1,174)**	**(1,436)**	**(356)**	**(2,755)**	**(4,368)**	**5,898**
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	(4)	(28)	32	6	50	238	(49)
(Less)/Add: deferred tax	1	5	(5)	(1)	(8)	(39)	8
	(3)	(23)	27	5	42	199	(41)
— a subsidiary in the PRC	—	—	(2)	—	(3)	2	(2)
— a joint venture in the PRC	3	21	4	(1)	(5)	11	48
	—	(2)	29	4	34	212	5

	For the six months ended 30 September			For the years ended 31 March			
	2022		2021	2022		2021	2020
	(U.S.$ million)	(HK$ million)	(HK$ million)	(U.S.$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Items that may be reclassified subsequently to profit or loss:							
Exchange differences on translation of financial statements of a subsidiary and joint ventures in the PRC	(74)	(573)	98	29	221	433	(341)
Cash flow hedge: net movement in the hedging reserve, net of tax.	81	625	(56)	88	682	177	(22)
Cash flow hedge: net movement in the cost of hedging reserve, net of tax	(178)	(1,379)	51	(15)	(117)	(42)	171
	(171)	(1,327)	93	102	786	568	(192)
Other Comprehensive Income for the Period/Year	**(171)**	**(1,329)**	**122**	**106**	**820**	**780**	**(187)**
Total Comprehensive Income for the Period/Year	**(323)**	**(2,503)**	**(1,314)**	**(250)**	**(1,935)**	**(3,588)**	**5,711**
Attributable to:							
Equity holders of the Airport Authority							
— Holder of ordinary shares.	(331)	(2,567)	(1,476)	(285)	(2,206)	(3,651)	5,703
— Holder of perpetual capital securities. .	17	132	131	34	263	—	—
Non-controlling interests	(9)	(68)	31	1	8	63	8
Total Comprehensive Income for the Period/Year	**(323)**	**(2,503)**	**(1,314)**	**(250)**	**(1,935)**	**(3,588)**	**5,711**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 September		As at 31 March			
	2022		2022		2021	2020
	(U.S.$ million)	(HK$ million)	(U.S.$ million)	(HK$ million)	(HK$ million)	(HK$ million)
Non-current Assets						
Investment property	6	48	6	44	59	69
Interest in leasehold land	771	5,973	779	6,041	6,070	6,299
Other property, plant and equipment	18,405	142,636	17,006	131,799	105,591	86,856
	19,182	148,657	17,791	137,884	111,720	93,224
Intangible assets	8	61	10	77	281	308
Interest in an associate	—	—	—	—	627	589
Interests in joint ventures	539	4,176	626	4,851	4,710	4,369
Net defined benefit retirement assets	—	—	2	12	—	—
Trade and other receivables	3	23	3	20	100	—
Derivative financial assets	156	1,212	134	1,035	331	76
	19,888	154,129	18,566	143,879	117,769	98,566
Current Assets						
Stores and spares	17	132	17	132	122	104
Trade and other receivables	380	2,943	346	2,679	2,505	3,158
Tax recoverable	40	308	40	313	308	201
Derivative financial assets	73	564	16	124	6	1
Cash and bank balances	4,053	31,417	4,915	38,092	35,109	12,872
	4,563	35,364	5,334	41,340	38,050	16,336
Current Liabilities						
Trade and other payables	(1,398)	(10,832)	(1,493)	(11,570)	(11,219)	(12,834)
Interest-bearing borrowings	—	—	(72)	(554)	—	(600)
Current taxation	(2)	(15)	—	—	(17)	(5)
Unused airport construction fee	(65)	(505)	(59)	(456)	(458)	(974)
Deferred income	(24)	(187)	(28)	(215)	(215)	(564)
Derivative financial liabilities	—	(2)	—	(2)	(54)	—
	(1,489)	(11,541)	(1,652)	(12,797)	(11,963)	(14,977)
Net Current Assets	3,074	23,823	3,682	28,543	26,087	1,359
Total Assets Less Current Liabilities	**22,962**	**177,952**	**22,248**	**172,422**	**143,856**	**99,925**
Non-current Liabilities						
Trade and other payables	(220)	(1,709)	(185)	(1,431)	(1,445)	(1,406)
Interest-bearing borrowings	(10,247)	(79,415)	(9,350)	(72,463)	(41,769)	(4,615)
Deferred income	(230)	(1,781)	(240)	(1,862)	(2,077)	(2,312)
Derivative financial liabilities	(194)	(1,506)	(6)	(49)	(10)	(23)
Net defined benefit retirement obligations	(11)	(84)	(9)	(70)	(82)	(336)
Deferred tax liabilities	(437)	(3,383)	(495)	(3,838)	(4,291)	(5,048)
	(11,339)	(87,878)	(10,285)	(79,713)	(49,674)	(13,740)
Net Assets	**11,623**	**90,074**	**11,963**	**92,709**	**94,182**	**86,185**
Capital and Reserves						
Share capital	3,955	30,648	3,955	30,648	30,648	30,648
Reserves	6,127	47,483	6,458	50,050	51,469	55,120
Perpetual capital securities	1,495	11,585	1,495	11,585	11,585	—
Total equity attributable to the equity shareholder of the Airport Authority	11,577	89,716	11,908	92,283	93,702	85,768
Non-controlling interests	46	358	55	426	480	417
Total Equity	**11,623**	**90,074**	**11,963**	**92,709**	**94,182**	**86,185**

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Memorandum, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. The Issuer believes that the following factors may affect its ability to fulfil their obligations under any series of Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with any series of Notes are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in any series of Notes, but the inability of the Issuer to pay principal, interest or other amounts or fulfil other obligations on or in connection with the relevant series of Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks in connection with holding any series of Notes are exhaustive. Terms used in this section and otherwise not defined shall have the meanings given to them in "*Terms and Conditions of the Series A Notes*", "*Terms and Conditions of the Series B Notes*", "*Terms and Conditions of the Series C Notes*" and "*Terms and Conditions of the Green Notes*".

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

Since December 2019, the outbreak of COVID-19 has resulted in a widespread and global health crisis, which has led to restrictions on travel and public transport and prolonged closures of workplaces and has severely impacted the global economy since the beginning of 2020. In particular, the COVID-19 pandemic has had a significant impact on the aviation and travel industry and accordingly, this has had a material and adverse impact on the Airport Authority's operations and financial condition. The pace and magnitude of air travel recovery remain uncertain amid reporting of new variants and outbreak of confirmed cases in other locations globally. Furthermore, the pandemic related and traveling restrictions have resulted in a significant shortage of labour, particularly for the construction industry. This has caused and may continue to cause, among others, delay in completion of and increased difficulties in hiring workers for infrastructure construction projects.

The entry restrictions, travel bans and quarantine measures implemented across the globe since the outbreak of COVID-19 negatively impacted the aviation and travel industry and caused a significant drop in HKIA's passenger traffic and cargo throughput. For the year ended 31 March 2021, HKIA handled 0.8 million passengers and 128,000 flight movements, representing decreases of 99% and 66%, respectively, compared to the year ended 31 March 2020. Despite the number of passengers and flight movements handled by HKIA increased to 1.4 million and 145,000, respectively, for the year ended 31 March 2022, they have not rebounded to pre-pandemic levels. From April to September 2022, HKIA handled 2.0 million passengers and 66,000 flight movements, representing increase of 162% and decrease of 6%, respectively, compared to the same period in 2021. The drop in traffic throughput in HKIA had an adverse impact on the overall business, financial condition and results of operations of the Airport Authority.

The drop in passenger traffic in recent years have exerted an adverse impact on the retail revenue of the Airport Authority. The reduced passenger traffic and flight movements due to the COVID-19 pandemic has also affected the aviation support business in HKIA. Businesses including ramp handling, aircraft maintenance, inflight catering and other aviation support business operators have all been severely impacted by the reduced aviation traffic in Hong Kong and globally, which has had an adverse impact on the Airport Authority's business, financial conditions and results of operations.

Furthermore, the Airport Authority has provided relief measures to the aviation industry and its business partners. These relief measures include (i) full waiver of parking charges for idle passenger aircraft and airbridge fees, (ii) reduction of passenger aircraft landing charges, (iii) fees reduction related to ramp handling, maintenance and airside vehicles; as well as rental reduction for terminal tenants covering lounges and offices, (iv) fees waiver for terminal licencees including commercial services counters and cross-border transport operators, and (v) concessions on fees for aviation support services such as into-plane fuelling, aircraft maintenance and inflight catering services. In addition, the Airport Authority also expects to continue the rental relief for retail and catering tenants until 31 January 2023 subject to further review. As at the date of this Offering Memorandum, some shops and restaurants in the terminal continued to suspend business and their rent has been waived, and for those shops and restaurants that are open for business, the base rent has been waived. Separately, the Group has announced multiple rounds of relief measures to airlines and aviation support services operators, including a one-off offer to purchase around 500,000 air tickets in advance from home-based airlines and providing an option for aviation support services operators at HKIA to sell their ground services equipment to the Airport Authority in 2020. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting the Results of Operations — COVID-19*". The Airport Authority may continue to provide relief measures in the near future. Such relief measures may have a material and adverse impact on the financial condition and results of operation of the Airport Authority.

Although quarantine requirements for inbound travellers were abolished in September 2022 and there were further relaxations of anti-pandemic and social-distancing restrictions in December 2022, there is no assurance that air travel demand and traffic throughput will resume to levels prior to the COVID-19 outbreak. If the reduction in demand for air travel globally arising from the COVID-19 pandemic were to persist, 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 recent outbreak of COVID-19, there were other outbreaks of contagious diseases in the past, such as 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 risk 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 2022, the Airport Authority had total interest-bearing borrowings of HK$79,415 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 2022, 41% and 59% of the Airport Authority's total borrowings were denominated in Hong Kong dollars and U.S. dollars, respectively. In order to reduce its exposure to movements in interest rates and exchange rates, the Airport Authority has typically hedged a portion of such exposure. There can be no assurance, however, that these hedging transactions 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 majority of the Airport Authority's revenues are generated in Hong Kong dollars. Although the Hong Kong dollar has been linked to the U.S. dollar since 1983, there can be no assurance that such linkage will be maintained in the future. The Government has in the past expressed a commitment to maintain exchange rate stability under the Linked Exchange Rate System (as defined below), an automatic interest rate adjustment mechanism. Although the Airport Authority adopts a prudent currency risk management policy to manage its currency risk, there is no assurance that the Airport Authority's business, financial condition and results of operations would not be adversely affected by the impact on the Hong Kong economy that may arise in the event that the link between the Hong Kong dollar to the U.S. dollar is discontinued or if there is any devaluation or revaluation of the Hong Kong dollar.

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. Although the Airport Authority adopts a risk management procedure to manage its credit risk, 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 most severely 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 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 this extraordinary time, the Airport Authority has relaxed certain credit terms and undertaken other measures to help its counterparties weather the storm.

As a result of the foregoing, as at 30 September 2022, the Airport Authority has recognised a loss allowance in respect of trade debtors of HK$1,056 million, and during the six months ended 30 September 2022, the Airport Authority recognised reversal of net impairment losses on trade and other receivables of HK$32 million in other operating expenses. 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 78,000 airport workforce as at 31 March 2020 before the height of the COVID-19 pandemic, only 2,844 or less than 4% of the total workforce were directly employed by the Airport Authority. 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, 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 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*". 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, 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.

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

As at 30 September 2022, the Airport Authority had total interest-bearing borrowings of HK$79,415 million. The Airport Authority's interest payments in respect of notes and bank loans for the year ended 31 March 2022 and the six months ended 30 September 2022 amounted to HK$713 million and HK$856 million, respectively. For example, 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, the geopolitical risks and the ongoing COVID-19 pandemic 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. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Expenditures*". 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 through debt and collection of airport construction fee (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. 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 ("**XRL**") was opened to the public on 23 September 2018. The XRL is expected to dramatically improve rail service quality and raise train transportation to a competitive level to air travel. These high-speed 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. 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. Pursuant to section 34 of the Airport Authority Ordinance (Cap. 483) of the laws of Hong Kong (the "**Ordinance**"), the Airport Authority has a statutory obligation to charge for services that it provides. While the Airport Authority believes that it is unlikely that Russian airplanes will land at the HKIA during this period, the Airport Authority would be legally obliged to allow such airplanes to land at the HKIA and charge for services provided (e.g. landing and parking services). Depending on the facts and circumstances, this may present potential sanctions and export control risk to the Airport Authority. 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, including without limitation the global energy markets.

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.

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 ("**ICAC**") for alleged corruption over the awarding of works and material supplies contracts, and related administrative and financial arrangements in connection with the 3RS Project. According to press releases by ICAC, one of the four staff, who was a principal manager of the Airport Authority, has been charged with two counts of conspiracy for a public servant to accept an advantage. The Airport Authority's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such 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, it is not always possible to detect and prevent fraudulent activities and other misconduct, despite the precautionary measures the Airport Authority takes to prevent and detect such activities. 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 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 of the 3RS Project kicked off. The construction of the 3RS Project is expected to be completed in 2024.

In September 2017, the Airport Authority released the report on the detailed funding study for the 3RS Project submitted by its financial advisor. 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; (iii) building a new passenger building with 63 parking positions and an apron; (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. Targeted for completion by 2024, the expansion of Terminal 2 consists of an 8-level Main Building, and North and South Annex Buildings with seven levels and four levels respectively, which also include a new APM system and a 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. In April 2022, flight check 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 at HKIA was officially commissioned. As at the date of this Offering Memorandum, the 3RS Project is well underway and on schedule and the construction of the 3RS Project is scheduled to be completed by 2024.

Although the 3RS Project is underway, there is no assurance that HKIA's runway capacity can be increased to meet its future growth. If the runway capacity is constrained, it could have 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. Although the Airport Authority's systems have not experienced any major system failures and delays in the past, there can be no assurance that its systems would not experience future system failures and delays, 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 "**Personal Data Ordinance**") 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 Personal Data Ordinance 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. Although the Airport Authority takes precautionary measures, including internal compliance procedures, to prevent and detect misuse and unauthorised or accidental disclosure of personal information, there is no assurance that any such improper or unauthorised use or disclosure 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.

In certain circumstances, the Government 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 SAR 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 or 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 is entitled to re-enter and take back 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 Terms and Conditions of the Notes). This is in addition to any rights and claims of the Government 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**"). Although the Airport Authority currently has no reason to believe that it would be unable obtain these additional land grants, there can be no assurance that it will be able to do so in a timely manner or at all. Any failure to obtain these land grant may delay the implementation of these projects and lead to an increase of capital expenditure.

Risks related to new ventures in the Greater Bay Area

The Airport Authority is currently engaged in discussions with relevant authorities and third parties regarding projects in the Greater Bay Area, including the HKIA Logistics Park in Dongguan and is exploring deeper collaboration with Zhuhai Airport. There can be no assurance that the Airport Authority will be able to reach agreement with the relevant authorities in the Greater Bay Area for such projects, or 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.

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 of Hong Kong SAR acting after consultation with the Executive Council of Hong Kong (the "**Chief Executive in Council**"). Although the Chief Executive in Council may refuse to give its approval only in certain circumstances, there is no guarantee that any new scheme or proposed amendment will be approved. 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 the Airport 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. Although the Airport Authority believes that the insurance it has put in place is adequate and consistent with industry practice, the Airport Authority cannot assure investors that such insurance 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 the Airport and or other roads and bridges leading to the Airport. 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 change 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 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 and governance ("ESG") matters that could materially 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 matters. Adverse incidents with respect to ESG activities could impact the Airport Authority's reputation and relationships with investors, all of which could materially 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 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 initiatives, including the use of proceeds from the 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 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

There is no Government guarantee in respect of the Notes

Although the Airport Authority is wholly owned by the Government, the Government has not provided, and has not expressed an intention to provide, any guarantee in respect of the Notes to be issued under it and such ownership by the Government 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 to provide the Airport Authority with direct or indirect financial support to meet the Airport Authority's outstanding debt obligations, including the Notes. As such, the repayment obligations under the Notes remain the sole obligation of the Airport Authority. There can therefore be no assurance that in the event of non- payment under the Notes, the Government will make any payment of principal or distribution thereon in respect of the Notes. The Airport Authority believes that the fact it is wholly-owned by the Government 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, its credit standing would not be adversely affected.

The Government 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. The Airport Authority may have to carry out airport-related activities as the Chief Executive may assign to it by order. By virtue of various control provisions in the Ordinance, the Government is in a position to exert significant influence on the Airport Authority's activities, financial condition and operations.

In addition, the Government 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. On 16 June 2004, the Legislative Council passed a resolution to permit a reduction of the share capital of the Airport Authority by HK$6,000 million to HK$30,648 million.

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 Asia Pacific 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 in 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 have a material adverse effect on the Airport Authority's financial condition and results of operations. Please also see "*Risks relating to Hong Kong, the PRC and Other Asia Pacific Countries — The Airport Authority is exposed to geopolitical and market risk which affect its financial condition and the results of its operations*".

The Hong Kong economy is also affected, to a significant extent, by the economic conditions of the United States, Europe and other world economies. 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, and market volatility in the United States, Europe or other world economies.

The COVID-19 pandemic has severely impacted the global economy since the beginning of 2020. The continued spread of COVID-19 in other countries in the region and the threat of more infectious variants may continue to pose downside risks to global economic outlook and affect Hong Kong's economic recovery. 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*" for further details.

The global credit markets have also experienced significant volatility, caused 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, 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, 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 uncertainty 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 HKIA's business, financial condition and results of operations will not be adversely affected.

Political and legal developments in Hong Kong and the PRC could affect the Airport Authority's financial condition and the results of its operations

The Airport Authority derives the majority of its revenue from the operation of HKIA. As HKIA is a major international hub for passengers and cargo, the general political and economic environment globally, particularly in Hong Kong, the PRC, Europe and the United States, and any future developments and changes would directly affect the level of air travel and cargo at HKIA.

Social unrest and an uncertain political environment may impact Hong Kong's economy. From June to December 2019 and in May 2020, there were protests and disruption to businesses and transportation in various parts of Hong Kong, including HKIA. These protests caused a decrease in consumer spending and affected inbound tourism to Hong Kong, which in turn had a negative impact on the Hong Kong economy as well as the Airport Authority's business and operations, particularly as fewer tourists visited Hong Kong. Any instability in Hong Kong may adversely affect the Airport Authority's financial condition and the results of operations. Although the Airport Authority, in August 2019, obtained an interim injunction to restrain protesters from unlawfully and wilfully obstructing or interfering with the proper use of HKIA and implemented access control at the terminal buildings of HKIA to ensure a smooth operation of HKIA, social unrest is outside the control of the Airport Authority and there can be no assurance that further large-scale protests will not occur in the future which may affect the stability of the political and economic landscape of Hong Kong.

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 "*Risks relating to Hong Kong, the PRC and Other Asia Pacific 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 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 Government has repeatedly reaffirmed its commitment to this Linked Exchange Rate System (as defined under "*Exchange Rates*"). 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 license 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 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, 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 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.

Risks Relating to the Notes

No assurance can be given regarding the ability of creditors to institute proceedings for liquidation against and/or prove and/or claim in proceedings for liquidation of the Airport Authority

The ability of a creditor to institute proceedings for liquidation against the Airport Authority is subject to uncertainty due to the nature of the Airport Authority as a statutory body corporate. The Airport Authority is wholly-owned by the Government and was established as a statutory body corporate under Section 3(1) of the Ordinance to provide, operate, develop and maintain an airport for civil aviation in Chek Lap Kok, Hong Kong. For companies formed and registered under the Companies Ordinance (Cap. 622) of the laws of Hong Kong, the Companies (Winding-up and Miscellaneous Provisions) Ordinance (Cap. 32) of the laws of Hong Kong provides a statutory framework for winding-up of such companies. However, the Ordinance does not expressly provide for any statutory process for the winding-up of the Airport Authority. No assurance can be given that other potential processes (including other statutory frameworks or pursuant to a court's inherent jurisdiction) are available to creditors for the liquidation of the Airport Authority and as such, there can be no assurance that a creditor will be able to institute proceedings for liquidation against the Airport Authority in a timely manner, or at all. In addition, even if the Airport Authority becomes insolvent, there can be no assurance that the Board, the Government or the Financial Secretary will take action to institute proceedings for liquidation with respect to the Airport Authority. Therefore, no assurance can be given regarding the ability of creditors to institute proceedings for liquidation against and/or prove and/or claim in proceedings for liquidation of the Airport Authority.

The Issuer may raise other capital which affects price of the Notes

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Notes. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Noteholders on liquidation of the Issuer. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Notes of any series and/or the ability of Holders of any series of Notes to sell their Notes.

Certain initial investors or a single initial investor may purchase a significant portion any series of Notes and may potentially be able to exercise certain rights and powers on their own

Certain initial investors or a single initial investor may purchase a significant portion of the aggregate principal amount of any series of Notes. Any Noteholder of a significant percentage of the aggregate principal amount of any series of Notes will be able to exercise certain rights and powers and will have significant influence on matters voted on by Holders of the relevant series. For example, two or more Persons (as defined in the Terms and Conditions of the Notes) holding or representing more than half (or at adjourned meetings, two or more Persons (as defined in the Terms and Conditions of the Notes) being or representing the Holders of any series of Notes whatever the principal amount of the relevant series of Notes held or represented) of the aggregate principal amount of the outstanding Notes of the relevant series would form quorum for the purposes of passing an Extraordinary Resolution (other than one relating to a Reserved Matter (as defined in the Terms and Conditions of the Notes), while at a meeting of Noteholders of the relevant series at which two or more Persons (as defined in the Terms and Conditions of the Notes) holding or representing not less than two thirds (or at adjourned meetings not less than one-fifth) of the aggregate principal amount of the outstanding Notes of the relevant series would form quorum for the purposes of voting on Reserved Matters.

Each series of Notes will be represented by one or more Global Certificates and holders of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System

Each series of Notes will be represented by one or more Global Certificates deposited with and registered in the name of a nominee of DTC (the "**Clearing System**"). Except in the circumstances described in each Global Certificate, investors will not be entitled to receive the relevant series of definitive Certificates. The Clearing System will maintain records of the beneficial interests in such a Global Certificate. While each series of Notes are represented by a Global Certificate, investors will be able to trade their beneficial interests only through the Clearing System.

While each series of Notes are represented by a Global Certificate, the Issuer will discharge its payment obligations under each series of Notes by making payments to the Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing System to receive payments under the relevant series of Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in such a Global Certificate.

Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the relevant series of Notes. Instead, such Holders will be permitted to act only to the extent that they are enabled by the Clearing System to appoint appropriate proxies.

The Notes may not be a suitable investment for all investors

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Memorandum and any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or distribution is payable in one or more currencies, or where the currency for principal or distribution payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- 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.

The Notes are complex financial instruments which may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Modification and waivers

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

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

Notes issued with a minimum denomination

The Notes will be issued with a minimum denomination of U.S.$200,000. For so long as the relevant series Notes are represented by a Global Certificate and the Clearing System so permits, the relevant series of Notes will be tradable in nominal amounts (a) equal to, or integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Notes will only be issued if (a) DTC (or other relevant clearing system) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 9 (Events of Default) occurs. If definitive Notes are issued, such Notes will be issued in respect of all holdings of the relevant series of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding any series of Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Airport Authority (including rights to receive principal or interest or to vote) in respect of such Notes.

The liquidity and price of the Notes following the offering may be volatile

If an active trading market for the Notes of any series were to develop, the price and trading volume of the Notes may be highly volatile. The Notes of any series may trade at prices that are higher or lower than the price at which such Notes have been issued. The price at which the Notes of any series trade depends on many factors, including:

- prevailing interest rates and interest rate volatility;
- the Group's results of operations, financial condition and future prospects;
- changes in the real property industry and competition;
- the market conditions for similar Notes; and
- general economic conditions.

Any such developments may result in large and sudden changes in the trading volume and price of the Notes of any series. There can be no assurance that these developments will not occur in the future. In addition, recent regulatory actions by the United States Securities and Exchange Commission under Rule 15c2-11 of the Exchange Act may restrict the ability of brokers and dealers to publish quotations on the Notes on any interdealer quotation system or other quotation medium after 4 January 2025, which may materially adversely affect the liquidity and trading prices for the Notes.

The Notes are complex financial instruments which may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Investors in the Notes may be subject to foreign exchange risk

The Notes are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars will be subject to foreign exchange risks by virtue of an investment in the Notes of any series, due to, among other things, economic, political and other factors over which the Issuer has no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Notes of any series for an investor and could result in a loss when the return on the Notes of any series is translated into such currency. Conversely, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Notes of any series in the event of an appreciation.

The Notes are subject to optional redemption by the Airport Authority

In the event that the Airport Authority would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, the Airport Authority may redeem all outstanding Notes of the relevant series in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes of the relevant series. During any period when the Airport Authority may elect to redeem Notes of any series, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Airport Authority may be expected to redeem the Notes of any series when its cost of borrowing is lower than the interest rate on the Notes of the relevant series. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the relevant series of Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Airport Authority has flexibility in allocating the net proceeds of the Green Notes among the Eligible Green Projects

The Airport Authority shall use the net proceeds from the issue of the Green Notes to finance or re-finance the Eligible Green Projects (including the construction of the Terminal 2 Concourse), pursuant to the Airport Authority Sustainable Finance Framework (the "**Framework**"), as described in "*Description of the Green Notes and the Sustainable Finance Framework*" section of this Offering Memorandum and in accordance with applicable laws and regulations. See "*Description of the Green Notes and the Sustainable Finance Framework*" for further details. However, there can be no assurance that any such Eligible Green Project will be implemented in part or in its entirety in such manner and/or in accordance with any timing schedule, or that any such Eligible Green Project will be completed within any specified period or at all or with the results or outcome as the Airport Authority originally expected or anticipated.

The Airport Authority has flexibility in allocating the net proceeds of the Green Notes among the Eligible Green Projects. There is no requirement under the Terms and Conditions of the Green Notes for the Airport Authority to use the proceeds from the Green Notes as described under "*Use of Proceeds*", and any failure by the Issuer to comply with the anticipated use of proceeds will not constitute an event of default under the Green Notes or result in an increase in interest rates or other penalties. Prospective investors should carefully review the information set out in this Offering Memorandum regarding such use of the net proceeds of the Green Notes and must determine for themselves the relevance of such information for the purpose of any investment in the Green Notes together with any other investigation such investor deems necessary and whether the Green Notes are suitable for their investment criteria.

There is no clear legal and regulatory definition of or market consensus of or standardised criteria for what constitutes a "green", "environmental", "sustainability" or other equivalently labelled project or investment, and there can be no assurance that the use of proceeds of the Green Notes to finance the Eligible Green Projects will be suitable for the investment criteria of an investor

There is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "environmental", "sustainability" or an equivalently-labelled project or investment, or as to what exact characteristics or attributes may be required for a particular project to be defined as "green", "environmental", "sustainability" or such other equivalent label, and no assurance can be given that a clear definition of or consensus regarding such projects will develop over time.

None of the Managers is responsible for assessing or verifying whether the Eligible Green Projects to which the Airport Authority allocates the net proceeds of the Green Notes meet the criteria or went through the process of evaluation and selection described in "*Use of Proceeds*", or for monitoring the use of proceeds.

In particular, no assurance is given by the Airport Authority or the Managers that the use of such net proceeds to fund any Eligible Green Projects will satisfy (or will continue to satisfy), whether in whole or in part, any present or future investor expectations or requirements, taxonomies or standards or other investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable laws or regulations or by its own by-laws or other governing rules or investment portfolio mandates, ratings mandates or other independent expectations regarding such "green", "environmental", "sustainability" or other equivalently-labelled performance objectives, in particular with regard to any direct or indirect environmental, social, or sustainability impact or performance of any projects or uses, the subject of or related to, any Eligible Green Project. Any failure to allocate the net proceeds from the sale of the Green Notes to the Eligible Projects or the failure of those investments or financings to satisfy investor expectations or requirements could have a material adverse effect on the market price of the Green Notes. No assurance is given by the Managers that the net proceeds of the Green Notes, or an equivalent amount thereto, will be used for Eligible Green Projects.

In addition, no assurance or representation is given as to the suitability of the Notes, including the listing or admission to trading thereof on any dedicated 'green', 'environmental', 'sustainable' or other equivalently-labelled segment of any stock exchange or securities market, or the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Airport Authority) that may be made available in connection with the offering of the Green Notes and, in particular, with respect to the characteristics of the Eligible Green Projects and whether the Green Notes or the Eligible Green Projects fulfil any green, social, environmental, sustainability or other criteria required by any prospective investors. For the avoidance of doubt, any such opinion or certification is not and shall not be deemed to be incorporated into and/or form part of this Offering Memorandum. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Airport Authority or any Manager, or any other person to buy, sell or hold the Green Notes. Any such opinion or certification is only current as at the date that opinion or certification was initially issued. Currently, the providers of such opinions and certifications may not be subject to any specific regulatory or other regime or oversight. Any withdrawal of any such opinion or certification or any additional opinion or certification attesting that the Airport Authority is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying may have a material adverse effect on the value of the Green Notes and/or result in adverse consequences for certain investors with mandates to invest in securities to be used for a particular purpose. None of the Issuer nor any of the Managers is responsible for any third party social, environmental and sustainability assessment of the Green Notes and none of the Managers has undertaken, nor are they responsible for, any verification or assessment of the Framework. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Green Notes.

The Green Notes may not be included in any dedicated "green", "environmental", "sustainability" or other equivalently-labelled index, and any such inclusion may not be indicative of the suitability for the investment criteria of an investor

While no assurance can be given that any such inclusion will happen, in the event that the Green Notes are included in any dedicated "green", "environmental", "sustainability" or other equivalently-labelled index, no representation or assurance can be given by the Airport Authority, any Manager or any other person:

- that such inclusion would satisfy (or would continue to satisfy), whether in whole or in part, any present or future investor expectations or requirements, taxonomies or standards or other investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable laws or regulations or by its own by-laws or other governing rules or investment portfolio mandates, ratings mandates or other expectations, in particular with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to, any Eligible Green Projects (and it should be noted that the criteria for any such inclusion in an index may vary); or

- that any such inclusion will be maintained during the life of the Green Notes.

In the event that the Green Notes are included in any such index, any change to the inclusion status of the Green Notes, including, but not limited to, the exclusion of the Green Notes from the index or the suspension or admission to trading of the Green Notes, may have a material adverse effect on the value of the Green Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. Prospective investors must determine for themselves the relevance of any such inclusion for the purpose of any investment in the Green Notes and conduct their own assessment of the Notes from a sustainability perspective.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes will be new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes of any series are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although an application will be made for each series of Notes to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular series of Notes issued will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular series of Notes.

Additionally, with respect to the Green Notes, the market price may also be impacted by any failure by the Airport Authority to use the net proceeds of the Green Notes to finance or refinance Eligible Green Projects as described in the Framework or to meet or continue to meet the funding requirements of certain environmentally-or socially-focused investors with respect to the Green Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interests on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes of any series.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. See "*Risk Factors — External financing may expose the Airport Authority to interest rate and exchange rate risk which could affect its financial condition and results of operations*" for further details. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes of any series.

Credit ratings may not reflect all risks

Each series of Notes are expected to be rated "AA+" by S&P. The Issuer has a long-term local and foreign currency rating of "AA+" by S&P. The outlook on the Issuer's corporate credit rating is "stable". The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes of any series. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The gross proceeds from the issue of the Series A Notes are U.S.$499,585,000. The gross proceeds from the issue of the Series B Notes are U.S.$695,660,000. The gross proceeds from the issue of the Series C Notes are U.S.$794,064,000. The gross proceeds from the issue of the Green Notes are U.S.$997,050,000.

The net proceeds from the issue of the Series A Notes, the Series B Notes and Series C Notes shall be used by the Airport Authority to fund its capital expenditure including the capital expenditure of the 3RS Project and for general corporate purposes.

The net proceeds from the issue of the Green Notes shall be used by the Airport Authority to finance or re-finance the Eligible Green Projects (including the construction of the Terminal 2 Concourse) as described in "*Description of the Green Notes and the Sustainable Finance Framework*" section of this Offering Memorandum and in accordance with applicable laws and regulations. See "*Description of the Green Notes and the Sustainable Finance Framework*" for further details.

EXCHANGE RATES

The HK dollar is freely convertible into the U.S. dollar. Since 1983, the HK dollar has been linked to the U.S. dollar. Under existing Hong Kong law, there are no foreign exchange controls or other laws, decrees or regulations that affect the remittance of payments to U.S. residents. The Basic Law of the Hong Kong Special Administrative Region of the PRC, which came into effect on 1 July 1997, provides that no foreign exchange control policies may be applied in Hong Kong. Although the market exchange rate of the HK dollar against the U.S. dollar was and continues to be determined by forces of supply and demand in the foreign exchange markets, between 1983 and May 2005 Hong Kong maintained a fixed rate system which sets the rate of exchange at HK$7.80 per U.S. dollar (the "**Linked Exchange Rate System**"). However, 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 Government has indicated its intention to maintain the Linked Exchange Rate System. The Government has also stated that it has no intention of imposing exchange controls and that the HK dollar will remain freely convertible into other currencies, including the U.S. dollar. However, no assurance can be given that the Government will maintain the trading band at HK$7.75 to HK$7.85 per U.S. dollar or at all. As a result of the Linked Exchange Rate System, exchange rates between the HK dollar and other currencies are influenced by the value of the U.S. dollar.

The following tables sets forth, for the periods indicated, certain information concerning the exchange rates between HK dollars and U.S. dollars. The exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Federal Reserve Board.

	Exchange Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
	(HK$ per U.S.$1.00)			
2014	7.7531	7.7554	7.7669	7.7495
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021	7.7996	7.7740	7.8034	7.7515
2022				
June	7.8472	7.8481	7.8499	7.8446
July	7.8498	7.8490	7.8499	7.8461
August	7.8492	7.8465	7.8499	7.8372
September	7.8498	7.8494	7.8498	7.8481
October	7.8498	7.8498	7.8499	7.8493
November	7.8050	7.8308	7.8499	7.8020
December (through 16 December)	7.7826	7.7784	7.7856	7.7693

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the consolidated capitalisation and indebtedness of the Issuer as at 30 September 2022 and as adjusted to give effect to the issuance of the Notes offered hereby:

	As at 30 September 2022			
	Actual	**Actual**	**As Adjusted[5]**	**As Adjusted[5]**
	(HK$ million)	**(U.S.$ million)[1]**	**(HK$ million)**	**(U.S.$ million)[1]**
Interest-bearing borrowings due within one year	—	—	—	—
Interest-bearing borrowings due after one year	79,415	10,247	79,415	10,247
Series A Notes to be issued[2]	—	—	3,875	500
Series B Notes to be issued[2]	—	—	5,425	700
Series C Notes to be issued[2]	—	—	6,200	800
Green Notes to be issued[2]	—	—	7,750	1,000
Total interest-bearing borrowings	79,415	10,247	102,665	13,247
Share capital[3]	30,648	3,955	30,648	3,955
Reserves	47,483	6,127	47,483	6,127
Perpetual capital securities	11,585	1,495	11,585	1,495
Non-controlling interests	358	46	358	46
Capital and reserves	90,074	11,623	90,074	11,623
Total capitalisation and indebtedness[4]	169,489	21,870	192,739	24,870

Notes:

(1) A rate of HK$7.750 to U.S.$1.00 was adopted for the conversion of Hong Kong dollars to U.S. dollars.

(2) Notes to be issued which represent the aggregate principal amount of the Series A Notes, the Series B Notes, the Series C Notes and the Green Notes, before deduction of underwriting fees and commissions, and other estimated transaction expenses payable are U.S.$500,000,000, U.S.$700,000,000, U.S.$800,000,000 and U.S.$1,000,000,000, respectively.

(3) As at 30 September 2022, the Issuer had 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.

(5) The "As Adjusted" column represents the consolidated capitalisation and indebtedness of the Issuer as at 30 September 2022 as adjusted to give effect to the issuances of the Notes offered hereby.

There has been no material change to the capitalisation and indebtedness of the Airport Authority since 30 September 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following discussion and analysis of the financial condition, cash flows and results of operations of the Group together with the financial statements and related Notes thereto appearing elsewhere in this Offering Memorandum, as well as "Presentation of Financial Information" and "Summary Financial Information". The consolidated financial statements of the Group as at and for the years ended 31 March 2020, 2021 and 2022 have been prepared in conformity with HKFRS issued by HKICPA, and the consolidated interim financial statements of the Group for the six months ended 30 September 2021 and 2022 and as at 30 September 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

The following discussion contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth under "Forward-Looking Statements", "Risk Factors" and this Offer Memorandum generally.

OVERVIEW

The Airport Authority is a statutory body corporate owned by the Government. 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 the 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 started in August 2016, which entails the formation of 650 hectares of land by reclamation and the construction of a third runway, a supporting taxiway system, a terminal building, a passenger concourse and associated infrastructure. In April 2022, flight check 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 at HKIA was officially commissioned. As at the date of this Offering Memorandum, the 3RS Project is well underway and on schedule and the construction of the 3RS Project is scheduled to be completed by 2024.

Strategically located in Asia, HKIA is an integral part of the Hong Kong economy. Prior to the outbreak of COVID-19 in 2019, HKIA connected Hong Kong to over 200 destinations worldwide by around 120 airlines. Leveraging the rights of the Government to independently negotiate flight routes and air services agreements, HKIA, as the only airport for civil aviation in Hong Kong, is well-positioned to capitalise on the opportunities that arise in the aviation industry.

HKIA can handle 68 aircraft movements per hour at peak hours. HKIA ranked as the world's busiest international cargo airport for eleven times since 2010 according to airport traffic data released by Airports Council International. 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 year ended 31 March 2022, HKIA's cargo throughput reached almost 4.9 million tonnes, returning to the pre-pandemic levels and it has again made HKIA the world's busiest airport in terms of international cargo throughput. For the six months ended 30 September 2022, HKIA's cargo throughput reached 2.1 million tonnes. The following tables set forth passenger traffic, cargo and airmail throughput and aircraft movements handled by HKIA for the periods indicated.

	For the six months ended 30 September		For the years ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
Passenger traffic[(1)] (in millions of passengers)	2.0	0.8	1.4	0.8	60.9
Cargo and airmail throughput[(2)] (in millions of tonnes)	2.1	2.5	4.9	4.6	4.7
Aircraft Movements (in thousands)	66	71	145	128	377

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 transhipment cargo. Transhipment cargo is counted twice. Airmail throughput includes airmail from Hongkong Post and transit mail from airlines.

For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, the consolidated revenue of the Group amounted to HK$17,106 million, HK$5,936 million, HK$5,798 million, HK$2,758 million and HK$3,468 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 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, aeronautical revenue of the Group amounted to HK$6,598 million, HK$2,240 million, HK$2,714 million, HK$1,239 million and HK$1,252 million, representing approximately 39%, 38%, 47%, 45% and 36%, 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 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, non-aeronautical revenue of the Group amounted to HK$10,508 million, HK$3,696 million, HK$3,084 million, HK$1,519 million and HK$2,216 million, representing approximately 61%, 62%, 53%, 55% and 64%, respectively, of the Group's revenue.

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, including the 3RS Project to fulfil long-term air traffic demand.

FACTORS AFFECTING THE RESULTS OF OPERATIONS

Passenger Traffic, Cargo Throughput and Aircraft Movements

Passenger traffic, cargo throughput and aircraft movements at HKIA have a significant impact on the results of operations and financial condition of the Group.

The number of passengers accommodated by HKIA is primarily dependent on the level of tourism and business travel involving Hong Kong. Total passenger traffic is dependent on a number of factors which may be beyond the control of the Group, including but not limited to:

- developments in, and the level of economic growth achieved in Hong Kong, the PRC and other countries serviced by airlines at HKIA;
- demographic changes in Hong Kong, the PRC and other countries serviced by airlines at HKIA;
- the level of competition and financial health of operators within the aviation industry;
- the price of air traffic tickets;
- airline seat supply and routes offered by airlines to and from HKIA;
- currency exchange rates;
- airline accidents;
- travel regulations and policies;
- acts of terrorism, wars and associated security issues and political disruptions; and
- outbreak of pandemic or other mass communicable diseases.

Passenger traffic directly impacts the aeronautical revenue of the Group, as terminal building charge and security charge are charged based on a per passenger basis. Other fees that the Group charges in connection with its aeronautical revenue, such as landing and parking fees, are charged based on a per aircraft basis, thereby indirectly affected by passenger traffic. In relation to the non-aeronautical revenue of the Group, passenger traffic is a principal factor affecting the turnover of retail licencees of the Group who pay the higher of a base rent and a turnover rent to the Group, which indirectly affects the retail licences and advertising revenue of the Group.

Similarly, a number of factors have significant impact on cargo throughput handled at HKIA, which may be beyond the control of the Group, including but not limited to:

- developments in, and the level of economic growth achieved in Hong Kong, the PRC and other countries serviced by airlines at HKIA;
- trade flow involving Hong Kong, the PRC and other countries serviced by airlines at HKIA;
- outbreak of trade war or other matters affecting the macroeconomic and political conditions;
- trade regulations and policies;
- flight network and routes coverage; and
- frequency of flights.

Cargo throughput impacts the aeronautical revenue of the Group as more aircraft movements bring in increased airport charges revenue. In addition, cargo throughput directly affects the revenue from airside support services franchises, which in turn affects the non-aeronautical revenue of the Group.

Macroeconomic and Political Conditions Affecting Hong Kong, the PRC and the Globe

The results of operations and financial condition of the Group are linked closely to macroeconomic and political conditions prevailing from time to time in Hong Kong and globally. As the Group relies to a significant extent on business and tourist passenger traffic, economic conditions, risks affecting or reducing air-travel and adverse political conditions could materially and adversely impact passenger traffic in HKIA and, in turn, revenues and profitability of the Group. From June to December 2019, there were protests and disruption to businesses and transportation in various parts of Hong Kong, including HKIA. These protests caused a decrease in consumer spending and affected inbound tourism to Hong Kong, which in turn had a negative impact on the Hong Kong economy as well as the Airport Authority's business and operations, particularly as fewer tourists visited Hong Kong. In August 2019, the Airport Authority obtained an interim injunction to restrain protesters from unlawfully and wilfully obstructing or interfering with the proper use of HKIA and implemented access control at the terminal buildings of HKIA. The protest activities at HKIA have since stopped. However, as social unrest is outside the control of the Airport Authority, there can be no assurance that further large-scale protests will not occur in the future which may affect the stability of the political and economic landscape in Hong Kong. Any sustained adverse effects on macroeconomic conditions or political conditions could have an adverse impact on the Group's business and results of operations going forward. See "*Risk Factors — Risks relating to Hong Kong, the PRC and Other Asia Pacific Countries — Political and legal developments in Hong Kong and the PRC could affect the Airport Authority's financial condition and the results of its operations*" and "*Risk Factors — Risks relating to the Airport Authority and its activities and operations — The military conflicts between Russia and Ukraine, and the resulting sanctions brought by the U.S. and other countries against Russia, have resulted in significant market disruptions*".

COVID-19

Since December 2019, the outbreak of COVID-19 has resulted in a widespread and global health crisis. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The Airport Authority has worked closely with the Government and business partners to ensure the safety of passengers, staff and airport users and fully supported and facilitated all health and quarantine measures imposed by the Government. See "*The Airport Authority — Recent Developments — Impact of the COVID-19 pandemic*".

The ongoing COVID-19 pandemic has led to restrictions on travel and public transport and prolonged closures of workplaces. In particular, the entry restrictions, travel bans and quarantine measures implemented across the globe since the outbreak of COVID-19 has had a significant impact on the aviation and travel industry and accordingly, this has had a material and adverse impact on the operations and financial condition of the Group. For the year ended 31 March 2021, HKIA handled 0.8 million passengers, 4.6 million tonnes of cargo and airmail throughput and 128,000 flight movements, representing decreases of 99%, 2% and 66%, respectively, compared to the year ended 31 March 2020, which in turn resulted in a significant decrease in both the aeronautical revenue and the non-aeronautical revenue of the Group. For the year ended 31 March 2022, HKIA handled 1.4 million passengers, 4.9 million tonnes of cargo and airmail throughput and 145,000 flight movements, representing increases of 70%, 7% and 13%, respectively, compared to the year ended 31 March 2021, but the volume of passengers and flight movements remained significantly lower than the pre-pandemic levels. For the six months ended September 2022, HKIA handled 2.0 million passengers and 66,000 flight movements, representing increase of 162% and decrease of 6%, respectively, compared to the same period in 2021. In particular, the Group has waived or reduced various fees as part of its relief package for the aviation industry, in view of the prolonged impact of the COVID-19 pandemic. The relief measures include (i) full waiver of parking charges for idle passenger aircraft and airbridge fees, (ii) reduction of passenger aircraft landing charges, (iii) fees reduction related to ramp handling, maintenance and airside vehicles;

as well as rental reduction for terminal tenants covering lounges and offices, (iv) fees waiver for terminal licencees including commercial services counters and cross-border transport operators, and (v) concessions on fees for aviation support services such as into-plane fuelling, aircraft maintenance and inflight catering services. In addition, the Group expects to continue the rental relief for retail and catering tenants until 31 January 2023 subject to further review. Recently, more shops and restaurants in the terminal have re-opened as passenger traffic has increased gradually. Base rent for tenants that are open for business has been waived as part of the relief package. Meanwhile, rental has been waived for retail and catering tenants that have suspended their businesses in the terminal. Separately, as at the date of this Offering Memorandum, the Group has announced multiple rounds of relief measures to airlines and aviation support services operators to ease their liquidity pressure.

As the circumstances of the COVID-19 pandemic are still evolving and the outcome of this pandemic outbreak is unpredictable, it is impracticable for the Group to estimate the potential impact of the COVID-19 pandemic on its financial performance. See "*The Airport Authority — Recent Developments — Impact of the COVID-19 pandemic*" and "*Risk Factors — 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*".

Airport Shops and Restaurants Portfolio

In addition to the level of passenger traffic at HKIA, the airport shops and restaurants portfolio has important consequences, particularly in relation to the Group's non-aeronautical revenue. A balanced portfolio of shops and restaurants catering for diverse demands and spending patterns of the passengers attracts more spending in the airport, which has a significant impact on the results of operations of the Group. As the retail and catering tenants of the Group pay a turnover cut if the turnover rent is higher than the base rent for such retail and catering tenants, the Group benefits from higher turnover of the airport shops and restaurants through the retail licences that the Group charges its retail and catering tenants. Before the outbreak of COVID-19, retail licences consistently contributed a significant proportion of the total revenue of the Group. For the year ended 31 March 2020, retail licences and advertising revenue was HK$5,893 million, representing 34% of the total revenue of the Group during the same period. Under the impact of the COVID-19 pandemic which brought passenger traffic to a standstill, the Group's revenue from retail licences witnessed significant decreases. For the years ended 31 March 2021 and 2022 and the six months ended 30 September 2021 and 2022, retail licences and advertising revenue were HK$203 million, HK$62 million, HK$43 million and HK$59 million, respectively, representing 3%, 1%, 2% and 2%, respectively, of the total revenue of the Group during the same period. In addition, the Group expects to continue the rental relief for retail and catering tenants until 31 January 2023 subject to further review. Recently, more shops and restaurants in the terminal have re-opened as passenger traffic has increased gradually. Base rent for tenants that are open for business has been waived as part of the relief package. Meanwhile, rental has been waived for retail and catering tenants that have suspended their businesses in the terminal. Notwithstanding the current suspension of business of shops and restaurants in the terminal, the Group expects to continue evaluating the portfolio of shops and restaurants at HKIA to better serve the passenger demands.

Liquidity and Access to Funding

The Group has to date relied on its operating surplus, collection of airport construction fee, bank loans and the debt capital markets to meet its capital expenditure and other funding requirements. As at 30 September 2022, the Group had cash and bank balances of approximately HK$31,417 million and undrawn committed bank facilities of HK$17.5 billion. As at the same date, the Group did not have any interest-bearing borrowings due to be repaid in the upcoming 12 months after 30 September 2022 or on demand.

As at 30 September 2022, the Group's total interest-bearing borrowings amounted to HK$79,415 million and all of the borrowings were fixed rate borrowings (after taking account of the impact of designated interest rate swaps). Such external financing raised by the Group may expose it to the impact of interest rate and currency rate fluctuations.

Development and Expansion Projects

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. See "*The Airport Authority*".

Investment in new projects related to the expansion and development projects involves substantial capital expenditures. For example, total capital expenditure for the 3RS Project is estimated at HK$141.5 billion at money-of-the-day prices and the overall financial arrangements for the 3RS Project are based on the "joint contribution and user-pay" principle, whereby the Group is expected to fund through operating surplus, debt and collection of airport construction fee. During the current downward trend in passenger numbers, airport construction fee collection is expected to reduce in line with traffic. Notwithstanding the impact of the COVID-19 pandemic, the Group plans to maintain the same level of airport construction fee throughout the collection period and cease collecting airport construction fee only when all 3RS Project-related debts are fully repaid. Separately, investment in new projects will increase the overall depreciation charges of the Group, which may affect the financial condition and results of operations of the Group.

Acquisition of AsiaWorld-Expo

In 2003, the Government and the Airport Authority formed IEC Holdings Limited, in which the Airport Authority held an 11.8% stake. IEC Holdings Limited 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, with the remaining 84.9% equity interest in Hong Kong IEC Limited held by IEC Holdings Limited. On 31 March 2022, the Government transferred its 88.2% stake in IEC Holdings Limited to the Airport Authority at a nominal consideration of HK$1. Upon completion, IEC Holdings Limited became a wholly-owned subsidiary of the Airport Authority, Hong Kong IEC Limited became an indirect wholly-owned subsidiary of the Airport Authority, and the Airport Authority became the sole beneficial owner of the AsiaWorld-Expo.

AsiaWorld-Expo is a convention and exhibition centre with over 70,000 square metres on the airport island, accessible through the Airport Express. The Group believes that the acquisition will bring strategic and financial benefits to the Airport Authority's existing lines of business. See "*Business — Other Operations — AsiaWorld-Expo*" for a description of AsiaWorld-Expo's business and details on the expected beneficial impact of the acquisition.

The Group completed the acquisition of AsiaWorld-Expo on 31 March 2022. As a result, the Group's consolidated balance sheet as at 31 March 2022 included in this Offering Memorandum consolidates AsiaWorld-Expo's assets and liabilities as at 31 March 2022 and the Group began consolidating AsiaWorld-Expo's results of operations beginning on 1 April 2022. The Group's interim financial statements as at and for the six months ended 30 September 2022 included in this Offering Memorandum consolidate AsiaWorld-Expo's assets and liabilities as at 30 September 2022 and results of operations for the six months ended 30 September 2022. Accordingly, the Group's results of operations for the six months ended 30 September 2022 and going forward may not be directly comparable to the

Group's results of operations from prior periods, and potential investors are thus advised to exercise caution when comparing the Group's results of operations for the six months ended 30 September 2022 and going forward to prior periods.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements of the Group as at and for the years ended 31 March 2020, 2021 and 2022 have been prepared in conformity with HKFRS issued by HKICPA, and the consolidated interim financial statements of the Group for the six months ended 30 September 2021 and 2022 and as at 30 September 2022 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA. The preparation of the Group's consolidated financial statements and related notes requires the management to make judgments, estimates and assumptions that affect reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities. Although these judgments, estimates and assumptions are based on the management's best knowledge of current events and actions, uncertainty about these judgments, estimates and assumptions could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

An accounting policy is considered to be critical if it requires accounting judgments, estimates and assumptions to be made about matters that are uncertain at the time such judgments, estimates and assumptions are made. Investors should read the following descriptions of critical accounting policies in conjunction with the financial statements of the Group and related notes appearing elsewhere in this Offering Memorandum.

Interest in Leasehold Land

In connection with the airport site at Chek Lap Kok, the Group classified a land premium of HK$2,000 on 1 December 1995 and land formation costs of HK$11,571 million as interest in leasehold land on the basis that such costs are considered to have been incurred to obtain the benefits of a leasehold land which has all the characteristics of land in Hong Kong and will revert to the lessor at the end of the Land Grant. 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.

Sub-lease of Leasehold Land

The Group 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. Such sub-leases continue to be treated as interest in leasehold land in the consolidated financial statements of the Group and are not derecognised on the basis that these sub-leases are for the sole benefit of the Group for enhancing services at the airport and that they are in substance held for the full and exclusive benefit of the Group.

Interests in Joint Ventures

HXIA is an unlisted sino-foreign equity joint venture of the Group in which the Group holds 35% of effective interest. 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 consolidated financial statements of the Group, 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.

The Group has recognised its share of the CADF over the useful life of the subsidised assets since June 2016, 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) which are similar to those imposed on government grants related to assets. 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.

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.

COMPONENTS OF THE INCOME AND EXPENDITURES

Revenue

The Group generates revenues from airport charges, security charges, aviation security services, airside support services franchises, retail licences and advertising revenue, other terminal commercial revenue, real estate revenue, convention and exhibition revenue and other income. The following table sets forth a breakdown of the Group's revenue in these categories for the periods indicated.

	For the six months ended 30 September				For the years ended 31 March					
	2022		2021		2022		2021		2020	
	(in HK$ million)	%	(in HK$ million)	%	(in HK$ million)	%	(in HK$ million)	%	(in HK$ million)	%
Aeronautical										
Airport charges	911	26	937	34	2,101	36	1,731	29	4,718	28
Security charges	57	2	23	1	46	1	23	1	1,514	9
Aviation security services	284	8	279	10	567	10	486	8	366	2
Non-aeronautical										
Airside support services franchises	747	22	897	32	1,759	30	1,755	30	2,510	15
Retail licences and advertising revenue	59	2	43	2	62	1	203	3	5,893	34
Other terminal commercial revenue	294	8	329	12	677	12	915	15	1,441	8
Real estate revenue	76	2	90	3	169	3	188	3	301	2
Convention and exhibition revenue	842	24	—	—	—	—	—	—	—	—
Other income	198	6	160	6	417	7	635	11	363	2
Revenue	3,468	100	2,758	100	5,798	100	5,936	100	17,106	100

Aeronautical revenue

Aeronautical revenue consists of airport charges, security charges and aviation security services. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, aeronautical revenue of the Group amounted to HK$6,598 million, HK$2,240 million, HK$2,714 million, HK$1,239 million and HK$1,252 million, representing approximately 39%, 38%, 47%, 45% and 36%, respectively, of the Group's revenue.

Airport Charges

Airport charges primarily consist of charges in connection with the landing and parking of aircraft and usage of passenger terminal building and related facilities and services at HKIA. According to the Ordinance, the Airport Authority has to submit any scheme of airport charges or amendments through the Director-General of Civil Aviation to the Chief Executive in Council for approval. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, airport charges accounted for approximately 28%, 29%, 36%, 34% and 26%, respectively, of the Group's revenue.

Security Charges

Security charges are primarily charges in respect of aviation security services provided to passengers. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, security charges accounted for approximately 9%, 1%, 1%, 1% and 2%, respectively, of the Group's revenue.

Aviation Security Services

Aviation security services are primarily revenue from the provision of security services to airlines, franchisees and licencees. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, aviation security services accounted for approximately 2%, 8%, 10%, 10% and 8%, respectively, of the Group's revenue.

Non-aeronautical 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 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, non-aeronautical revenue of the Group amounted to HK$10,508 million, HK$3,696 million, HK$3,084 million, HK$1,519 million and HK$2,216 million, representing approximately 61%, 62%, 53%, 55% and 64%, respectively, of the Group's revenue.

Airside Support Services Franchises

Airside support services franchises primarily represent licence fees and other charges payable to the Airport Authority by franchisees for providing airside support services, including air cargo handling, aircraft maintenance, aviation fuel system, aircraft catering, aircraft ramp handling, and ground equipment storage and maintenance. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, airside support services franchises accounted for approximately 15%, 30%, 30%, 32% and 22%, respectively, of the Group's revenue.

Retail Licences and Advertising Revenue

Retail licences and advertising revenue are licence fees payable to the Airport Authority by licencees in the Terminals providing retail services (primarily duty free shops and general merchandise), food and beverage outlets and advertising. For the years ended 31 March 2020, 2021 2022, and the six months ended 30 September 2021 and 2022, retail licences and advertising revenue accounted for approximately 34%, 3%, 1%, 2% and 2%, respectively, of the Group's revenue.

Other Terminal Commercial Revenue

Other terminal commercial revenue are rents and fees payable to the Airport Authority by licencees in the Terminals providing passenger services in addition to rents payable by tenants, primarily the airlines, offices, passenger lounges, and check-in and ticketing counters. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, other terminal commercial revenue accounted for approximately 8%, 15%, 12%, 12% and 8%, respectively, of the Group's revenue.

Real Estate Revenue

Real estate revenue primarily represents income from landside real estate development, consisting of airport related development comprising hotels, car parking, petrol stations, offices and other facilities. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, real estate revenue accounted for approximately 2%, 3%, 3%, 3% and 2%, respectively, of the Group's revenue.

Convention and Exhibition Revenue

Convention and exhibition revenue represents the revenue of AsiaWorld-Expo exhibition centre, which the Group began consolidating from 1 April 2022 onwards. For further details, see "— *Factors Affecting the Results of Operations-Acquisition of AsiaWorld-Expo.*" For the six months ended 30 September 2022, convention and exhibition revenue accounted for approximately 24% of the Group's revenue.

Other Income

Other income primarily consists of amortisation of the subsidy from the Government. For the years ended 31March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, other income accounted for approximately 2%, 11%, 7%, 6% and 6%, respectively, of the Group's revenue.

Total Operating Expenses

The total operating expenses of the Group primarily consist of staff costs and related expenses, repairs and maintenance, operational contracted services, government services, other operating expenses, and depreciation and amortisation, including, from 1 April 2022 onwards, of the AsiaWorld-Expo exhibition centre. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, total operating expenses of the Group amounted to HK$10,810 million, HK$11,223 million, HK$9,215 million, HK$4,580 million and HK$4,902 million, respectively.

	For the six months ended 30 September				For the years ended 31 March					
	2022		2021		2022		2021		2020	
	(in HK$ million)	%	(in HK$ million)	%	(in HK$ million)	%	(in HK$ million)	%	(in HK$ million)	%
Staff costs and related expenses	1,396	29	1,363	30	2,800	31	2,850	25	2,918	27
Repairs and maintenance	384	8	307	7	765	8	734	7	937	9
Operational contracted services	463	9	329	7	672	7	854	8	1,323	12
Government services	412	8	416	9	758	8	712	6	851	8
Government rent and rates	143	3	106	2	250	3	521	5	173	2
Utilities	213	4	143	3	261	3	217	2	317	3
Other operating expenses	287	6	278	6	670	7	2,166	19	1,367	12
Depreciation and amortisation	1,604	33	1,638	36	3,039	33	3,169	28	2,924	27
Total operating expenses	4,902	100	4,580	100	9,215	100	11,223	100	10,810	100

Staff costs and related expenses

Staff costs and related expenses consist primarily of salaries, wages and other benefits and, to a lesser extent, other costs such as retirement costs and contributions to defined contribution retirement plans. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, staff costs and related expenses accounted for approximately 27%, 25%, 31%, 30% and 29%, respectively, of the Group's total operating expenses.

Repairs and maintenance

Repairs and maintenance consist primarily of plant and equipment maintenance expenses, refurbishment expenses, and consumables and supplies maintenance expenses. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, repairs and maintenance accounted for approximately 9%, 7%, 8%, 7% and 8%, respectively, of the Group's total operating expenses.

Operational contracted services

Operational contracted services primarily represent costs for operations outsourced to third-party contractors. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, operational contracted services accounted for approximately 12%, 8%, 7%, 7% and 9%, respectively, of the Group's total operating expenses.

Government services

Government services primarily consist of air traffic control and aviation meteorological fees payable to the Civil Aviation Department and the Hong Kong Observatory, respectively. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, government services accounted for approximately 8%, 6%, 8%, 9% and 8%, respectively, of the Group's total operating expenses.

Government rent and rates

Government rent and rates relate to the taxes levied on properties. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, government rent and rates accounted for approximately 2%, 5%, 3%, 2% and 3%, respectively, of the Group's total operating expenses.

Utilities

Utilities primarily represent electricity expenses, water expenses and other occupancy expenses. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, utilities accounted for approximately 3%, 2%, 3%, 3% and 4%, respectively, of the Group's total operating expenses.

Other operating expenses

Other operating expenses consist primarily of the corporate promotional activities, loss allowance for trade debtors and the purchases of air tickets from home-based airlines to provide liquidity to the airlines. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, other operating expenses accounted for approximately 12%, 19%, 7%, 6% and 6%, respectively, of the Group's total operating expenses.

Depreciation and Amortisation Expense

Depreciation and amortisation expense relates to the depreciation of the tangible assets and amortisation of intangible assets of the Group. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, depreciation and amortisation expense accounted for approximately 27%, 28%, 33%, 36% and 33%, respectively, of the Group's total operating expenses.

Interest and Finance Income

The Group's interest income consists primarily of short-term deposit interest income and the Group's finance costs consists primarily of interest on interest-bearing liabilities, other borrowing costs and other interest expenses. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, the Group recorded net interest income of HK$461 million, HK$71 million, HK$77 million, HK$36 million and HK$164 million, respectively.

RESULTS OF OPERATIONS

Summary Historical Results of Operations

The following table sets forth a summary of the Group's results of operations for the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022.

	For the six months ended 30 September		For the years ended 31 March		
	2022	**2021**	**2022**	**2021**	**2020**
	(HK$ million)	**(HK$ million)**	**(HK$ million)**	**(HK$ million)**	**(HK$ million)**
Airport charges	911	937	2,101	1,731	4,718
Security charges	57	23	46	23	1,514
Aviation security services	284	279	567	486	366
Airside support services franchises	747	897	1,759	1,755	2,510
Retail licences and advertising revenue	59	43	62	203	5,893
Other terminal commercial revenue	294	329	677	915	1,441
Real estate revenue	76	90	169	188	301
Convention and exhibition revenue	842	—	—	—	—
Other income	198	160	417	635	363
Revenue	3,468	2,758	5,798	5,936	17,106
Staff costs and related expenses	(1,396)	(1,363)	(2,800)	(2,850)	(2,918)
Repairs and maintenance	(384)	(307)	(765)	(734)	(937)
Operational contracted services	(463)	(329)	(672)	(854)	(1,323)
Government services	(412)	(416)	(758)	(712)	(851)
Government rent and rates	(143)	(106)	(250)	(521)	(173)
Utilities	(213)	(143)	(261)	(217)	(317)
Other operating expenses	(287)	(278)	(670)	(2,166)	(1,367)
Operating Expenses before Depreciation and Amortisation	(3,298)	(2,942)	(6,176)	(8,054)	(7,886)
Operating (Loss)/Profit before Depreciation and Amortisation	170	(184)	(378)	(2,118)	9,220
Depreciation and amortisation	(1,604)	(1,638)	(3,039)	(3,169)	(2,924)
Operating (Loss)/Profit before Interest and Finance Costs	(1,434)	(1,822)	(3,417)	(5,287)	6,296
Interest and finance costs:					
Finance costs	(38)	(16)	(14)	(63)	(25)
Interest income	202	52	91	134	486
	164	36	77	71	461
Share of results of an associate	—	62	78	53	(16)
Share of results of joint ventures	(192)	11	(46)	(34)	269
(Loss)/Profit before Taxation	(1,462)	(1,713)	(3,308)	(5,197)	7,010
Income tax credit/(expense)	288	277	553	829	(1,112)
(Loss)/Profit for the Period/Year	(1,174)	(1,436)	(2,755)	(4,368)	5,898

Results of Operations

Six months ended 30 September 2022 compared to the six months ended 30 September 2021

Aeronautical Revenue

Airport Charges

Airport charges were HK$911 million for the six months ended 30 September 2022, representing a 3% decrease from HK$937 million for the six months ended 30 September 2021. The decrease was primarily due to a drop in flight movements.

Security Charges

Security charges were HK$57 million for the six months ended 30 September 2022, representing a 148% increase from HK$23 million for the six months ended 30 September 2021. The increase was primarily due to growth in departing passenger traffic resulting from the relaxation of travel restrictions and quarantine measures in some countries and regions.

Aviation Security Services

Aviation security services remained relatively stable and amounted to HK$284 million and HK$279 million for the six months ended 30 September 2022 and 2021, respectively.

As a result of the foregoing factors, aeronautical revenue was HK$1,252 million for the six months ended 30 September 2022, representing a 1% increase from HK$1,239 million for the six months ended 30 September 2021.

Non-aeronautical Revenue

Airside support services franchises

Airside support services franchises revenue was HK$747 million for the six months ended 30 September 2022, representing a 17% decrease from HK$897 million for the six months ended 30 September 2021. The decrease was primarily due to lower airside support services franchises at Zhuhai Airport that were in line with the drop in traffic amid the COVID-19 outbreak.

Retail licences and advertising revenue

Retail licences and advertising revenue was HK$59 million for the six months ended 30 September 2022, representing a 37% increase from HK$43 million for the six months ended 30 September 2021. The increase was primarily due to higher revenue from more shops and restaurants being open for business.

Other terminal commercial revenue

Other terminal commercial revenue was HK$294 million for the six months ended 30 September 2022, representing an 11% decrease from HK$329 million for the six months ended 30 September 2021. The decrease was primarily due to rental relief for offices and lounges in the terminals amid the COVID-19 pandemic.

Real estate revenue

Real estate revenue was HK$76 million for the six months ended 30 September 2022, representing a 16% decrease from HK$90 million for the six months ended 30 September 2021. The decrease was primarily due to lower rental income from HKIA Commercial Building as a result of lower occupancy and rental relief provided to tenants at Zhuhai Airport amid the COVID-19 outbreak.

Convention and exhibition income

Convention and exhibition revenue was HK$842 million for the six months ended 30 September 2022. The Airport Authority has consolidated the convention and exhibition revenue of AsiaWorld-Expo exhibition centre from 1 April 2022 onwards after the completion of step acquisition in Hong Kong IEC Limited on 31 March 2022.

Other income

Other income was HK$198 million for the six months ended 30 September 2022, representing a 24% increase from HK$160 million for the six months ended 30 September 2021. The increase was primarily due to higher revenue from quarantine-related support services provided to the Department of Health in relation to the COVID-19 pandemic and increase in passenger traffic.

As a result of the foregoing factors, non-aeronautical revenue was HK$2,216 million for the six months ended 30 September 2022, representing a 46% increase from HK$1,519 million for the six months ended 30 September 2021.

Staff costs and related expenses

Staff costs and related expenses were HK$1,396 million for the six months ended 30 September 2022, representing a 2% increase from HK$1,363 million for the six months ended 30 September 2021. The increase was primarily due to the consolidation of the staff costs and related expenses of AsiaWorld-Expo exhibition centre from 1 April 2022 onwards.

Repairs and maintenance

Repairs and maintenance was HK$384 million for the six months ended 30 September 2022, representing a 25% increase from HK$307 million for the six months ended 30 September 2021. The increase was primarily due to additional works on the airfield and terminals with growth in passenger traffic and flight movements.

Operational contracted services

Operational contracted services were HK$463 million for the six months ended 30 September 2022, representing a 41% increase from HK$329 million for the six months ended 30 September 2021. The increase was primarily due to the consolidation of the operational contracted services expenses of AsiaWorld-Expo exhibition centre from 1 April 2022 onwards.

Government services

Government services remained relatively stable and amounted to HK$412 million and HK$416 million for the six months ended 30 September 2022 and 2021, respectively.

Government rent and rates

Government rent and rates were HK$143 million for the six months ended 30 September 2022, representing a 35% increase from HK$106 million for the six months ended 30 September 2021. The increase was primarily due to higher government rent and rates in relation to airport operations and retail outlets.

Utilities

Utilities were HK$213 million for the six months ended 30 September 2022, representing a 49% increase from HK$143 million for the six months ended 30 September 2021. The increase was primarily due to higher electricity consumption resulted from the operation of new facilities and resumption of some facilities with growth in passenger traffic.

Other operating expenses

Other operating expenses remained relatively stable and amounted to HK$287 million and HK$278 million for the six months ended 30 September 2022 and 2021, respectively.

Depreciation and amortisation

Depreciation and amortisation were HK$1,604 million for the six months ended 30 September 2022, representing a 2% decrease from HK$1,638 million for the six months ended 30 September 2021. The decrease was primarily due to the extension of the lease term of an existing land lease to the year 2071 by way of a reversionary lease granted by the Government during last fiscal year.

Net interest and finance income

Net interest and finance income was HK$164 million for the six months ended 30 September 2022, representing a 356% increase from HK$36 million for the six months ended 30 September 2021. The increase was primarily due to an increase in interest income as a result of a higher average deposit balance and higher average deposit rate.

Loss for the period

As a result of the factors described above, the Group recorded a loss of HK$1,174 million for the six months ended 30 September 2022, as compared to a loss of HK$1,436 million for the six months ended 30 September 2021.

Year ended 31 March 2022 compared to the year ended 31 March 2021

Aeronautical Revenue

Airport Charges

Airport charges were HK$2,101 million for the year ended 31 March 2022, representing a 21% increase from HK$1,731 million for the year ended 31 March 2021. The increase was primarily an increase in departing passenger traffic and flight movements resulting from the relaxation of travel restrictions and quarantine measures in some countries and regions as well as cargo flights which generate higher landing fee.

Security Charges

Security charges were HK$46 million for the year ended 31 March 2022, representing a 100% increase from HK$23 million for the year ended 31 March 2021. The increase was primarily due to growth in departing passenger traffic resulting from the relaxation of travel restrictions and quarantine measures in some countries and regions.

Aviation Security Services

Aviation security services revenue was HK$567 million for the year ended 31 March 2022, representing a 17% increase from HK$486 million for the year ended 31 March 2021. The increase was primarily due to an increase in passenger traffic and flight movements as well as quarantine-related security services provided to the Department of Health in relation to the COVID-19 pandemic.

As a result of the foregoing factors, aeronautical revenue was HK$2,714 million for the year ended 31 March 2022, representing a 21% increase from HK$2,240 million for the year ended 31 March 2021.

Non-aeronautical Revenue

Airside support services franchises

Airside support services franchises revenue was HK$1,759 million for the year ended 31 March 2022, a slight increase from HK$1,755 million for the year ended 31 March 2021.

Retail licences and advertising revenue

Retail licences and advertising revenue was HK$62 million for the year ended 31 March 2022, representing a 69% decrease from HK$203 million for the year ended 31 March 2021. The decrease was primarily due to the drop in advertising revenue, rental relief provided to shops and restaurants, and the temporary closure of shops and restaurants due to the COVID-19 pandemic.

Other terminal commercial revenue

Other terminal commercial revenue was HK$677 million for the year ended 31 March 2022, representing a 26% decrease from HK$915 million for the year ended 31 March 2021. The decrease was primarily due to the rental relief for offices and lounges in the terminals, the early termination of an airport lounge lease by an airline, and lower occupancy during the financial year.

Real estate revenue

Real estate revenue was HK$169 million for the year ended 31 March 2022, representing a 10% decrease from HK$188 million for the year ended 31 March 2021. The decrease was primarily due to rental relief provided to office tenants.

Other income

Other income was HK$417 million for the year ended 31 March 2022, representing a 34% decrease from HK$635 million for the year ended 31 March 2021. The decrease was primarily due to the decrease in the amortisation of the Government's waiver of air traffic control charges.

As a result of the foregoing factors, non-aeronautical revenue was HK$3,084 million for the year ended 31 March 2022, representing a 17% decrease from HK$3,696 million for the year ended 31 March 2021.

Staff costs and related expenses

Staff costs and related expenses were HK$2,800 million for the year ended 31 March 2022, representing a 2% decrease from HK$2,850 million for the year ended 31 March 2021. The decrease was primarily due to a reduction in the number of permanent staff, and a headcount and salary freeze.

Repairs and maintenance

Repairs and maintenance were HK$765 million for the year ended 31 March 2022, representing a 4% increase from HK$734 million for the year ended 31 March 2021. The increase was primarily due to additional works on the airfield and terminals to ensure safe and reliable operations.

Operational contracted services

Operational contracted services were HK$672 million for the year ended 31 March 2022, representing a 21% decrease from HK$854 million for the year ended 31 March 2021. The decrease was primarily due to lower spending on services, such as baggage-related services, trolley management, airside bussing services, landside law enforcement services management, etc., resulting from the drop in traffic, coupled with cost recovery from the Department of Health in relation to the temporary specimen collection centres for arriving passengers in T1 Midfield Concourse and T1 Satellite Concourse.

Government services

Government services were HK$758 million for the year ended 31 March 2022, representing a 6% increase from HK$712 million for the year ended 31 March 2021. The increase was primarily due to higher air traffic control fees as a result of increased flight movements.

Government rent and rates

Government rent and rates were HK$250 million for the year ended 31 March 2022, representing a 52% decrease from HK$521 million for the year ended 31 March 2021. The decrease was primary due to lower government rent and rates in relation to airport operations and retail outlets resulted from lower rateable value amid the COVID-19 pandemic.

Utilities

Utilities were HK$261 million for the year ended 31 March 2022, representing a 20% increase from HK$217 million for the year ended 31 March 2021. The increase was primarily due to higher electricity consumption resulted from resumption of some facilities with growth in passenger traffic.

Other operating expenses

Other operating expenses were HK$670 million for the year ended 31 March 2022, representing a 69% decrease from HK$2,166 million for the year ended 31 March 2021. The decrease was primarily due to the advance purchase of tickets from Hong Kong-based airlines in the prior year, and a decrease in impairment losses on trade receivables.

Depreciation and amortisation

Depreciation and amortisation were HK$3,039 million for the year ended 31 March 2022, representing a 4% decrease from HK$3,169 million for the year ended 31 March 2021. The decrease was mainly due to the extension of the lease term of an existing land lease to the year 2071 by way of a reversionary lease granted by the Government during the fiscal year.

Net interest and finance income

Net interest and finance income was HK$77 million for the year ended 31 March 2022, a slight increase from HK$71 million for the year ended 31 March 2021.

Loss for the year

As a result of the factors described above, the Group recorded a loss of HK$2,755 million for the year ended 31 March 2022 as compared to a loss of HK$4,368 million for the year ended 31 March 2021.

Year ended 31 March 2021 compared to the year ended 31 March 2020

Aeronautical Revenue

Airport Charges

Airport charges were HK$1,731 million for the year ended 31 March 2021, representing a 63% decrease from HK$4,718 million for the year ended 31 March 2020. The decrease was primarily due to reductions in passenger traffic and flight movements resulting from entry restrictions for non-residents of Hong Kong, travel restrictions and quarantine measures in different countries and regions, and the relief measures provided to airlines amid the COVID-19 pandemic.

Security Charges

Security charges were HK$23 million for the year ended 31 March 2021, representing a 98% decrease from HK$1,514 million for the year ended 31 March 2020. The decrease was primarily due to reductions in passenger traffic amid the COVID-19 pandemic.

Aviation Security Services

Aviation security services were HK$486 million for the year ended 31 March 2021, representing a 33% increase from HK$366 million for the year ended 31 March 2020. The increase was primarily due to quarantine-related security services provided to the Department of Health in relation to COVID-19, despite the drop in passenger traffic and flight movement.

As a result of the foregoing factors, aeronautical revenue was HK$2,240 million for the year ended 31 March 2021, representing a 66% decrease from HK$6,598 million for the year ended 31 March 2020.

Non-aeronautical Revenue

Airside support services franchises

Airside support services franchises revenue was HK$1,755 million for the year ended 31 March 2021, representing a 30% decrease from HK$2,510 million for the year ended 31 March 2020. The decrease was primarily due to (i) lower franchise fees from aircraft catering, ramp handling and maintenance, resulting from decreased flight movements during the year; (ii) lower franchise fees from the aviation fuel system as a result of the drop in fuel throughput; (iii) relief measures for aviation support services including aircraft catering, into-plane fuelling, maintenance and cargo terminal services; (iv) relief measures for airlines, covering ramp handling, maintenance and airside vehicle-related fees; and (v) lower ground handling service and cargo revenues at Zhuhai Airport that accompanied decreases in flight movements and cargo throughput after the COVID-19 outbreak.

Retail licences and advertising revenue

Retail licences and advertising revenue was HK$203 million for the year ended 31 March 2021, representing a 97% decrease from HK$5,893 million for the year ended 31 March 2020. The decrease was primarily due to the drop in passenger numbers, rental relief provided to airport shops and restaurants, and the temporary closure of airport shops and restaurants due to the COVID-19 pandemic.

Other terminal commercial revenue

Other terminal commercial revenue was HK$915 million for the year ended 31 March 2021, representing a 37% decrease from HK$1,441 million for the year ended 31 March 2020. The decrease was primarily due to rental relief measures for offices and lounges in the terminals, early termination of airport lounge leases by airlines and lower occupancy during the financial year. The decline was partly offset by rental income from the Department of Health in relation to the temporary specimen collection centre for arriving passengers in T1 Midfield Concourse (formerly known as the Midfield Concourse).

Real estate revenue

Real estate revenue was HK$188 million for the year ended 31 March 2021, representing a 38% decrease from HK$301 million for the year ended 31 March 2020. The decrease was primarily due to lower income in car parking and the rental relief measures for offices in HKIA Commercial Building.

Other income

Other income was HK$635 million for the year ended 31 March 2021, representing a 75% increase from HK$363 million for the year ended 31 March 2020. The increase was primarily due to the amortisation of the Government's waiver of air traffic control charges in 2019/2020 financial year.

As a result of the foregoing factors, non-aeronautical revenue was HK$3,696 million for the year ended 31 March 2021, representing a 65% decrease from HK$10,508 million for the year ended 31 March 2020.

Staff costs and related expenses

Staff costs and related expenses were HK$2,850 million for the year ended 31 March 2021, representing a 2% decrease from HK$2,918 million for the year ended 31 March 2020. The decrease was primarily due to a reduction in the number of permanent staff, with a headcount and salary freeze put in place.

Repairs and maintenance

Repairs and maintenance expenses were HK$734 million for the year ended 31 March 2021, representing a 22% decrease from HK$937 million for the year ended 31 March 2020. The decrease was primarily due to savings from scaled-down maintenance works on the airfield and terminals following the temporary suspension of some facilities because of decreases in passenger volumes and flight movements amid the COVID-19 pandemic.

Operational contracted services

Operational contracted services expenses were HK$854 million for the year ended 31 March 2021, representing a 35% decrease from HK$1,323 million for the year ended 31 March 2020. The decrease was primarily due to lower spending on services such as baggage-related services, trolley management, upstream check-in services, the Macao Boundary Crossing Facilities' check-in services and airside bussing services that resulted from the drop in traffic, coupled with cost recovery from the Department of Health in relation to the temporary specimen collection centre for arriving passengers in T1 Midfield Concourse.

Government services

Government services expenses were HK$712 million for the year ended 31 March 2021, representing a 16% decrease from HK$851 million for the year ended 31 March 2020. The decrease was primarily due to a lower final adjustment on air traffic control fees for 2019/2020 financial year.

Government rent and rates

Government rent and rates were HK$521 million for the year ended 31 March 2021, representing a 201% increase from HK$173 million for the year ended 31 March 2020. The increase was primarily due to the financial relief measures of bearing the government rent and rates for retail licencees during temporary closure of airport shops and restaurants.

Utilities

Utilities were HK$217 million for the year ended 31 March 2021, representing a 32% decrease from HK$317 million for the year ended 31 March 2020. The decrease was primarily due to lower electricity consumption resulting from temporary suspension of some facilities because of decreases in passenger volumes amid the COVID-19 pandemic.

Other operating expenses

Other operating expenses were HK$2,166 million for the year ended 31 March 2021, representing a 58% increase from HK$1,367 million for the year ended 31 March 2020. The increase was primarily due to financial relief measures including advanced purchase of air tickets from home-based airlines as well as Airport Training Allowance to airport staff.

Depreciation and amortisation

Depreciation and amortisation were HK$3,169 million for the year ended 31 March 2021, representing an 8% increase from HK$2,924 million for the year ended 31 March 2020. The increase was primarily due to the completion of expansion and improvement projects for facilities and systems during the year ended 31 March 2021.

Net interest and finance income

Net interest and finance income was HK$71 million for the year ended 31 March 2021, representing an 85% decrease from HK$461 million for the year ended 31 March 2020. The decrease was primarily due to a decrease in interest income as a result of a lower average deposit balance and lower average interest rate for the short-term deposits.

(Loss)/Profit for the year

As a result of the factors described above, the Group recorded a loss of HK$4,368 million for the year ended 31 March 2021, as compared to a profit of HK$5,898 million for the year ended 31 March 2020.

LIQUIDITY AND CAPITAL RESOURCES

The financial condition and liquidity of the Group has been and will continue to be influenced by a variety of factors, including:

- ability to generate cash flows from operating activities;
- level of outstanding indebtedness and the interest that the Authority is obligated to pay on the indebtedness, which together affects the overall finance costs;
- prevailing domestic and international interest rates, which affect the debt service requirements;
- impact of the COVID-19 pandemic; and
- investment commitment and capital expenditure under the expansion and development plan, including the 3RS Project.

The principal cash requirements of the Group consist of the following:

- operating and working capital requirements;
- the servicing of indebtedness of the Group; and
- investment commitments under the expansion and development plan, including the 3RS Project, as well as additional capital expenditures.

The principal sources of the Group's liquidity have been cash flows from operations and indebtedness. As at 30 September 2022, the Group had cash and bank balances of approximately HK$31,417 million and undrawn committed bank facilities of HK$17.5 billion. In addition, the Group expects to continue charging the airport construction fee until all 3RS Project-related debts are fully repaid. As at 30 September 2022, the outstanding commitments in respect of capital expenditure not provided for in the consolidated financial statements amounted to about HK$46,481 million in relation of 3RS Project and about HK$30,508 million in relation of other projects. As a result, the Group is expected to fund the expansion, including the 3RS Project, through operating surplus, debt and (only for 3RS Project) collection of airport construction fee going forward.

Working Capital

Current liabilities primarily arise from trade and other payables, interest-bearing borrowings and unused airport construction fee. As at 30 September 2022, the net current assets of the Group amounted to HK$23,823 million. The management believes that the Group has adequate working capital for the present requirements of the Group, and it is expected that if current market conditions prevail, the cash flows from operations and available cash on hand will be sufficient to fund the operating needs, capital expenditures and debt service obligations of the Group for the foreseeable future. The Group may, however, incur additional indebtedness to finance all or a portion of any capital expenditures. See "*Risk Factors — Risks relating to the Airport Authority and its activities and operations — The Airport Authority requires significant funding for its business*".

Cash Flows

The following table sets forth the Group's cash flows for the periods indicated.

	For the six months ended 30 September		For the years ended 31 March		
	2022	2021	2022	2021	2020
	(in HK$ million)	(in HK$ million)	(in HK$ million)	(in HK$ million)	(in HK$ million)
Net cash (used in)/generated from operating activities	(493)	(1,176)	(472)	(2,942)	9,983
Net cash used in investing activities.	(26,702)	(13,824)	(21,084)	(32,878)	(12,053)
Net cash generated from/(used in) financing activities	5,242	(596)	29,886	48,120	3,341
Cash and cash equivalents at beginning of period/year	26,866	18,521	18,521	6,188	4,937
Cash and cash equivalents at end of period/year	4,881	2,932	26,866	18,521	6,188

Cash Flows from Operating Activities

For the six months ended 30 September 2022, the net cash flows used in operating activities were HK$493 million, primarily as a result of loss before taxation of HK$1,462 million, adjusted by depreciation of HK$1,528 million and decrease in trade and other payables of HK$491 million.

For the year ended 31 March 2022, the net cash flows used in operating activities were HK$472 million, primarily as a result of loss before taxation of HK$3,308 million, adjusted by depreciation of HK$2,847 million, borrowing costs capitalised into assets under construction of HK$1,039 million and interests on notes and bank loans of HK$897 million.

For the year ended 31 March 2021, the net cash flows used in operating activities were HK$2,942 million, primarily as a result of loss before taxation of HK$5,197 million, adjusted by depreciation of HK$2,905 million and amortisation of deferred income of HK$547 million.

For the year ended 31 March 2020, the net cash flows generated from operating activities were HK$9,983 million, primarily as a result of profit before taxation of HK$7,010 million, adjusted by depreciation of HK$2,660 million, increase in deferred income of HK$1,470 million and Hong Kong profits tax paid of HK$1,195 million.

Cash Flows from Investing Activities

For the six months ended 30 September 2022, the net cash flows used in investing activities were HK$26,702 million, primarily consisting of payments for the purchase of other property, plant and equipment of HK$11,468 million and net placement of deposits with banks with over three months of maturity when placed of HK$15,310 million.

For the year ended 31 March 2022, the net cash flows used in investing activities were HK$21,084 million, primarily consisting of payments for the purchase of other property, plant and equipment of HK$26,785 million, partially offset by net maturity of deposits with banks with over three months of maturity when placed of HK$5,362 million.

For the year ended 31 March 2021, the net cash flows used in investing activities were HK$32,878 million, primarily consisting of payments for the purchase of other property, plant and equipment of HK$23,185 million and net placement of deposits with banks with over three months of maturity when placed of HK$9,904 million.

For the year ended 31 March 2020, the net cash flows used in investing activities were HK$12,053 million, primarily consisting of payments for the purchase of other property, plant and equipment of HK$21,986 million, partially offset by net maturity of deposits with banks with over three months of maturity when placed of HK$9,494 million.

Cash Flows from Financing Activities

For the six months ended 30 September 2022, the net cash flows generated from financing activities were HK$5,242 million, primarily consisting of receipts from issue of notes of HK$6,818 million, partly offset by interest paid on notes and bank loans of HK$856 million, repayment of notes of HK$550 million and distribution paid on perpetual capital securities of HK$132 million.

For the year ended 31 March 2022, the net cash flows generated from financing activities were HK$29,886 million, primarily consisting of receipts from issue of note of HK$31,049 million, partially offset by interest paid on notes and bank loans of HK$713 million.

For the year ended 31 March 2021, the net cash flows generated from financing activities were HK$48,120 million, primarily consisting of airport construction fee received of HK$613 million, drawdown of new bank notes of HK$17,500 million, net receipts from issue of note of HK$19,208 million and issue of perpetual capital securities of HK$11,628 million.

For the year ended 31 March 2020, the net cash flows generated from financing activities were HK$3,341 million, primarily consisting of airport construction fee received of HK$3,661 million, partially offset by interest paid on notes of HK$189 million.

Contractual Obligations

The following table summarises the Group's contractual obligations as at 30 September 2022.

	Carrying amount at 30 September 2022	**Contractual undiscounted cash flow**				
		Total	**Within 1 year or on demand**	**1–2 years**	**2–5 years**	**More than 5 years**
	(in HK$ million)	**(in HK$ million)**	**(in HK$ million)**	**(in HK$ million)**	**(in HK$ million)**	**(in HK$ million)**
Interest-bearing borrowings. .	79,415	107,289	2,327	7,292	36,548	61,122
Trade and other payables . . .	11,541	11,640	9,766	1,260	536	78
Interest rate swaps (net settled).	(1,767)	(1,465)	(503)	(503)	(459)	—
Cross currency swaps (net settled).	1,469	(260)	2	2	(121)	(143)
Forward exchange contracts .	16	151	10	10	32	99
Total.	90,674	117,355	11,602	8,061	36,536	61,156

Contingent Liabilities

As at 30 September 2022, the Group did not have any material contingent liabilities.

Capital Expenditures

For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, the capital expenditures of the Group capitalised as assets amounted to HK$21,282 million, HK$22,250 million HK$28,214 million, HK$13,497 million and HK$12,524 million, respectively. Going forward, the Group expects to incur capital expenditures of HK$29,256 million, HK$32,584 million, HK$13,069 million and HK$11,071 million in the years ended 31 March 2023, 2024, 2025 and 2026, respectively. For the years ended 31 March 2020, 2021 and 2022, and the six months ended 30 September 2021 and 2022, the large majority of the Group's capital expenditure has comprised expenditure associated with the 3RS Project, with a comparatively smaller portion incurred in connection with capacity enhancements in T1, expansion of Car Park 4, construction of the SkyPier Terminal, transformation of the passenger terminal buildings, construction of HKIA Tower Two; expansion of enterprise 5G infrastructure, and enhancements to other facilities and systems. See "*Risk Factors — Risks relating to the Airport Authority and its activities and operations — The Airport Authority requires significant funding for its business*".

The construction of the 3RS Project is expected to be completed in 2024. As at the date of this Offering Memorandum, the 3RS Project is well underway and on schedule. As at 30 September 2022, the Group has incurred approximately HK$95,019 million in connection with the 3RS Project. The total capital expenditure for the 3RS Project is estimated at HK$141.5 billion at money-of-the-day prices and the Group is expected to fund through retained operating surplus, debt and collection of airport construction fee. These capital expenditures and the composition of the 3RS Project are based on the preliminary estimates of the Group and are thus subject to change as a result of detailed construction plans. See "*The Airport Authority — Business Operations — 3RS Project*".

OFF-BALANCE SHEET TRANSACTIONS

As at 30 September 2022, apart from the capital expenditures mentioned above, the Group did not have any material off-balance sheet arrangements, which are assets or debts or financing activities that are not reflected on the balance sheet of the Group.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Group is exposed to financial and market risks arising from its normal business activities. These financial and market risks principally involve (i) credit risk, (ii) liquidity risk, (iii) interest rate risk and (iv) foreign currency risk, which may affect the cash flow and financial conditions of the Group.

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. In respect of trade and other receivables, the Group has 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. Transactions involving derivative financial instruments are with counterparties with sound credit ratings and with whom the group has signed netting agreements. In addition, cash and bank balances are placed with financial institutions with sound credit ratings to minimise credit exposure.

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 Airport Authority except Aviation Security Company Limited, HKIA Services Holdings sub-group, Hong Kong — Zhuhai Airport Management Co., Ltd. and IEC Holdings sub-group which handle their own cash management. The Group'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.

As at 30 September 2022, the Group did not have any interest-bearing borrowings due to be repaid in the upcoming 12 months after 30 September 2022 or on demand. The short-term liquidity risk inherent in the contractual maturity will be addressed by internal sources of funds and new external financing.

Interest Rate Risk

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. For the previous years, the Group adopted a policy of ensuring that between 40% and 60% of its borrowings are effectively on a fixed rate basis in general, either through the contractual terms of the interest-bearing financial assets and liabilities or through the use of interest rate swaps. In view of increasing future external borrowings in the coming years, the Group has revised the ratio of fixed rate basis borrowings to between 70% and 100% in May 2019. 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.

As at 30 September 2022, the Group's total interest-bearing borrowings amounted to HK$79,415 million and all of the borrowings were fixed rate borrowings (after taking account of the impact of designated interest rate swaps).

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 U.S. dollars and Australian dollars.

Although the U.S. dollar currency risk is substantially mitigated by the peg between Hong Kong dollar and U.S. dollar, the Group further reduces this risk by the use of cross currency swaps to hedge all of the payment of the U.S. dollar note into Hong Kong dollar. The Group uses forward exchange contracts to manage its Australian dollar currency risk until the settlement date of foreign currency payables.

As at 30 September 2022, the Group was exposed to U.S. dollar currency risk in respect of the U.S. dollar-denominated borrowings of U.S.$6 billion and cash and bank balances of U.S.$28 million.

THE AIRPORT AUTHORITY

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

Overview

The Airport Authority is a statutory body corporate owned by the Government. 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 started in August 2016, which entails the formation of 650 hectares of land by reclamation and the construction of a third runway, a supporting taxiway system, an expanded Terminal 2 building, a passenger concourse and associated infrastructure. In April 2022, flight check 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 at HKIA was officially commissioned. As at the date of this Offering Memorandum, the 3RS Project is well underway and on schedule and the construction of the 3RS Project is scheduled to be completed by 2024.

As at June 2022, the total floor area of T1, T1 Midfield Concourse, T1 Satellite Concourse and SkyPier was around 730,000 square metres with 119 passenger stands, 55 cargo stands, 29 long-term and maintenance stands and 9 temporary stands.

HKIA can handle 68 aircraft movements per hour at peak hours. HKIA ranked as the world's busiest international cargo airport for eleven times since 2010 according to airport traffic data released by ACI. While recording 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 2020, with 4.5 million tonnes cargo throughput in the same year. For the year ended 31 March 2022, HKIA's cargo throughput reached 4.9 million tonnes, returning to the pre-pandemic levels and it has again made HKIA the world's busiest airport in terms of international cargo throughput. For the six months ended 30 September 2022, HKIA's cargo throughput reached 2.1 million tonnes. The following tables set forth passenger traffic, cargo and airmail throughput and aircraft movements of HKIA for the periods indicated.

	For the six months ended 30 September		**For the years ended 31 March**		
	2022	**2021**	**2022**	**2021**	**2020**
Passenger traffic[(1)] (in millions of passengers)	2.0	0.8	1.4	0.8	60.9
Cargo and airmail throughput[(2)] (in millions of tonnes)	2.1	2.5	4.9	4.6	4.7
Aircraft Movements (in thousands)	66	71	145	128	377

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 2020, 2021 and 2022 and the six months ended 30 September 2021 and 2022, the consolidated revenue of the Group amounted to HK$17,106 million, HK$5,936 million, HK$5,798 million, HK$2,758 million and HK$3,468 million, respectively. The revenue streams of the Group can be divided into aeronautical and non-aeronautical. For the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2021 and 2022, aeronautical revenue of the Group amounted to HK$6,598 million, HK$2,240 million, HK$2,714 million, HK$1,239 million and HK$1,252 million, representing approximately 39%, 38%, 47%, 45% and 36%, respectively, of the Group's revenue. For the years ended 31 March 2020, 2021 and 2022 and the six months ended 30 September 2021 and 2022, non-aeronautical revenue of the Group amounted to HK$10,508 million, HK$3,696 million, HK$3,084 million, HK$1,519 million and HK$2,216 million, representing approximately 61%, 62%, 53%, 55% and 64%, respectively, of the Group's revenue. For a further description of the Airport Authority's revenue streams, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Components of Income and Expenditures*".

Recent Developments

Impact of the COVID-19 pandemic

The outbreak of COVID-19 since December 2019 and the introduction of quarantine and travel restrictions by most major destinations and Hong Kong since March 2020 have significantly reduced the number of air passengers, air traffic movements and the revenue of the Airport Authority. As at the date of this Offering Memorandum, the circumstances of the COVID-19 pandemic are still evolving and the outcome of this pandemic outbreak is unpredictable, and it is impracticable for the Airport Authority to estimate the potential impact of the COVID-19 pandemic on its operational or financial performance.

In response to the outbreak of COVID-19, in March 2020, the Government announced the suspension of all transit/transfer services at HKIA and all non-Hong Kong residents coming from overseas countries/regions by plane will be denied entry to Hong Kong. The transit/transfer services at HKIA gradually resumed from June 2020, whereas the entry policies for Hong Kong and non-Hong Kong residents have been amended several times since March 2020 in response to the development of the COVID-19 pandemic in Hong Kong and other countries and regions.

In view of the latest development in global and local COVID-19 epidemic situation, in April 2022, the Government made several adjustments to the inbound control measures, including adjusting the route-specific flight suspension, lifting the entry restriction for non-Hong Kong residents, and allowing travellers to wait for test result at hotels. In addition, on 8 August 2022, the Government announced further adjustments to quarantine arrangements for inbound passengers starting from 12 August 2022, including shortening the hotel quarantine period for incoming arrivals from seven days to three days following with four days of medical surveillance at home. Effective from 3 September 2022, all arrival passengers and crew from Mainland China were no longer required to conduct any testing upon arrival at HKIA. Effective from 26 September 2022, the Government expanded the Come2HK scheme from all Mainland China cities to Hong Kong via HKIA, and thus all arrival passengers from Mainland China entering Hong Kong under either Return2HK or Come2HK schemes are exempted from any compulsory quarantine requirements. Since 26 September 2022, inbound passengers would no longer be subject to mandatory quarantine restrictions and are no longer required to present a negative nucleic acid testing report prior to boarding. Instead, a declaration of negative result of a self-arranged rapid antigen test conducted within 24 hours prior to the scheduled time of departure should be made via the online system. On 13 December 2022, the Government announced further relaxation of quarantine requirements for inbound passengers starting from 14 December 2022. For inbound passengers from overseas places or Taiwan, they are only required to have a five-day self-monitoring period and to conduct a COVID-19 polymerase chain reaction ("**PCR**") test on the day of arrival and day 2 after arrival. Inbound passengers are no longer subject to the amber code arrangement. Regular PCR testing requirements for airport staff are also suspended from 14 December 2022. On 28 December 2022, the Government announced further relaxation for inbound passengers whereby starting from 29 December 2022, no compulsory COVID-19 nucleic acid test is required for inbound passengers although they are recommended to conduct self-arranged COVID-19 rapid antigen tests for five consecutive days after arrival.

Since early 2020, the Airport Authority has worked closely with the Government and business partners to ensure the safety of passengers, staff and airport users and fully supported and facilitated all health and quarantine measures imposed by the Government, including providing dedicated areas in T1 Midfield Concourse to process passengers and assisting in the implementation of various port health measures. In addition to facilitating the health and quarantine measures imposed by the Government, the Airport Authority has extended temperature checks to all departing, arriving and transit passengers. Thermal cameras have been set up in all entry points in T1 and cleaning and disinfection activities have been enhanced in HKIA.

The operation of passenger services at HKIA has substantially scaled down in response to the Government's anti-epidemic measures and the operations of a number of shops and restaurants in HKIA's terminal buildings have continued to be suspended since March 2020. In addition, the Airport Authority extended the rental relief for retail and catering tenants announced in June 2020 several times. As at the date of this Offering Memorandum, some shops and restaurants in the terminal continue to suspend business and their rent has been waived. For those shops and restaurants remaining open, their base rent has been waived.

Furthermore, the Airport Authority has introduced various relief measures to stand with the airport community. Since April 2020, the Airport Authority has announced multiple rounds of relief measures to airlines and aviation support services operators, including a one-off offer in 2020 to purchase around 500,000 air tickets in advance from home-based airlines and providing an option for aviation support services operators at HKIA to sell their ground services equipment to the Airport Authority in 2020. The Airport Authority also extended the waiver and reduction of various fees for the aviation industry, which included a full waiver of parking charges for idle passenger aircraft and air-bridge fees, reduction of passenger aircraft landing charges, fees related to ramp handling, maintenance and airside vehicles, rental reduction for terminal tenants covering lounges and offices, fee waivers for terminal licencees including commercial services counters and cross-border transport operators, and concessions on fees for aviation support services such as into-plane fuelling, aircraft maintenance and inflight catering services.

In accordance with the relevant requirements of the Government, the Airport Authority has stringent vaccination and testing requirements for all airport staff, including employees of the Airport Authority, crews, service providers and contractors to ensure the public health safety. In response to the outbreak of COVID-19, the Airport Authority has stepped up measures with a view to enhancing protection for staff and passengers. Facilities such as toilets and APM car compartments are designated for airport staff, passengers as well as crew in the terminal as appropriate.

While taking appropriate measures to control expenditure during the outbreak of COVID-19, the Airport Authority continues to invest for long-term development purposes, for example, the 3RS Project and the upgrade of existing facilities. Furthermore, the Airport Authority introduced a 5G wireless network service in certain parts of T1 in 2021.

Opening of Sky Bridge

The Sky Bridge commenced service on 1 November 2022. It is a 200-meter long and 28-meter high footbridge connecting T1 and the T1 Satellite Concourse and is equipped with escalators and automated walkway. The Sky Bridge is the world's longest airside bridge that allows the largest passenger aircraft code F (i.e. A380) to pass under it and achieved an overall score of 70 and a provisional gold rating by BEAM Plus.

Signing of Memorandum of Understanding with Zhuhai Municipal Government

In November 2022, the Airport Authority and the Zhuhai Municipal Government signed a memorandum of understanding ("**MoU**") to strengthen the cooperation between HKIA and Zhuhai, with a view to propelling the development of aviation industry in the Greater Bay Area. Under the framework set out in the MoU, the key collaboration projects include the launch of "Fly-Via-Zhuhai-HK" passenger link services, development of international cargo business, establishment of a high-end aviation industrial park in Zhuhai, and active discussion on equity injection into Zhuhai Airport.

Competitive Strengths

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

HKIA is an integral part of the Hong Kong economy and 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. 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". Located within a four-hour flight to Asia's key markets, including Singapore, Tokyo, Shenzhen and Shanghai, and within a five-hour flight to approximately half of the world's population, HKIA hosted flights serving around 140 destinations in Mainland China and Asia, 31 destinations in Europe, 28 destinations in America, 14 destinations in Australia and Pacific Islands and five destinations in Africa before the outbreak of COVID-19. Additionally, HKIA has the joint management and operation right of Zhuhai Airport, which strengthens its exposure in the Greater Bay Area.

HKIA is an integral part of the Hong Kong economy and provides essential infrastructure for the four pillar industries of Hong Kong, namely trading and logistics, financial services, professional and producer services, and tourism, which represented 55% of Hong Kong's GDP and 41% of Hong Kong's employment for the year ended 31 December 2020 according to the Census and Statistics Department. In doing so, HKIA facilitates the efficient flow of people and goods through HKIA's regional and international air networks. For the year ended 31 March 2022, HKIA handled 4.9 million tonnes of total cargo and airmail throughput, returning to the pre-pandemic levels. For the six months ended 30 September 2022, HKIA's cargo throughput reached 2.1 million tonnes. Additionally, according to the Census and Statistics Department, for the year ended 31 December 2021, air transportation facilitated 42% of Hong Kong's total value of external trade (amounting to HK$4,338 billion as measured by total external merchandise value transported by air in and out of Hong Kong) and accounted for approximately 60% of total international visitors (i.e. excluding Mainlander visitors) to Hong Kong. HKIA plays an important role in facilitating the flow of business activities and supports Hong Kong's status as a financial and aviation hub.

In addition, HKIA provides an international gateway to the Greater Bay Area, which is a national strategic project of the PRC Government to develop a world-class city cluster driven by economic reform, innovation, increased connectivity and integration. HKIA intends to leverage its broad connection to international destinations, as well as its connectivity with other locations in the Greater

Bay Area through various transportation options that it has developed over the past decade, to further expand its business and operations in the future and to serve as the "Double Gateway" to both the world and the Greater Bay Area.

The Airport Authority is a statutory body solely owned by the Government 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, allowing it to rapidly develop its business.

Resilient track record and operational excellence supporting a strong credit rating

The Airport Authority is rated "AA+" from S&P and is among the highest rated airports globally by credit rating. The Airport Authority's credit rating is the same as that assigned to the Government.

Prior to the outbreak of COVID-19, HKIA was the busiest international passenger airport in the Asia Pacific region in 2019 according to airport rankings released by ACI. In 2020, while recording a significant drop in passenger traffic due to the impact of the COVID-19 pandemic, HKIA's cargo throughput remained resilient and HKIA was the world's busiest international cargo airport in 2021 according to airport traffic rankings released by ACI. For the year ended 31 March 2022, HKIA's cargo throughput reached 4.9 million tonnes, returning to the pre-pandemic levels and it has again made HKIA the world's busiest airport in terms of international cargo throughput. For the six months ended 30 September 2022, HKIA's cargo throughput reached 2.1 million tonnes. Since its establishment, HKIA has a track record of long-term growth in both passenger traffic and cargo throughput levels notwithstanding various economic and health crises, including SARS in 2003 and the global financial crisis in its 2007/2008 financial year. HKIA's 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 ten consecutive years by Business Traveller China Awards from 2010 to 2019. Although the outbreak of COVID-19 has had an adverse impact on the Airport Authority's business and operations, particularly passenger throughput, and the situation is still uncertain, the Airport Authority has been positioning and preparing itself, including the enhancement of facilities and services and the construction of the 3RS Project, to meet potential increase in travel and cargo demand once the outbreak subsides.

Diversified business model with healthy balance sheet

The Airport Authority has a well-diversified business model. In particular, HKIA's passenger traffic and cargo throughput is geographically diversified and in the year ended 31 March 2022, approximately 46% of its passenger traffic and 47% of its cargo handled came from outside the Asia Pacific region. Furthermore, the Airport Authority's strategy of transforming from "City Airport" to "Airport City" is expected to lead to more diversified and stable income sources.

The Airport Authority has historically maintained a moderate debt to capital ratio, with diversified financing channels and strong long-term relationships with major banks in Hong Kong. The Airport Authority believes that its strong capital structure and resilient business model position it well to withstand the adverse impacts brought about by the outbreak of COVID-19 and to capture the potential increase in travel and cargo demand in the future.

Strong corporate governance framework

The Airport Authority is a statutory body corporate governed by the Ordinance which requires the Airport Authority to conduct its business according to prudent commercial principles. At the same time, the Airport Authority has the flexibility to carry out business strategies as is required or expedient for the performance of its functions. For example, the Airport Authority has undertaken a number of initiatives including the 3RS Project, SKYCITY (as defined below) development, cargo initiatives and projects in Mainland China.

The Airport Authority has a highly independent Board. Other than the Chief Executive Officer, all of the other Board members are non-executive members, and the majority of the Board members are independent. The diversified Board composition ensures that the Airport Authority makes informed business decisions which consider the interests of its various stakeholders, including the local community. It also ensures the Airport Authority's values of commitment, creativity, collaboration, continuous improvement and caring are upheld.

Strategies

The Group intends to seek to increase 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 project targeted for completion by 2024 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; (iii) building a new passenger building with 63 parking positions and an apron; (iv) building a 2,600-metre-long new APM system connecting Terminal 2 with the T2 Concourse; (v) building a new baggage handling system linking Terminal 2 with the T2 Concourse; (vi) expansion of Terminal 2 consisting of an 8-level Main Building, and North and South Annex Buildings with seven levels and four levels respectively; and (vii) construction of other associated airport support infrastructure, road network and transportation facilities. The 3RS 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.

In April 2022, flight check 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 at HKIA was officially commissioned. As at the date of this Offering Memorandum, the 3RS Project is well underway and on schedule and the construction of the 3RS Project is scheduled to be completed by 2024.

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. In addition to the expenditure on 3RS, the total Airport City blueprint entails an investment of over HK$40 billion for the 10 years until 2030 by the 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 Airport Island ("**SKYCITY**").

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 to 2025. 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. NWD has planned over 800 shops including more than 120 dining concepts, entertainment never seen before in the region, 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 venue in Hong Kong, which accommodates 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 develop HKIA's high value and fast-growing cargo segments. The Airport Authority is setting up a HKIA Logistics Park in Dongguan, Guangdong Province, the PRC. 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 already has management control of the domestic airport in Zhuhai, Guangdong Province, the PRC and is planning to pursue further collaboration.

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 will be enhanced when the planned SkyPier Terminal is completed, which will be 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 has proposed the development of 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.

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, AI, video analytics, 5G-enabled sensors and data analytics where appropriate.

The Airport Authority is working to create a touchless airport journey by developing a biometric system to enable passengers to check in at a self-service kiosk and then use their biometric features to clear multiple pre-boarding checkpoints. When this service commences, travellers will no longer need to present their identity documents and boarding pass for manual validation at each checkpoint.

In preparation for the launch of the new system, the Airport Authority has integrated biometric modules into various passenger checkpoints, including smart check-in kiosks, self-bag drop facilities and e-Security Gates. It has also begun operating e-Boarding Gates in January 2021, which automate pre-boarding identity checks, on certain flights along the central concourse of T1. In October 2022, the Airport Authority launched the "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 no longer have to produce their identity documents repeatedly when they pass through different checkpoints at the airport.

The Airport Authority has also extended the use of e-Security Gates by installing additional units at transfer checkpoints in the passenger terminals. Together, the e-Security Gates and e-Boarding Grates create a seamless and touchless journey for travellers. The Airport Authority is also studying the introduction of self-service transfer kiosks, extending biometric and touchless technology to self-bag drop facilities and adding thermal sensors to e-Security Gates for temperature screening. In addition, touchless technology has started to be deployed to passenger lifts in HKIA.

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 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. New functions, including recommendations on airport facilities and services, travel tips and the ability to reserve airport services, are to be gradually rolled out.

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.

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 8.7% reduction in 2018, the substantial drop in passenger traffic since then has derailed achievement of the midpoint 2035 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 have 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) and indirect emissions from consumption of electricity and gas (Scope 2). In 2019, HKIA successfully achieved the second 3-yearly renewal of Level 3 under ACA. The Airport Authority targets to achieve ACA Level 4 'Transformation' at the next renewal, 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 as part of its Greenest Airport Pledge. 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 reaching the midpoint 2035 target, HKIA is continuously enhancing their support programme and has introduced a HK$20 million Green Innovation and Technology Fund for piloting new technologies. In addition, a capacity building programme will equip the airport community with carbon-management knowledge and skills.

In the year ended 31 March 2022, HKIA has updated a study on its readiness to handle potential climate change impacts. The Climate Adaptation and Resilience Plan was developed with strategies to manage the 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.

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 now 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 will be 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. Other developments, such as the expansion of East Hall, has been substantially completed and an occupation permit was issued in January 2022. The new space will house a rooftop garden, a children's play area, a Caring Corner and additional shops and catering outlets.

In August 2021, the Airport Authority has completed the revamp of HKairportShop.com, an online platform through which travellers can order goods for collection at HKIA or local delivery.

Ensure safety and security

The Airport Authority's first priority is always the safety and security of passengers, staff and business partners. To that end, the Airport Authority aims to introduce the latest passenger screening technology at HKIA in the coming years. The Airport Authority has conducted a four-month live trial of "Smartlane". This new equipment has two components: a computed tomography X-ray system that provides enhanced screening of passengers' hand baggage and an automatic tray return system that is integrated with the X-ray machine to speed up passenger processing at security checkpoints.

With "Smartlane", passengers do not need to remove liquids, aerosols or gels, or electronic devices such as laptops from their hand baggage during the screening process. The trial showed a 50% increase in screening throughput, and the Airport Authority is in the process of formulating the details with regard to the implementation of "Smartlane" at HKIA.

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 2020, the airport's cyber-resilience was strengthened by introducing systems that monitor users' credentials on the network, prevent data leaks, and protect physical assets and mobile devices from attack.

In the year ended 31 March 2022 and the six months ended 30 September 2022, over 43 drills and exercises and more than 96 training sessions were held, covering emergency response, public health, security, fire safety, adverse weather preparedness, training for new airline and ground handling staff. In addition, 23 training sessions were provided for new airline and ground handling staff during the six months ended 30 September 2022.

Since the outbreak of COVID-19, the Airport Authority has worked closely with the Government and the airport community to enforce quarantine and testing requirements. To further simplify the arrival process and to enhance the passenger experience, specimen collection booths have been set up at four areas of T1 to facilitate international travellers. The Airport Authority had also facilitated the Government's requirements on airport staff, including COVID-19 test for airport staff when it was a mandatory requirement. The Airport Authority handles vaccine shipments to Hong Kong and trans-shipments to other destinations. As precautionary measure, staff and travellers have been required to wear surgical masks while at the airport and protective screens were added at service counters. Leveraging new technologies to combat the virus, the Airport Authority applied antimicrobial coatings to public surfaces and employed advanced autonomous cleaning and disinfecting robots.

History and Constitution

In April 1990, the Provisional Airport Authority (the "**PAA**") was established by the Provisional Airport Authority Ordinance (Cap. 407) 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. 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 Board consists of a Chairman, Chief Executive Officer and other members (including public officers of the Government). The Chief Executive Officer is appointed by the Airport Authority with the approval of the Chief Executive of Hong Kong SAR and all other members of the Board are appointed by the Chief Executive of Hong Kong SAR.

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 30 September 2022 or consolidated net loss for the six months ended 30 September 2022.

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 (defined below), under which the Government 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 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 moneys 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. The Airport Authority has the power to declare and pay dividends to the Government. 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 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 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 granted the Airport Authority the entire island on which HKIA is constructed (the "**Island**"), 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 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 Land Grant for the expansion of HKIA into the 3RS.

The Airport Authority has negotiated with the Government 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 the Airport Island for the purposes of its business. Such Land Grant contains controls over land use on the Airport Island. Such controls include the requirement for the Government approval of plans, and compliance with environmental and transport regulations. The Land Grant also reserves rights of the Government 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 for a new land grant for the land at HKBCF Island and ECSA (East Coast Support Area) 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 additional 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 bi-lateral 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.

International civil aviation obligations arise from air services agreements, and treaties such as the Chicago Convention. It is the responsibility of the Government 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, 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 also holds regular air services consultations with foreign governments, 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, under a contract with the Airport Authority under which the Airport Authority pays a fee to the Government 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. At the end of 2019, the expansion works for Terminal 2 commenced, thus it is currently closed to passenger traffic. 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 78 routes in November 2022. Prior to the COVID-19 pandemic, for connections with the Pearl River Delta, coaches made approximately 550 daily trips between HKIA and more than 110 Mainland cities and towns. Ferries at SkyPier arrive at nine 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.

As at June 2022, HKIA could handle 68 flights per hour at peak hours. It features two runways — a centre runway and a south runway — which are each 3,800 meters in length and 60 meters in width. In addition, flight check for the third runway was completed in April 2022 and in July 2022, operation familiarisation for flights on the third runway commenced. On 25 November 2022, the third runway at HKIA was officially commissioned. The airport benefits from a large number of aircraft parking bays, including 119 passenger stands, 55 cargo stands, 29 long-term and maintenance stands and nine temporary stands.

As at June 2022, the total floor area of HKIA was approximately 730,000 square metres, including T1, the T1 Midfield Concourse, the T1 Satellite Concourse and SkyPier. The T1 Midfield Concourse, featuring 105,000 square metres of floor area, has 19 frontal parking stands and one remote parking stand. It includes capacity for 16 retail and four catering outlets. The T1 Satellite Concourse features 20,000 square metres of floor area, nine bridge-served stands and has capacity for four retail and one catering outlet. HKIA has 369 passenger check-in counters servicing around 120 operating airlines and HKIA has 13 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 international cargo airport for eleven years 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 year ended 31 March 2022, HKIA's cargo throughput reached 4.9 million tonnes, returning to the pre-pandemic levels and it has again made HKIA the world's busiest airport in terms of international cargo throughput. For the six months ended

30 September 2022, HKIA's cargo throughput reached 2.1 million tonnes. As at June 2022, 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.

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 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 Pacific 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. The DHL Central Asia Hub is currently undergoing expansion to add 50% handling capacity and, subject to obtaining the requisite statutory approvals, it is expected to begin operations in the first quarter of 2023.

The Hongkong Post operates an air mail centre at HKIA, occupying approximately two hectares and handling 700,000 mail items per day.

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.

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 is a member of the Cargo Facilitation Committee, alongside the Hong Kong Customs & Excise Department, AAT, Hactl, DHL, CPSL, Carrier Liaison Group and the Hongkong Association of Freight Forwarding and Logistics Ltd. 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 'house' air waybill level. It provides 'priority consignments' facility, assigns default constraint codes automatically and facilitates authorised providers to provide 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.

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.

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 the 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.

Capacity Enhancements

At an initial investment cost of HK$50 billion, HKIA has been one of the largest engineering and architectural projects in the world.

In March 2016, the T1 Midfield Concourse and its supporting facilities commenced full operations, which include 20 aircraft parking positions, an aviation fuel system and an APM link to T1. The T1 Midfield Concourse is expected to increase HKIA's capacity by at least 10 million passengers per year.

In mid-2016, the Airport Authority began to expand T1 with the construction of the Annex Building. Opened in November 2019, the 18,000-square-metre extension of T1 offers additional 48 check-in counters, self-bag drop facilities, smart security gates and check-in kiosks. Two additional baggage reclaim carousels and a variety of dining outlets will open in phases.

In the restricted area of T1, a 200-metre-long air-conditioned walkway connecting T1 and the T1 Satellite Concourse, known as the "Sky Bridge", has been constructed. The new walkway includes travelators, an observation deck, and food and beverage outlets. The design and construction contract of the walkway commenced in the financial year ended 31 March 2018 and the Sky Bridge commenced service on 1 November 2022. The Sky Bridge is the world's longest airside bridge that allows the largest passenger aircraft code F (i.e. A380) to pass under it and achieved an overall score of 70 and a provisional gold rating by BEAM Plus. 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. The expanded East Hall of T1 and the renovated boarding gates will be ready to commence service when air traffic recovers following the easing of COVID-19-related travel restrictions.

In March 2021, "My HKG", the revamped mobile app, was unveiled. The app has a vibrant design and a more user-friendly interface. As at 30 September 2022, the app provided information about, amongst other things, travel tips by destination, shopping and dining recommendations, and complimentary flight delay and COVID-19 insurance for passengers departing from HKIA. New functions and services will continue to be rolled out in the next year.

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. The construction of 3RS Project is expected to be completed in 2024. 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 advisor.

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; (iii) building a new passenger building with 63 parking positions and an apron; (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 and will reopen as a full-fledged terminal with the rest of the 3RS Project upon completion of the 3RS Project which is targeted for completion by 2024. The expansion of Terminal 2 consists of an 8-level Main Building, and North and South Annex Buildings with seven levels and four levels respectively, which also include a new APM system and a new baggage handling system. The Terminal 2 expansion achieved an overall score of 91 and a provisional platinum rating by BEAM Plus.

In the year ended 31 March 2022 and the six months ended 30 September 2022, the 3RS Project has 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, flight check 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 at HKIA was officially commissioned. As at the date of this Offering Memorandum, the 3RS Project is well underway and on schedule and the construction of the 3RS Project is scheduled to be completed by 2024.

The Airport Authority signed entrustment agreements with the Architectural Services Department for some of the Government facilities for HKIA's operations of a three-runway system and construction has begun.

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 at June 2022, nine ports in the Greater Bay Area were linked to the SkyPier which provides speedy cross-boundary ferry services. With the introduction of 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 addition to sea transport, in June 2022, HKIA provided various road transport options connecting HKIA to over 110 destinations in the Greater Bay Area. HKIA has also built, and will continue to expand, a network of 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 helped manage the 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. The Airport Authority's planned injection of equity into Zhuhai Airport is expected to pave the way for long-term and extensive collaboration between the two airports. In November 2022, the Airport Authority and the Zhuhai Municipal Government signed a MoU to strengthen the cooperation between HKIA and Zhuhai, with a view to propelling the development of aviation industry in the Greater Bay Area. Under the framework set out in the MoU, the key collaboration projects include the launch of "Fly-Via-Zhuhai-HK" passenger link services, development of international cargo business, establishment of a high-end aviation industrial park in Zhuhai, and active discussion on equity injection into Zhuhai Airport.

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 is building a five-storey, 22,000-square-metre SkyPier Terminal adjacent to SkyPier. As at the date of this Offering Memorandum, construction of the SkyPier Terminal is approaching completion, while construction works on the associated bonded bridge are ongoing. The SkyPier Terminal will, upon completion, be linked to the HZMB Hong Kong Port by a bonded vehicular bridge.

Franchisees

Key aviation logistics services, namely air cargo, ramp handling, aircraft catering, aviation fuel service, 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 service 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 while excelling international and industry standards.

Ramp Handling

There are three licensed operators at HKIA to provide aircraft ramp handling services — Hong Kong Airport Services Limited, Jardine Air Terminal Services Limited and SATS HK Limited. These operators are committed to providing efficient and high-quality service to airlines, including operation of aerobridge, provision of passenger boarding stairs, loading and unloading of cargo from aircraft, baggage make-up, baggage sorting, baggage delivery and mail handling. In addition, Hong Kong Air Cargo Terminals Limited, a cargo terminal operator franchisee, is also providing aircraft ramp handling services at cargo apron for its customers.

Catering

The airport has three aircraft caterers — 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 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 meters. 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 Customs, Immigration and Quarantine (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 2025 and will double the annual handling capacity of business aircraft flight movement at the HKBAC.

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 — 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 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), a twin horizontal directional drilling pipelines connecting the receiving facility at Sha Chau Island and the 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 la and lb 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 to accommodate 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 2022, 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 2022, 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 ULDs — 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 — 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 of that year, 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 2021, passenger numbers of HXIA were 28.2 million, unchanged from 2020, while flight movements rose 0.4% to 238,000. For the nine months ended 30 September 2022, HXIA recorded a 32.2% decrease in passenger numbers to 15.4 million, and a 22.0% decrease in flight movements to 146,017, compared with the same period in 2021. Cargo throughput benefited from strong e-commerce and cold chain demand and increased 14.0% to 914,063 tonnes in 2021 and amounted to 621,248 tonnes for the nine months ended 30 September 2022. In 2021, HXIA added ten domestic destinations to its passenger network. New freighter services were launched to Brussels, Osaka and Seoul. HXIA remained 10th busiest passenger airport and fifth busiest for cargo in Mainland China in calendar year 2020. To meet future passenger demand, further expansion of HXIA has been in the works since 2018. In late September 2022, operations of new Terminal 4 and the Ground Transportation Centre have been officially commenced. Three major airlines, Air China, China Southern Airlines and Sichuan Airlines moved to the brand-new terminal, which is designed to handle 50 million passengers annually.

Shanghai Hongqiao International Airport

In October 2003, the Shanghai Airport Authority and the Airport Authority signed a letter of intent regarding closer cooperation under the Shanghai Municipal People's Government's call for enhancing Shanghai-Hong Kong collaboration in eight areas, including airports, marine logistics and the World Expo. Under the letter of intent signed in Hong Kong, a series of cooperation initiatives, from training and development to business consultation, were launched.

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 strengths of the Shanghai Hongqiao International Airport ("**SHIA**") and HKIA. The joint venture manages the terminal operations and retail businesses at SHIA.

Traffic at SHIA has recovered steadily in 2021 and 2022. In 2021, passenger throughput at SHIA increased by 6.5% to 33.2 million, making SHIA the fifth busiest passenger airport in Mainland China, while flight movements rose 5.4% year-on-year, to 231,261. For the nine months ended 30 September 2022, passenger throughput at SHIA decreased by 60.8% year-on-year, to 10.0 million, while flight movements decreased by 51.4% year-on-year, to 84,472. Due to port control, all international and regional flights using SHIA were moved to Shanghai Pudong International Airport, effective 25 March 2020. In 2020, SHIA was named one of the best airports in the 40 to 50 million passenger category of the Skytrax survey, and it also received the "Off-airport Check-in Best Supporting Airport" distinction from the International Air Transport Association. In 2021, SHIA was named the "Best Airport in China" in the CAPSE Aviation Services Awards 2021, and was recognised as one of Asia Pacific's best airports by the Airports Council International.

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 the Zhuhai Airport for 20 years.

In 2021, passenger throughput at Zhuhai Airport increased by 9.3% to 8.0 million, compared to same period last year and the flight movements also increased by 9.2%, to 66,969, and cargo volume increased by 4.4%, to 40,046 tonnes, compared to same period last year. For the nine months ended 30 September 2022, passenger throughput at Zhuhai Airport decreased by 54.7% to 2.9 million, flight movements decreased by 48.1% to 27,401, and cargo volume decreased by 36.9% to 20,038 tonnes, compared to the same period last year. As at 30 September 2022, the Zhuhai Airport served 84 domestic destinations.

In September 2021, Zhuhai Airport opened a city terminal in the Huafeng Hotel in Xiangzhou district. At the terminal, passengers can enjoy a range of convenient services, including air ticket purchases, flight check-in and baggage acceptance, and travel directly to Zhuhai Airport via an express train. In December 2021, Zhuhai Airport completed the reconstruction of Apron 3. This project will add ten remote aircraft parking stands and support the ongoing expansion of the passenger terminals.

To stimulate traffic growth, the Zhuhai Airport is working with HKIA to develop a cross-boundary transit service. This would provide the 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.

Other Operations

AsiaWorld-Expo

AsiaWorld-Expo is a convention and exhibition centre with over 70,000 square metres on the airport island, accessible through the Airport Express Line. In 2003, the Government 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 the 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 transferred all of its interests in AsiaWorld-Expo to the Airport Authority but the Government will continue to monitor AsiaWorld-Expo's operation and development. 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, opened since December 2005, occupies 11 hectares of land on the airport island, providing over 70,000 square metres of space for conventions and exhibitions, as well as sports and entertainment events. Featuring ten state-of the-art, ground-level and column-free exhibition halls including the 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 Hong Kong-Zhuhai-Macao Bridge. 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 2021, the Airport Authority completed the scheme design for the Phase 2 development of AsiaWorld-Expo. Phase 2 will include Hong Kong's largest indoor performance venue, with a capacity of 20,000 people. New exhibition and convention facilities will increase AsiaWorld-Expo's floor area to 100,000 square metres and create powerful synergies with other parts of SKYCITY. The Airport Authority continues to examine plans for progressing the overall development of Phase 2, including ongoing discussions with the Government, regarding such plans and potential adjustments thereto necessary to meet development objectives.

Hong Kong International Aviation Academy

The Hong Kong International Aviation Academy, 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 regional aviation industry, and establishing Hong Kong as a world's leading civil aviation training hub.

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

In September 2021, the Hong Kong International Aviation Academy 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 and consoles that use virtual reality to teach students how to drive airfield vehicles.

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 as managing one of the best and busiest airports in the world, Airport Authority has established HKIA Consultancy 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.

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 rollover 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.

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. The outlook on the Airport Authority's corporate credit rating is "stable". This credit rating is the same as that assigned to the Government.

Competition

Passengers traveling to, from or through the Greater Bay Area have a choice of five international 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 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 XRL was opened to the public in 2018. The XRL is expected to dramatically improve rail service quality and raise train transportation to a competitive level to air travel. Although the capacity of some of these neighbouring airports are 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, under specific authorisations of the PRC government, which 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.

Employees

As at 30 September 2022, the Airport Authority, excluding its subsidiaries, employed 2,602 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, 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

The following table sets forth certain information with respect to the Airport Authority's Members of the Board as at the date of this Offering Memorandum.

Name	Age	Position
The Honourable Jack So Chak-kwong GBM GBS JP	77	Chairman
Mr. Fred Lam Tin-fuk* GBS JP	64	Member
Ms. Sabrina Chao Sih-ming BBS JP	48	Member
Mr. Philip Chen Nan-lok GBS JP	67	Member
The Honourable Rock Chen Chung-nin SBS JP	56	Member
Ms. Irene Chow Man-ling	53	Member
Mr. Stuart Thomson Gulliver	63	Member
The Honourable Christopher Hui Ching-yu* GBS JP	46	Member
The Honourable Lam Sai-hung GBS JP	61	Member
Ms. Nisa Bernice Leung Wing-yu MH JP	52	Member
Mr. Laurence Li Lu-jen SC JP	51	Member
Captain Victor Liu Chi-yung* JP	56	Member
Ir Dr. the Honourable Lo Wai-kwok GBS MH JP	70	Member
Ir Edwin Tong Ka-hung SBS	63	Member
Mr. Adrian Wong Koon-man BBS MH JP	58	Member
Dr. William Wong Ming-fung SC JP	51	Member

* Member by virtue of being holder of the post

The following table sets forth certain information with respect to the Airport Authority's Chief Executive Officer, Chief Operating Officer and Executive Directors as at the date of this Offering Memorandum.

Name	Age	Position
Mr. Fred Lam Tin-fuk GBS JP	64	Chief Executive Officer
Mrs. Vivian Cheung Kar-fay	61	Chief Operating Officer
Mr. Steven Yiu Siu-chung	58	Executive Director, Airport Operations
Mr. Ricky Leung Wing-kee	62	Executive Director, Engineering & Technology
Mr. Tommy Leung King-yin	59	Executive Director, Third Runway
Ms. Cissy Chan Ching-sze	57	Executive Director, Commercial
Mr. Julian Lee Pui-hang	47	Executive Director, Finance
Ms. Florence Chung Wai-yee	59	Executive Director, Human Resources & Administration

Members of the Board

The Board consists of a Chairman, Chief Executive Officer and other members (including public officers of the Government). The Board consists of 16 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 and 2021. Mr. So is the former Chairman of the Hong Kong Trade Development Council. He is a non-official member of the Chief Executive's Council of Advisers on Innovation and Strategic Development. 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, Independent Director of HSBC from 2000 to 2007, non-executive director of Cathay Pacific Airways Limited from 2002 to 2015, International Business Adviser to the Mayor of Beijing from 2007 to 2015 and 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) and the ACI World Governing Board, 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 United States 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 and the President of The Baltic and International Maritime Council (BIMCO). Ms. Chao graduated from Imperial College London with a Bachelor of Science degree in Mathematics with Management and is a leader in global maritime industry. Ms. Chao is the former Chairman of Asian Shipowners' Association and the Hong Kong Shipowners Association, former member of the Hong Kong Maritime and Port Board under Transport and Housing Bureau of the Government. Ms. Chao is the Chairman of External Advisory Group of Department of Logistics and Maritime Studies in The Hong Kong Polytechnic University, the Chairman of Maritime Services Training Board under 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, John Swire & Sons (Hong Kong) Limited and Chairman of The Hong Kong Jockey Club. He is currently the Non-Executive Director of Hang Lung Properties Limited, Chairman of the General Committee of Riding for the Disabled Association Limited, Member of the Hong Kong-Japan Business Co-operation Committee, Advisor of Our Hong Kong Foundation, Director of both the China Overseas Friendship Association and the Shanghai Chinese Overseas Friendship Association. Mr. Chen is the 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, of The University of Hong Kong.

The Honourable Rock Chen Chung-nin SBS JP, was appointed to the Board in June 2020. Mr. Chen is the 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 was licensed as a Responsible Officer by the Hong Kong Securities and Futures Commission from 2004 till 2021. He is the Chairman of Hong Kong Council for Accreditation of Academic and Vocational Qualifications and the Vice Chairman of the Chinese General Chamber of Commerce, Hong Kong. He is also a member of the 12th and 13th National Committee 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 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. 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 ICAC's Advisory Committee on Corruption 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.

Mr. Stuart Thomson Gulliver, was appointed to the Board in June 2019 and was reappointed in June 2022. Mr. Gulliver joined HSBC in 1980 and retired in 2018. He is the former Group CEO and Executive Director of HSBC Holdings plc and former Chairman and Executive Director of the Hongkong and Shanghai Banking Corporation Limited. Mr. Gulliver is a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development and the International Advisory Council of Hong Kong Stock Exchange. He is also a non-executive director of Jardine Matheson Holdings Limited, The Saudi British Bank and Saudi Aramco. He holds a law degree from the University of Oxford.

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.

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 as a civil engineering graduate in 1983 and became an assistant engineer in 1986. During his service in the Government, Mr. Lam worked in different works departments and bureau, 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 infrastructures. 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.

Ms. Nisa Bernice Leung Wing-yu MH JP, was appointed to the Board in October 2020. Ms. Leung is Managing Partner of Qiming Venture Partners. She currently sits on the boards of Zai Lab Limited, Venus Medtech (Hangzhou) Inc., CanSino Biologics Inc., dMed, Chain Medical Labs, Berry Oncology, Belief BioMed, ZhenGe and Valgen among others. Ms. Leung is a visiting lecturer at Harvard Law School, member of Stanford Graduate School of Business Advisory Council, an independent Non-Executive Director of Hong Kong Exchanges and Clearing Limited and a member of the Hong Kong Palace Museum Limited. Ms. Leung has been recognised by the Forbes Midas List of top 100 venture capitalists from 2019 to 2022. She holds a Master degree in Business Administration from Stanford Graduate School of Business and a Bachelor of Science degree from Cornell University.

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 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 a practicing 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 Securities and Futures Commission in Hong Kong and, before that, worked in a law firm in New York. Mr. Li is a Judge of the International Court and Regulatory Tribunal in Doha, Qatar. 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- kwok 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. He is also a Committee Member of the China Association for Science and Technology.

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's policies in increasing land supply, heritage conservation and project management. Ir. Tong worked in Highways Department, Transport Department, Drainage Services Department, Civil Engineering and Development Department and Development Bureau and was appointed Director of Drainage Services in 2015 and retired in 2019. Ir. Tong is a member of Institution of Civil Engineers, a fellow of Hong Kong Institution of Engineers and an honorary fellow of both International Institute of Utility Specialists and 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 ICAC, a member of the Travel Industry Authority 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. 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 Vice Chairman of the Committee on Overseas Lawyers Examination and the Committee of Mainland Affairs of the Hong Kong Bar Council. He is also an Advisor to The Hong Kong Middle Temple Society. 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.

Chief Executive Officer, Chief Operating Officer and Executive Directors

The Airport Authority's Chief Executive Officer, Chief Operating Officer and Executive Directors are as follows:

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) and the ACI World Governing, 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.

Mrs. Vivian Cheung Kar-fay, holds a Master of Business Administration degree from Southern Illinois University and a Bachelor of Computer Science degree from The State University of New York. Mrs. Cheung is an alumnus 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 a Director of the Hong Kong-Zhuhai Airport Management Company Limited and the Vice Chairman of the Shanghai Hong Kong Airport Management Company Limited. 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 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, airfield and terminal management. He was the General Manager, Terminal of SHIA from 2009 to 2012. Mr. Yiu is a registered professional surveyor. Prior to joining the Airport Authority, he was actively involved in airport developments since 1990, including refurbishment of Kai Tak International Airport, New Airport Master Plan, and construction of Macau International Airport.

Mr. Ricky Leung Wing-kee, holds a Master of Business Administration degree from the Chinese University of Hong Kong and a Bachelor of Science (Engineering) degree 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 the 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 over 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 in 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 the HKIA. Mr. Leung was the Chief Operating Officer of the Hong Kong-Zhuhai Airport Management Company Limited during 2006 to 2009 and was the Deputy Director, Third Runway Project Management since 2016. 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 Hong Kong, Ms. Chan was the Director of 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, its Strategic Planning committees, and is the Chairman of its Audit Sub-committee.

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

Ms. Florence Chung Wai-yee, holds a Master of Science degree from the Chaminade University of Honolulu and a Bachelor of Social Science degree from the Chinese University of Hong Kong. Ms. Chung was appointed in October 2014. Before joining the Airport Authority Hong Kong, 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, the Civil Service Training Advisory Board as well as the Cross-Industry Training Advisory Committee for the Human Resource Management Sector under Qualifications Framework.

Board Committees

Audit Committee and Finance Committee

The Audit Committee and Finance Committee (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 of 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 SBS JP, Ms. Irene Chow Man-ling, Mr. Stuart Thomson Gulliver, the Honourable Christopher Hui Ching-yu GBS JP and Mr. Laurence Li Lu-jen SC JP as Members.

3RS & Works Committee

The 3RS and Works Committee (3RSWC) is responsible for overseeing the 3RS Project and other capital works projects from planning, 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 award; 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 of 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, Ms. Nisa Bernice Leung Wing-yu MH JP, Captain Victor Liu Chi-yung JP, Ir Edwin Tong Ka-hung SBS, Mr. Laurence Li Lu-jen SC JP and the Honourable Lam Sai-hung GBS JP as Members.

Business Development Committee

The Business Development Committee (BDC) is responsible for looking after all commercial and business development (excluding 3RSC) and public relations matters. The BDC comprises of 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, Ms. Nisa Bernice Leung Wing-yu MH JP, 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 (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 of the Honourable Rock Chen Chung-nin 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.

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 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 2020, 2021 and 2022 were approximately HK$12.5 million, HK$11.6 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 2020, 2021 and 2022 were approximately HK$39.8 million, HK$34.1 million and HK$33.4 million, respectively.

Overview

The Airport Authority has established the Airport Authority Sustainable Finance Framework (the "**Framework**"), which is available on the Airport Authority's website (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.

The Framework describes how the Airport Authority intends to enter into Sustainable Finance Transactions ("**SFTs**") to fund expenditure on projects that will deliver environmental and/or social benefits to support the Airport Authority's objective to become the world's greenest airport and for the furthering of the development of sustainable urban infrastructure in support of the United Nations Sustainable Development Goals.

The use of proceeds, process of project evaluation and selection, management of proceeds, as well as reporting of the notes issued under the Framework will be aligned with the International Capital Market Association principles: 2021 Green Bond Principles, 2021 Social Bond Principles and 2021 Sustainability Bond Guidelines or as they may be subsequently amended.

To ensure sustainable carbon management, in 2021, the Airport Authority and its key aviation-related business partners have committed to achieving Net Zero Carbon by 2050, with a midpoint target of 55% absolute emissions reduction by 2035 from a 2018 baseline. The Airport Authority has developed a carbon management action plan to meet the midpoint 2035 target which includes initiatives to reduce Scope 1, 2 and 3 emissions.

Use of Proceeds

The net proceeds of the Green Notes will be allocated to projects that fall under the eligible green projects that meet the eligibility criteria as specified in the Framework (the "**Eligible Green Projects**"), with fossil fuel-based power generation, storage or transportation infrastructure excluded from Eligible Green Projects categories. Below sets out further information on Eligible Green Projects.

Eligible Project Category	Objectives and Potential Benefits	Description and Examples
Green Buildings 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION	**Climate change mitigation** ● Enhance the sustainability performance of a building, including reduction of greenhouse gas ("**GHG**") emissions through the development of Green Buildings	● Construction of new passenger terminals/facilities or renovation/retrofitting of existing buildings/facilities (including Sky Bridge, Terminal 2 Concourse and AsiaWorld-Expo) that have received or are expected to receive a recognised green building certification, that meet the following criteria: — BEAM Plus — gold or above; or — U.S. Leadership in Energy and Environmental Design (LEED) — gold or above

Eligible Project Category	Objectives and Potential Benefits	Description and Examples
Clean Transportation	**Climate change mitigation** ● Reduction of GHG emissions through the promotion of low carbon transportation ● Improvement of air quality ● Reduction of air pollutant emissions through the promotion of low carbon transportation	● Purchase, repair and maintenance of electric-powered or hydrogen-powered vehicles and ground services equipment fleet ● Investment in electric public transport projects including the construction of autonomous vehicle system such as electric powered AirportCity Link and Airport Tung Chung Link ● Investment in infrastructure for clean energy vehicles including electric and hydrogen charging infrastructure and systems of electric and hydrogen vehicles
Energy Efficiency	**Climate change mitigation** ● Reduction of GHG emissions ● Energy savings	● Investment in technology, product or system(s) to improve energy efficiency, such as by: — Modernizing escalators and walkways — Installing solar heat-gain predictive control for air handling units at T1 — Replacing sewage pumping system and stormwater pumping system ● Investment in Battery Energy Storage System to supplement diesel generators to reduce carbon emissions ● Investment in Chiller systems that contains refrigerants with low Global Warming Potential by considering the Total Equivalent Warning Impact ● Investment in fixed ground power and pre-conditioned air systems for supply grid energy to aircraft instead of aircraft self-generation by using auxiliary power units and jet fuel consumption
Renewable Energy	**Climate change mitigation** ● Reduction of GHG emissions ● Increase of renewable energy installed capacity and generation	● Design, construction, installation and operation of renewable energy systems and associated infrastructure to provide electricity for airport buildings, such as: — Installation of solar panel arrays on Terminal 2 Expansion Project — Site-wide solar installation project

Eligible Project Category	Objectives and Potential Benefits	Description and Examples
Pollution Prevention and Control	**Pollution prevention and control** ● Reduction in waste generation and improvement of the rate of resource recovery through recycling/reusing; ensuring proper treatment of waste for final disposal	● Waste (including food waste) reduction, management, sorting/ separation and recycling technologies and initiatives, such as: — Food TranSmarter project expansion, which helps divert food waste from landfills
Water and Wastewater Management	**Conservation and sustainable use of water resources** ● Increase in the amount of wastewater treated and reused ● Avoidance and reduction of potable water consumption	● Water collection, treatment, recycling and re-use technologies and related infrastructure — "Triple water system" to improve water efficiency and reduce potable water assumption, including using sea water for toilet flushing and treated grey water for irrigating of lawns and landscapes at applicable areas
Climate Change Adaptation	**Climate change adaptation** ● Strengthen resilience of the infrastructure in case of severe weather (droughts, flood) and climate change events	● Designs for combating adverse weather conditions, such as sea-level rise and extreme weather events
Terrestrial and Aquatic Biodiversity	**Biodiversity conservation** ● Conservation and sustainable use of terrestrial inland freshwater and marine ecosystems	● Monitoring and mitigation of adverse impacts on flora and fauna such as potential impacts from construction, and ecological restoration ● Schemes supporting the sustainable use and protection of the environment, local community, biodiversity or equivalent including biodiversity enhancement in marine parks, such as: — A fund to support initiatives and projects that enhance marine ecology and fisheries — Pilot initiatives that have already demonstrated marine ecological and biodiversity benefits to area water ● Public engagement projects that raise awareness of freshwater and marine ecosystems conservation

Project Evaluation and Selection

The Airport Authority has established a cross-departmental Sustainability Executive Taskforce ("**SET**") with responsibility for governing the Framework. The SET comprises the following:

- CEO (Chairman)
- Executive Director, Finance
- Executive Director, Engineering and Technology
- Executive Director, Third Runway
- Executive Director, Airport Operations
- Executive Director, Commercial
- Executive Director, Human Resources and Administration
- General Manager, Sustainability

The various departments of the Airport Authority together with respective project team will identify potential Eligible Projects (as described in the Framework) based on the eligibility criteria outlined in the Framework.

Potential Eligible Projects will be submitted to the SET for review and confirmation that they qualify as Eligible Projects based on consideration of:

- description of the potential Eligible Project and the engineering approach setting out the environmental benefits to be obtained;
- preliminary or final certificates received in respect of compliance with relevant standards; and
- review of energy, water, waste performance data where applicable, against relevant benchmarks.

The SET will oversee the Airport Authority's corporate environmental policy and sustainability strategy, and the Framework, including related risk assessment and management of potential Eligible Projects financed under the Framework.

If such project is considered as an Eligible Project by the SET in accordance with the Framework it may be earmarked as the use of proceeds under the Framework.

The SET secretariat will maintain notes and records of all Eligible Projects reviewed and the allocation of use of proceeds of any SFT.

The Airport Authority may commission a qualified third party to investigate and report on sustainability performance to SET in determining the eligibility, or otherwise, of projects as Eligible Projects under the Framework.

Example Eligible Green Projects

Examples of projects that would be categorised under Green Buildings include Terminal 2 Concourse (T2C) and Development of AsiaWorld-Expo (Phase 2), both of which are expected to promote reduction of GHG emissions and saving in potable water consumption. Examples of projects that would be categorised under Clean Transportation include: (i) Airport City Link and Airport Tung Chung Link, which are autonomous transportation systems featuring zero emission vehicles; (ii) electric vehicles-related projects and provision of hydrogen filling infrastructure and electric charging infrastructure, which are expected to promote low carbon transportation whilst improving air quality; and (iii) electric ground services equipment-related projects that are expected to reduce traffic on apron and carbon footprint. Examples of projects that would be categorised under Energy Efficiency, which are expected to lead to annual energy saving and reduction of GHG emission, include: (i) modernization of escalators and walkways; (ii) installation of solar heat-gain predictive control for air handling units at T1; (iii) replacement of sewage pumping system and stormwater pumping system; and (iv) enhancement of lighting system at T1. Examples of projects that would be categorised under Renewable Energy, which are expected to provide electricity for airport buildings, include: (i) installation of solar panel arrays on Terminal 2 Expansion Project; and (ii) site-wide solar installation project. Examples of projects that would be categorised under Terrestrial and Aquatic Biodiversity include pilot initiatives that have already demonstrated marine ecological and biodiversity benefits to area water. Examples of projects that would be categorised under Pollution Prevention and Control include Food TranSmarter project expansion, which is expected to help divert food waste from landfills.

Management of Proceeds

The proceeds of each SFT will be credited to dedicated bank accounts which are normally used for financing or liquidity management purposes by the Airport Authority.

The Airport Authority will maintain a register to keep track of the use of proceeds for each SFT. The register will contain the following information including:

(a) Funding transaction: key information including the issuer/borrower entity, transaction date, principal amount, maturity date, interest or coupon, and the ISIN number (in the case of bond transactions)

(b) Allocation of use of proceeds: information including:

- Name and description of Eligible Projects to which the proceeds of the SFT have been allocated in accordance with the Framework
- Amount of SFT proceeds allocated to each project
- Confirmation of SET endorsement that project is considered to be an Eligible Project
- Aggregate amount of proceeds of SFT allocated earmarked to Eligible Projects
- The remaining balance of unallocated proceeds yet to be earmarked
- Other relevant information

The proceeds of each SFT will only be allocated to expenditures within the last three financial years including the financial year that the SFT is issued. The Airport Authority intends to allocate all net proceeds from the SFT(s) to Eligible Projects generally within next or following two financial years after the SFT issuance date in accordance with the evaluation and selection process set out above.

Pending allocation, the net proceeds from the SFT(s) issued may be invested in cash or cash equivalents, or used to repay existing borrowings of the Airport Authority.

During the life of the SFT issued, if the designated project(s) cease to fulfil the criteria necessary for it to be deemed an Eligible Project, the net proceeds will be re-allocated to an alternative Eligible Project(s) that comply with the eligibility criteria outlined in the Framework, as soon as reasonably practicable.

Reporting

The Airport Authority will provide information on the allocation of the net proceeds of its SFT(s) via the Airport Authority's sustainability reports, annual reports, or corporate website. Such information will be provided on an annual basis ("**SFT Annual Reporting**") until full allocation, or in the case of any material changes.

The SFT Annual Reporting will contain at least the following details:

(c) ***Summary***

A list of all SFT(s) executed in the reporting period and outstanding at the reporting date and summary terms of each transaction. Key information to be provided will include issuer/borrower entity, transaction date, principal amount of proceeds, maturity date, and interest or coupon (and in the case of bonds, the ISIN number).

(d) ***Allocation Reporting***

The Airport Authority will provide the following information for the net proceeds of the relevant SFT(s) during the period:

- The aggregate amount allocated to various Eligible Projects
- Summary detail of Eligible Projects to which the proceeds of the SFT have been allocated in accordance with the Framework
- Confirmation that the use of proceeds of each Funding Transaction conforms to the Framework
- The remaining balance of unallocated proceeds yet to be earmarked
- Information of temporary investment for unallocated proceeds
- The aggregate percentages of financing vs. refinancing of Eligible Projects

(e) ***Impact Reporting***

The Airport Authority will report on the environmental (and social impacts where relevant) resulting from Eligible Projects funded with the net proceeds of the SFT(s).

Subject to the nature of Eligible Projects and availability of information and feasibility, the Airport Authority will include, but not be limited to, the Impact Indicators as further described in the Framework.

The SFT Annual Reporting will be reviewed and approved by the SET.

External Review

The Airport Authority has engaged Sustainalytics to act as an external reviewer of the Framework. Sustainalytics' Second Party Opinion, which is not incorporated into, and does not form part of, this Offering Memorandum, is publicly available on the Airport Authority's website (www.hongkongairport.com).

An independent third party will be engaged to provide assurance in respect of the SFT Annual Reporting, which will be made available alongside the SFT Annual Reporting.

TERMS AND CONDITIONS OF THE SERIES A NOTES

The following (subject to amendment, and other than the words in italics) is the text of the terms and conditions of the Series A Notes which will appear on the reverse of each of the definitive certificates evidencing the Series A Notes:

The U.S.$500,000,000 4.875 per cent. Notes due 2026 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 *(Further issues)* and forming a single series therewith) of Airport Authority (the "**Issuer**") are constituted by a deed of covenant dated 12 January 2023 (as amended and/or supplemented from time to time, the "**Deed of Covenant**") entered into by the Issuer and are the subject of a fiscal agency agreement dated 12 January 2023 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), as transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agent appointed from time to time in connection with the Notes), as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent, the Transfer Agent and the Paying Agent(s) and any reference to an "**Agent**" is to any one of them. Certain provisions of these terms and conditions (the "**Conditions**") are summaries of the Agency Agreement and the Deed of Covenant and subject to their detailed provisions. The Holders (as defined in Condition 3(a) *(Register, Title and Transfers — Title)*) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Holders with prior written notice during normal business hours (being between 9:00 a.m. to 3:00 p.m.) at the principal office for the time being of the Fiscal Agent, being at the date hereof at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1 Form and Denomination

The Notes are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

2 Status of the Notes

The Notes constitute direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer which rank *pari passu* and without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

3 Register, Title and Transfers

(a) *Title:* The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Notes means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a "**Certificate**") will be issued to each Holder of Notes in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Ownership:* The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers:* Subject to paragraphs (f) *(Closed periods)* and (g) *(Regulations concerning transfers and registration)* below, a Note may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) *Registration and delivery of Certificates:* Within five business days of the surrender of a Certificate in accordance with paragraph (c) *(Transfers)* above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day, excluding a Saturday and a Sunday, on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods:* Holders may not require transfers of their Notes to be registered:

(i) during the period of 15 days ending on the due date for any payment of principal, premium or interest in respect of the Notes; and

(ii) during the period of 15 days ending on any date on which the Notes may be called for redemption by the Issuer at its option pursuant to Condition 6 *(Redemption and Purchase)*.

(g) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Holder upon written request and satisfactory proof of holding.

4 Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer 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 Notes 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 Notes as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Holders.

For purposes of these Conditions:

"**3RS Project**" means the expansion of the Airport into a three-runway system;

"**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):

(a) any obligation to purchase such Indebtedness;

(b) 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;

(c) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(d) 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:

(a) amounts raised by acceptance under any acceptance credit facility;

(b) amounts raised under any note purchase facility;

(c) 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;

(d) 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

(e) 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 (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 Issuer 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 Issuer in land or buildings effected for the purpose of the development (for such purposes and in such manner as the Issuer 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 Issuer (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 Issuer subject to that Security Interest;

(iv) any leasing, sale and leaseback or sale and repurchase of any assets of the Issuer;

(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 Issuer) 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 Issuer; and

(vi) any Security Interest created over the present and future assets of the Issuer 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;

"**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;

"**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; 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 Issuer as the Airport Operational Development or by the tenant(s) of the Issuer of such part(s) as the Airport Related Development under the New Grant No. 22378 dated 21 September 2016; and the Issuer 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.

5 Interest

The Notes bear interest on their outstanding principal amount from and including 12 January 2023 (the "**Issue Date**") at the rate of 4.875 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$24.375 per Calculation Amount (as defined below) on 12 January and 12 July in each year (each an "**Interest Payment Date**"), commencing on 12 July 2023. Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day falling seven days after the Fiscal Agent has notified Holders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Note shall be calculated per U.S.$1,000 in principal amount of the Notes (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Where the Calculation Amount changes during an Interest Period, the amount of interest payable shall be calculated by applying the day-count fraction to each Calculation Amount for the period during which such Calculation Amount was applicable in such Interest Period and aggregating the results for the entire such Interest Period.

6 Redemption and Purchase

(a) *Redemption date:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 12 January 2026 (the "**Maturity Date**"). The Notes may not be redeemed at the option of the Issuer other than in accordance with Condition 6 *(Redemption and Purchase)*.

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 10 nor more than 60 days' notice to the Holders, the Registrar and the Fiscal Agent (which notice shall be irrevocable) at their principal amount, together with interest accrued and unpaid to (but excluding) the date fixed for redemption, if (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 *(Taxation)* as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 5 January 2023; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, **provided,**

however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (A) a certificate, signed by an authorised officer of the Issuer, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Fiscal Agent shall be entitled to accept and rely on such evidence (without further investigation or query and without liability to the Holders or any other person) of the satisfaction of the circumstances set out above, in which event they shall be binding and conclusive on Holders.

Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 6(b).

(c) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice (a "**Make Whole Redemption Notice**") (in accordance with Condition 15 (Notices)) to the Holders, the Fiscal Agent and the Paying Agent at a redemption price equal to the Make Whole Redemption Price as of the Optional Redemption Date, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date.

Unless the Issuer defaults in payment of the redemption price, on and after the Optional Redemption Date, interest will cease to accrue on the Notes.

For the purpose of this Condition 6(c):

"**Make Whole Redemption Price**" means, with respect of each Note at any redemption date, the greater of (i) 100% of the principal amount of such Note and (ii) the amount equal to (a) the sum of the present values of the remaining scheduled payments of principal of and interest on the Notes, discounted to the Optional Redemption Date (assuming the Notes matured on the Maturity Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 0.15 per cent. less (b) interest accrued to the Optional Redemption Date;

"**Optional Redemption Date**" means the date on which the Notes shall be redeemed at the option of the Issuer as specified in the Make Whole Redemption Notice;

"**Treasury Rate**" means, with respect to any date fixed for redemption, the yield determined by the Issuer in accordance with the following two paragraphs:

The Treasury Rate shall be determined by the Issuer after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the Optional Redemption Date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "*Selected Interest Rates (Daily) — H.15*" (or any successor designation or publication) (as at the Issue Date on https://

www.federalreserve.gov/releases/h15/, "**H.15**") under the caption "*U.S. government securities — Treasury constant maturities — Nominal*" (or any successor caption or heading). In determining the Treasury Rate, the Issuer shall select, as applicable: (i) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the Optional Redemption Date to the Maturity Date (the "**Remaining Life**"); or (ii) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields — one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life — and shall interpolate to the Maturity Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (iii) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For the purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the Optional Redemption Date.

If on the third business day preceding the Optional Redemption Date H.15 or any successor designation or publication is no longer published, the Issuer shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such Optional Redemption Date of the United States Treasury security maturing on, or with a maturity that is closest to, the Maturity Date, as applicable. If there is no United States Treasury security maturing on the Maturity Date but there are two or more United States Treasury securities with a maturity date equally distant from the Maturity Date, one with a maturity date preceding the Maturity Date and one with a maturity date following the Maturity Date, the Issuer shall select the United States Treasury security with a maturity date preceding the Maturity Date. If there are two or more United States Treasury securities maturing on the Maturity Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Issuer's actions and determinations in determining the Make Whole Redemption Price shall be conclusive and binding for all purposes, absent manifest error.

In the case of a partial redemption, the Make Whole Redemption Notice shall also specify the principal amount of Notes drawn and the holder(s) of such Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. A Note may not be redeemed in part unless the principal amount of Notes redeemed and (where not all of the Notes held by a Holder are being redeemed) the principal amount of the balance of Notes not redeemed are Authorised Denominations. If Notes represented by a single Certificate is to be redeemed in part only, a new Certificate shall be issued to the holder in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(d) *Redemption upon a Relevant Event:* The Issuer will, at the option of the Holder of any Note, redeem the Notes held by that Holder on the Relevant Event Early Redemption Date at their principal amount, together with interest accrued (if any) to (but excluding) the date fixed for redemption, on the occurrence of a Relevant Event.

The Issuer shall give notice to Holders in accordance with Condition 15 *(Notices)* no later than 10 days following a Relevant Event, giving a brief explanation of the nature of the Relevant Event and specifying the Relevant Event Early Redemption Date.

In order to exercise the option contained in this Condition 6(d), the Holder of a Note must, not less than 14 days before the Relevant Event Early Redemption Date, deposit with any Paying Agent such Note and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Holder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 6(d), may be withdrawn; *provided*, *however*, that if, prior to the Relevant Event Early Redemption Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the Relevant Event Early Redemption Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Holder at such address as may have been given by such Holder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Holder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 6(d), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.

The Agents shall not be required to monitor or take any steps to ascertain whether a Relevant Event has occurred or may occur and not be responsible or liable to any Holders or any other person for any loss arising from any failure to do so, and the Agents will be entitled to assume that no event has occurred until it has received written notice from the Issuer to the contrary.

For the purpose 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;

"**Put Option Notice**" means a notice which must be delivered to a Paying Agent by any Holder wanting to exercise a right to redeem a Note at the option of the Holder in accordance with Condition 6(d) *(Redemption and Purchase — Redemption upon a Relevant Event)*;

"**Put Option Receipt**" means a receipt issued by a Paying Agent to a depositing Holder upon deposit of a Note with such Paying Agent by any Holder wanting to exercise a right to redeem a Note at the option of the Holder in accordance with Condition 6(d) *(Redemption and Purchase — Redemption upon a Relevant Event)*;

"**Relevant Event**" means:

(i) as a result of any action on the part of the Issuer 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 (a) ceases to have power to control the composition of the majority of the Board of the Issuer; or (b) ceases to hold, directly or indirectly, more than half in nominal value of the voting share capital of the Issuer; or

(ii) the Issuer disposes of all or substantially all of the Restricted Assets other than (A) 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 Issuer or where such vesting will not materially prejudice the interests of the Holders) 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 Issuer or, as the case may be, such of them as relate to the Restricted Assets, including all the obligations and liabilities of the Issuer under the Agency Agreement and the Notes; or (B) 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 (C) where that disposal is or constitutes a Permitted Security Interest; or (D) 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 (E) by any sub-lease or licence to MTRC for the provision of facilities for the operation and development of the Airport Railway; or (F) any disposal pursuant to any leasing, sale and leaseback or sale and buyback arrangement relating to any assets of the Issuer; or (G) any disposal made by the Issuer in connection with the SKYCITY CLK No.3 Portion or the 3RS Project;

"**Relevant Event Early Redemption Date**" means the date specified as such by the Issuer in accordance with Condition 6(d) *(Redemption and Purchase — Redemption upon a Relevant Event)* which date shall fall no earlier than 45 days and no later than 60 days after the Relevant Event; 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 Issuer's rights under the Land Grant to the area of land on which they stand.

(e) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. Any Notes purchased pursuant to this Condition 6(e) may be held, reissued or resold, or may be surrendered to the Fiscal Agent for cancellation.

(f) *Cancellation:* All Notes so redeemed or purchased and surrendered for cancellation by the Issuer or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

The Agent shall not be required to take any steps to ascertain whether any event as provided in Conditions 6(b) *(Redemption for tax reasons)* to 6(d) *(Redemption upon a Relevant Event)* above has occurred.

7 Payments

(a) *Principal and premium:* Payments of principal and premium (if any) shall be made in U.S. dollars by transfer to a U.S. dollar account (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* Payments of interest shall be made in U.S. dollars by transfer to a U.S. dollar account (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 *(Taxation)* and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 *(Taxation)*) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) *Payments on business days:* Where payment is to be made by transfer to a U.S. dollar account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal, premium (if any) and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day.

(e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) *Record date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

In this Condition 7:

"**business day**" means any day, other than a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in New York City, London, Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

8 Taxation

All payments of principal, premium (if any) and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is as required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or

(b) where (in the case of a payment of principal, premium (if any) or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts on surrendering the relevant Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in New York City by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders.

Any reference in these Conditions to principal, premium and interest shall be deemed to include any additional amounts in respect of principal, premium or interest (as the case may be) which may be payable under this Condition 8.

If the Issuer becomes subject at any time to any taxing jurisdiction other than Hong Kong, references in these Conditions to Hong Kong shall be construed as references to Hong Kong and/or such other jurisdiction.

The Agent shall not be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Holder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 Events of Default

If any of the following events occurs and is continuing:

(a) *Payment default:* there is a default for more than 14 days in the payment of any principal, premium (if any), interest or other amount due in respect of any Note; or

(b) *Cross default:* (i) the Issuer 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 Issuer shall fail to honour when due and called upon any guarantee of any Borrowed Money, or (iii) any Borrowed Money of the Issuer shall become due and payable 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 U.S.$50,000,000 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 Issuer; or

(c) *Other default:* the Issuer shall default in the performance or observance of any other obligation contained in the Notes (or to the extent it relates to the Notes) and such default shall not have been remedied within 60 days after written notice shall have been given to the Fiscal Agent at its Specified Office by any Holder; or

(d) *Proceedings for liquidation:* an order is made or an effective resolution or enactment is passed for the winding up, liquidation or dissolution of the Issuer, other than in the case of a Relevant Event (as defined in Condition 6(d) *(Redemption and Purchase — Redemption upon a Relevant Event)*; 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 Issuer 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 Issuer and is not discharged within 60 days of being levied or enforced,

then any Note may, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest (if any) without further formality.

For the purposes of these Conditions:

"**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 Issuer 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.

10 Prescription

Claims for principal, premium (if any) and interest on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserve the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, fiscal agent, agent bank and additional or successor paying agent and transfer agent; **provided, however, that** the Issuer shall at all times maintain a fiscal agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Holders.

13 Meetings of Holders; Modification

(a) *Meetings of Holders:* The Agency Agreement contains provisions for convening meetings of Holders to consider matters relating to the Notes, 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 Issuer and shall be convened by them upon the request in writing of Holders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. 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 outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Holders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one-fifth of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, (i) a resolution in writing signed by or on behalf of Holders of not less than 90 per cent. in principal amount of the Notes who for the time being are entitled to receive notice of a meeting of Holders will take effect as if it were an Extraordinary Resolution, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders (a "**Written Resolution**") and (ii) a resolution passed by way of electronic consents through the clearing systems by or on behalf of Holders of not less than 90 per cent. in aggregate principal amount of Notes for the time being outstanding (an "**Electronic Consent**") will take effect as if it were an Extraordinary Resolution, in each case whether or not relating to a Reserved Matter.

A Written Resolution and/or an Electronic Consent will be binding on all Holders whether or not they participated in such Written Resolution and/or Electronic Consent, as the case may be.

(b) *Modification:* The Issuer may, without the consent of the Holders, make any modification to the Notes, the Conditions, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest 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 Notes, the Conditions, the Deed of Covenant or the Agency Agreement. Any such modification shall be binding on the Holders and any such modification shall be notified to the Holders in accordance with Condition 15 *(Notices)* as soon as practicable thereafter.

For the purposes of these Conditions:

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal, premium or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution.

14 Further Issues

The Issuer may from time to time, without the consent of the Holders, create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes; *provided that* any additional notes that are not fungible with the outstanding Notes for U.S. federal income tax purposes will not have the same CUSIP, ISIN or other identifying number as the outstanding Notes.

15 NOTICES

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

16 GOVERNING LAW AND JURISDICTION

(a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.

(b) *English courts:* The courts of England have non-exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).

(c) *Process agent:* The Issuer agrees that the documents which start any proceedings relating to any Disputes in England ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Hackwood Secretaries Limited at One Silk Street, London EC2Y 8HQ. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Holder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law.

(d) *Consent to enforcement etc.:* The Issuer 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 is made or given in such Proceedings.

(e) *Waiver of immunity:* To the extent that the Issuer 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 Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

TERMS AND CONDITIONS OF THE SERIES B NOTES

The terms and conditions of the Series B Notes will be identical to those under the "Terms and Conditions of the Series A Notes", except as set out below. References to "Notes" shall be construed as references to the Series B Notes.

1. The principal amount of the Notes shall be U.S.$700,000,000.

2. The Notes bear interest on their outstanding principal amount from and including the Issue Date at the rate of 4.875 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$24.375 per Calculation Amount.

3. The Maturity Date of the Notes shall be 12 January 2030.

4. Condition 6(c) *(Redemption at the option of the Issuer)* shall be as follows:

   (c) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice (in the case of (i) below, a "**Make Whole Redemption Notice**" or in the case of (ii) below, an "**Optional Redemption Notice**") (in accordance with Condition 15 *(Notices)*) to the Holders, the Fiscal Agent and the Paying Agent at a redemption price equal to:

   (i) (in the case of an Optional Redemption Date falling before the Par Call Date) the Make Whole Redemption Price as of the Optional Redemption Date, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date; or

   (ii) (in the case of an Optional Redemption Date falling on or after the Par Call Date) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date.

   Unless the Issuer defaults in payment of the redemption price, on and after the Optional Redemption Date, interest will cease to accrue on the Notes.

   For the purpose of this Condition 6(c):

   "**Make Whole Redemption Price**" means, with respect of each Note at any redemption date, the greater of (i) 100% of the principal amount of such Note and (ii) the amount equal to (a) the sum of the present values of the remaining scheduled payments of principal of and interest on the Notes, discounted to the Optional Redemption Date (assuming the Notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 0.20 per cent. less (b) interest accrued to the Optional Redemption Date;

   "**Optional Redemption Date**" means the date on which the Notes shall be redeemed at the option of the Issuer as specified in the Optional Redemption Notice or the Make Whole Redemption Notice (as the case may be);

   "**Par Call Date**" means 12 November 2029 (being two months before the Maturity Date); and

   "**Treasury Rate**" means, with respect to any date fixed for redemption, the yield determined by the Issuer in accordance with the following two paragraphs:

The Treasury Rate shall be determined by the Issuer after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the Optional Redemption Date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "*Selected Interest Rates (Daily) — H.15*" (or any successor designation or publication) (as at the Issue Date on https://www.federalreserve.gov/releases/h15/, "**H.15**") under the caption "*U.S. government securities — Treasury constant maturities — Nominal*" (or any successor caption or heading). In determining the Treasury Rate, the Issuer shall select, as applicable: (i) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the Optional Redemption Date to the Par Call Date (the "**Remaining Life**"); or (ii) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields — one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life — and shall interpolate to the Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (iii) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For the purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the Optional Redemption Date.

If on the third business day preceding the Optional Redemption Date H.15 or any successor designation or publication is no longer published, the Issuer shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such Optional Redemption Date of the United States Treasury security maturing on, or with a maturity that is closest to, the Par Call Date, as applicable. If there is no United States Treasury security maturing on the Par Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the Par Call Date, one with a maturity date preceding the Par Call Date and one with a maturity date following the Par Call Date, the Issuer shall select the United States Treasury security with a maturity date preceding the Par Call Date. If there are two or more United States Treasury securities maturing on the Par Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Issuer's actions and determinations in determining the Make Whole Redemption Price shall be conclusive and binding for all purposes, absent manifest error.

In the case of a partial redemption, the Make Whole Redemption Notice or the Optional Redemption Notice, as the case may be, shall also specify the principal amount of Notes drawn and the holder(s) of such Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. A Note may not be redeemed in part unless the principal amount of Notes redeemed and (where not all of the Notes held by a Holder are being redeemed) the principal amount of the balance of Notes not redeemed are Authorised Denominations. If Notes represented by a single Certificate is to be redeemed in part only, a new Certificate shall be issued to the holder in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

TERMS AND CONDITIONS OF THE SERIES C NOTES

The terms and conditions of the Series C Notes will be identical to those under the "Terms and Conditions of the Series A Notes", except as set out below. References to "Notes" shall be construed as references to the Series C Notes.

1. The principal amount of the Notes shall be U.S.$800,000,000.

2. The Notes bear interest on their outstanding principal amount from and including the Issue Date at the rate of 4.875 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$24.375 per Calculation Amount.

3. The Maturity Date of the Notes shall be 12 January 2033.

4. Condition 6(c) *(Redemption at the option of the Issuer)* shall be as follows:

   (c) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice (in the case of (i) below, a "**Make Whole Redemption Notice**" or in the case of (ii) below, an "**Optional Redemption Notice**") (in accordance with Condition 15 *(Notices)*) to the Holders, the Fiscal Agent and the Paying Agent at a redemption price equal to:

   (i) (in the case of an Optional Redemption Date falling before the Par Call Date) the Make Whole Redemption Price as of the Optional Redemption Date, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date; or

   (ii) (in the case of an Optional Redemption Date falling on or after the Par Call Date) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date.

   Unless the Issuer defaults in payment of the redemption price, on and after the Optional Redemption Date, interest will cease to accrue on the Notes.

   For the purpose of this Condition 6(c):

   "**Make Whole Redemption Price**" means, with respect of each Note at any redemption date, the greater of (i) 100% of the principal amount of such Note and (ii) the amount equal to (a) the sum of the present values of the remaining scheduled payments of principal of and interest on the Notes, discounted to the Optional Redemption Date (assuming the Notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 0.20 per cent. less (b) interest accrued to the Optional Redemption Date;

   "**Optional Redemption Date**" means the date on which the Notes shall be redeemed at the option of the Issuer as specified in the Optional Redemption Notice or the Make Whole Redemption Notice (as the case may be);

   "**Par Call Date**" means 12 October 2032 (being three months before the Maturity Date); and

   "**Treasury Rate**" means, with respect to any date fixed for redemption, the yield determined by the Issuer in accordance with the following two paragraphs:

The Treasury Rate shall be determined by the Issuer after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the Optional Redemption Date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "*Selected Interest Rates (Daily) — H.15*" (or any successor designation or publication) (as at the Issue Date on https://www.federalreserve.gov/releases/h15/, "**H.15**") under the caption "*U.S. government securities — Treasury constant maturities — Nominal*" (or any successor caption or heading). In determining the Treasury Rate, the Issuer shall select, as applicable: (i) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the Optional Redemption Date to the Par Call Date (the "**Remaining Life**"); or (ii) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields — one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life — and shall interpolate to the Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (iii) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For the purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the Optional Redemption Date.

If on the third business day preceding the Optional Redemption Date H.15 or any successor designation or publication is no longer published, the Issuer shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such Optional Redemption Date of the United States Treasury security maturing on, or with a maturity that is closest to, the Par Call Date, as applicable. If there is no United States Treasury security maturing on the Par Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the Par Call Date, one with a maturity date preceding the Par Call Date and one with a maturity date following the Par Call Date, the Issuer shall select the United States Treasury security with a maturity date preceding the Par Call Date. If there are two or more United States Treasury securities maturing on the Par Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Issuer's actions and determinations in determining the Make Whole Redemption Price shall be conclusive and binding for all purposes, absent manifest error.

In the case of a partial redemption, the Make Whole Redemption Notice or the Optional Redemption Notice, as the case may be, shall also specify the principal amount of Notes drawn and the holder(s) of such Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. A Note may not be redeemed in part unless the principal amount of Notes redeemed and (where not all of the Notes held by a Holder are being redeemed) the principal amount of the balance of Notes not redeemed are Authorised Denominations. If Notes represented by a single Certificate is to be redeemed in part only, a new Certificate shall be issued to the holder in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

TERMS AND CONDITIONS OF THE GREEN NOTES

The terms and conditions of the Green Notes will be identical to those under the "Terms and Conditions of the Series A Notes", except as set out below. References to "Notes" shall be construed as references to the Green Notes.

1. The principal amount of the Notes shall be U.S.$1,000,000,000.

2. The Notes bear interest on their outstanding principal amount from and including the Issue Date at the rate of 4.750 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$23.750 per Calculation Amount.

3. The Maturity Date of the Notes shall be 12 January 2028.

4. Condition 6(c) *(Redemption at the option of the Issuer)* shall be as follows:

   (c) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer in whole or in part, on giving not less than 10 nor more than 60 days' irrevocable notice (in the case of (i) below, a "**Make Whole Redemption Notice**" or in the case of (ii) below, an "**Optional Redemption Notice**") (in accordance with Condition 15 *(Notices)*) to the Holders, the Fiscal Agent and the Paying Agent at a redemption price equal to:

   (i) (in the case of an Optional Redemption Date falling before the Par Call Date) the Make Whole Redemption Price as of the Optional Redemption Date, and unpaid interest, if any, accrued to but excluding such Optional Redemption Date; or

   (ii) (in the case of an Optional Redemption Date falling on or after the Par Call Date) their principal amount, plus unpaid interest, if any, accrued to but excluding such Optional Redemption Date.

   Unless the Issuer defaults in payment of the redemption price, on and after the Optional Redemption Date, interest will cease to accrue on the Notes.

   For the purpose of this Condition 6(c):

   "**Make Whole Redemption Price**" means, with respect of each Note at any redemption date, the greater of (i) 100% of the principal amount of such Note and (ii) the amount equal to (a) the sum of the present values of the remaining scheduled payments of principal of and interest on the Notes, discounted to the Optional Redemption Date (assuming the Notes matured on the Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 0.15 per cent. less (b) interest accrued to the Optional Redemption Date;

   "**Optional Redemption Date**" means the date on which the Notes shall be redeemed at the option of the Issuer as specified in the Optional Redemption Notice or the Make Whole Redemption Notice (as the case may be);

   "**Par Call Date**" means 12 December 2027 (being one month before the Maturity Date); and

   "**Treasury Rate**" means, with respect to any date fixed for redemption, the yield determined by the Issuer in accordance with the following two paragraphs:

The Treasury Rate shall be determined by the Issuer after 4:15 p.m., New York City time (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the Optional Redemption Date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "*Selected Interest Rates (Daily) — H.15*" (or any successor designation or publication) (as at the Issue Date on https://www.federalreserve.gov/releases/h15/, "**H.15**") under the caption "*U.S. government securities — Treasury constant maturities — Nominal*" (or any successor caption or heading). In determining the Treasury Rate, the Issuer shall select, as applicable: (i) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the Optional Redemption Date to the Par Call Date (the "**Remaining Life**"); or (ii) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields — one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life — and shall interpolate to the Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (iii) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For the purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the Optional Redemption Date.

If on the third business day preceding the Optional Redemption Date H.15 or any successor designation or publication is no longer published, the Issuer shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such Optional Redemption Date of the United States Treasury security maturing on, or with a maturity that is closest to, the Par Call Date, as applicable. If there is no United States Treasury security maturing on the Par Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the Par Call Date, one with a maturity date preceding the Par Call Date and one with a maturity date following the Par Call Date, the Issuer shall select the United States Treasury security with a maturity date preceding the Par Call Date. If there are two or more United States Treasury securities maturing on the Par Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

The Issuer's actions and determinations in determining the Make Whole Redemption Price shall be conclusive and binding for all purposes, absent manifest error.

In the case of a partial redemption, the Make Whole Redemption Notice or the Optional Redemption Notice, as the case may be, shall also specify the principal amount of Notes drawn and the holder(s) of such Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements. A Note may not be redeemed in part unless the principal amount of Notes redeemed and (where not all of the Notes held by a Holder are being redeemed) the principal amount of the balance of Notes not redeemed are Authorised Denominations. If Notes represented by a single Certificate is to be redeemed in part only, a new Certificate shall be issued to the holder in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

FORM OF THE NOTES

Each Global Certificate contains provisions which apply to the relevant series of Notes in respect of which it is issued while they are represented by the relevant Global Certificate, some of which modify the effect of the Conditions set out in this Offering Memorandum. The following is a summary of those provisions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.

General

Denominations

The Notes will have a minimum authorised denomination of U.S.$200,000 principal amount and integral multiples of U.S.$1,000 in excess thereof.

Form and Registration

The Notes will be sold (i) to non-U.S. persons in offshore transactions in reliance on Regulation S and will be issued in the form of one or more permanent global certificates in fully registered form without interest coupons (each a "**Regulation S Global Certificate**") and (ii) to persons that are Qualified Institutional Buyers and will be issued in the form of one or more permanent global certificates in fully registered form without interest coupons (each a "**Rule 144A Global Certificate**", and together with the Regulation S Global Certificate, the "**Global Certificates**").

Each initial investor in the Notes and subsequent transferee of an interest in a Global Certificate (except, in the case of a Manager, as may be expressly agreed in writing between such Manager and the Issuer) will be deemed to represent, among other matters, as to its status under the Securities Act and the Investment Company Act and Employee Retirement Income Security Act of 1974 (**ERISA**), as applicable.

The Global Certificates will be deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The CUSIPs, ISINs and Common Code for each series of Notes are set out elsewhere in this Offering Memorandum.

A beneficial interest in a Regulation S Global Certificate may be transferred to a person who takes delivery in the form of an interest in the corresponding global certificates representing the Rule 144A Global Certificates only upon, in accordance with the applicable procedures of the Clearing System, receipt by the Transfer Agent of a written certification from the transferor in the form required by the Agency Agreement to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, and is in accordance with any applicable securities laws of any state of the United States. Beneficial interests in a Rule 144A Global Certificate may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Certificate only upon receipt by the Transfer Agent of a written certification from the transferor in the form required by the Agency Agreement to the effect that such transfer is being made in accordance with Regulation S and a written certification from the transferee in the form required by the Agency Agreement to the effect, *inter alia*, that such transferee is purchasing such beneficial interest in such Regulation S Global Certificate in an offshore transaction pursuant to Regulation S. Any beneficial interest in one of the Global Certificates that is transferred to a person who takes delivery in the form of an interest in another Global Certificate will, upon transfer, cease to be an interest in such Global Certificate, and become an interest in such other Global Certificate, and accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Certificates for as long as it remains such an interest.

No service charge will be made for any registration of transfer or exchange of Notes but the Issuer, the Registrar or the Transfer Agent may require payment of a sum sufficient to cover any transfer, tax or other governmental charge payable in connection therewith. The Registrar or the Transfer Agent will be permitted to request such evidence reasonably satisfactory to it documenting the identity and/or signatures of the transferor and transferee.

The registered owner of the relevant Global Certificate will be the only person entitled to receive payments in respect of the Notes represented thereby, and the Issuer will be discharged by payment to the registered owner of such Global Certificate or in respect of each amount so paid. No person other than the registered owner of the relevant Global Certificate will have any claim against the Issuer in respect of any payment due on that Global Certificate. Account holders or participants in DTC shall have no rights with respect to Global Certificates held on their behalf by DTC, and DTC may be treated by the Issuer, the Agents and any agent of the Issuer as the holder of Global Certificates for all purposes whatsoever.

Global Certificates will be exchangeable by the Issuer for Definitive Notes if: (i) DTC notifies the Issuer that it is unwilling or unable to continue to act as depository for the Global Certificates and a successor depository is not appointed by the Issuer within 120 days after receiving such notice; or (ii) an Event of Default occurs.

Upon the occurrence of any of the preceding events in clauses (i) through (ii) above, the Issuer shall issue or cause to be issued Definitive Notes in such name or names and issued in any approved denominations as DTC shall instruct the Issuer based on the instructions received by DTC from the holders of beneficial interests in such Global Certificates.

In the event that Definitive Notes are not so issued by the Issuer to such beneficial owners of interests in Global Certificates, the Issuer expressly acknowledges that such beneficial owners acquire Direct Rights against the Issuer pursuant to the Deed of Covenant. In the event that Definitive Notes are issued in exchange for Global Certificates as described above, the applicable Global Certificate will be surrendered to the Registrar by DTC and the Issuer will execute and the Registrar will authenticate and deliver an equal aggregate outstanding principal amount of Definitive Notes.

The Notes will be subject to certain restrictions on transfer set forth therein and in the Agency Agreement and the Notes will bear the restrictive legend set forth in "*Transfer Restrictions*".

CLEARANCE PROCEDURES

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believe to be reliable, but neither the Issuer, nor the Managers, nor the Agents takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing System are advised to confirm the continued applicability of the rules, regulations and procedures of the Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the relevant series of Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-Entry Ownership

The book-entry interests will not be held in definitive form. Instead, DTC will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the U.S., may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests. In addition, while the Notes are in global form, "holders" of book-entry interests will not be considered the owners of Notes for any purpose. Only the registered holder of a Note will be treated as the owner of such Note.

So long as the Notes are held in global form, DTC (or its nominees), will be considered the holders of the Global Certificates for all purposes under the Agency Agreement. As such, participants must rely on the procedures of DTC and indirect participants must rely on the procedures of DTC and the participants through which they own book-entry interests in order to exercise any rights of holders under the Agency Agreement.

Neither the Issuer nor the Agents will have any responsibility or be liable for any aspect of the records in relation to the book-entry interests.

Redemption of Global Certificates

In the event that any Global Certificate, or any portion thereof, is redeemed, DTC will distribute the amount received by it in respect of the Global Certificate so redeemed to the Beneficial Owner of book-entry interests in such Global Certificate, subject to any applicable withholding taxes. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by DTC in connection with the redemption of such Global Certificate (or any portion thereof), subject to any applicable withholding taxes. The Issuer understands that under existing practices of DTC, if fewer than all of the Notes are to be redeemed at any time, DTC will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on any other basis that they deem fair and appropriate; provided, however, that no book-entry interest of less than U.S.$200,000 in principal amount may be redeemed in part. For so long as the Notes are represented by one or more Global Certificates deposited with and registered in the name of a nominee of DTC (or another depositary), the redemption of the Notes shall be done in accordance with the policies and procedures of the depositary.

Payments on Global Certificates

Payments of any amounts owing in respect of the Global Certificates (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to DTC (or its nominee), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Agency Agreement, the Issuer, the Fiscal Agent, the Registrar, the Transfer Agent and the Paying Agent will treat the registered holder of the Global Certificates (for example Euroclear or Clearstream) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Fiscal Agent, the Registrar, the Transfer Agent nor the Paying Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by DTC or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC or any participant or indirect participant relating to a book-entry interest or payments made on account of a book-entry interest, or

- payments made by DTC, or for maintaining, supervising or reviewing the records of DTC or payments made on account of a book-entry interest.

Payments made by participants to owners of book-entry interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name".

Currency and Payment for the Global Certificates

The principal of, premium, if any, and interest on, and all other amounts payable in respect of the Global Certificates will be paid through DTC in U.S. dollars.

Action by Owners of Book-Entry Interests

DTC have advised the Issuer that they will take any action permitted to be taken by a Noteholder only at the direction of one or more participants to whose account book-entry interests in the Global Certificates are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. DTC will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Certificates. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Certificates for Definitive Registered Certificates (as defined below) in certificated form, and to distribute such Definitive Registered Certificates to their respective participants.

Issuance of Definitive Registered Certificates

Owners of book-entry interests will receive definitive certificates in registered form ("**Definitive Registered Certificates**"):

- if DTC notifies the Issuer that it is unwilling or unable to continue to act and a successor is not appointed by us within 120 days; or

- following an Event of Default.

In such an event, the Issuer will issue Definitive Registered Certificates, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of book-entry interests), and such Definitive Registered Certificates will bear the restrictive legend referred to in "*Transfer Restrictions*", unless that legend is not required by the Agency Agreement or applicable law.

The Issuer, the Fiscal Agent, the paying agent and the registrar shall treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Certificates will be evidenced through registration from time to time at the registered office of the Issuer or the registrar on its behalf, and such registration is a means of evidencing title to the Notes.

The Issuer shall not impose any fees or other charges in respect of the Notes; however, owners of the book entry interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC.

Transfers

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Certificates for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Certificates in accordance with the normal procedures of DTC and in accordance with the provisions of the Agency Agreement and will not be entitled to Definitive Registered Certificates except as provided in "*Clearance Procedures — Issuance of Definitive Registered Certificates*".

The Global Certificates will bear a legend to the effect set forth in "*Transfer Restrictions*". Book-entry interests in the Global Certificates will be subject to the restrictions on transfer discussed in "*Transfer Restrictions*".

During the Resale Restriction Period, beneficial interests in a Regulation S Global Certificate may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Certificate denominated in the same currency only if such transfer is made pursuant to Rule 144A and the transferor first delivers to the Fiscal Agent a certificate (in the form provided in the Agency Agreement) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with all applicable securities laws of the states of the U.S. and other jurisdictions.

After the expiration of the Resale Restriction Period, beneficial interests in a Regulation S Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Certificate denominated in the same currency without compliance with these certification requirements.

Beneficial interests in a Rule 144A Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Certificate denominated in the same currency only upon receipt by the Fiscal Agent of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144A (if available).

Subject to the foregoing, and as set forth in "*Transfer Restrictions*", book-entry interests may be transferred and exchanged as described under "*Form of the Notes — General — Form and Registration*".

Any book-entry interest in one of the Global Certificates that is transferred to a person who takes delivery in the form of a book-entry interest in the other Global Certificate of the same denomination will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Certificate and become a book-entry interest in the other Global Certificate, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Certificate for as long as it retains such a book-entry interest.

Definitive Registered Certificates may be transferred and exchanged for book-entry interests in a Global Certificate only as described under "*Form of the Notes — General — Form and Registration*" and, if required, only if the transferor first delivers to the Fiscal Agent a written certificate (in the form provided in the Agency Agreement) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Definitive Registered Certificates. See "*Transfer Restrictions*".

Transfers involving an exchange of a Regulation S book-entry interest for Rule 144A book-entry interest in a Global Certificate will be done by DTC by means of an instruction originating from the registrar through the DTC Deposit/Withdrawal at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Certificate and a corresponding increase in the principal amount of the corresponding Rule 144A Global Certificate. The policies and practices of DTC may prohibit transfers of unrestricted book-entry interests in the Regulation S Global Certificate prior to the expiration of the Resale Restriction Period. Any book-entry interest in one of the Global Certificates that is transferred to a person who takes delivery in the form of a book-entry interest in any other global certificate will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Certificate and become a book-entry interest in such other Global Certificate, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Certificate for as long as it remains such a book-entry interest.

Information Concerning DTC

All book-entry interests will be subject to the operations and procedures of DTC. The following summaries of those operations and procedures are provided solely for the convenience of investors. The operations and procedures of DTC are controlled by DTC and may be changed at any time. Neither the Issuer nor the Managers are responsible for those operations or procedures.

DTC has advised us that it is:

- a limited purpose trust company organised under New York Banking Law;
- a "banking organization" under New York Banking Law;
- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of transactions among its participants. It does this through electronic book-entry changes in the accounts of securities participants, eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC's owners are the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. and a number of its direct participants. Others, such as banks, brokers and dealers and trust companies that clear through or maintain a custodial relationship with a direct participant also have access to the DTC system and are known as indirect participants.

Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the DTC system will receive distributions attributable to the Global Certificates only through DTC.

Initial Settlement

Initial settlement for the Notes will be made in U.S. dollars. Book-entry interests owned through DTC accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-entry interests will be credited to the securities custody accounts of DTC holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading, Global Clearance and Settlement under the Book-Entry System

The Issuer will make an application to have the Notes admitted to listing on the Hong Kong Stock Exchange, and interests in the Global Certificates will trade in DTC's Same Day Funds Settlement System, and the Issuer expects any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to the Global Certificates, cross market transfers of interests in the Global Certificates between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures. Cross-market transfers with respect to interests in Global Certificates between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by the common depositary; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Certificates from DTC, and making and receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depositary.

Because of time-zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Certificate from a DTC participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear or Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream as a result of a sale of an interest in a Global Certificate by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Certificates among participants in DTC, Euroclear and Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Fiscal Agent or the paying agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

The book-entry interests will trade through participants of DTC and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It is based on law and relevant interpretations thereof in effect as at the date of this Offering Memorandum, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Hong Kong

Withholding Tax

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

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).

Interests on the Notes 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 Notes 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 Notes 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 Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) 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 Notes 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 Notes 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 Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes 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 Notes are acquired and disposed of.

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

Stamp duty

No Hong Kong stamp duty is chargeable upon the issue or transfer of a Note.

United States Federal Income Taxation

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes at the "issue price" (the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering that are U.S. Holders that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly, or indirectly or by attribution) 5% or more of the shares of the Issuer by vote or value, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, U.S. Holders that are required to take certain amounts into income no later than the time such amounts are reflected on an applicable financial statement, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, or any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

The Issuer expects, and this discussion assumes, that the Notes will not be considered as issued with original issue discount ("**OID**") for U.S. federal income tax purposes. The Notes will be treated as issued without OID if the difference between their principal amount and their issue price is less than the product of one-fourth of one percent (0.25%) of their principal amount multiplied by the number of full years to their maturity. In general, however, if the Notes are issued with OID for U.S. federal income tax purposes, a U.S. Holder will be required to include OID in gross income, as ordinary income, under a "constant-yield method" before the receipt of cash attributable to such income, regardless of the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

Interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes constitutes income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit rules to income attributable to the Notes in their particular circumstances.

Sale and Retirement of the Notes

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. dollar cost reduced by the amount of any principal paid on the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income.

Gain or loss recognised by a U.S. Holder on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Long-term capital gains of non-corporate U.S. Holders (including individuals) generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Notes in their particular circumstances.

Backup Withholding and Information Reporting

Payments of principal and interest, and the proceeds of sale or other disposition of Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the U.S. Internal Revenue Service and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain foreign financial assets.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with J.P. Morgan Securities (Asia Pacific) Limited, Merrill Lynch (Asia Pacific) Limited, Standard Chartered Bank, The Hongkong and Shanghai Banking Corporation Limited, UBS AG Hong Kong Branch, Australia and New Zealand Banking Group Limited, Bank of China (Hong Kong) Limited, Barclays Bank PLC, BOCI Asia Limited, Citigroup Global Markets Inc., DBS Bank Ltd., Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. International plc, Bank of Communications Co., Ltd. Hong Kong Branch, China Everbright Bank Co., Ltd., Hong Kong Branch, CIBC World Markets Corp., CMB International Capital Limited, CMB Wing Lung Bank Limited, Credit Suisse (Hong Kong) Limited, Deutsche Bank AG, Hong Kong Branch, ICBC International Securities Limited, Industrial and Commercial Bank of China (Asia) Limited, Mizuho Securities Asia Limited, Nomura International (Hong Kong) Limited, Oversea-Chinese Banking Corporation Limited, Scotia Capital (USA) Inc. and SMBC Nikko Securities (Hong Kong) Limited as the Managers dated 5 January 2023 (the "**Subscription Agreement**") pursuant to which, and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Managers, and the Managers have agreed to severally, but not jointly, purchase and pay for, or procure purchasers to purchase and pay for, the aggregate principal amount of each series of Notes set forth opposite its name below.

Manager	Principal amount of the Series A Notes to be subscribed	Principal amount of the Series B Notes to be subscribed	Principal amount of the Series C Notes to be subscribed	Principal amount of the Green Notes to be subscribed
J.P. Morgan Securities (Asia Pacific) Limited	U.S.$79,000,000	U.S.$110,600,000	U.S.$126,400,000	U.S.$158,000,000
Merrill Lynch (Asia Pacific) Limited	U.S.$79,000,000	U.S.$110,600,000	U.S.$126,400,000	U.S.$158,000,000
Standard Chartered Bank	U.S.$79,000,000	U.S.$110,600,000	U.S.$126,400,000	U.S.$158,000,000
The Hongkong and Shanghai Banking Corporation Limited	U.S.$79,000,000	U.S.$110,600,000	U.S.$126,400,000	U.S.$158,000,000
UBS AG Hong Kong Branch	U.S.$79,000,000	U.S.$110,600,000	U.S.$126,400,000	U.S.$158,000,000
Australia and New Zealand Banking Group Limited	U.S.$15,000,000	U.S.$21,000,000	U.S.$24,000,000	U.S.$30,000,000
Bank of China (Hong Kong) Limited	U.S.$7,500,000	U.S.$10,500,000	U.S.$12,000,000	U.S.$15,000,000
Barclays Bank PLC	U.S.$15,000,000	U.S.$21,000,000	U.S.$24,000,000	U.S.$30,000,000
BOCI Asia Limited	U.S.$7,500,000	U.S.$10,500,000	U.S.$12,000,000	U.S.$15,000,000
Citigroup Global Markets Inc.	U.S.$15,000,000	U.S.$21,000,000	U.S.$24,000,000	U.S.$30,000,000
DBS Bank Ltd.	U.S.$15,000,000	U.S.$21,000,000	U.S.$24,000,000	U.S.$30,000,000
Goldman Sachs (Asia) L.L.C.	U.S.$15,000,000	U.S.$21,000,000	U.S.$24,000,000	U.S.$30,000,000
Morgan Stanley & Co. International plc	U.S.$15,000,000	U.S.$21,000,000	U.S.$24,000,000	U.S.$30,000,000
Bank of Communications Co., Ltd. Hong Kong Branch	–	–	–	–
China Everbright Bank Co., Ltd., Hong Kong Branch	–	–	–	–
CIBC World Markets Corp.	–	–	–	–
CMB International Capital Limited	–	–	–	–
CMB Wing Lung Bank Limited	–	–	–	–
Credit Suisse (Hong Kong) Limited	–	–	–	–
Deutsche Bank AG, Hong Kong Branch	–	–	–	–
ICBC International Securities Limited	–	–	–	–
Industrial and Commercial Bank of China (Asia) Limited	–	–	–	–
Mizuho Securities Asia Limited	–	–	–	–
Nomura International (Hong Kong) Limited	–	–	–	–
Oversea-Chinese Banking Corporation Limited	–	–	–	–
Scotia Capital (USA) Inc.	–	–	–	–
SMBC Nikko Securities (Hong Kong) Limited	–	–	–	–
Total	U.S.$500,000,000	U.S.$700,000,000	U.S.$800,000,000	U.S.$1,000,000,000

The Subscription Agreement provides that the Issuer will indemnify the Managers and any of their respective affiliates, or any of their respective officers, directors, employees or agents, or any such affiliates or any person by whom any of them is controlled (where the words "affiliate" and "controlled" have the meaning given to them by the Securities Act and the regulations thereunder) against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment of the gross subscription moneys for the Notes being made to the Issuer.

In connection with the issue of the Notes, the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) may, to the extent permitted by applicable laws and directives, over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Notes is made in accordance with all applicable laws and regulations and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes. Any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Stabilisation Managers in the manner agreed by them.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses.

In connection with the offering of the Notes, the Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Notes for their own account and such orders, allocations or trading of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the offering of the Notes should be read as including any offering of the Notes to the Managers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. The Issuer and the Managers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Notes and could adversely affect the trading price and liquidity of the Notes. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the offerings and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for the offerings includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Memorandum.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dg.project_bamboo_grove@bofa.com, hk_syndicate_omnibus@hsbc.com.hk, investor.info.hk.oc.bond.deals@jpmorgan.com, SYNHK@SC.COM and SH-Asia-CCS+DCM-Filing@UBS.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the offerings. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the offerings. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Managers that it is not a Sanctions Restricted Person. A "**Sanctions Restricted Person**" means an individual or entity (a "**Person**"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://eeas.europa.eu/headquarters/headquartershomepage_en/8442/Consolidated%20list%20of%20sanctions); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "**SSI List**"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "**EU Annexes**"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organised or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic, Luhansk People's Republic, Zaporizhzhia or Kherson. "**Sanctions Authority**" means: (a) the United States government; (b) the United Nations; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (f) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

General

The distribution of this Offering Memorandum or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Memorandum or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been or will be taken in any jurisdiction by the Issuer or the Managers that would permit a public offering of the Notes, or possession or distribution of this Offering Memorandum or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that such offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Manager has agreed that, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. The Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of the Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Prohibition of Sales to EEA Retail Investors

Each Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision. the expression retail investor means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Manager has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document or otherwise, any Notes other than:

(i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong (the "**SFO**") and any rules made under the SFO; or

(ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the laws of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong, any elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Manager has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: *In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**"). Accordingly, each Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws, regulations and ministerial guidelines of Japan.

Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors *(investitori qualificati)*, as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and/or Italian Commissione Nazionale per le Società e la Borsa ("**CONSOB**") regulations; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Switzerland

This Offering Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitute a prospectus compliant with the requirements of the FinSA for a public offering of the Notes in Switzerland and no such prospectus has been or will be prepared for or in connection with the offering of the Notes in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the offering of the Notes have been or will be filed with or approved by a Swiss review body *(Prüfstelle)* and none of these shall be publicly distributed or otherwise made publicly available in Switzerland.

Taiwan

The Notes have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority or agency of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be issued, offered or sold within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority or agency of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Notes in Taiwan. The Notes may be made available outside Taiwan for purchase outside Taiwan by Taiwan resident investors, but may not be offered or sold in Taiwan.

Canada

Each Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to purchasers in Canada except purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offerings.

The Netherlands

Each Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell the Notes in the Netherlands other than to qualified investors as defined in the Regulation (EU) 2017/1129.

The People's Republic of China

Each Manager has represented, warranted and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

TRANSFER RESTRICTIONS

As the following restrictions will apply to the Notes, investors should consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only:

- within the United States to "qualified institutional buyers" in compliance with Rule 144A; and

- outside the United States in offshore transactions to non-U.S. persons in reliance upon Regulation S.

Rule 144A Notes

Each purchaser of the Notes of the relevant series pursuant to Rule 144A, by accepting delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a qualified institutional buyer within the meaning of Rule 144A (a "**QIB**"), (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

2. It understands and acknowledges that the Notes of the relevant series are being offered only in a transaction not involving any public offering in the United States, within the meaning of the Securities Act, and that such Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and (a) may not be offered, sold, pledged or otherwise transferred except (i) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (ii) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States; (b) the purchaser will, and each subsequent purchaser is required to, notify any subsequent purchaser of such Notes from it of the resale restrictions referred to in (a) above; and (c) no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resale of the Notes of the relevant series.

3. It understands that such Notes, unless otherwise agreed between the Issuer and the Fiscal Agent in accordance with applicable law, will bear a legend to the following effect:

   "THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE

SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALE OF THIS NOTE."

4. It understands that the Notes of the relevant series offered in reliance on Rule 144A will be represented by the relevant Rule 144A Global Certificate. Before any interest in any Rule 144A Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the corresponding Regulation S Global Certificate, it will be required to provide the relevant Registrar with a written certification (in the form provided in the Terms and Conditions of the Notes) as to compliance with applicable securities laws.

5. The Issuer, the Registrars, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes of any series are no longer accurate, it agrees to promptly notify us. If it is acquiring any Notes of any series for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of the Notes of the relevant series outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Memorandum and the Notes of the relevant series, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time such Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

2. It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is

a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

3. It understands that such Notes, unless otherwise agreed between the Issuer and the Fiscal Agent in accordance with applicable law, will bear a legend to the following effect.

   "THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING AND THE CLOSING DATE (THE "**DISTRIBUTION COMPLIANCE PERIOD**"), EXCEPT (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT."

4. It understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Regulation S Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

5. The Issuer, the Registrars, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and, if any such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes of the relevant series are no longer accurate, it agrees to promptly notify us.

LEGAL MATTERS

Linklaters will pass upon certain legal matters in connection with the offerings for the Issuer with respect to U.S. federal, English and Hong Kong law. Allen & Overy will pass upon certain legal matters in connection with the offerings for the Managers with respect to U.S. federal and English law.

INDEPENDENT AUDITOR

The 2020/2021 Audited Financial Statements, which are contained on page 94 to page 158 of the 2020/2021 annual report of the Issuer included in this Offering Memorandum, have been audited by KPMG, as stated in their independent auditor's report dated 31 May 2021.

The 2021/2022 Audited Financial Statements, which are contained on page 94 to page 162 of the 2021/2022 annual report of the Issuer included in this Offering Memorandum, have been audited by KPMG, as stated in their independent auditor's report dated 30 May 2022.

The 2022 Interim Financial Statements, which are contained on page 3 to page 24 of the 2022 interim financial report of the Issuer included in this Offering Memorandum, have been reviewed by KPMG, as stated in their independent review report dated 28 November 2022.

GENERAL INFORMATION

1. **Clearing Systems:** The CUSIP Numbers and the Common Codes for each series Notes represented by Rule 144A global certificates and each series of Notes represented by Regulation S global certificates and the International Security Identification Numbers ("**ISIN**") for each series of Notes represented by Rule 144A global certificates and each series of Notes represented by Regulation S global certificates are as follows:

	Series A Notes	Series B Notes	Series C Notes	Green Notes
Common code for Rule 144A G lobal Certificate.	257250008	257249956	257250385	257250423
Common Code for Regulation S Global Certificate.	257250024	257250334	257250393	257250202
CUSIP Number for Rule 144A Global Certificate.	00946A AK0	00946A AH7	00946A AJ3	00946A AG9
CUSIP Number for Regulation S Global Certificate.	Y000AK AJ6	Y000AK AG2	Y000AK AH0	Y000AK AF4
ISIN for Rule 144A Global Certificate.	US00946AAK07	US00946AAH77	US00946AAJ34	US00946AAG94
ISIN for Regulation S Global Certificate.	USY000AKAJ65	USY000AKAG27	USY000AKAH00	USY000AKAF44

2. **Listing of Notes:** Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, each series of Notes by way of debt issues to Professional Investors only. It is expected that dealing in, and listing of, each series of Notes on the Hong Kong Stock Exchange will commence on or around 13 January 2023.

3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under each series of Notes. The issue of each series of Notes was authorised by resolutions of the Board dated 26 September 2022.

4. **No Material Adverse Change:** There has been no material adverse change in the financial or trading position or prospects of the Issuer and the Group since 30 September 2022.

5. **Litigation:** Neither the Issuer nor any of the subsidiaries of the Issuer is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Notes nor is the Issuer aware that any such proceedings are pending or threatened.

6. **Available Documents:** Copies of the Issuer's 2020/2021 annual report, 2021/2022 annual report and 2021/2022 interim financial report, and copies of the Agency Agreement and the Deed of Covenant will be available for inspection by the Holders of the relevant series of Notes from the Issue Date, at the specified office of the Paying Agent during normal business hours (being between 9:00 am to 3:00 pm), so long as any of the Notes of the relevant series is outstanding upon prior written request and satisfactory proof of holding.

7. **Auditor:** The consolidated financial statements of the Issuer for the years ended 31 March 2021 and 2022 have been audited by KPMG. The consolidated interim financial statements of the Issuer for the six months ended 30 September 2022 have been reviewed but have not been audited by KPMG.

8. **Legal Entity Identifier:** The Legal Entity Identifier of the Issuer is 254900748HGC4RBR4O84.

INDEX TO FINANCIAL STATEMENTS

Note: The audited financial statements as at and for the years ended 31 March 2021 and 2022 and the unaudited consolidated financial statements for the six months ended 30 September 2022 set out herein have been reproduced from the Airport Authority's published annual reports for the years ended 31 March 2021 and 2022 and published interim financial report for the six months ended 30 September 2022 respectively and page references are to pages set forth in such report.

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 158, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021 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 ("HKSAs") 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 and security charges, airside support services franchises, retail licences and advertising	
Refer to note 30(t) to the consolidated financial statements for the relevant accounting policies	
The Key Audit Matter	**How the matter was addressed in our audit**
Revenue from airport and security charges, airside support services franchises, retail licences and advertising accounted for approximately 63% of the Authority's total revenue for the year ended 31 March 2021. Airport and security 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. Revenue from airside support services franchises, retail licences and advertising (collectively "franchise and licence operations") is generally charged at the higher of (1) a minimum fee based on throughput, passenger numbers, 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. Revenue from franchise and licence operations 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, passenger numbers, rental indices or areas occupied and adjustments for any royalties payable by the franchisees and licensees during the billing period. We identified the recognition of revenue from airport and security charges and franchise and licence operations as a key audit matter because of its significance to the consolidated financial statements and because the determination of airport and security charges involves complex information technology systems.	Our audit procedures to assess the recognition of revenue from airport and security charges and franchise and licence operations included the following: • 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 and security charges recognised during the current year by developing expectations with reference to figures for aircraft movements and passenger traffic extracted from government statistics, agreements on security charges with airlines and the Scheme of Airport Charges published in the Government Gazette and comparing our expectations with the revenue recorded by the Authority; • for franchise and licence operations, 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	
Refer to note 28(b)(ii) to the consolidated financial statements and notes 30(g)(vi) and 30(s) for the relevant accounting policies	
The Key Audit Matter	**How the matter was addressed in our audit**
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. 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. 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.	Our audit procedures to assess project provisions for capital works projects included the following: • 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 2020 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 HKSAs 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 HKSAs, 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.

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

31 May 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021 (Expressed in Hong Kong dollars)

$ million	Note	2021	2020
Airport charges		**1,731**	4,718
Security charges		**23**	1,514
Aviation security services		**486**	366
Airside support services franchises		**1,755**	2,510
Retail licences and advertising revenue		**203**	5,893
Other terminal commercial revenue		**915**	1,441
Real estate revenue		**188**	301
Other income		**635**	363
Revenue	8	**5,936**	17,106
Staff costs and related expenses	4	**(2,850)**	(2,918)
Repairs and maintenance		**(734)**	(937)
Operational contracted services		**(854)**	(1,323)
Government services		**(712)**	(851)
Government rent and rates		**(521)**	(173)
Occupancy expenses		**(217)**	(317)
Other operating expenses	3(b)	**(2,166)**	(1,367)
Operating expenses before depreciation and amortisation		**(8,054)**	(7,886)
Operating (loss)/profit before depreciation and amortisation		**(2,118)**	9,220
Depreciation and amortisation		**(3,169)**	(2,924)
Operating (loss)/profit before interest and finance costs	3(a)	**(5,287)**	6,296
Interest and finance costs:			
Finance costs	5	**(63)**	(25)
Interest income		**134**	486
		71	461
Share of results of an associate	12	**53**	(16)
Share of results of joint ventures	13	**(34)**	269
(Loss)/profit before taxation		**(5,197)**	7,010
Income tax credit/(expense)	6(a)	**829**	(1,112)
(Loss)/profit for the year		**(4,368)**	5,898
Attributable to:			
Equity shareholder of the Authority		**(4,400)**	5,866
Non-controlling interests		**32**	32
(Loss)/profit for the year		**(4,368)**	5,898

The notes on pages 105 to 158 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021 (Expressed in Hong Kong dollars)

$ million	**2021**	2020
(Loss)/profit for the year	**(4,368)**	5,898
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	**238**	(49)
(Less)/add: deferred tax	**(39)**	8
	199	(41)
– a subsidiary in the People's Republic of China ("the PRC")	**2**	(2)
– a joint venture in the PRC	**11**	48
	212	5
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of a subsidiary and joint ventures in the PRC	**433**	(341)
Cash flow hedge: net movement in the hedging reserve, net of tax	**177**	(22)
Cash flow hedge: net movement in the cost of hedging reserve, net of tax	**(42)**	171
	568	(192)
Other comprehensive income for the year	**780**	(187)
Total comprehensive income for the year	**(3,588)**	5,711
Attributable to:		
Equity shareholder of the Authority	**(3,651)**	5,703
Non-controlling interests	**63**	8
Total comprehensive income for the year	**(3,588)**	5,711

The notes on pages 105 to 158 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021 (Expressed in Hong Kong dollars)

$ million	Note	2021	2020
Non-current assets			
Investment property	9	59	69
Interest in leasehold land	9	6,070	6,299
Other property, plant and equipment	9	105,591	86,856
		111,720	93,224
Intangible assets	10	281	308
Interest in an associate	12	627	589
Interests in joint ventures	13	4,710	4,369
Trade and other receivables	14	100	–
Derivative financial assets	23(e)	331	76
		117,769	98,566
Current assets			
Stores and spares		122	104
Trade and other receivables	14	2,505	3,158
Tax recoverable	6(c)	308	201
Derivative financial assets	23(e)	6	1
Cash and bank balances	15	35,109	12,872
		38,050	16,336
Current liabilities			
Trade and other payables	16	(11,219)	(12,834)
Interest-bearing borrowings	17	–	(600)
Current taxation	6(c)	(17)	(5)
Unused airport construction fee	18	(458)	(974)
Deferred income	19	(215)	(564)
Derivative financial liabilities	23(e)	(54)	–
		(11,963)	(14,977)
Net current assets		26,087	1,359
Total assets less current liabilities		143,856	99,925
Non-current liabilities			
Trade and other payables	16	(1,445)	(1,406)
Interest-bearing borrowings	17	(41,769)	(4,615)
Deferred income	19	(2,077)	(2,312)
Derivative financial liabilities	23(e)	(10)	(23)
Net defined benefit retirement obligations	20	(82)	(336)
Deferred tax liabilities	6(d)	(4,291)	(5,048)
		(49,674)	(13,740)
Net assets		94,182	86,185
Capital and reserves	21		
Share capital		30,648	30,648
Reserves		51,469	55,120
Total equity attributable to the equity shareholder of the Authority		82,117	85,768
Perpetual capital securities	22	11,585	–
Non-controlling interests		480	417
Total equity		94,182	86,185

Approved and authorised for issue on behalf of the Members of the Board on 31 May 2021.

The Hon Jack So Chak-kwong
Chairman

Mr Fred Lam
Chief Executive Officer

Mr Julian Lee Pui-hang
Executive Director, Finance

The notes on pages 105 to 158 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021 (Expressed in Hong Kong dollars)

		Attributable to the equity shareholder of the Authority									
$ million	Note	Share capital	Exchange reserve	Capital reserve	Hedging reserve	Cost of hedging reserve	Retained profits	Total	Perpetual capital securities	Non-controlling interests	Total equity
At 1 April 2019		30,648	393	1,040	–	(56)	48,040	80,065	–	409	80,474
Changes in equity for the year:											
Profit for the year		–	–	–	–	–	5,866	5,866	–	32	5,898
Other comprehensive income		–	(318)	–	(22)	171	6	(163)	–	(24)	(187)
Total comprehensive income		–	(318)	–	(22)	171	5,872	5,703	–	8	5,711
Transfer from retained profits to capital reserve	21(c)(ii)	–	–	22	–	–	(22)	–	–	–	–
At 31 March 2020 and 1 April 2020		**30,648**	**75**	**1,062**	**(22)**	**115**	**53,890**	**85,768**	**–**	**417**	**86,185**
Changes in equity for the year:											
(Loss)/profit 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
Direct costs for issue of perpetual capital securities		–	–	–	–	–	–	–	(43)	–	(43)
At 31 March 2021		**30,648**	**478**	**1,099**	**155**	**73**	**49,664**	**82,117**	**11,585**	**480**	**94,182**

The notes on pages 105 to 158 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2021 (Expressed in Hong Kong dollars)

$ million	Note	**2021**	2020
Operating activities			
(Loss)/profit before taxation		**(5,197)**	7,010
Adjustments for:			
Depreciation		**2,905**	2,660
Amortisation of interest in leasehold land		**229**	229
Amortisation of intangible assets		**35**	35
Interest on notes and bank loans		**455**	187
Interest on lease liabilities		**1**	1
Other borrowing costs and interest expense		**116**	50
Borrowing costs capitalised into assets under construction		**(536)**	(205)
Interest income		**(134)**	(486)
Fair value gain on derivative financial instruments in fair value hedges		**(7)**	(10)
Net loss/(gain) on derivative financial instruments in cash flow hedges		**7**	(17)
Net loss on underlying hedged interest-bearing borrowings in fair value hedges		**8**	19
Share of results of an associate		**(53)**	16
Share of results of joint ventures		**34**	(269)
Impairment losses on trade and other receivables		**195**	413
Net loss on disposal of other property, plant and equipment		**30**	13
Net foreign exchange loss		**19**	–
Amortisation of deferred income		**(547)**	(315)
Expenses recognised in respect of defined benefit retirement plans		**48**	54
Operating (loss)/profit before changes in working capital		**(2,392)**	9,385
Increase in stores and spares		**(18)**	(20)
Increase in trade and other receivables		**(170)**	(104)
(Decrease)/increase in trade and other payables		**(153)**	509
(Decrease)/increase in deferred income		**(37)**	1,470
Decrease in net defined benefit retirement obligations		**(65)**	(22)
Cash (used in)/generated from operations		**(2,835)**	11,218
Hong Kong Profits Tax paid		**(106)**	(1,195)
PRC Corporate Income Tax paid		**(1)**	(40)
Net cash (used in)/generated from operating activities		**(2,942)**	9,983
Investing activities			
Net (placement)/maturity of deposits with banks with over three months of maturity when placed		**(9,904)**	9,494
Interest received		**244**	428
Dividend received from an associate	12	**15**	47
Dividend received from a joint venture		**2**	–
Advance payments to contractors		**(16)**	–
Payments for the purchase of other property, plant and equipment		**(23,185)**	(21,986)
Receipts from disposal of other property, plant and equipment		**4**	–
Payment of annual franchise fee for a PRC subsidiary		**(38)**	(36)
Net cash used in investing activities		**(32,878)**	(12,053)

CONSOLIDATED CASH FLOW STATEMENT

$ million	Note	**2021**	2020
Financing activities			
Interest paid on notes and bank loans	15(b)	**(382)**	(189)
Interest element of lease rentals paid	15(b)	**(1)**	(1)
Other borrowing costs and interest expense paid	15(b)	**(384)**	(31)
Capital element of lease rentals paid	15(b)	**(14)**	(13)
Airport construction fee received	15(b)	**613**	3,661
Drawdown of new bank loans	15(b)	**17,500**	–
Receipts from issue of notes	15(b)	**19,808**	–
Repayment of notes	15(b)	**(600)**	(100)
Net interest (expense paid)/income received on interest rate swaps	15(b)	**(5)**	14
Issue of perpetual capital securities	22	**11,628**	–
Direct costs for issue of perpetual capital securities		**(43)**	–
Net cash generated from financing activities		**48,120**	3,341
Net increase in cash and cash equivalents		**12,300**	1,271
Cash and cash equivalents at beginning of year		**6,188**	4,937
Effect of foreign exchange rate changes		**33**	(20)
Cash and cash equivalents at end of year	15(a)	**18,521**	6,188

The notes on pages 105 to 158 form part of these consolidated financial statements.

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 30.

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 30(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 31).

(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 the accounting policies set out in notes 30(e), (f) and (n).

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 28.

3. Operating (Loss)/Profit Before Interest and Finance Costs

(a) Operating (loss)/profit before interest and finance costs of the group is arrived at after charging/(crediting):

$ million	**2021**	2020
Auditors' remuneration:		
– audit services	**7**	7
– tax services	**1**	1
– other services	**1**	3
Stores and spares expensed	**59**	91
Net loss on disposal of other property, plant and equipment	**30**	13
Impairment losses on trade and other receivables (note 14(b))	**195**	413
Depreciation:		
– owned assets leased out under operating leases (note 9(d))	**141**	130
– right-of-use assets	**24**	14
– other assets	**2,740**	2,516
Amortisation:		
– interest in leasehold land		
– leased out under operating leases (note 9(d))	**18**	18
– others	**211**	211
– intangible assets (note 10)	**35**	35
Expense relating to short-term leases and low-value assets	**2**	4
Rentals from investment property less direct outgoings of $25 million (2020: $19 million)	**(20)**	(38)

(b) Other operating expenses

Other operating expenses include the impairment losses on trade and other receivables (note 14(b)) and the purchases of air tickets from home-based airlines to provide liquidity support to the airlines.

4. Staff Costs and Related Expenses

$ million	**2021**	2020
Contributions to defined contribution retirement plans	**154**	148
Expenses recognised in respect of defined benefit retirement plans (note 20)	**48**	54
Total retirement costs	**202**	202
Salaries, wages and other benefits	**3,558**	3,436
Total staff costs and related expenses	**3,760**	3,638
Less: staff costs and related expenses capitalised into assets under construction	**(910)**	(720)
	2,850	2,918

5. Finance Costs

$ million	**2021**	2020
Interest on bank loans	**128**	–
Interest on notes	**327**	187
Interest on lease liabilities	**1**	1
Other borrowing costs	**64**	31
Other interest expense	**52**	19
Total interest expense	**572**	238
Less: borrowing costs capitalised into assets under construction	**(536)**	(205)
	36	33
Net foreign exchange loss	**19**	–
Fair value gain on derivative financial instruments in fair value hedges [1]	**(7)**	(10)
Net loss/(gain) on derivative financial instruments in cash flow hedges	**7**	(17)
Net loss on underlying hedged interest-bearing borrowings in fair value hedges	**8**	19
	63	25

[1] Includes net interest income of $4 million (2020: net interest expense of $3 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 2.53% (2020: 3.88%) per annum.

6. Taxation

(a) Taxation in the consolidated statement of profit or loss represents:

$ million	**2021**	2020
Current tax – Hong Kong Profits Tax		
– provision for the year	**17**	802
– (over)/under-provision in respect of prior year	**(5)**	135
Current tax – PRC Corporate Income Tax		
– provision for the year	**3**	29
– over-provision in respect of prior year	**(3)**	–
Deferred tax (note 6(d))		
– origination and reversal of temporary differences	**(841)**	146
	(829)	1,112

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% (2020: 25%) of the estimated assessable profits for the year.

(b) Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

$ million	**2021**	2020
(Loss)/profit before taxation	**(5,197)**	7,010
Notional tax (credit)/expense on (loss)/profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**(892)**	1,164
Tax effect of non-deductible expenses	**78**	53
Tax effect of non-taxable income	**(20)**	(105)
(Over)/under-provision in respect of prior year	**(8)**	135
Tax effect of tax loss and other temporary differences not recognised	**15**	–
Tax effect of temporary differences previously not recognised	**(2)**	–
Tax effect of reversal of temporary differences previously recognised	**–**	(135)
Actual tax (credit)/expense	**(829)**	1,112

(c) (Tax recoverable)/current taxation in the consolidated statement of financial position represents:

$ million	**2021**	2020
Provision for the year (note 6(a))		
– Hong Kong Profits Tax	**17**	802
– PRC Corporate Income Tax	**3**	29
Provisional Hong Kong Profits Tax paid	**(3)**	(1,002)
PRC Corporate Income Tax paid/payable	**(1)**	(45)
Balance of tax (recoverable)/provision relating to prior years	**(307)**	20
	(291)	(196)
Classified in the consolidated statement of financial position as:		
Tax recoverable	**(308)**	(201)
Current taxation	**17**	5
	(291)	(196)

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:

$ million **Deferred tax arising from:**	**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**
At 1 April 2019	5,028	–	(156)	38	4,910
Charged/(credited) to profit or loss	199	–	(61)	8	146
Credited to other comprehensive income	–	–	(8)	–	(8)
At 31 March 2020	5,227	–	(225)	46	5,048
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**

(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 $96 million (2020: $66 million) and $2 million (2020: $5 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.

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:

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 (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)

(a) Emoluments of the Members of the Board (continued)

2020 *$'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]	–	–	–	–	–
Stuart Thomson Gulliver (appointed in June 2019)	92	–	–	–	92
Steven Ho Chun-yin	110	–	–	–	110
Franklin Lam Fan-keung	110	–	–	–	110
Lo Wai-kwok (appointed in June 2019)	92	–	–	–	92
Peter To	110	–	–	–	110
Carlson Tong	110	–	–	–	110
Adrian Wong Koon-man	110	–	–	–	110
Billy Wong Wing-hoo	110	–	–	–	110
Thomas Jefferson Wu (appointed in June 2019)	92	–	–	–	92
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
Linda Chan Ching-fan (resigned in Dec 2019)	78	–	–	–	78
Anita Fung Yuen-mei (retired in May 2019)	18	–	–	–	18
Jeffrey Lam Kin-fung (retired in May 2019)	18	–	–	–	18
Lee Shing-see (retired in May 2019)	18	–	–	–	18
Executive Member					
Fred Lam (Chief Executive Officer)	–	6,689	3,290	890	10,869
	1,618	6,689	3,290	890	12,487

[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	**2021**	2020
Basic compensation	**21,863**	26,786
Performance-related compensation	**9,383**	9,945
Retirement benefits	**2,847**	3,065
	34,093	39,796

Shown below is the number of Executive Directors, whose emoluments fall within the bands stated:

	Number of individuals	
$	**2021**	2020
1,000,001 – 1,500,000	**–**	1
1,500,001 – 2,000,000	**–**	1
3,500,001 – 4,000,000	**1**	–
4,000,001 – 4,500,000	**1**	3
4,500,001 – 5,000,000	**2**	–
5,000,001 – 5,500,000	**1**	1
5,500,001 – 6,000,000	**1**	1
6,000,001 – 6,500,000	**1**	1
6,500,001 – 7,000,000	**–**	1
	7	9

During the year, the five individuals with the highest emoluments comprise the Chief Executive Officer and four Executive Directors (2020: 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:

$ million	**2021**	2020
Revenue from contracts with customers within the scope of HKFRS 15		
Airport charges	**1,731**	4,718
Security charges	**23**	1,514
Aviation security services	**486**	366
Others	**401**	670
	2,641	7,268
Revenue from other sources		
Airside support services franchises	**1,486**	2,117
Retail licences and advertising revenue	**203**	5,751
Other terminal commercial revenue	**915**	1,431
Others	**691**	539
	3,295	9,838
	5,936	17,106

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 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 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 (2020: one customer) with whom transactions have exceeded 10% of the group's revenue.

Included in the revenue for the year are aggregate revenues of approximately $1,036 million which arose from this customer (2020: $4,367 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.

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment

(a) Reconciliation of carrying amount

	Other property, plant and equipment										
$ million	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	Total
Cost											
At 1 April 2019	14,108	30,246	16,535	12,442	2,505	37	32,565	108,438	162	11,309	119,909
Exchange adjustments	–	(9)	–	(11)	(7)	–	(4)	(31)	–	–	(31)
Additions	15	42	–	335	367	–	16,442	17,201	–	–	17,201
Reclassifications	545	448	267	3,515	60	–	(4,819)	16	(16)	–	–
Disposals	(92)	(13)	(9)	(516)	(49)	–	–	(679)	–	–	(679)
At 31 March 2020	14,576	30,714	16,793	15,765	2,876	37	44,184	124,945	146	11,309	136,400
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**
Accumulated depreciation, amortisation and impairment											
At 1 April 2019	4,929	14,229	7,905	7,260	1,777	–	–	36,100	80	4,781	40,961
Exchange adjustments	–	(3)	–	(3)	(2)	–	–	(8)	–	–	(8)
Charge for the year	464	892	516	572	197	14	–	2,655	5	229	2,889
Reclassifications	–	–	6	1	1	–	–	8	(8)	–	–
Written back on disposals	(89)	(8)	(8)	(512)	(49)	–	–	(666)	–	–	(666)
At 31 March 2020	5,304	15,110	8,419	7,318	1,924	14	–	38,089	77	5,010	43,176
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**
Net book value											
At 31 March 2021	**9,327**	**16,689**	**7,454**	**8,079**	**1,208**	**22**	**62,812**	**105,591**	**59**	**6,070**	**111,720**
At 31 March 2020	9,272	15,604	8,374	8,447	952	23	44,184	86,856	69	6,299	93,224

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. The net land formation cost of $11,309 million (2020: $11,309 million) and the land premium of $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.

(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 2021 calculated by reference to net rental income allowing for reversionary income potential amounted to $470 million (2020: $541 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 provide the market value of the investment property.

(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 and related assets under operating leases for periods generally ranging from three 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:

$ million	**2021**	2020
Within one year	**2,794**	3,726
After one but within five years	**6,112**	11,092
After five years	**11,158**	12,058
	20,064	26,876

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment (continued)

(d) (continued)

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, $2,723 million (2020: $9,595 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 $642 million (2020: $6,463 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 2021 was $469 million (2020: $488 million) with annual amortisation amounting to $18 million (2020: $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 2021 was $2,229 million (2020: $2,116 million) with annual depreciation amounting to $141 million (2020: $130 million).

(e) A review of the useful life of investment property and other property, plant and equipment is undertaken by the Authority periodically. During the year, the estimated useful lives of certain other property, plant and equipment were revised, resulting in a net increase in the group's annual depreciation charge of $12 million. A similar review undertaken during the previous year resulted in a net increase in the group's annual depreciation charge of $6 million.

10. Intangible Assets

$ million	**2021**	2020
Cost		
At 1 April	**540**	561
Exchange adjustments	**25**	(21)
At 31 March	**565**	540
Accumulated amortisation		
At 1 April	**232**	211
Exchange adjustments	**17**	(14)
Charge for the year	**35**	35
At 31 March	**284**	232
Net book value		
At 31 March	**281**	308

Intangible assets as at 31 March 2021 represent the rights to operate and manage Zhuhai Airport and AsiaWorld-Expo which are being amortised over 20 years and 12.5 years on a straight line basis respectively.

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: Group's effective interest	Held by the Authority	Held by a subsidiary	Principal activity
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

* 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	**2021**	2020
NCI percentage	**45%**	45%
Non-current assets	**609**	465
Current assets	**563**	586
Non-current liabilities	**(249)**	(80)
Current liabilities	**(191)**	(200)
Net assets	**732**	771
Carrying amount of NCI	**329**	347
Revenue	**551**	655
Profit for the year	**29**	64
Total comprehensive income for the year	**31**	61
Profit for the year allocated to NCI	**14**	28
Total comprehensive income for the year allocated to NCI	**15**	27

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 Hong Kong IEC Limited ("HKIEC", majority owned by the Government) (see note 12).

12. Interest in an Associate

$ million	**2021**	2020
Share of net assets	**187**	136
Amount due from an associate	**268**	225
Preference shares premium	**172**	228
	627	589

Details of the group's interest in an associate, which is accounted for using the equity method in the consolidated financial statements, are as follows:

			Proportion of ownership interest		
Name of associate	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by a subsidiary**	**Principal activity**
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 $53 million (2020: share of loss of $16 million). During the year, preferred dividend of $15 million was received in cash (2020: $47 million).

13. Interests in Joint Ventures

$ million	**2021**	2020
Share of net assets	**4,483**	4,159
Goodwill	**227**	210
	4,710	4,369

13. Interests in Joint Ventures (continued)

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: Group's effective interest	Proportion of ownership interest: Held by the Authority	Principal activity
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:

$ million	**2021**	2020
Gross amounts of HXIA		
Non-current assets	**23,653**	16,650
Current assets	**4,240**	4,852
Non-current liabilities	**(7,354)**	(4,937)
Current liabilities	**(7,909)**	(4,846)
Net assets/equity	**12,630**	11,719

$ million	**2021**	2020
Income	**2,880**	4,319
Expenses	**(2,977)**	(3,328)
(Loss)/profit before taxation	**(97)**	991
Income tax	**(4)**	(226)
(Loss)/profit after taxation	**(101)**	765
Other comprehensive income	**33**	137
Total comprehensive income	**(68)**	902

13. Interests in Joint Ventures (continued)

(a) HXIA (continued)

$ million	**2021**	2020
Reconciled to the group's interest in HXIA		
Gross amounts of HXIA's net assets	**12,630**	11,719
Group's effective interest	**35%**	35%
Group's share of HXIA's net assets	**4,421**	4,102
Goodwill	**227**	210
Carrying amount in the consolidated financial statements	**4,648**	4,312

The movements in retained profits during the year are as follows:

$ million	**2021**	2020
Share of (loss)/profit after taxation	**(35)**	268
Share of other comprehensive income	**11**	48
Less: transfer to capital reserve	**(15)**	(19)
Share of (loss)/profit and other comprehensive income to be retained	**(39)**	297
Share of retained profits brought forward from previous years	**1,271**	974
Share of retained profits carried forward to next year	**1,232**	1,271

The movements in capital reserve during the year are as follows:

$ million	**2021**	2020
At 1 April	**998**	979
Transfer from retained profits	**15**	19
At 31 March	**1,013**	998

The outstanding commitments of HXIA in respect of capital expenditure not provided for in the consolidated financial statements are as follows:

$ million	**2021**	2020
Contracted for	**7,111**	11,087
Authorised but not contracted for	**14,693**	15,310
	21,804	26,397

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.

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:

$ million	**2021**	2020
Gross amounts of SHKAM		
Current assets	**135**	126
Current liabilities	**(9)**	(9)
Net assets/equity	**126**	117

$ million	**2021**	2020
Income	**12**	12
Expenses	**(8)**	(9)
Profit before taxation	**4**	3
Income tax	**(1)**	–
Net profit and other comprehensive income	**3**	3

$ million	**2021**	2020
Reconciled to the group's interest in SHKAM		
Gross amounts of SHKAM's net assets	**126**	117
Group's effective interest	**49%**	49%
Group's share of SHKAM's net assets and carrying amount in the consolidated financial statements	**62**	57

14. Trade and Other Receivables

$ million	**2021**	2020
Trade debtors	**3,378**	3,556
Less: loss allowance (note 14(b))	**(1,116)**	(927)
	2,262	2,629
Other debtors	**59**	347
	2,321	2,976
Advance payments to contractors	**16**	–
Prepayments	**236**	160
Deposits and debentures	**32**	22
	2,605	3,158
Classified in the consolidated statement of financial position as:		
Current assets	**2,505**	3,158
Non-current assets	**100**	–
	2,605	3,158

As at 31 March 2021, 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 $18 million (2020: $16 million), which is expected to be recovered after more than one year.

(a) The ageing analysis of trade debtors based on overdue days and net of loss allowance, included above is as follows:

$ million	**2021**	2020
Amounts not yet due	**1,383**	1,443
Less than one month past due	**120**	333
One to three months past due	**87**	279
More than three months past due	**672**	574
	2,262	2,629

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 $3,003 million (2020: $2,370 million) as collateral over the trade debtors.

14. Trade and Other Receivables (continued)

(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 30(l)).

The movements in the loss allowance during the year are as follows:

$ million	**2021**	2020
At 1 April	**927**	515
Impairment losses recognised in other operating expenses	**195**	413
Uncollectible amounts written off	**(6)**	(1)
At 31 March	**1,116**	927

(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 12% to 100% for debtors 1-30 days past due to 91-120 days past due (2020: 3% to 82% for debtors 1-30 days past due to 91-120 days past due). The Authority usually fully provides for trade receivables aged over 180 days (2020: 180 days) based on historical experience save for any exceptional exposures.

15. Cash and Bank Balances and Other Cash Flow Information

(a) Cash and bank balances comprise:

$ million	**2021**	2020
Deposits with banks within three months of maturity when placed	**16,548**	4,351
Cash at bank and in hand	**1,973**	1,837
Cash and cash equivalents in the consolidated cash flow statement	**18,521**	6,188
Deposits with banks with over three months of maturity when placed	**16,588**	6,684
Cash and bank balances in the consolidated statement of financial position	**35,109**	12,872

As at 31 March 2021, cash and bank balances of $425 million (2020: $478 million) held by a subsidiary are subject to currency exchange restrictions in the PRC.

15. Cash and Bank Balances and Other Cash Flow Information

(continued)

(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	Unamortised finance costs	Lease liabilities	Airport construction fee receivable	Net derivative financial assets	Total
	(Note 17)		(Note 17)	(Note 16)		(Note 23(e))	
At 1 April 2020	5,215	(47)	(17)	24	(960)	(54)	4,161
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	–	(67)	(317)	–	–	–	(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	36,708	(454)	(317)	(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	(154)	34	111	23	–	(219)	(205)
Total other changes	(154)	553	111	24	(106)	(219)	209
At 31 March 2021	41,769	52	(223)	33	(453)	(273)	40,905

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15. Cash and Bank Balances and Other Cash Flow Information

(continued)

(b) Reconciliation of (assets)/liabilities arising from financing activities: (continued)

$ million	Interest-bearing borrowings	Interest and other borrowing costs payables and deferred finance charges	Unamortised finance costs	Lease liabilities	Airport construction fee receivable	Net derivative financial liabilities/ (assets)	Total
	(Note 17)		(Note 17)	(Note 16)		(Note 23(e))	
At 1 April 2019	5,344	(2)	(19)	37	(1,251)	62	4,171
Changes from financing cash flows:							
Interest paid on notes	–	(189)	–	–	–	–	(189)
Interest element of lease rentals paid	–	–	–	(1)	–	–	(1)
Other borrowing costs and interest expense paid	–	(31)	–	–	–	–	(31)
Capital element of lease rentals paid	–	–	–	(13)	–	–	(13)
Airport construction fee received	–	–	–	–	3,661	–	3,661
Repayment of note	(100)	–	–	–	–	–	(100)
Net interest income received on interest rate swaps	–	14	–	–	–	–	14
Total changes from financing cash flows	(100)	(206)	–	(14)	3,661	–	3,341
Non-cash changes:							
Interest on notes (note 5)	–	187	–	–	–	–	187
Interest on lease liabilities (note 5)	–	–	–	1	–	–	1
Other borrowing costs (note 5)	–	31	–	–	–	–	31
Airport construction fee	–	–	–	–	(3,370)	–	(3,370)
Other non-cash movements	(29)	(57)	2	–	–	(116)	(200)
Total other changes	(29)	161	2	1	(3,370)	(116)	(3,351)
At 31 March 2020	5,215	(47)	(17)	24	(960)	(54)	4,161

16. Trade and Other Payables

$ million	**2021**	2020
Creditors and accrued charges	**10,090**	11,515
Deposits received	**1,033**	1,342
Contract retentions	**1,508**	1,359
Lease liabilities	**33**	24
	12,664	14,240
Classified in the consolidated statement of financial position as:		
Current liabilities	**11,219**	12,834
Non-current liabilities	**1,445**	1,406
	12,664	14,240

16. Trade and Other Payables (continued)

As at 31 March 2021, all of the trade and other payables are expected to be settled or recognised as income within one year except for $1,445 million (2020: $1,406 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:

$ million	**2021**	2020
Due within 30 days or on demand	**3,701**	4,051
Due after 30 days but within 60 days	**1,405**	3,163
Due after 60 days but within 90 days	**644**	609
Due after 90 days	**4,340**	3,692
	10,090	11,515

17. Interest-bearing Borrowings

$ million	**2021**	2020
Notes payable (a)		
HK dollar fixed rate notes due 2019 to 2043	**7,444**	1,356
HK dollar floating rate notes due 2027	**1,500**	–
US dollar notes due 2029 to 2051	**15,548**	3,876
Bank loans (c)	**17,500**	–
Less: unamortised finance costs	**(223)**	(17)
	41,769	5,215

(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 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 23(d)).

During the 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 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.

During the year, the Authority repaid $600 million fixed rate notes in full with annual coupon rates ranging from 4.80% to 4.85%. In prior period, the Authority repaid $100 million fixed rate note in full with an annual coupon rate of 3.85%.

As at 31 March 2021, the Authority's outstanding fixed rate notes have annual coupon rates ranging from 1.55% to 4.20% (2020: 2.25% to 4.85%). The fixed rate notes are unsecured and repayable in full upon maturity.

17. Interest-bearing Borrowings (continued)

(b) In December 2015, the Authority signed a five-year unsecured Hong Kong dollar revolving credit facility of $5,000 million. Interest is payable on amounts drawn down at a rate related to HIBOR. In July 2020, this facility was voluntarily cancelled.

(c) 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 2021, there was no outstanding amount under the revolving loan tranche.

(d) The Authority has uncommitted money market line facilities of $2,689 million (2020: $2,188 million). Interest is payable on amounts drawn down at a rate related to HIBOR. As at 31 March 2021, there was no outstanding amount under these facilities (2020: $nil).

(e) As at 31 March 2021, the unsecured interest-bearing borrowings were repayable as follows:

$ million	**2021**	2020
Within one year or on demand	**–**	600
After one year but within two years	**565**	–
After two years but within five years	**18,127**	556
After five years	**23,077**	4,059
	41,769	4,615
	41,769	5,215

(f) 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 23(b).

18. Unused Airport Construction Fee ("ACF")

$ million	**2021**	2020
At 1 April	**974**	1,685
Add: ACF received or receivable for the year	**106**	3,370
Less: payment of Three-runway System ("3RS") capital expenditure	**(622)**	(4,081)
At 31 March	**458**	974

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 30(t)(v) and 30(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 10% (2020: 11%) 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 2021 according to HKAS 19, "*Employee benefits*" prepared by qualified staff of Mercer (Hong Kong) Limited (2020: 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% (2020: 70%) 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 28% (2020: 29%) 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 2021 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:

$ million	**2021**	2020
The Hong Kong plan		
Present value of funded obligations	**845**	931
Fair value of plan assets	**(825)**	(652)
	20	279
The HKZAM plan		
Present value of unfunded obligations	**62**	57
Net defined benefit retirement obligations	**82**	336

A portion of the above liabilities is expected to be settled after more than one year. The Authority expects to pay $20 million in contributions to the Hong Kong defined benefit retirement plan for the year ending 31 March 2022.

20. Employee Retirement Benefits (continued)

(a) Defined benefit retirement plans (continued)

(ii) Plan assets consist of the following:

$ million	**2021**	2020
Equity securities	**428**	298
Corporate bonds	**355**	317
Cash	**40**	37
Net other receivables	**2**	–
	825	652

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.

(iii) The movements in the present value of the defined benefit obligations are as follows:

$ million	**2021**	2020
The Hong Kong plan		
At 1 April	**931**	958
Remeasurements:	**(42)**	(9)
– Actuarial gains arising from changes in financial assumptions	**(10)**	(19)
– Experience adjustments	**(32)**	10
Benefits paid by the plans	**(91)**	(75)
Current service cost	**40**	43
Interest cost	**7**	14
At 31 March	**845**	931
The HKZAM plan	**62**	57
At 31 March	**907**	988

The weighted average durations of the defined benefit obligations for the Hong Kong and the HKZAM plans are 5.6 years (2020: 6.0 years) and 8.8 years (2020: 9.5 years) respectively.

(iv) The movements in plan assets are as follows:

$ million	**2021**	2020
At 1 April	**652**	754
Group's contributions paid to the plans	**65**	22
Benefits paid by the plans	**(91)**	(75)
Actual return on plan assets	**199**	(49)
– Interest income	**5**	11
– Return on plan assets, excluding interest income	**196**	(58)
– Administrative expenses paid from plan assets	**(2)**	(2)
At 31 March	**825**	652

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:

$ million	**2021**	2020
Amounts recognised in profit or loss:		
The Hong Kong plan		
Current service cost	**40**	43
Administrative expenses paid from plan assets	**2**	2
Net interest on net defined benefit liability	**2**	3
	44	48
The HKZAM plan	**4**	6
Total amounts recognised in profit or loss	**48**	54
Amounts recognised in other comprehensive income:		
The Hong Kong plan		
Remeasurements:		
– Actuarial gains arising from changes in financial assumptions	**(10)**	(19)
– Experience adjustments	**(32)**	10
Return on plan assets, excluding interest income	**(196)**	58
	(238)	49
The HKZAM plan	**(2)**	2
Total amounts recognised in other comprehensive income	**(240)**	51
Total defined benefit (credits)/debits	**(192)**	105

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.

$ million	**2021**	2020
Staff costs and related expenses	**48**	54

(vi) Significant actuarial assumptions and sensitivity analysis are as follows:

	2021	2020
The Hong Kong plan		
Discount rate	**0.9%**	0.7%
Future long term salary increases	**3.5%**	3.5%
The HKZAM plan		
Discount rate	**3.2%**	2.6%

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 2021 would have increased/(decreased) as a result of a 0.5% change in the significant actuarial assumptions:

$ million	**Increase by 0.5%**	**Decrease by 0.5%**
The Hong Kong plan		
Discount rate	**(23)**	**24**
Future long term salary increases	**27**	**(26)**
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 ten 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

	The Authority	
$ million	**2021**	2020
Authorised, issued, allotted and fully paid: 306,480 ordinary shares of $100,000 each (2020: 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 30(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) 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 30(f).

(iv) 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 30(f).

(v) Distributability of reserves

As at 31 March 2021, the aggregate amount of reserves available for distribution to the equity shareholder of the Authority was $47,958 million (2020: $52,469 million). The Board did not propose any final dividend for the year ended 31 March 2021 (2020: $nil).

(vi) 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.

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:

$ million	Note	**2021**	2020
Total debt[1]	17	**41,769**	5,215
Total equity		**94,182**	86,185
Total capital[2]		**135,951**	91,400
Total debt/capital ratio		**31%**	6%

[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. 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 7% (2020: 13%) and 55% (2020: 55%) of the total trade and other receivables was due from the group's largest customer and the five largest customers respectively.

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(a) Credit risk (continued)

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.

(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 and HKZAM 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:

		Contractual undiscounted cash flow				
$ million	**Carrying amount at 31 March**	**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**
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**
2020						
Interest-bearing borrowings	5,215	6,735	784	155	982	4,814
Trade and other payables	13,240	13,330	11,909	83	1,200	138
Interest rate swaps (net settled)	(6)	7	3	3	1	–
Cross currency swaps (net settled)	(71)	(133)	(15)	(15)	(44)	(59)
Forward exchange contracts	23	160	–	–	29	131
	18,401	20,099	12,681	226	2,168	5,024

As shown above, interest-bearing borrowings (including interest) of the group amounting to $704 million (2020: $784 million) are due to be repaid in the upcoming 12 months after 31 March 2021. The short term liquidity risk inherent in this contractual maturity will be addressed by internal sources of funds and new external borrowings.

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. Prior to May 2019, the group adopted a policy of ensuring that between 40% and 60% of its borrowings are effectively on a fixed rate basis in general, either through the contractual terms of the interest-bearing financial assets and liabilities or through the use of interest rate swaps. In view of increasing future external borrowings in the coming years, the group has revised the ratio of fixed rate basis borrowings to between 70% and 100% in May 2019. 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 30(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:

$ million	**2021**	2020
At 1 April	**–**	–
Effective portion of the cash flow hedge recognised in other comprehensive income	**176**	–
Less: deferred tax	**(29)**	–
At 31 March	**147**	–
Change in fair value of the interest rate swaps during the year	**179**	–
Hedge ineffectiveness recognised in consolidated statement of profit or loss	**(3)**	–
Effective portion of the cash flow hedge recognised in other comprehensive income	**176**	–

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).

$ million	**2021**	2020
Fixed rate borrowings		
Bank loans [1]	**17,428**	–
Fixed rate notes	**22,278**	4,659
Floating rate notes [1]	**1,498**	–
	41,204	4,659
Variable rate borrowings		
Fixed rate notes [2]	**565**	556
Total borrowings	**41,769**	5,215
Fixed rate borrowings as a percentage of total borrowings	**99%**	89%

[1] Swapped to fixed rate
[2] Swapped to floating rate

(iii) Sensitivity analysis

As at 31 March 2021, 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 profit after taxation and retained profits by approximately $2 million (2020: $2 million), while a general decrease 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 $4 million (2020: $2 million). Other components of consolidated equity would have decreased by approximately $327 million (2020: $nil) and increased by approximately $332 million (2020: $nil) 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.

(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.

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(d) Foreign currency risk (continued)

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 2021, the group is exposed to US dollar currency risk in respect of the US dollar notes issued of US$2,000 million (2020: US$500 million) and cash and bank balances of US$2,475 million (2020: US$350 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 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.

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

$ million	**2021**	2020
At 1 April	**(22)**	–
Effective portion of the cash flow hedge recognised in other comprehensive income	**8**	(70)
Amount transferred from equity to consolidated statement of profit or loss	**24**	48
Less: deferred tax	**(2)**	–
At 31 March	**8**	(22)
Change in fair value of the cross currency swaps during the year	**(24)**	(48)
Change in fair value of the forward exchange contracts during the year	**32**	(22)
Hedge ineffectiveness recognised in consolidated statement of profit or loss	**–**	–
Effective portion of the cash flow hedge recognised in other comprehensive income	**8**	(70)

23. Financial Risk Management and Fair Values of Financial Instruments (continued)

(d) Foreign currency risk (continued)

As at 31 March 2021, 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 2021, the group is exposed to Renminbi currency risk arising from cash and bank balances of RMB163 million (2020: RMB142 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 (2020: $7 million) lower/higher. The analysis is performed on the same basis for 2019/20.

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 2020 and 2021, 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 (2020: $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.

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:

	Recurring fair value measurement using significant other observable inputs (Level 2)					
	2021			2020		
$ million	**Notional amount**	**Financial assets**	**Financial liabilities**	Notional amount	Financial assets	Financial liabilities
Cash flow hedges						
Interest rate swaps	**$19,000**	**230**	**(51)**	Nil	–	–
Cross currency swaps	**US$500**	**83**	**–**	US$500	71	–
	US$600	**–**	**(6)**	Nil	–	–
Forward exchange contracts	**AUD29**	**9**	**–**	AUD29	–	(23)
Fair value hedges						
Interest rate swaps	**$550**	**9**	**–**	$550	6	–
Derivative financial instruments for perpetual capital securities		**6**	**(7)**		–	–
Total		**337**	**(64)**		77	(23)
Less: portion to be recovered/(settled) within one year						
Cash flow hedges						
Interest rate swaps	**$19,000**	**–**	**(51)**	Nil	–	–
Cross currency swaps	**US$500**	**–**	**–**	US$500	–	–
	US$600	**–**	**–**	Nil	–	–
Forward exchange contracts	**AUD29**	**–**	**–**	AUD29	–	–
Fair value hedges						
Interest rate swaps	**$550**	**6**	**–**	$550	1	–
Derivative financial instruments for perpetual capital securities		**–**	**(3)**		–	–
		6	**(54)**		1	–
Portion to be recovered/(settled) after one year		**331**	**(10)**		76	(23)

Derivative financial instruments qualifying as cash flow hedges as at 31 March 2021 have a maturity of 1.3 to 9.9 years (2020: 2.3 to 9.4 years) from the end of the reporting period.

Derivative financial instruments qualifying as fair value hedges as at 31 March 2021 have a maturity of 1.1 to 1.5 years (2020: 2 to 2.5 years) from the end of the reporting period.

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 2021 and 2020 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

				Fair value measurements categorised into		
$ million	**Notional amount**	**Carrying amount at 31 March**	**Fair value at 31 March**	**Level 1**	**Level 2**	**Level 3**
2021						
Fixed rate notes	**US$2,000 and $7,429**	**22,843**	**22,736**	**15,116**	**7,620**	**–**
2020						
Fixed rate notes	US$500 and $1,350	5,215	5,661	4,239	1,422	–

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:

	2021			2020		
$ million	**3RS**	**Others**	**Total**	3RS	Others	Total
Contracted for	**48,636**	**6,560**	**55,196**	27,944	6,864	34,808
Authorised but not contracted for	**28,346**	**26,498**	**54,844**	64,999	25,193	90,192
	76,982	**33,058**	**110,040**	92,943	32,057	125,000

The outstanding commitments of the group's joint venture, HXIA, are separately disclosed in note 13(a).

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 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 $63 million (2020: $76 million). As at 31 March 2021, the amounts due to the Government with respect to the above services amounted to $23 million (2020: $50 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 $708 million (2020: $847 million) and the amounts due to the Government as at 31 March 2021 with respect to the above services amounted to $0.4 million (2020: $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 Midfield Concourse. The amounts incurred by the Authority for these services for the year amounted to $127 million (2020: $129 million). As at 31 March 2021, the amounts due to MTRC with respect to the maintenance services amounted to $127 million (2020: $129 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 amount refunded for the year with respect to retail adjustment amounted to $10 million (aggregate amounts received for the year ended 31 March 2020: $64 million). As at 31 March 2021, the amounts due to HKITP amounted to $10 million (2020: $nil).

(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 aggregate amounts received for the year amounted to $59 million (2020: $52 million). As at 31 March 2021, the aggregate amounts due from these departments, agencies or entities amounted to $9 million (2020: $26 million).

25. Material Related Party Transactions (continued)

(g) AWEM has entered into a management and operating agreement with HKIEC, in which the Government is the majority shareholder, to manage, promote, operate and maintain the AsiaWorld-Expo exhibition centre (note 11).

(h) The Authority and AVSECO have provided quarantine-related services to a Government department and various Government controlled entities. The aggregate amounts received and receivable for the year amounted to $395 million (2020: $nil). As at 31 March 2021, the aggregate amounts due from this department or these entities amounted to $18 million (2020: $nil).

26. 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 mitigation measures. In particular, the Authority has procured liquidity through its internal resources and available financial facilities to satisfy upcoming operations and capital project 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.

27. Immediate and Ultimate Controlling Party

As at 31 March 2021, the immediate parent and ultimate controlling party of the group is the Government.

28. 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 financial statements of the Authority and are not derecognised.

28. 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 20 and 23(e) contain information about the assumptions and their risk factors relating to defined benefit retirement 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.

29. 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.: 2020/040/1) from Social Welfare Department to support the services of certain charitable organisations. During the period from 1 April 2020 to 31 March 2021, the donations received was $0.05 million (2020: $0.52 million). After deducting handling fees of $7,771 (2020: $0.09 million) charged by a service provider not related to the Authority, the net donations distributed of $0.04 million (2020: $0.43 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, Hong Kong Sheng Kung Hui Tung Chung Integrated Services, OIWA Limited and The Neighbourhood Advice-Action Council Tung Chung Integrated Services Centre.

30. 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 30(n) or (o) depending on the nature of the liability.

30. 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 30(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 30(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.

30. 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 30(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.

(f) Accounting for derivative financial instruments and hedging activities (continued)

(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.

(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 30(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 30(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 30(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 30(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 30(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 30(h).

30. 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 30(h) below. Revenue arising from operating leases is recognised in accordance with the group's revenue recognition policies set out in note 30(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.

30. 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 30(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.

30. 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.

30. 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 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.

30. Summary of Significant Accounting Policies (continued)

(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.

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.

30. Summary of Significant Accounting Policies (continued)

(q) Employee benefits (continued)

(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.

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.

30. Summary of Significant Accounting Policies (continued)

(r) Income tax (continued)

(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.

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.

30. Summary of Significant Accounting Policies (continued)

(r) Income tax (continued)

(iii) (continued)

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 for other liabilities of uncertain timing or amount 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.

(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.

30. Summary of Significant Accounting Policies (continued)

(t) Revenue recognition (continued)

(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 aggregate 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.

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.

30. Summary of Significant Accounting Policies (continued)

(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.

(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.

31. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for The Year Ended 31 March 2021

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 2021 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

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 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 ("HKSAs") 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	
Refer to note 31(t) to the consolidated financial statements for the relevant accounting policies	
The Key Audit Matter	**How the matter was addressed in our audit**
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. 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. 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. 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. 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.	Our audit procedures to assess the recognition of revenue from airport charges and airside support services franchises included the following: • 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	
Refer to note 29(b)(ii) to the consolidated financial statements and notes 31(g)(vi) and 31(s) for the relevant accounting policies	
The Key Audit Matter	**How the matter was addressed in our audit**
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. 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. 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.	Our audit procedures to assess project provisions for capital works projects included the following: • 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 HKSAs 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 HKSAs, 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.

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)

$ million	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)

$ million	**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)

$ million	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	21		
Share capital		**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	**Mr Fred Lam Tin-fuk**	**Mr Julian Lee Pui-hang**
Chairman	*Chief Executive Officer*	*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	Share capital	Exchange reserve	Capital reserve	Contribution from the Government	Hedging reserve	Cost of hedging reserve	Retained profits	Perpetual capital securities	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Authority										
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

$ million	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.

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).

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):

$ million	**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

$ million	**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

$ million	**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.

6. Taxation

(a) Taxation in the consolidated statement of profit or loss represents:

$ million	**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:

$ million	**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:

$ million	**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:

$ million **Deferred tax arising from:**	**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**
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.

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:

$ million	**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.

9. Investment Property, Interest in Leasehold Land, Other Property, Plant and Equipment

(a) Reconciliation of carrying amount

$ million	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	Total
	Other property, plant and equipment										
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:

$ million	**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

$ million	**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.

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: Group's effective interest	Held by the Authority	Held by subsidiaries	Principal activity
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.

$ million	**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

$ million	**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:

			Proportion of ownership interest		
Name of associate	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by a subsidiary**	**Principal activity**
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

$ million	**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:

				Proportion of ownership interest		
Name of joint venture	**Form of business structure**	**Place of incorporation and operation**	**Particulars of issued and paid up registered capital**	**Group's effective interest**	**Held by the Authority**	**Principal activity**
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:

$ million	**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)

$ million	**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)

$ million	**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:

$ million	**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:

$ million	**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:

$ million	**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.

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:

$ million	**2022**	2021
Gross amounts of SHKAM		
Current assets	**139**	135
Current liabilities	**(9)**	(9)
Net assets/equity	**130**	126

$ million	**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

$ million	**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

$ million	**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:

$ million	**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:

$ million	**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.

15. Cash and Bank Balances and Other Cash Flow Information

(a) Cash and bank balances comprise:

$ million	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.

$ 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 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)

$ 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 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

$ million	**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

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:

$ million	**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

$ million	**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:

$ million	**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")

$ million	**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:

$ million	**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:

$ million	**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.

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:

$ million	**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:

$ million	**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:

$ million	**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.

$ million	**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%

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:

$ million	**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

	The Authority	
$ million	**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.

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:

$ million	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:

$ million	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:

$ million	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:

$ million	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:

		Contractual undiscounted cash flow				
$ million	**Carrying amount at 31 March**	**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:

$ million	**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).

$ million	**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:

$ million	**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		
$ million	**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:

				Fair value measurements categorised into		
$ million	**Notional amount**	**Carrying amount at 31 March**	**Fair value at 31 March**	**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:

	2022			2021		
$ million	**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.

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 24 which comprises the consolidated statement of financial position of the Airport Authority (the "Authority") as of 30 September 2022 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 2022 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

28 November 2022

AIRPORT AUTHORITY
Consolidated statement of profit or loss
For the six months ended 30 September 2022 - Unaudited
(Expressed in Hong Kong dollars)

$ million	Note	**Six months ended 30 September 2022**	**2021**
Airport charges		**911**	937
Security charges		**57**	23
Aviation security services		**284**	279
Airside support services franchises		**747**	897
Retail licences and advertising revenue		**59**	43
Other terminal commercial revenue		**294**	329
Real estate revenue		**76**	90
Convention and exhibition revenue	3	**842**	-
Other income		**198**	160
Revenue		**3,468**	2,758
Staff costs and related expenses		**(1,396)**	(1,363)
Repairs and maintenance		**(384)**	(307)
Operational contracted services		**(463)**	(329)
Government services		**(412)**	(416)
Government rent and rates		**(143)**	(106)
Utilities		**(213)**	(143)
Other operating expenses		**(287)**	(278)
Operating expenses before depreciation and amortisation		**(3,298)**	(2,942)
Operating profit/(loss) before depreciation and amortisation		**170**	(184)
Depreciation and amortisation		**(1,604)**	(1,638)
Operating loss before interest and finance costs	4	**(1,434)**	(1,822)
Interest and finance costs:			
Finance costs	5	**(38)**	(16)
Interest income		**202**	52
		164	36
Share of results of an associate		**-**	62
Share of results of joint ventures		**(192)**	11
Loss before taxation		**(1,462)**	(1,713)
Income tax credit	6	**288**	277
Loss for the period		**(1,174)**	(1,436)
Attributable to:			
Equity holders of the Authority			
- Holder of ordinary shares		**(1,269)**	(1,593)
- Holders of perpetual capital securities		**132**	131
		(1,137)	(1,462)
Non-controlling interests		**(37)**	26
Loss for the period		**(1,174)**	(1,436)

The notes on pages 11 to 24 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 2022 - Unaudited
(Expressed in Hong Kong dollars)

$ million	**Six months ended 30 September 2022**	2021
Loss for the period	**(1,174)**	(1,436)
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	**(28)**	32
Add: deferred tax	**5**	(5)
	(23)	27
- a subsidiary in the People's Republic of China (the "PRC")	**-**	(2)
- a joint venture in the PRC	**21**	4
	(2)	29
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	**(573)**	98
Cash flow hedge: net movement in the hedging reserve, net of tax	**625**	(56)
Cash flow hedge: net movement in the cost of hedging reserve, net of tax	**(1,379)**	51
	(1,327)	93
Other comprehensive income for the period	**(1,329)**	122
Total comprehensive income for the period	**(2,503)**	(1,314)
Attributable to:		
Equity holders of the Authority		
- Holder of ordinary shares	**(2,567)**	(1,476)
- Holders of perpetual capital securities	**132**	131
	(2,435)	(1,345)
Non-controlling interests	**(68)**	31
Total comprehensive income for the period	**(2,503)**	(1,314)

The notes on pages 11 to 24 form part of this interim financial report.

AIRPORT AUTHORITY
Consolidated statement of financial position
At 30 September 2022
(Expressed in Hong Kong dollars)

$ million	Note	**At 30 September 2022 (Unaudited)**	At 31 March 2022 (Audited)
Non-current assets			
Investment property	8	**48**	44
Interest in leasehold land	8	**5,973**	6,041
Other property, plant and equipment	8	**142,636**	131,799
		148,657	137,884
Intangible asset		**61**	77
Interests in joint ventures	9	**4,176**	4,851
Net defined benefit retirement asset		**-**	12
Trade and other receivables	10	**23**	20
Derivative financial assets	16(a)	**1,212**	1,035
		154,129	143,879
Current assets			
Stores and spares		**132**	132
Trade and other receivables	10	**2,943**	2,679
Tax recoverable		**308**	313
Derivative financial assets	16(a)	**564**	124
Cash and bank balances	11	**31,417**	38,092
		35,364	41,340
Current liabilities			
Trade and other payables	12	**(10,832)**	(11,570)
Interest-bearing borrowings	13	**-**	(554)
Current taxation		**(15)**	-
Unused airport construction fee	14	**(505)**	(456)
Deferred income	15	**(187)**	(215)
Derivative financial liabilities	16(a)	**(2)**	(2)
		(11,541)	(12,797)
Net current assets		**23,823**	28,543
Total assets less current liabilities		**177,952**	172,422

AIRPORT AUTHORITY
Consolidated statement of financial position (continued)
At 30 September 2022
(Expressed in Hong Kong dollars)

$ million	Note	**At 30 September 2022 (Unaudited)**	At 31 March 2022 (Audited)
Non-current liabilities			
Trade and other payables	12	**(1,709)**	(1,431)
Interest-bearing borrowings	13	**(79,415)**	(72,463)
Deferred income	15	**(1,781)**	(1,862)
Derivative financial liabilities	16(a)	**(1,506)**	(49)
Net defined benefit retirement obligations		**(84)**	(70)
Deferred tax liabilities		**(3,383)**	(3,838)
		(87,878)	(79,713)
Net assets		**90,074**	92,709
Capital and reserves			
Share capital		**30,648**	30,648
Reserves		**47,483**	50,050
Perpetual capital securities		**11,585**	11,585
Total equity attributable to equity holders of the Authority		**89,716**	92,283
Non-controlling interests		**358**	426
Total equity		**90,074**	92,709

Approved and authorised for issue on behalf of the Members of the Board on 28 November 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 11 to 24 form part of this interim financial report.

AIRPORT AUTHORITY
Consolidated statement of changes in equity
For the six months ended 30 September 2022
(Expressed in Hong Kong dollars)

	Attributable to equity holders of the Authority										
$ million	Share capital	Exchange reserve	Capital reserve	Contribution from the Government	Hedging reserve	Cost of hedging reserve	Retained profits	Perpetual capital securities	Total	Non-controlling interests	Total equity
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 six months ended 30 September 2021:											
(Loss)/profit for the period	-	-	-	-	-	-	(1,593)	131	(1,462)	26	(1,436)
Other comprehensive income	-	92	-	-	(56)	51	30	-	117	5	122
Total comprehensive income	-	92	-	-	(56)	51	(1,563)	131	(1,345)	31	(1,314)
Transfer from retained profits to capital reserve	-	-	23	-	-	-	(23)	-	-	-	-
Distribution to perpetual capital securities holders	-	-	-	-	-	-	-	(131)	(131)	-	(131)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(62)	(62)
At 30 September 2021 and 1 October 2021	30,648	570	1,122	-	99	124	48,078	11,585	92,226	449	92,675
Changes in equity for the six months ended 31 March 2022:											
(Loss)/profit for the period	-	-	-	-	-	-	(1,421)	132	(1,289)	(30)	(1,319)
Other comprehensive income	-	116	-	-	738	(168)	5	-	691	7	698
Total comprehensive income	-	116	-	-	738	(168)	(1,416)	132	(598)	(23)	(621)
Transfer from retained profits to capital reserve	-	-	16	-	-	-	(16)	-	-	-	-
Contribution from the Government	-	-	-	787	-	-	-	-	787	-	787
Distribution to perpetual capital securities holders	-	-	-	-	-	-	-	(132)	(132)	-	(132)
At 31 March 2022 (Audited)	30,648	686	1,138	787	837	(44)	46,646	11,585	92,283	426	92,709
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 (Unaudited)	**30,648**	**144**	**1,151**	**787**	**1,462**	**(1,423)**	**45,362**	**11,585**	**89,716**	**358**	**90,074**

The notes on pages 11 to 24 form part of this interim financial report.

AIRPORT AUTHORITY
Consolidated cash flow statement
For the six months ended 30 September 2022 - Unaudited
(Expressed in Hong Kong dollars)

$ million	Note	**Six months ended 30 September 2022**	2021
Operating activities			
Loss before taxation		**(1,462)**	(1,713)
Adjustments for:			
Depreciation		**1,528**	1,524
Amortisation of interest in leasehold land		**68**	96
Amortisation of intangible assets		**8**	18
Interest on notes and bank loans		**920**	354
Interest on lease liabilities		**1**	2
Other borrowing costs and interest expense		**49**	52
Borrowing costs capitalised into assets under construction		**(930)**	(425)
Interest income		**(202)**	(52)
Net (gain)/loss on derivative financial instruments in cash flow hedges		**(18)**	35
Net gain on underlying hedged interest-bearing borrowings in fair value hedges		**(4)**	(5)
Share of results of an associate		**-**	(62)
Share of results of joint ventures		**192**	(11)
(Reversal of impairment losses)/impairment losses on trade and other receivables		**(32)**	10
Net loss on disposal of other property, plant and equipment		**14**	6
Net foreign exchange loss		**20**	3
Amortisation of deferred income		**(109)**	(107)
Expenses recognised in respect of defined benefit retirement plans		**16**	20
Operating profit/(loss) before changes in working capital		**59**	(255)
Increase in stores and spares		**-**	(5)
(Increase)/decrease in trade and other receivables		**(59)**	136
Decrease in trade and other payables		**(491)**	(1,036)
Decrease in net defined benefit retirement obligations		**(9)**	(10)
Cash used in operations		**(500)**	(1,170)
PRC Corporate Income Tax refunded/(paid)		**7**	(6)
Net cash used in operating activities		**(493)**	(1,176)

AIRPORT AUTHORITY
Consolidated cash flow statement (continued)
For the six months ended 30 September 2022 - Unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 September	
$ million	Note	**2022**	2021
Investing activities			
Net placement of deposits with banks with over three months of maturity when placed		**(15,310)**	(1,301)
Interest received		**94**	59
Dividend received from an associate		**-**	268
Dividend paid to non-controlling interests		**-**	(62)
Advance payments to contractors		**(9)**	-
Payments for the purchase of other property, plant and equipment		**(11,468)**	(12,778)
Receipts from disposal of other property, plant and equipment		**-**	5
Payment of annual franchise fee for a PRC subsidiary		**(9)**	(15)
Net cash used in investing activities		**(26,702)**	(13,824)
Financing activities			
Interest paid on notes and bank loans		**(856)**	(356)
Interest element of lease rentals paid		**(1)**	(2)
Other borrowing costs and interest expense paid		**(90)**	(99)
Capital element of lease rentals paid		**(7)**	(8)
Airport construction fee received		**63**	33
Receipts from issue of notes		**6,818**	-
Repayment of notes		**(550)**	-
Net interest expenses paid on interest rate swaps		**(3)**	(33)
Distribution paid on perpetual capital securities		**(132)**	(131)
Net cash generated from/(used in) financing activities		**5,242**	(596)
Net decrease in cash and cash equivalents		**(21,953)**	(15,596)
Cash and cash equivalents at beginning of period		**26,866**	18,521
Effect of foreign exchange rate changes		**(32)**	7
Cash and cash equivalents at end of period	11	**4,881**	2,932

The notes on pages 11 to 24 form part of this interim financial report.

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 28 November 2022.

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 2021/22 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2022/23 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 2021/22 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 2022 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 2022 are available from the Authority's office. The auditors have expressed an unqualified opinion on those consolidated financial statements in their report dated 30 May 2022.

2. 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 this interim financial report.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. Convention and exhibition revenue

On 31 March 2022, the Authority acquired the remaining equity interest of 84.9% in Hong Kong IEC Limited ("HKIEC"), the holding company of AsiaWorld-Expo exhibition centre, through the acquisition of the remaining equity interest of 88.2% in IEC Holdings Limited from the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("the Government"). Upon completion of the acquisition, HKIEC has become an indirect wholly owned subsidiary of the Authority and the group has consolidated the convention and exhibition revenue of AsiaWorld-Expo exhibition centre from 1 April 2022 onwards.

4. Operating loss before interest and finance costs

Operating loss before interest and finance costs of the group is arrived at after charging/(crediting):

	Six months ended 30 September	
$ million	**2022**	2021
Auditors' remuneration:		
- audit services	**1**	1
- other services	**1**	-
Stores and spares expensed	**22**	22
Net loss on disposal of other property, plant and equipment (note 8)	**14**	6
(Reversal of impairment losses)/impairment losses on trade and other receivables (note 10)	**(32)**	10
Depreciation:		
- owned assets leased out under operating leases	**97**	74
- right-of-use assets	**7**	7
- other assets	**1,424**	1,443
Amortisation:		
- interest in leasehold land		
- leased out under operating leases	**5**	7
- others	**63**	89
- intangible asset	**8**	18

5. Finance costs

$ million	Six months ended 30 September 2022	2021
Interest on bank loans	**154**	80
Interest on notes	**766**	274
Interest on lease liabilities	**1**	2
Other borrowing costs	**19**	34
Other interest expense	**30**	18
Total interest expense	**970**	408
Net foreign exchange loss	**20**	3
Net (gain)/loss on derivative financial instruments in cash flow hedges	**(18)**	35
Net gain on underlying hedged interest-bearing borrowings in fair value hedges	**(4)**	(5)
Less: borrowing costs capitalised into assets under construction	**(930)**	(425)
	38	16

6. Taxation

Taxation in the consolidated statement of profit or loss represents:

$ million	Six months ended 30 September 2022	2021
Current tax - Hong Kong Profits Tax		
- provision for the period	**13**	10
Current tax - PRC Corporate Income Tax		
- provision for the period	**-**	4
Deferred tax		
- origination and reversal of temporary differences	**(301)**	(291)
Income tax credit	**(288)**	(277)

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.

No provision for PRC Corporate Income Tax has been made for the six months ended 30 September 2022 since there were no estimated assessable profits in the relevant tax jurisdiction. The provision for PRC Corporate Income Tax for the six months ended 30 September 2021 was calculated at 25%.

7. 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:

$ million	**Six months ended 30 September 2022**	2021
Revenue from contracts with customers within the scope of HKFRS 15		
Airport charges	**911**	937
Security charges	**57**	23
Aviation security services	**284**	279
Convention and exhibition revenue	**640**	-
Others	**52**	246
	1,944	1,485
Revenue from other sources		
Airside support services franchises	**717**	701
Retail licences and advertising revenue	**59**	43
Other terminal commercial revenue	**294**	329
Convention and exhibition revenue	**202**	-
Others	**252**	200
	1,524	1,273
	3,468	2,758

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 its interests in joint ventures are disclosed under note 9 to the interim financial report.

Information about major customers

The group's customer base is diversified and includes only two customers (six months ended 30 September 2021: one customer) with whom transactions have exceeded 10% of the group's revenue.

Included in the revenue for the period are aggregated revenues of approximately $1,020 million which arose from these two customers (six months ended 30 September 2021: $560 million from one customer). This includes only revenue arising from those entities which are known to the group to be under common control of these customers.

8. Investment property, interest in leasehold land, and other property, plant and equipment

During the six months ended 30 September 2022, the group acquired owned assets with a cost of $12,450 million (six months ended 30 September 2021: $13,464 million), and disposed of items of civil works and plant and machinery with net book value of $14 million (six months ended 30 September 2021: $11 million), resulting in a net loss on disposal of $14 million (six months ended 30 September 2021: $6 million). The costs of interest in leasehold land do not include future land premium, if any.

9. Interests in joint ventures

$ million	**At 30 September 2022**	At 31 March 2022
Share of net assets	**3,965**	4,614
Goodwill	**211**	237
	4,176	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 paid up registered capital**	**Group's effective interest**	**Principal activity**
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 – group's effective interest is as follows:

The movements in retained profits during the period are as follows:

	Six months ended 30 September	
$ million	**2022**	2021
Share of (loss)/profit after taxation	**(192)**	11
Share of other comprehensive income	**21**	4
Less: transfer to capital reserve	**(8)**	(8)
Share of (loss)/profit and other comprehensive income to be retained	**(179)**	7
Share of retained profits brought forward from previous periods	**1,163**	1,232
Share of retained profits carried forward to next period	**984**	1,239

The movements in capital reserve during the period are as follows:

$ million	Capital reserve
At 1 April 2021	1,013
Transfer from retained profits	8
At 30 September 2021 and 1 October 2021	1,021
Transfer from retained profits	9
At 31 March 2022 and 1 April 2022	**1,030**
Transfer from retained profits	**8**
At 30 September 2022	**1,038**

The outstanding commitments of HXIA in respect of capital expenditure not provided for in the interim financial report are as follows:

$ million	**At 30 September 2022**	At 31 March 2022
Contracted for	**304**	1,822
Authorised but not contracted for	**10,816**	11,528
	11,120	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.

(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.

10. Trade and other receivables

$ million	**At 30 September 2022**	At 31 March 2022
Trade debtors	**3,559**	3,483
Less: loss allowance	**(1,056)**	(1,088)
	2,503	2,395
Other debtors	**163**	35
	2,666	2,430
Advance payments to contractors	**23**	20
Prepayments	**233**	218
Deposits and debentures	**44**	31
	2,966	2,699
Classified in the consolidated statement of financial position as:		
Current assets	**2,943**	2,679
Non-current assets	**23**	20
	2,966	2,699

As at 30 September 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 $17 million (31 March 2022: $20 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:

$ million	At 30 September 2022	At 31 March 2022
Amounts not yet due	**1,542**	1,432
Less than one month past due	**70**	38
One to three months past due	**78**	106
More than three months past due	**813**	819
	2,503	2,395

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 2022, net reversal of impairment losses on trade and other receivables of $32 million (six months ended 30 September 2021: net impairment losses of $10 million) was recognised as income and included in other operating expenses.

11. Cash and bank balances

$ million	At 30 September 2022	At 31 March 2022
Deposits with banks within three months of maturity when placed	**1,458**	22,044
Cash at bank and in hand	**3,423**	4,822
Cash and cash equivalents in the consolidated cash flow statement	**4,881**	26,866
Deposits with banks with over three months of maturity when placed	**26,536**	11,226
Cash and bank balances in the consolidated statement of financial position	**31,417**	38,092

As at 30 September 2022, cash and bank balances of $270 million (31 March 2022: $389 million) held by subsidiaries are subject to currency exchange restrictions in the PRC.

12. Trade and other payables

$ million	At 30 September 2022	At 31 March 2022
Creditors and accrued charges	**9,296**	10,025
Deposits received	**1,042**	1,050
Contract retentions	**2,159**	1,881
Lease liabilities	**44**	45
	12,541	13,001
Classified in the consolidated statement of financial position as:		
Current liabilities	**10,832**	11,570
Non-current liabilities	**1,709**	1,431
	12,541	13,001

As at 30 September 2022, all of the trade and other payables are expected to be settled or recognised as income within one year except for $1,709 million (31 March 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:

$ million	**At 30 September 2022**	At 31 March 2022
Due within 30 days or on demand	**3,095**	3,442
Due after 30 days but within 60 days	**1,854**	1,604
Due after 60 days but within 90 days	**886**	911
Due after 90 days	**3,461**	4,068
	9,296	10,025

13. Interest-bearing borrowings

$ million	**At 30 September 2022**	At 31 March 2022
Notes payable (a)		
HK dollar fixed rate notes due 2022 to 2043	**13,728**	7,433
HK dollar floating rate notes due 2027	**1,500**	1,500
US dollar notes due 2027 to 2062	**47,099**	46,993
Bank loans (b)	**17,500**	17,500
Less: unamortised finance costs	**(412)**	(409)
	79,415	73,017
Classified in the consolidated statement of financial position as:		
Current liabilities	**-**	554
Non-current liabilities	**79,415**	72,463
	79,415	73,017

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. The carrying amount of those hedged for fair value risks in prior year are adjusted for the change in fair value attributable to the risk being hedged.

(a) The Authority maintained a United States ("US") $8 billion Medium Term Note programme.

During the period, the Authority has 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%.

As at 30 September 2022, the Authority's outstanding fixed rate notes have annual coupon rates ranging from 1.55% to 4.20% (31 March 2022: 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 Hong Kong Interbank Offered Rate ("HIBOR"). As at 30 September 2022, there was $17.5 billion outstanding under the term loan tranche (31 March 2022:

$17.5 billion) and no outstanding amount under the revolving loan tranche (31 March 2022: $nil).

(c) As at 30 September 2022, the Authority has uncommitted money market line facilities of $2,692 million (31 March 2022: $2,692 million). Interest is payable on amounts drawn down at a rate related to HIBOR. As at 30 September 2022, there was no outstanding amount under the facilities (31 March 2022: $nil).

14. Unused airport construction fee ("ACF")

$ million	**At 30 September 2022**	At 31 March 2022
Balance brought forward	**456**	458
Add: ACF received or receivable for the period/year	**116**	121
Less: payment of three-runway system ("3RS") capital expenditure	**(67)**	(123)
Balance carried forward	**505**	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.

15. 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.

16. Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

As at 31 March 2022 and 30 September 2022, 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 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 September 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.

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 2022			31 March 2022		
	Notional amount	**Financial assets**	**Financial liabilities**	Notional amount	Financial assets	Financial liabilities
Cash flow hedges						
Interest rate swaps	**$19,000**	**1,767**	**-**	$19,000	995	-
Cross currency swaps	**US$6,000**	**-**	**(1,469)**	US$3,600	158	(27)
Forward exchange contracts	**AUD27**	**-**	**(16)**	AUD29	2	(1)
Fair value hedges						
Interest rate swaps	**$nil**	**-**	**-**	$550	1	-
Derivative financial instruments for perpetual capital securities		**9**	**(23)**		3	(23)
Total		**1,776**	**(1,508)**		1,159	(51)
Less: portion to be recovered/(settled) within one year						
Cash flow hedges						
Interest rate swaps	**$19,000**	**563**	**-**	$19,000	122	-
Forward exchange contracts	**AUD27**	**-**	**(1)**	AUD29	1	-
Fair value hedges						
Interest rate swaps	**$nil**	**-**	**-**	$550	1	-
Derivative financial instruments for perpetual capital securities		**1**	**(1)**		-	(2)
		564	**(2)**		124	(2)
Portion to be recovered/(settled) after one year		**1,212**	**(1,506)**		1,035	(49)

Derivative financial instruments qualifying as cash flow hedges as at 30 September 2022 have maturities of 0.8 year to 9.3 years (31 March 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 period ended 30 September 2022.

(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 2022 and 30 September 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	Fair value	Fair value measurements categorised into Level 1	Level 2	Level 3
30 September 2022						
Fixed rate notes	**US$6,000 and $13,728**	**60,462**	**50,815**	**37,136**	**13,679**	**-**
31 March 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.

17. Outstanding commitments

The outstanding commitments in respect of capital expenditure not provided for in the interim financial report are as follows:

	30 September 2022			31 March 2022		
$ million	**3RS**	**Others**	**Total**	3RS	Others	Total
Contracted for	**34,589**	**8,399**	**42,988**	39,663	6,747	46,410
Authorised but not contracted for	**11,892**	**22,109**	**34,001**	15,648	25,484	41,132
	46,481	**30,508**	**76,989**	55,311	32,231	87,542

The outstanding commitments of the group's joint venture, HXIA, are separately disclosed in note 9(a).

18. 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 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:

(a) 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 2022 amounted to $37 million (six months ended 30 September 2021: $29 million). As at 30 September 2022, the amounts due to the Government with respect to the above services amounted to $39 million (31 March 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 six months ended 30 September 2022 amounted to $409 million (six months ended 30 September 2021: $414 million) and the amounts due to the Government as at 30 September 2022 with respect to the above services amounted to $0.4 million (31 March 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 18(b)) at nil consideration (six months ended 30 September 2021: $nil).

(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. The amounts incurred by the Authority for these services for the six months ended 30 September 2022 amounted to $88 million (six months ended 30 September 2021: $56 million). As at 30 September 2022, the amounts due to MTRC with respect to the maintenance services amounted to $159 million (31 March 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 net amounts received and receivable for the six months ended 30 September 2022 amounted to $nil million (net amounts received and receivable for the six months ended 30 September 2021: $nil million). As at 30 September 2022, the amounts due to HKITP amounted to $0.2 million (31 March 2022: $0.2 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 2022 amounted to $36 million (six months ended 30 September 2021: $35 million). As at 30 September 2022, the aggregated amounts due from these departments, agencies or entities amounted to $11 million (31 March 2022: $9 million).

(g) AsiaWorld-Expo Management Limited, a subsidiary of the Authority, operates the AsiaWorld-Expo exhibition centre. 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 six months ended 30 September 2022 amounted to $660 million (six months ended 30 September 2021: $nil). As at 30 September 2022, the aggregated amounts due from these departments or entities amounted to $186 million (31 March 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 six months ended 30 September 2022 amounted to $395 million (six months ended 30 September 2021: $202 million). As at 30 September 2022, the aggregated amounts due from these departments or entities amounted to $69 million (31 March 2022: $20 million).

19. Impacts of COVID-19 pandemic

The outbreak of COVID-19, and the introduction of quarantine and travel restrictions 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 six months ended 30 September 2022.

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 and capital expenditures requirements.

While the circumstances of the COVID-19 outbreak are still evolving, the impact of COVID-19 on the Authority's operations and financial position will continue to be reassessed on a regular basis.

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